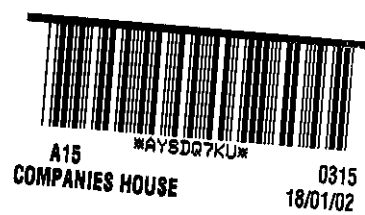


BNFL INSTRUMENTS LIMITED

Registered No. 2888907

ANNUAL REPORT AND ACCOUNTS

31 March 2001



BNFL Instruments Limited

DIRECTORS

P Read (Managing Director)
R Nicholson
A Roberts

SECRETARY

C S Reid

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
Spring Gardens
Manchester
M60 2DB

REGISTERED OFFICE

Risley
Warrington
Cheshire
WA3 6AS

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2001

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £553,000 (2000: loss £254,000).

The Directors do not recommend a final dividend (2000: £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activities during the year continued to be the supply of advanced measurement technologies to the nuclear industry.

The Company significantly increased its investment in its extensive product development programme and launched further new products in the market place.

The Company and its parent, British Nuclear Fuels plc ("BNFL") agreed to the transfer of its business into BNFL on the 1 November 2000.

DIRECTORS

The Directors who served during the year were as follows:

H K H Claxton (resigned 19/05/00)
W Heafield (resigned 28/09/00)
R Nicholson
P Read
A Roberts (appointed 04/05/00)

There are no Directors' interests requiring disclosure under the Companies Act 1985.

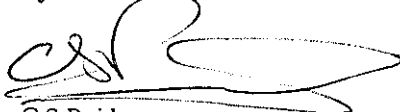
ELECTIVE RESOLUTIONS

The Company has elected to dispense with the holding of Annual General Meetings pursuant to Section 366A of the Companies Act 1985.

The Company has elected to dispense with the appointment of Auditors pursuant to Section 386 of the Companies Act 1985.

The Company has elected to dispense with the laying of accounts and reports in general meeting pursuant to Section 252 of the Companies Act 1985.

By order of the Board



C S Reid
Company Secretary
20 Dec 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BNFL INSTRUMENTS LIMITED**

We have audited the company's financial statements for the year ended 31 March 2001 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester

Date 7-1-02

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2001

	<i>Notes</i>	2001 £000	2000 £000
TURNOVER	2	4,686	6,942
Net operating costs and expenses	3	(5,584)	(7,447)
OPERATING LOSS		(898)	(505)
Interest receivable and similar income	6	9	58
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(889)	(447)
Tax on loss on ordinary activities	7	336	193
LOSS FOR THE FINANCIAL YEAR		(553)	(254)
RETAINED LOSS FOR THE YEAR		(553)	(254)

All turnover and operating loss is due to discontinued activities

There are no recognised gains or losses in either period other than the loss for the year.

BALANCE SHEET

at 31 March 2001

	<i>Notes</i>	2001 £000	2000 £000
FIXED ASSETS			
Intangible assets	8	-	1,345
Tangible assets	9	-	1,447
TOTAL FIXED ASSETS		<u>-</u>	<u>2,792</u>
CURRENT ASSETS			
Stocks	10	-	793
Debtors	11	2,681	3,819
Cash at bank and in hand		-	363
		<u>2,681</u>	<u>4,975</u>
CREDITORS: Amounts falling due within one year	12	-	(3,984)
NET CURRENT ASSETS		<u>2,681</u>	<u>991</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,681	3,783
CREDITORS: Amounts falling due after more than one year	13	-	(285)
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	(264)
NET ASSETS		<u>2,681</u>	<u>3,234</u>
CAPITAL AND RESERVES			
Called up share capital	16	2,000	2,000
Profit and loss account	17	681	1,234
SHAREHOLDERS' FUNDS - EQUITY		<u>2,681</u>	<u>3,234</u>

On behalf of the Board of Directors

R Nicholson
Director

20 Dec 2001

NOTES TO THE ACCOUNTS

at 31 March 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Accumulated depreciation includes additional charges made where necessary to reflect impairments in value. Depreciation is provided on all tangible fixed assets other than assets in the course of construction at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Plant and machinery	-	10% straight line
Computer equipment	-	20% straight line
Fixtures and fittings	-	10% straight line

Assets in the course of construction are stated at cost and not depreciated until brought into commission.

Intangible fixed assets – research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition and, where appropriate, attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Long-term contracts

Profits on long-term contracts are taken as contract activity progresses when a profitable outcome to the contract can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the work carried out by recording turnover and related costs (as defined in Stocks above). Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Revenues derived from variations on contracts are only recognised when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Warranty provisions

The provision made in respect of warranty represents the estimated liability at a given point in time for future warranty claims which may be submitted, relating to products and services sold. The provision is calculated using the best available warranty cost statistics.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

NOTES TO THE ACCOUNTS (continued)

at 31 March 2001

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line, basis over the lease term.

Pensions

The Company operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The contributions to this fund are based on independent actuarial valuations designed to secure the benefits as set out in the rules. Contributions are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company. The regular cost is attributed to individual years using a projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated financial statements.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover is attributable to one discontinued activity, the supply of advanced radiometric and related systems and services. An analysis of turnover by geographical market is given below:

	2001 £000	2000 £000
United Kingdom	4,369	5,532
Europe - EC	70	120
Europe - Other	49	148
North and South America	173	977
Japan and Far East	25	34
South Africa	-	131
	<hr/> 4,686 <hr/>	<hr/> 6,942 <hr/>

NOTES TO THE ACCOUNTS (continued) **at 31 March 2001**

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:	2001	2000
	£000	£000
Raw materials and consumable	972	1,688
Employee costs (see note 4)	2,297	4,146
Depreciation - owned fixed assets	218	285
Amortisation of deferred development costs	1,455	137
Auditors' remuneration - audit services	7	9
Operating lease rentals - other	21	43
Changes in stocks of finished goods and WIP	(57)	(243)
Other external and operating charges	776	2,224
Own work capitalised	(110)	(837)
Other operating income	5	(5)
	<hr/>	<hr/>
	5,584	7,447
	<hr/>	<hr/>

4. EMPLOYEE INFORMATION (including Executive Directors)

The average weekly number of employees during the year was as follows:

	2001	2000
	No.	No.
Manufacturing	76	77
Administration	26	29
	<hr/>	<hr/>
	102	106
	<hr/>	<hr/>

Employee costs during the year were as follows:

	2001	2000
	£000	£000
Wages and salaries	1,986	3,411
Social security costs	175	317
Pension costs	136	418
	<hr/>	<hr/>
	2,297	4,146
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued) at 31 March 2001

5. DIRECTORS' EMOLUMENTS

	2001 £000	2000 £000
Aggregate emoluments	154	278
Retirement benefits are accruing to 4 Directors under a defined benefit scheme.		
Aggregate emoluments and benefits under long-term incentive schemes for the highest paid director	84	86
Defined benefit pension scheme for highest paid Director:		
Accrued pension at end of year	6	21
Accrued lump sum at end of year	17	63

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £000	2000 £000
Bank interest	9	23
Other interest	-	35
	9	58

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
Corporation tax at 30%	(161)	330
Deferred tax	492	(156)
	331	174
Adjustments in respect of prior years		
Corporation tax	310	51
Deferred taxation	(305)	(32)
	336	193

The current year's tax credit is higher than expected due to the non equalisation of timing differences through deferred tax as a result of the transfer of activities to BNFL.

NOTES TO THE ACCOUNTS (continued)

at 31 March 2001

8. INTANGIBLE FIXED ASSETS

	Development Costs £000
Cost	
At 1 April 2000	1,482
Expenditure	110
At 31 March 2001	1,592
Amortisation	
At 1 April 2000	137
Charge for year	1,455
At 31 March 2001	1,592
Net book value At 31 March 2001	-
At 31 March 2000	1,345

Following the decision to transfer the business to BNFL the useful economic life of the assets were reviewed. This review concluded that it was unlikely that these costs would be recoverable in the future and therefore the remaining development costs were fully written off in the year resulting in an increase in amortisation of £1.2M.

9. TANGIBLE FIXED ASSETS

	Plant & machinery £000	Fixtures, fittings, tools & equipment £000	Assets in course of construction £000	Total £000
Cost				
At 1 April 2000	932	1,454	63	2,449
Additions	4	135	-	139
Capitalisations	-	63	(63)	-
Disposals	-	(20)	-	(20)
Transfer to BNF Plc	(936)	(1,632)	-	(2,568)
At 31 March 2001	-	-	-	-
Depreciation				
At 1 April 2000	369	633	-	1,002
Charge for year	54	164	-	218
Disposals	-	(9)	-	(9)
Transfer to BNF Plc	(423)	(788)	-	(1,211)
At 31 March 2001	-	-	-	-
Net book value				
At 31 March 2001	-	-	-	-
At 31 March 2000	563	821	63	1,447

NOTES TO THE ACCOUNTS (continued) at 31 March 2001

10. STOCKS

	2001 £000	2000 £000
Raw materials and consumables	-	138
Work in progress	-	104
Finished goods	-	94
Long term contract balances	-	457
	<hr/>	<hr/>
	-	793
	<hr/>	<hr/>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11. DEBTORS

	2001 £000	2000 £000
Trade debtors	-	1,191
Amounts owed by Group Undertakings	-	1,965
Prepayments and accrued income	-	299
Corporation tax	-	354
Other debtors	-	10
BNF Plc	2,681	-
	<hr/>	<hr/>
	2,681	3,819
	<hr/>	<hr/>

12. CREDITORS: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	-	763
Amounts owed to Group Undertakings	-	1,100
Other taxes and social security costs	-	179
Accruals and deferred income	-	572
Payments received on account	-	1,012
Inter company creditor – group relief	-	358
	<hr/>	<hr/>
	-	3,984
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued) at 31 March 2001

13. CREDITORS: amounts falling due after more than one year

	2001 £000	2000 £000
Amounts owed to Group Undertakings	-	285
	<u>-</u>	<u>285</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £000	Warranty provision £000	Loss provision £000	Total £000
At 1 April 2000	188	55	21	264
Charge in year	(493)	34	-	(459)
Adjustment in respect of prior years	305	-	-	305
Utilised	-	(30)	(16)	(46)
Transfer to BNF Plc	-	(59)	(5)	(64)
At 31 March 2001	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

15. DEFERRED TAX

	Provided		Unprovided	
	2001 £000	2000 £000	2001 £000	2000 £000
Capital allowances in excess of depreciation	0	125	0	0
Other timing differences	0	63	0	0
At 31 March	<u>0</u>	<u>188</u>	<u>0</u>	<u>0</u>

16. SHARE CAPITAL

	2001 £000	2000 £000
Authorised, allotted, called up and fully paid: 2 million ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

NOTES TO THE ACCOUNTS (continued)

at 31 March 2001

17. RESERVES

	Profit and loss account £000
At 1 April 2000	1,234
Retained loss for the year	(553)
	<hr/>
At 31 March 2001	681
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18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £000	2000 £000
(Loss)/profit for the financial year	(553)	(254)
	<hr/>	<hr/>
Net movement in shareholders' funds	(553)	(254)
Opening shareholders' funds	3,234	3,488
	<hr/>	<hr/>
Closing shareholders' funds	2,681	3,234
	<hr/>	<hr/>

19. CONTINGENT LIABILITIES

Annual commitments under non-cancellable operating leases, none of which relate to land and buildings, are as follows:

	2001 £000	2000 £000
Operating leases which expire:		
within one year	0	3
in two to five years	0	32
	<hr/>	<hr/>
	0	35
	<hr/>	<hr/>

20. PENSIONS

The Company participates in the BNFL Group Pension Scheme, which is a defined benefit (final salary) pension scheme and is available to all employees. The scheme is separately administered and is funded by contributions, partly from the employees and partly from the participating companies. The Company contributions are based on the results of independent actuarial triennial valuations using the projected unit credit method, the particulars of which are contained in the Group accounts of British Nuclear Fuels plc.

NOTES TO THE ACCOUNTS (continued)

at 31 March 2001

21. RELATED PARTY TRANSACTIONS

The ultimate holding company is British Nuclear Fuels plc, which is incorporated in Great Britain. Copies of the Group accounts of British Nuclear Fuels plc may be obtained from its registered office at Risley, Warrington, WA3 6AS. The Company is not included in any other Group accounts.

In the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

The Company, being a wholly owned subsidiary of British Nuclear Fuels plc has taken advantage of the exemption from the disclosure requirements as available in para. 3(c) of FRS8.

22. DISPOSALS

On 1 November 2000, the company sold its trade and net assets to the parent company, British Nuclear Fuels PLC, at net book value with consideration to be satisfied via an intercompany debt and in cash at such time as BNF PLC decides. The disposal is analysed as follows:

	£000
Net assets disposed of:	
Fixed assets	1,357
Stocks	916
Debtors	2,812
Cash	65
Creditors	(2,469)
	<hr/>
	2,681
	<hr/>
Profit on disposal	0
Satisfied by intercompany debtor	2,681
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The loss attributable to the company all relates to the business disposed of.