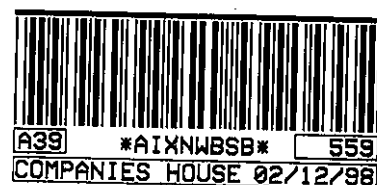


# **BNFL INSTRUMENTS LIMITED**

Registered No. 2888907

## **ANNUAL REPORT AND ACCOUNTS**

31 March 1998



# **BNFL Instruments Limited**

## **DIRECTORS**

H K H Claxton (Chairman)  
T B Kelly (Managing Director)  
N Gardner  
W Heafield  
R Nicholson  
P Read

## **SECRETARY**

C S Reid

## **AUDITORS**

Ernst & Young  
100 Barbirolli Square  
Manchester  
M2 3EY

## **BANKERS**

National Westminster Bank Plc  
55 King Street  
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 1998

### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £381,000 (1997 £583,000).

The Directors do not recommend a final dividend (1997 £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.

During the year the Company made significant progress in its integration of its business processes with its sister Company BNFL Instruments Inc. based in New Mexico USA.

The Company continued with its extensive product development programme and launched new products into the market place, namely, Drum Scan, Dispim Imaging System and IONSENS. Investment continued to be made in the Company's Sales and Marketing infrastructure and activities with new markets being developed.

The Directors expect the general level of activity to continue to increase over the next 4 years with a number of new and innovative products being launched into the market. This will lead to increased turnover particularly in the USA and the rest of the world.

As is well known, computer based systems may not work correctly when the date progresses toward , through and beyond the year 2000. The Company is part of a BNFL Group-wide project which has been running since 1996 to ensure that the safety, commercial, environmental and legal interests of the Group are fully protected from the impact of the Year 2000 problems. Further details of the project are included in the accounts of the ultimate holding company, British Nuclear Fuels plc.

### **DIRECTORS**

The Directors who served during the year were as follows:

H K H Claxton (Chairman - appointed 30 January 1998)

D R Bonser (Chairman - resigned 30 January 1998)

T B Kelly (Managing Director)

N Gardner

W Heafield

R Nicholson

P Read

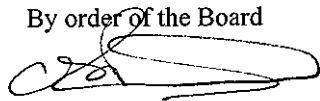
There are no Directors' interests requiring disclosure under the Companies Act 1985

BNFL Instruments Limited

**AUDITORS**

A resolution to reappoint the auditors, Ernst & Young, will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'C S Reid', written over a horizontal line.

C S Reid  
Company Secretary  
16 June 1998

## **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.

## **REPORT OF THE AUDITORS**

### **to the members of BNFL Instruments Limited**

We have audited the accounts on pages 7 to 17 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 to 10.

#### **Respective responsibilities of Directors and Auditors**

As described on page 5 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

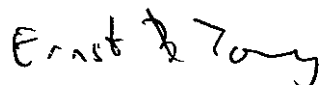
#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Audit Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

#### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 March 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Manchester  
16 June 1998

6

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 1998

	<i>Notes</i>	<b>1998</b> <b>£000</b>	1997 £000
<b>TURNOVER</b>	2	<b>8,362</b>	7,735
Net operating costs and expenses	3	<b>(7,907)</b>	(6,964)
<b>OPERATING PROFIT</b>		<b>455</b>	771
Other interest receivable and similar income	6	<b>122</b>	104
Interest payable and similar charges	7	<b>(4)</b>	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>573</b>	875
Tax on profit on ordinary activities	8	<b>(192)</b>	(292)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>381</b>	583
<b>RETAINED PROFIT FOR THE YEAR</b>		<b>381</b>	583

There are no recognised gains or losses other than the profit for the year.

**BALANCE SHEET**  
at 31 March 1998

	<i>Notes</i>	1998 £000	1997 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	1,335	1,229
<b>CURRENT ASSETS</b>			
Stocks	10	680	461
Debtors	11	2,381	2,506
Cash at bank and in hand		2,108	1,982
		<b>5,169</b>	<b>4,949</b>
<b>CREDITORS: Amounts falling due within one year</b>	12	<b>(3,204)</b>	<b>(3,213)</b>
<b>NET CURRENT ASSETS</b>		<b>1,965</b>	<b>1,736</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,300</b>	<b>2,965</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	-	(46)
<b>NET ASSETS</b>		<b>3,300</b>	<b>2,919</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2,000	2,000
Profit and loss account	15	1,300	919
<b>SHAREHOLDERS' FUNDS - EQUITY</b>		<b>3,300</b>	<b>2,919</b>



R Nicholson  
Director  
16 June 1998



## NOTES TO THE ACCOUNTS

at 31 March 1998

### 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, net of depreciation and provision for permanent diminution in value. Depreciation is provided on all tangible fixed assets 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

#### *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 recognised only 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.

#### *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

#### *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.

## NOTES TO THE ACCOUNTS (continued)

### at 31 March 1998

#### 1. ACCOUNTING POLICIES (continued)

##### *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 continuing activity, the supply of advanced radiometric and related systems and services. An analysis of turnover by geographical market is given below:

	1998 £000	1997 £000
United Kingdom	7,842	7,294
Europe - EC	443	95
North and South America	-	346
Middle East	77	-
	<u>8,362</u>	<u>7,735</u>

#### 3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:	1998 £000	1997 £000
Raw materials and consumable	1,261	1,257
Employee costs (see note 4)	3,705	3,320
Depreciation - owned fixed assets	223	183
Provisions for liabilities and charges	(83)	92
Auditors' remuneration - audit services	13	4
Operating lease rentals - other	41	40
Changes in stocks of finished goods and WIP	(46)	20
Other external and operating charges	2,805	2,062
Other operating income	(12)	(14)
	<u>7,907</u>	<u>6,964</u>

**NOTES TO THE ACCOUNTS (continued)**  
**at 31 March 1998**

**4. EMPLOYEE INFORMATION (including Executive Directors)**

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

	1998 No.	1997 No.
Manufacturing	91	83
Administration	21	17
	<hr/> 112	<hr/> 100

Employee costs during the year were as follows:

	1998 £000	1997 £000
Wages and salaries	3,240	2,899
Social security costs	262	233
Pension costs	203	188
	<hr/> 3,705	<hr/> 3,320

**5. DIRECTORS' EMOLUMENTS**

	1998 £000	1997 £000
Aggregate emoluments	252	239
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	83	75
Defined benefit pension scheme for highest paid Director:		
Accrued pension at end of year	16	15
Accrued lump sum at end of year	47	46

**6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	1998 £000	1997 £000
Bank interest	122	67
Interest receivable from Group Undertakings	-	37
	<hr/> 122	<hr/> 104

**NOTES TO THE ACCOUNTS (continued)**  
**at 31 March 1998**

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
Other	4	-
	<hr/>	<hr/>
	4	-
	<hr/>	<hr/>

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
Corporation tax	149	282
Deferred taxation	-	10
	<hr/>	<hr/>
	149	292
Adjustments in respect of prior years		
Corporation tax	89	-
Deferred taxation	(46)	-
	<hr/>	<hr/>
	192	292
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS (continued)**  
**at 31 March 1998**

**9. TANGIBLE FIXED ASSETS**

	Plant & machinery	Fixtures, fittings, tools & equipment	Assets in course of construction	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 1997	771	451	242	1,464
Additions	143	373	(187)	329
<b>At 31 March 1998</b>	<b>914</b>	<b>824</b>	<b>55</b>	<b>1,793</b>
<b>Depreciation</b>				
At 1 April 1997	97	138	-	235
Charge for year	86	137	-	223
<b>At 31 March 1998</b>	<b>183</b>	<b>275</b>	<b>-</b>	<b>458</b>
<b>Net book value</b>				
<b>At 31 March 1998</b>	<b>731</b>	<b>549</b>	<b>55</b>	<b>1,335</b>
At 31 March 1997	674	313	242	1,229

**10. STOCKS**

	1998 £000	1997 £000
Raw materials and consumables	73	83
Work in progress	191	338
Finished goods	416	40
	<b>680</b>	<b>461</b>

**NOTES TO THE ACCOUNTS (continued)**  
**at 31 March 1998**

**11. DEBTORS**

	1998 £000	1997 £000
Trade debtors	224	8
Amounts owed by Group Undertakings	2,126	2,403
Prepayments and accrued income	4	15
Other debtors	27	80
	<hr/> 2,381	<hr/> 2,506

**12. CREDITORS: amounts falling due within one year**

	1998 £000	1997 £000
Trade creditors	448	577
Amounts owed to Group Undertakings	776	525
Corporation tax	205	282
Other taxes and social security costs	108	101
Accruals and deferred income	618	796
Payments received on account	955	932
Current portion of provisions	94	-
	<hr/> 3,204	<hr/> 3,213

# **NOTES TO THE ACCOUNTS (continued)** **at 31 March 1998**

## **13. PROVISIONS FOR LIABILITIES AND CHARGES**

	Warranty Provisions £000	Deferred tax £000	Total £000
At 1 April 1997	-	46	46
Reclassifications	75	-	75
Charge/(Credit) in year	98	(46)	52
Utilised	(79)	-	(79)
<b>At 31 March 1998</b>	<b>94</b>	<b>-</b>	<b>94</b>
Analysed as follows:			
Amounts due within one year	94	-	94
Amounts due after one year	-	-	-
	<b>94</b>	<b>-</b>	<b>94</b>

The Company has an unrecognised deferred tax asset amounting to £6,184 (1997 liability £45,975). This comprises fixed asset timing differences of £27,365 (1997 £107,385) offset by other timing differences of £33,549 (1997 £58,410).

## **14. SHARE CAPITAL**

	1998 £000	1997 £000
Authorised, allotted, called up and fully paid: 2 million ordinary shares of £1 each	2,000	2,000

## **15. RESERVES**

	Profit and loss account £000
At 1 April 1997	919
Retained profit for the year	381
<b>At 31 March 1998</b>	<b>1,300</b>

**NOTES TO THE ACCOUNTS (continued)**  
**at 31 March 1998**

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £000	1997 £000
Profit for the financial year	381	583
Net addition to shareholders' funds	381	583
Opening shareholders' funds	2,919	2,336
Closing shareholders' funds	3,300	2,919

**17. CONTINGENT LIABILITIES**

Annual commitments under non-cancellable operating leases are as follows:

	1998 £000	1997 £000
Operating leases which expire:		
within one year		
other	3	4
in two to five years		
other	38	36
	41	40



**NOTES TO THE ACCOUNTS (continued)**  
**at 31 March 1998**

**18. 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.

**19. 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.