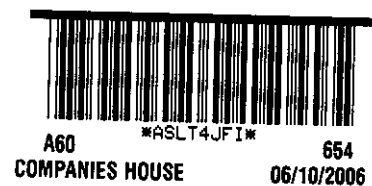


Westinghouse Electric Energy Systems UK Limited

Annual Report and Accounts

Registered No. 3108756

31 March 2006



Westinghouse Electric Energy Systems UK Limited

DIRECTORS

D J Powell
I G Clarkson

SECRETARY

A J Shuttleworth

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
P.O. Box 305
Spring Gardens
Manchester
M60 2DB

REGISTERED OFFICE

1100 Daresbury Park
Daresbury
Warrington
WA4 4GB

Westinghouse Electric Energy Systems UK Limited

DIRECTORS' REPORT

The directors present their report and accounts for the financial year ended 31 March 2006.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £589,000 (2005: profit £3,942,000). The directors recommend that no dividend be paid (2005: £nil). Following discussions with the parent undertaking and review of interest payable on amounts due to the parent undertaking, an adjustment to prior year interest charges was applied in the year. This resulted in additional interest of £2.7 million being recorded in the 2006 profit and loss account.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The company's principal activity is to provide financing for the investing and borrowing of cash funds among the group companies. It also acts as a commissioned agent for other group companies supplying services to the nuclear industry.

The company continued to provide financing during the year and successfully fulfilled its obligations to customers as a commissioned agent. The company has a strong financial position at 31 March 2006 with £15,779,000 in shareholders' funds.

EVENTS SINCE THE BALANCE SHEET DATE

On 6 February 2006, the ultimate parent company BNFL entered into a sale and purchase agreement with the Toshiba Corporation for the \$5.4 billion disposal of the Westinghouse business, which includes the company. The transaction is expected to be completed before the end of the calendar year 2006.

TREASURY POLICY

The company's board is responsible for setting a strategy for the effective control and management of the company's financial resources. This is determined within the treasury policies set by the company's parent company BNFL plc. The strategy aims to ensure adequate liquidity, optimization of returns on investment and effective management of interest rate and foreign exchange rate risk. This is maintained through the utilization of appropriate facilities and financial instruments.

DIRECTORS

The Directors who served during the year were as follows:

D.J. Powell

I.G. Clarkson

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

The company maintains directors and officers liability insurance covering the defence costs of civil legal proceedings and the damages resulting from the unsuccessful defence of such proceedings except, in such cases, to the extent that a Director or Officer acted fraudulently or dishonestly.

Westinghouse Electric Energy Systems UK Limited

DIRECTORS' REPORT (CONTINUED)

AUDITORS

In accordance with Section 234A of the companies Act 1985, each of the above directors (excluding those who have resigned during the financial year):

- is not aware of any relevant audit information of which the company's auditors are unaware; and
- has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

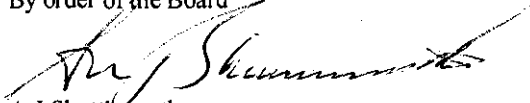
ELECTIVE RESOLUTIONS

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



A J Shuttleworth
Company Secretary

2 October 2006

Westinghouse Electric Energy Systems UK Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 financial statements 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 WESTINGHOUSE ELECTRIC ENERGY SYSTEMS UK LIMITED

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of Total Recognised Gains and Losses and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

Basis of audit opinion

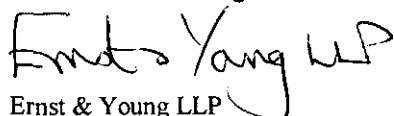
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
Manchester

3 October 2006

Westinghouse Electric Energy Systems UK Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2006

	Notes	2006 £000	2005 £000
TURNOVER	2	1,592	2,374
Cost of sales		(1,944)	(2,274)
GROSS (LOSS)/PROFIT		(352)	100
Administrative costs		-	-
OPERATING (LOSS)/PROFIT		(352)	100
Interest receivable and other income	5	7,650	5,887
Interest payable and similar charges	6	(8,141)	(2,045)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(843)	3,942
Tax credit on loss on ordinary activities	7	(254)	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(589)	3,942

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2006

There are no recognised gains or losses other than the loss for the year of £589,000 (2005: profit £3,942,000).

Westinghouse Electric Energy Systems UK Limited

BALANCE SHEET

At 31 March 2006

	Notes	2006 £000	2005 £000
CURRENT ASSETS			
Debtors	8	121,415	118,664
Cash at bank and in hand		6,392	2,953
		<u>127,807</u>	<u>121,617</u>
CREDITORS: amounts falling due within one year	9	(112,028)	(105,249)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,779</u>	<u>16,368</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	15,779	16,368
EQUITY SHAREHOLDERS' FUNDS	12	<u>15,779</u>	<u>16,368</u>

The financial statements of Westinghouse Electric Energy Systems UK Limited for the year ended 31 March 2006 were authorised for issue by the Directors on 2 October 2006 and the Balance Sheet was signed on behalf of the directors by:



I G Clarkson
Director

Westinghouse Electric Energy Systems UK Limited

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 March 2006

1. ACCOUNTING POLICIES

Accounting convention

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

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below:

- FRS 21 'Events after the balance sheet date' has been implemented during the year. This has had no effect on the company's financial statements.
- FRS 28 'Corresponding amounts' has been implemented during the year. This has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Group accounts

The company is a wholly owned subsidiary of British Nuclear Fuels plc. The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Deferred taxation assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at the taxation rates that are expected to apply in the periods in which timing differences reverse, based on taxation rates and laws enacted or substantively enacted at the balance sheet date.

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.

Westinghouse Electric Energy Systems UK Limited

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 March 2006

1. ACCOUNTING POLICIES (continued)

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 is attributable to one continuing activity, the provision of services to the nuclear industry in the United Kingdom.

3. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The Directors received no emoluments during the year (2005: £nil).

The company had no employees during the financial year ended 31 March 2006 (2005: nil).

4. AUDIT FEES

Audit fees are paid by another group company.

5. INTEREST RECEIVABLE AND OTHER INCOME

	2006 £000	2005 £000
Interest receivable from Group undertakings	6,178	3,449
Bank interest	451	60
Exchange gains	1,021	2,326
Other income	-	52
	<u>7,650</u>	<u>5,887</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Interest payable to Group undertakings	8,141	2,044
Bank interest	-	1
	<u>8,141</u>	<u>2,045</u>

Westinghouse Electric Energy Systems UK Limited

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 March 2006

7. TAXATION CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
Taxation credit for the year	254	-

The taxation assessed on the profit on ordinary activities for the year is different from the standard rate of corporation taxation in the UK of 30%. The differences are reconciled below:

	2006 £000	2005 £000
(Loss)/profit before taxation	(843)	3,942
Taxation on (loss)/profit at 30% (2005: 30%)	254	(1,183)
Effects of:		
Group relief received for nil consideration	-	1,183
	254	-

The company has no deferred taxation asset or liability as at 31 March 2006 (2005: £nil).

8. DEBTORS

	2006 £000	2005 £000
Trade debtors	597	-
Amounts due from fellow subsidiary undertakings	120,818	118,664
	121,415	118,664

9. CREDITORS: amounts falling due within one year

	2006 £000	2005 £000
Amounts due to Group undertakings	111,663	105,121
Other taxes and social security costs	365	128
	112,028	105,249

Westinghouse Electric Energy Systems UK Limited

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 March 2006

10. SHARE CAPITAL

	2006	2005
	£	£
Authorised:		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called-up and fully paid:		
3 ordinary shares of £1 each	3	3
	<u> </u>	<u> </u>

11. RESERVES

	Profit and loss account £000
At 1 April 2005	16,368
Retained loss for the year	(589)
	<u> </u>
Balance at 31 March 2006	15,779
	<u> </u>

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2006	2005
	£'000	£'000
(Loss)/profit for the financial year	(589)	3,942
Opening shareholders' funds	16,368	12,426
	<u> </u>	<u> </u>
Closing shareholders' funds	15,779	16,368
	<u> </u>	<u> </u>

13. POST BALANCE SHEET EVENTS

On 6 February 2006, the ultimate parent company British Nuclear Fuels plc entered into a sale and purchase agreement with Toshiba Corporation for the \$5.4 billion disposal of the Westinghouse business, which includes the company. The transaction is expected to be completed before the end of the calendar year 2006. The directors are not currently aware of how/ if the transaction will have a financial effect on the company.

14. RELATED PARTY TRANSACTIONS

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.

Westinghouse Electric Energy Systems UK Limited

NOTES TO THE ACCOUNTS (CONTINUED)

At 31 March 2006

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Westinghouse Electric UK Limited and the ultimate parent undertaking is British Nuclear Fuels plc ("BNFL").

The largest group in which the results of the company are consolidated is that headed by BNFL incorporated in the UK. No other group financial statements include the results of the company. The consolidated financial statements of these groups are available to the public and may be obtained from 1100 Daresbury Park, Daresbury, Warrington, WA4 4GB.

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