

# **BNFL (INVESTMENTS – EUROPE) LIMITED**

Registered No. 3976730

## **ANNUAL REPORT AND ACCOUNTS**

31 March 2004



**BNFL (Investments-Europe) Limited**

**DIRECTORS**

I B Duncan  
F Ramsey Coates  
M J Saunders

**SECRETARY**

C S Reid

**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

## BNFL (Investments-Europe) Limited

### DIRECTORS' REPORT

The Directors present their report and accounts for the financial year ended 31 March 2004.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £11,561,000 (2003: £6,047,000).

The Directors do not recommend a final dividend (2003: £nil).

#### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activity in the year was as a holding company for subsidiaries and related companies within the British Nuclear Fuels plc Group. On 25 April 2003, the company reorganized its Swedish Operations by acquiring an "off-the-shelf" company to be utilised as a Holding Company. This new company, Westinghouse Electric Sweden Holding AB, in turn acquired the BNFL Cythere 62 at its market value. BNFL Cythere 62 was previously a wholly owned subsidiary of the company.

#### DIRECTORS

The Directors who served during the year were as follows:

Ian B Duncan  
F. Ramsey Coates  
Michael J Saunders

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

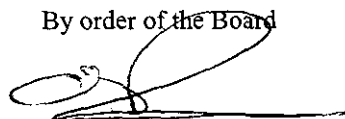
#### ELECTIVE RESOLUTIONS

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

19 Jan 2005.

## **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; and
- 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 (INVESTMENTS - EUROPE) LIMITED**

We have audited the company's accounts for the year ended 31 March 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 13. These accounts have been prepared on the basis of 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**

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

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

We report to you our opinion as to whether the accounts 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 accounts, 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 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 as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
Manchester 27/1/05

BNFL (Investments-Europe) Limited

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 March 2004**

	<i>Notes</i>	<b>2004 £000</b>	<b>2003 £000</b>
Interest receivable and other income	3	<b>4,198</b>	3,767
Interest payable and similar charges	4	<b>(15,759)</b>	(9,814)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(11,561)</b>	(6,047)
Tax on loss on ordinary activities	5	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(11,561)</b>	(6,047)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**For the year ended 31 March 2004**

There were no material gains or losses in 2004 or 2003 other than the loss for each year, and no statement of recognised gains or losses is therefore presented.

BNFL (Investments-Europe) Limited

**BALANCE SHEET**

At 31 March 2004

	Notes	2004 £000	2003 £000
<b>FIXED ASSETS</b>			
Investments	6	146,340	154,056
<b>CURRENT ASSETS</b>			
Debtors	7	15,823	18,926
Cash at bank and in hand		623	162
		<u>16,446</u>	<u>19,088</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<b>(158,992)</b>	<b>(157,789)</b>
		<u></u>	<u></u>
<b>CURRENT ASSETS LESS CURRENT LIABILITIES</b>		<b>(162,786)</b>	<b>(138,701)</b>
		<u></u>	<u></u>
<b>NET ASSETS</b>		<b>3,794</b>	<b>15,355</b>
		<u></u>	<u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	35,561	35,561
Profit and loss account	10	(31,767)	(20,206)
		<u></u>	<u></u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	11	<b>3,794</b>	<b>15,355</b>
		<u></u>	<u></u>

On behalf of the Board of Directors

Director

*M. J. Saunders*

19 Jan 2005.

## NOTES TO THE ACCOUNTS

At 31 March 2004

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Going concern*

The accounts are drawn up on the going concern basis on the grounds that the Company is, and will remain, able to meet its liabilities as they fall due. In drawing up the accounts on this basis, the Directors have taken into account that the Company has received confirmation from British Nuclear Fuels plc that it will provide financial support to enable the Company to continue to meet its liabilities as they fall due, in the foreseeable future. In light of this, the Directors consider the preparation of the accounts on the going concern basis to be appropriate.

#### *Group accounts*

The Company is a wholly owned subsidiary of British Nuclear Fuels plc which prepares and files consolidated accounts and as such is exempt from preparing Group accounts in accordance with section 228 of the Companies Act 1985. Accordingly the accounts present information about the Company as an individual undertaking and not about its Group.

#### *Investments*

Fixed asset investments are shown at cost less provision for diminution in value. The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate that a provision for impairment is required.

#### *Deferred taxation*

Deferred tax 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:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax 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 tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.



## NOTES TO THE ACCOUNTS (continued)

At 31 March 2004

### 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.

#### *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. DIRECTORS' EMOLUMENTS

The Directors received no emoluments during the year (2003: £nil).

### 3. INTEREST RECEIVABLE AND OTHER INCOME

	2004 £000	2003 £000
Interest receivable from Subsidiary Undertakings	4,196	1,112
Exchange gains	-	1,920
Other interest receivable	2	735
	<u>4,198</u>	<u>3,767</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
Interest payable to Ultimate Parent Undertaking	7,610	8,158
Interest payable to Immediate Parent Undertaking	663	1,469
Other interest payable and similar charges	14	187
Exchange losses	<u>7,472</u>	<u>-</u>
	<u>15,759</u>	<u>9,814</u>

**NOTES TO THE ACCOUNTS (continued)****At 31 March 2004****5. TAX ON LOSS ON ORDINARY ACTIVITIES**

There is no current tax charge or credit for the current year or the prior period.

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

	2004 £000	2003 £000
Loss on ordinary activities before taxation	(11,561)	(6,047)
Tax on loss at 30% (2003: 30%)	(3,468)	(1,814)
Effects of:		
Expenses not deductible for tax purposes		-
Current year losses carried forward	3,468	1,814
Current tax credit	-	-

The Company has an unrecognised deferred tax asset amounting to £ 20,679,000 (2003: £17,211,000) in respect of non-trading losses.

**6. INVESTMENTS**

	Shares in subsidiaries £000	Loans to subsidiaries £000	Other £000	Total £000
<b>Cost</b>				
At 1 April 2003	131,535	22,521	-	154,056
Exchange movements	(681)	(6,951)	-	(7,632)
Additions	19,847	78,978	-	98,825
Disposals	(98,705)	(204)	-	(98,909)
<b>At 31 March 2004</b>	<b>51,996</b>	<b>94,344</b>	<b>-</b>	<b>146,340</b>

Details of the principal investments which the Company holds more than a 20% participating interest are as follows:

<i>Name</i>	<i>Country of Incorporation</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Westinghouse Reaktor GmbH	Germany	Ordinary shares	100%	Nuclear Activities
Westinghouse Electric France SASBarras Provence SA	France	Ordinary Shares	100%	Nuclear Activities
BNFL Electric Holdings	Sweden	Ordinary shares	100%	Nuclear Activities

# NOTES TO THE ACCOUNTS (continued)

At 31 March 2004

## 6. INVESTMENTS (continued)

During the year the company acquired 100% interest in Westinghouse Electric Sweden Holding AB which purchased 100% interest in BNFL Cythere 62. BNFL Cythere 62 was previously a wholly owned subsidiary of the company.

## 7. DEBTORS

	2004 £000	2003 £000
Amounts owed by Subsidiary Undertakings	3,573	3,076
Amounts owed by Group Undertakings	12,250	15,850
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	15,823	18,926
	<hr/>	<hr/>

## 8. CREDITORS: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to Immediate Parent Undertaking	33,329	36,642
Amounts owed to Ultimate Parent Undertaking	125,587	119,998
Amounts owed to Subsidiary Undertakings	76	1,149
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	158,992	157,789
	<hr/>	<hr/>

## 9. SHARE CAPITAL

	2004 £000	2003 £000
Authorised: 100,000,000 ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
Allotted, called up and fully paid: 35,561,121 ordinary shares of £1 each	35,561	35,561
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## NOTES TO THE ACCOUNTS (continued)

At 31 March 2004

### 10. RESERVES

	Profit and loss account £000
At 1 April 2003	(20,206)
Loss for the year	(11,562)
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At 31 March 2004	(31,768)
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### 11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Loss for the financial year	(11,561)	(6,047)
Opening shareholders' funds	15,355	21,402
	<hr/>	<hr/>
Closing shareholders' funds	3,794	15,355
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### 12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking 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 1100 Daresbury Park, Daresbury, Warrington, WA4 4GB. 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.

### 13. 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.