

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

Registered No. 3976730

## **ANNUAL REPORT AND ACCOUNTS**

31 March 2003



## **DIRECTORS' REPORT**

The Directors present their report and accounts for the financial year ended 31 March 2003.

### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £6,047,000 (2002 : loss of £6,062,000).

The Directors do not recommend a final dividend (2002 : £nil).

### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The Company's principal activity during the period was as a holding company for subsidiaries and related companies within the British Nuclear Fuels plc Group.

### **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  
4. Dec 2003

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

We have audited the company's accounts for the year ended 31 March 2003 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses 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 2003 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

Date 23/1/04

## PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2003

	<i>Notes</i>	<b>2003 £000</b>	<b>2002 £000</b>
Interest receivable and other income	3	<b>3,767</b>	2,532
Interest payable and similar charges	4	<b>(9,814)</b>	(8,594)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(6,047)</b>	(6,062)
Tax on loss on ordinary activities	5	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(6,047)</b>	(6,062)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2003

There are no recognised gains or losses other than the loss for the current and prior years as disclosed above.

# **BALANCE SHEET**

At 31 March 2003

	<i>Notes</i>	<b>2003 £000</b>	<b>2002 £000</b>
<b>FIXED ASSETS</b>			
Investments	6	<b>154,056</b>	159,934
<b>CURRENT ASSETS</b>			
Debtors	7	<b>18,926</b>	9,853
Cash at bank and in hand		<b>162</b>	177
		<b>19,088</b>	10,030
<b>CREDITORS: amounts falling due within one year</b>	8	<b>(157,789)</b>	(148,562)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(138,701)</b>	(138,532)
<b>NET ASSETS</b>		<b>15,355</b>	21,402
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	<b>35,561</b>	35,561
Profit and loss account	10	<b>(20,206)</b>	(14,159)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	11	<b>15,355</b>	21,402

On behalf of the Board of Directors



Director

4. Dec 2003

## NOTES TO THE ACCOUNTS

At 31 March 2003

### 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 a parent undertaking incorporated in the European Community 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.

#### *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.

#### *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.

**NOTES TO THE ACCOUNTS (continued)****At 31 March 2003****2. DIRECTORS' EMOLUMENTS**

The Directors received no emoluments during the year (2002 : £nil).

**3. INTEREST RECEIVABLE AND OTHER INCOME**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from subsidiary undertakings	1,112	917
Exchange gains	1,920	-
Other interest receivable	735	1,615
	<u>3,767</u>	<u>2,532</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Interest payable to ultimate parent undertaking	8,158	1,229
Interest payable to immediate parent undertaking	1,469	7,309
Other interest payable and similar charges	187	56
	<u>9,814</u>	<u>8,594</u>

**5. TAX ON LOSS ON ORDINARY ACTIVITIES**

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

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

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before taxation	(6,047)	(6,062)
Tax on loss at 30% (2002: 30%)	(1,814)	(1,819)
Effects of:		
Losses arising in the year not relieviable against current tax	1814	1,819
	<u>-</u>	<u>-</u>
Current tax credit	-	-

The company has an unrecognised deferred tax asset amounting to £17,211,000 (2002: £14,917,000) in respect of non-trade losses. The losses are subject to Inland Revenue agreement of the tax computations and can only be utilised against future non-trading income.



**NOTES TO THE ACCOUNTS (continued)****At 31 March 2003****6. INVESTMENTS**

	<b>Shares in subsidiaries £000</b>	<b>Loans to subsidiaries £000</b>	<b>Other £000</b>	<b>Total £000</b>
<b>Cost</b>				
At 1 April 2002	122,377	20,267	17,290	159,934
Exchange movements	-	2,025	(1,681)	344
Additions	9,158	1,422	-	10,580
Disposals	-	(1,193)	(15,609)	(16,802)
<b>At 31 March 2003</b>	<b>131,535</b>	<b>22,521</b>	<b>-</b>	<b>154,056</b>

Details of the principal investments which the Company acquired in the period and in 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>
<b>Subsidiary Undertakings</b>				
Westinghouse Reaktor GmbH	Germany	Ordinary shares	100%	Nuclear Activities
Westinghouse Barras Provence SA	France	Ordinary shares	100%	Nuclear Activities
BNFL Cythere 62 AB	Sweden	Ordinary shares	100%	Nuclear Activities

**7. DEBTORS**

	<b>2003 £000</b>	<b>2002 £000</b>
Amounts owed by subsidiary undertakings	3,076	8,065
Amounts owed by group undertakings	15,850	-
Other debtors	-	1,788
	<b>18,926</b>	<b>9,853</b>

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

	<b>2003 £000</b>	<b>Restated 2002 £000</b>
Amounts owed to immediate parent undertaking	36,642	32,903
Amounts owed to ultimate parent undertaking	119,998	114,172
Amounts owed to subsidiary undertakings	1,149	-
Accruals and deferred income	-	1,487
	<b>157,789</b>	<b>148,562</b>

**NOTES TO THE ACCOUNTS (continued)****At 31 March 2003****9. SHARE CAPITAL**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Authorised:		
100,000,000 ordinary shares of £1 each	<b>100,000</b>	100,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
35,561,121 ordinary shares of £1 each	<b>35,561</b>	35,561
	<hr/>	<hr/>

**10. RESERVES**

	<b>Profit and loss account £000</b>
At 1 April 2002	(14,159)
Retained loss for the year	(6,047)
	<hr/>
<b>At 31 March 2003</b>	<b>(20,206)</b>
	<hr/>

**11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Loss for the financial year	<b>(6,047)</b>	(6,062)
Share capital issued in the year	-	35,561
Opening shareholders' funds	<b>21,402</b>	(8,097)
	<hr/>	<hr/>
Closing shareholders' funds	<b>15,355</b>	21,402
	<hr/>	<hr/>

## **NOTES TO THE ACCOUNTS (continued)**

**At 31 March 2003**

### **12. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY**

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 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.