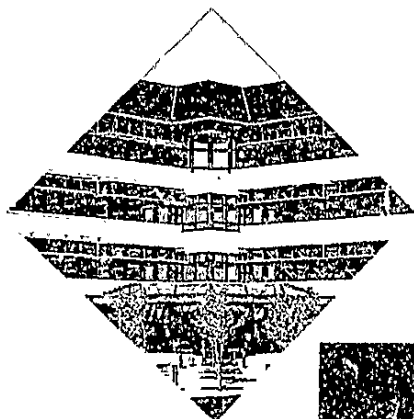
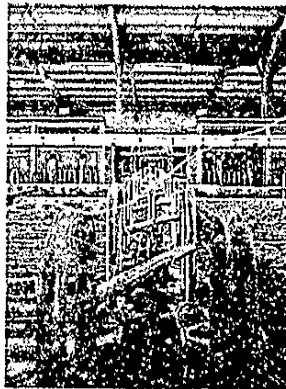


ANNUAL REPORT AND ACCOUNTS 1986 - 87

British Nuclear Fuels plc, a world leader in the provision of nuclear fuel cycle services, is based at five sites in North West England and Southern Scotland.



RISLEY HEAD OFFICE
AND ENGINEERING
DESIGN CENTRE



CAPENHURST



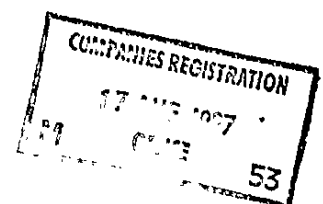
CHAPELCROSS



SELLAFIELD



SPRINGFIELDS



CHAIRMAN'S REVIEW



LAST YEAR

The past year was a record year. It contained a number of significant achievements for BNFL. Most importantly we met all our customers' requirements by reaching every production target and the improved financial results reflect this success. In addition we launched a number of fundamental structural changes within the Company aimed at equipping us to meet the increasingly competitive conditions we now face in all our markets.

Turnover has reached a record level of £792M with exports contributing £152M. Profit doubled to £89M, after making additional provisions of £64M, mainly to cover the cost of further improvements in

our waste management and effluent treatment facilities. This profit increase has enabled us to pay, on a basis consistent with the previous year, an improved dividend of £29M.

Whilst at first sight these results look outstanding, they can also be a little misleading. We still have a great deal to do to reduce our capital and operating costs, and to improve our profitability.

This is not an option, it is a necessity. We shall only retain and expand our business if we are able to offer our customers the present high quality of our products and services at fully competitive prices.

Last year BNFL invested £558M in new plants as part of our huge capital investment programme totalling £4,500M over the next 10 years. The construction timetable is tight but we are determined to complete these projects on time and within budget.

OUR CUSTOMERS

We have continued to benefit from the support of all our customers. In turn we have to support them by minimising the cost to them of both nuclear fuel and nuclear fuel services and we are committed to doing so. It is in both our interests to ensure that the competitive position of nuclear energy over other forms of electricity generation is retained and to secure this we must achieve further improvements in our efficiency.

Over 19% of our sales came from our overseas customers with Japan providing the lion's share. BNFL continues to be one of the UK's highest earners from Japan.

TARGETS

To ensure BNFL's future success we have set ourselves the following targets:

- to provide our customers with competitively priced products and services;
- to increase the level of public support for nuclear power and BNFL's role in providing it;
- to have a well motivated, well trained, professional and effective workforce whose pay and conditions reflect the contribution they make towards improving the efficiency of the business;
- to maintain the highest standards of safety and environmental performance;
- to gain steady improvements in the

- Company's financial achievements;
- to secure a growing share of world nuclear fuel service markets;
- to build on our reputation as a world leader in nuclear fuel technology.

We will be monitoring our future performance against these targets.

ORGANISATION

The organisation of the Company must reflect these aims. I mentioned in my review last year that we were introducing a new management structure. BNFL consists of a number of different businesses and a rigorous appraisal of our organisation has resulted in some major changes.

The Company's production and commercial activities are now grouped into clearly defined Business Centres. The support functions have been devolved to assist the Business Centres and the Directors and Senior Managers concerned are now in a position to take full personal responsibility and to be accountable to the Board for all aspects of their performance. To ensure that this approach is not only fostered throughout the Company but that commitment to it is also secured, decision-making is being pushed down to the most appropriate level.

WORKFORCE

Last year's improved results owe much to the hard work and loyalty of our workforce which now totals nearly 17,000. I would like to thank them for their efforts, their determination and their dedication. I would also like to congratulate them for dealing so successfully with the many challenges they encountered during the year.

Nowhere has this been more apparent than the enthusiastic and imaginative initiatives that our staff, both industrial and non-industrial, have taken to support the nuclear case in the face of opposition from political and trade union sources. Their voice has had a telling effect.

INTERNAL COMMUNICATIONS

One of the hallmarks of a successful company is that its aims are fully understood and supported by staff at all levels. We are committed to achieving this within BNFL.

A comprehensive attitude survey, conducted by external specialists, has recently been completed. It identified ways by which internal communications can be

improved especially as far as two-way consultation and staff briefings are concerned. It also highlighted that we have a loyal and committed workforce keen to see the Company succeed. The survey is being acted upon.

SAFETY AND THE ENVIRONMENT

The maintenance of the highest standards of safety and environmental performance will remain of the highest priority. It is encouraging to note that during the past year the number and significance of incidents at our sites were further reduced and discharges of radioactivity from Sellafield were cut to a new low level.

We believe that improvements of this type will go a long way to reassure the public about the safety of our operations and to restore their confidence in our industry.

In December the Health and Safety Executive published the results of the safety audit of the reprocessing plant at Sellafield which was conducted by the Nuclear Installations Inspectorate. As expected this highlighted a number of areas where improvements to plant and procedures are required.

The report also acknowledged that significant improvements in safety performance had been achieved at Sellafield in recent years and endorsed the priorities which led the Company to concentrate investment in plant to minimise radioactive discharges.

When the report was published, the Company gave an immediate undertaking to meet all the NII's requirements. Since then a programme has been agreed with the Inspectorate under which action on all the major items will have been implemented by the end of 1987. It includes a number of modifications that had already been identified by the Company.

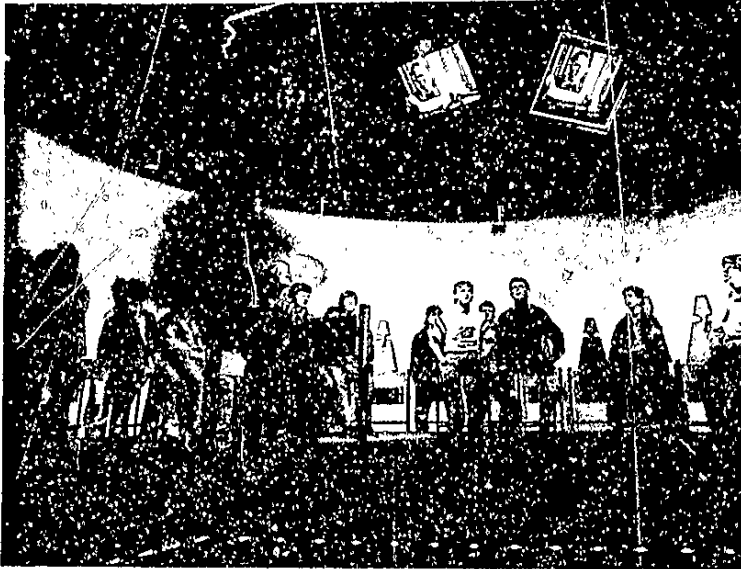
I am convinced that the completion of all the improvements resulting from one of the most exhaustive regulatory inspections ever conducted at an industrial site in Britain will provide the public with the most effective reassurance that BNFL is operating a safe business at Sellafield.

PUBLIC ACCEPTANCE

During the past year we have made significant progress in our drive to improve the public's awareness and understanding of both nuclear power and BNFL and to bring public perceptions into line with the facts:

CHAIRMAN'S REVIEW

CONTINUED



The cinema in the Sellafield Exhibition Centre.

- that we are a responsible Company dedicated to safety;
- that we make an essential contribution to Britain's energy resources;
- that we help Britain to pay its way in the world by our substantial overseas earnings;
- that we provide, through our huge investment programme, massive business for British industry which supports many thousands of jobs;
- that we are a British Company which is a world leader in our field.

There has been much talk about the need to secure public acceptance for nuclear power. I believe this is too limited an aim. Acceptance can imply no more than grudging tolerance. We need something more positive than that. We need active and enthusiastic support for the contribution that nuclear power makes to all our lives and my aim is to ensure that BNFL plays a full part in achieving this change.

To that end we have declared an open information and open door policy to demonstrate that we have nothing to hide. We have promoted that policy with an extensive programme of Television and Press advertising and the public have responded in their thousands to our invitation to visit Sellafield, to see our Exhibition Centre and to tour the site.

We aim to attract even more visitors to Sellafield as well as to Springfields where we manufacture fuel and to Capenhurst where we enrich it. In addition, the

welcome we have extended to the media has certainly contributed to a more balanced and objective coverage of nuclear industry topics during the last year.

LOCAL COMMUNITIES

The local communities surrounding our factories have continued to give us steadfast support. There are, of course, close economic links between us which we are keen to strengthen as part of our good neighbour policy.

But neighbourliness has proved to be a two-way affair and I would like to take this opportunity to express our appreciation for the encouragement we receive from all our local communities, from their representatives and from the many local organisations with whom we have contact.

THE BOARD

We have recently strengthened the BNFL Board by the appointment of two new non-Executive Directors. Roy Dantzic brings financial expertise and Jean Denton's successful background in business and public relations will be especially valuable.

Sadly, I have also to record the death of Dr Ned Franklin, BNFL's first chief executive and a member of the Board for 14 years. He played a key role in some of the Company's most notable achievements and will be greatly missed.

PROSPECTS

Looking back on my first year as Chairman of BNFL, I believe we have made a promising start on tackling some of the challenges facing us. We have clarified our objectives. Now we must adapt to the changes that are required in order to build on our existing strengths and maximise the opportunities that are available to us.

I have every confidence that the highly responsible and committed BNFL team can do this and thus ensure that the Company has a dynamic future.

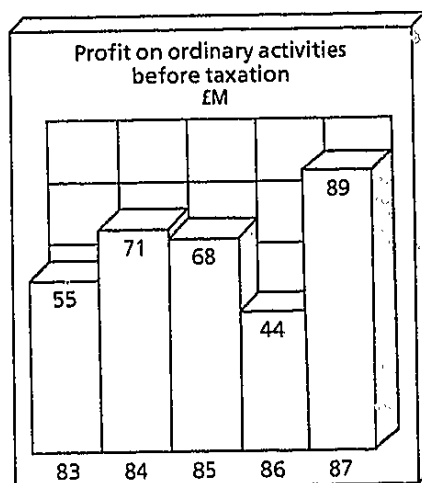
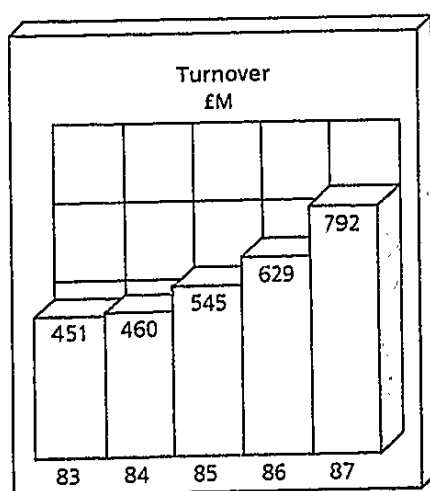
Christopher Harding

CHRISTOPHER G F HARDING

GROUP HIGHLIGHTS

Except where otherwise stated all figures in these Accounts are expressed in millions of £'s (£M).

	1987	1986
	£M	£M
Turnover	792	629
Operating Profit	196	139
Profit on ordinary activities before taxation	89	44
Profit for the Financial Year	76	33
Dividends	29	8
Profit retained	47	25
Capital expenditure	558	446
Assets employed	2280	1947
Shareholders' Interest (Average for Year)	270	233
Profit for the Financial Year related to average shareholders' interest	28%	14.5%
Number of employees (Average for Year)	16,940	16,285



CHIEF EXECUTIVE'S REVIEW



Last year was a record year for the Company in many ways. We started with the UK electricity generating boards signing the largest single order for nuclear fuel services in the history of the Company – possibly the largest ever such order anywhere. (This was for 1,850 tonnes of oxide fuel reprocessing in THORP, worth £1,600M).

Within a few days of that ceremony, we saw the first effects of the world's worst nuclear accident, at Chernobyl. The intense media, political and public interest in that, and in the Company's activities, created unprecedented pressure on the Company. Then, at the end of 1986, we had the report by the Nuclear Installations Inspectorate on parts of the Sellafield operation, calling for 'significant improvements'.

The Company has responded positively to all this attention and pressure and has been strongly supported by its trade union representatives whose spontaneous lobbying of the political and trade union conferences has been most effective. We also set about improving our management organisation, defining personal accountabilities more precisely. All that effort has resulted in a year of which we can be proud and I extend my thanks to all employees for their contributions.

Our achievements include:

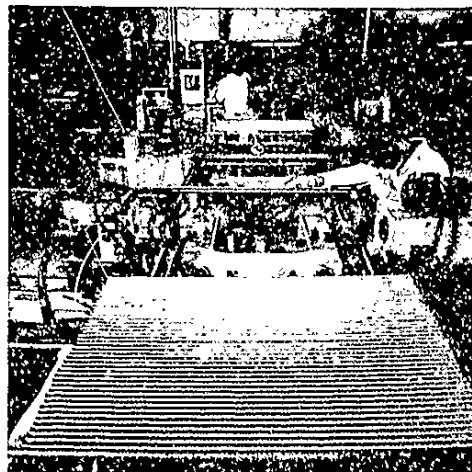
- record production (and, for the first time in the Company's history, every major production programme has been fully met);

- considerable progress in raising the standard of our plants and operations;
- a new low in both the frequency and severity of incidents on our sites;
- a record low in the discharges of radioactivity;
- a record level of capital investment in new plants, with good progress in accordance with the programmes established last year;
- a record turnover and record profits (although profits were still modest in relation to our capital base);
- a 25% increase in the value of our exports.

We know we still have considerable problems. There will have to be further reductions in manpower at Capenhurst and Springfields. We have to improve the efficiency of our operations at Sellafield. We have to continue our efforts to improve the economics of our Chapelcross and Calder Hall power stations. We must contain the unit costs of all our products. While acknowledging these challenges, this has undoubtedly been a year of achievement on which we can build.

Neville Chamberlain

NEVILLE CHAMBERLAIN



Record production was achieved in many areas, for example the production of fuel for Advanced Gas-cooled Reactors.

COMPANY REVIEW – INTRODUCTION

British Nuclear Fuels plc (BNFL) is one of the few organisations in the world able to supply a complete range of nuclear fuel cycle services.

Based in North West England and Southern Scotland, the Company produces nuclear fuel at its Springfields site near Preston, enriches uranium for use in modern nuclear power stations at Capenhurst near Chester, and reprocesses spent fuel after use in reactors at Sellafield in West Cumbria. In addition it owns and operates two nuclear power stations, Calder Hall on the Sellafield site and Chapelcross in Southern Scotland.

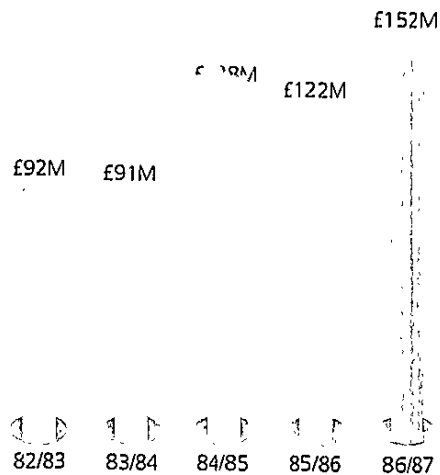
Approximately 17,000 people are employed directly by BNFL. Added to the estimated 50,000 or more jobs which the Company's investment programme provides or supports in UK construction and manufacturing industries, this gives a total of some 67,000 jobs dependent on BNFL.

The nuclear industry as a whole provides 40,000 direct jobs, together with 75,000 jobs generated by current investment programmes and a further 55,000 supported through providing goods

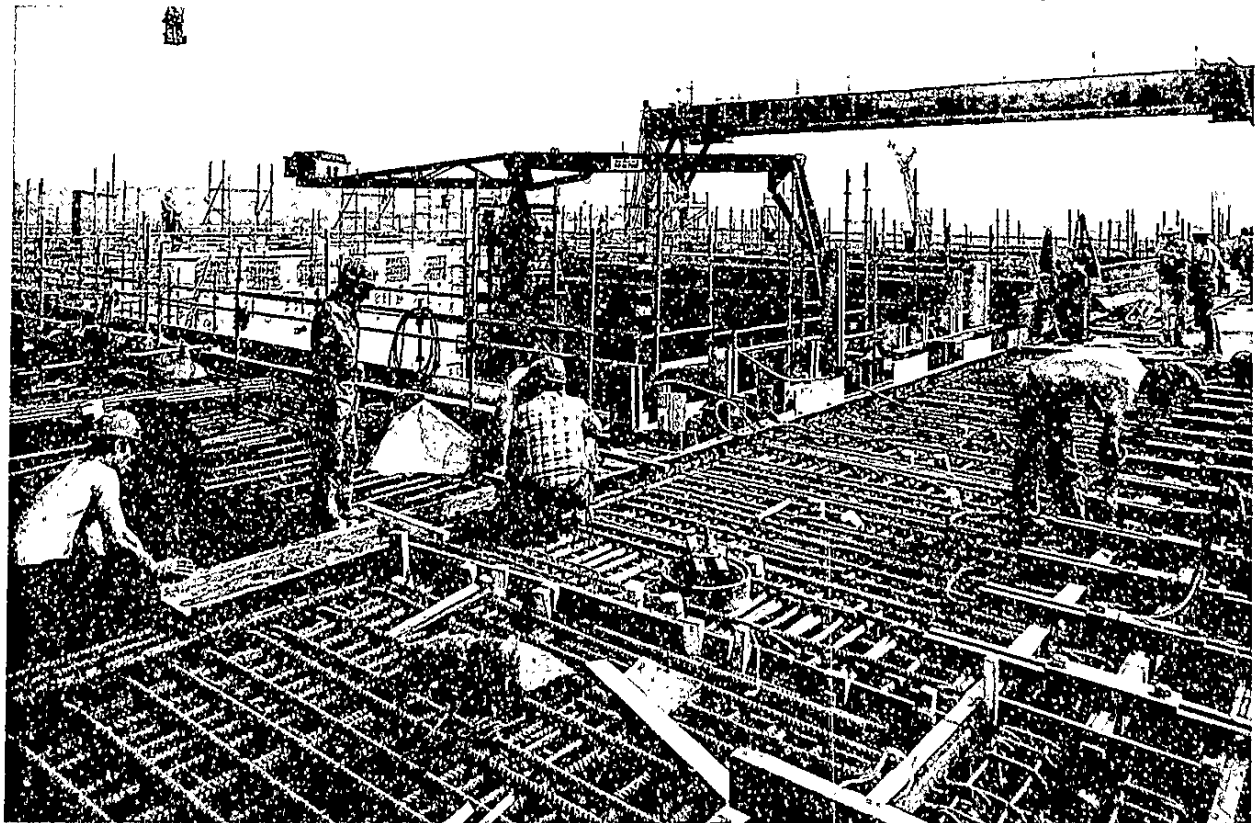
and services to those employed in the industry.

BNFL produces all the fuel for the UK's nuclear power programme which supplies some 18% of the UK's electricity and is at present based on Magnox and Advanced Gas-cooled Reactors. The Company has a letter of intent from the CEEB for the first fuel for the Sizewell B

Export Sales



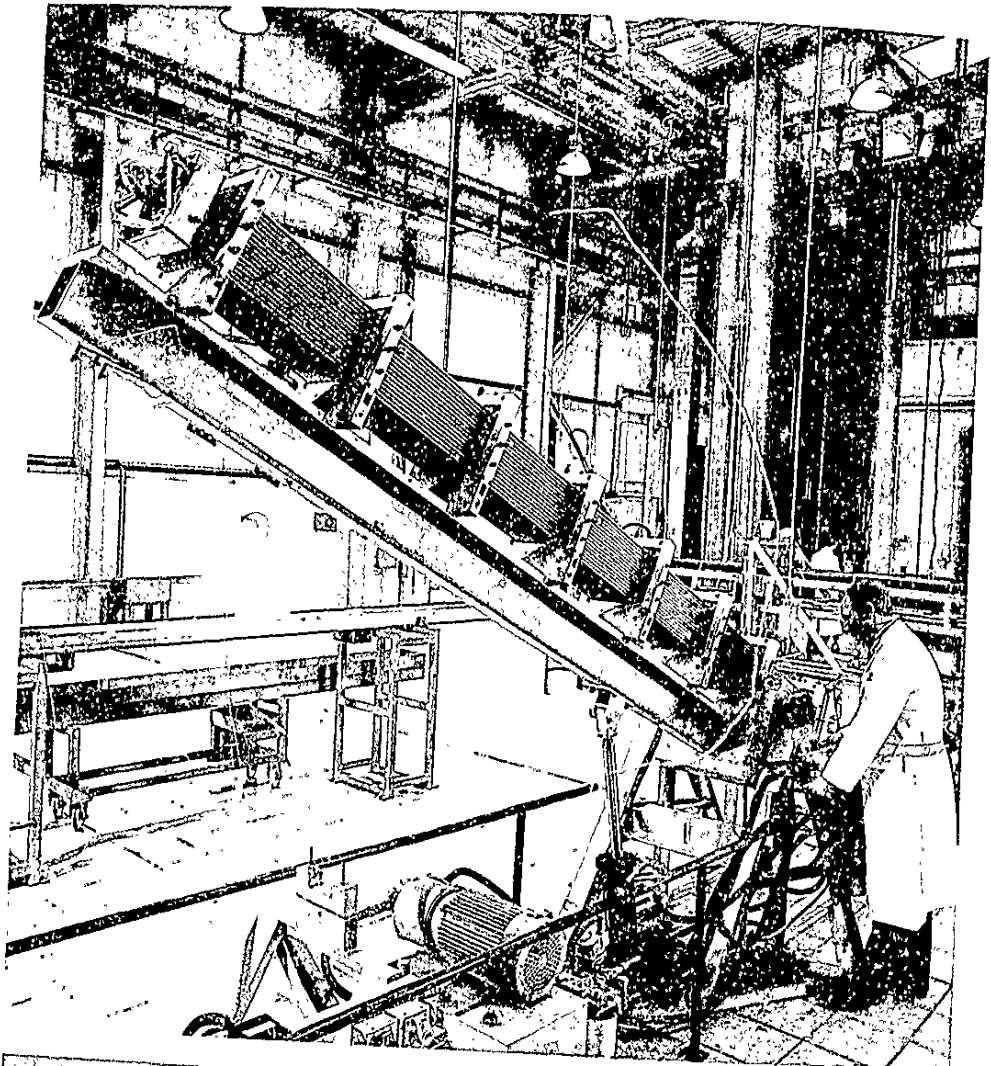
Some 5,500 contractors are employed on BNFL's major construction programme at Sellafield.



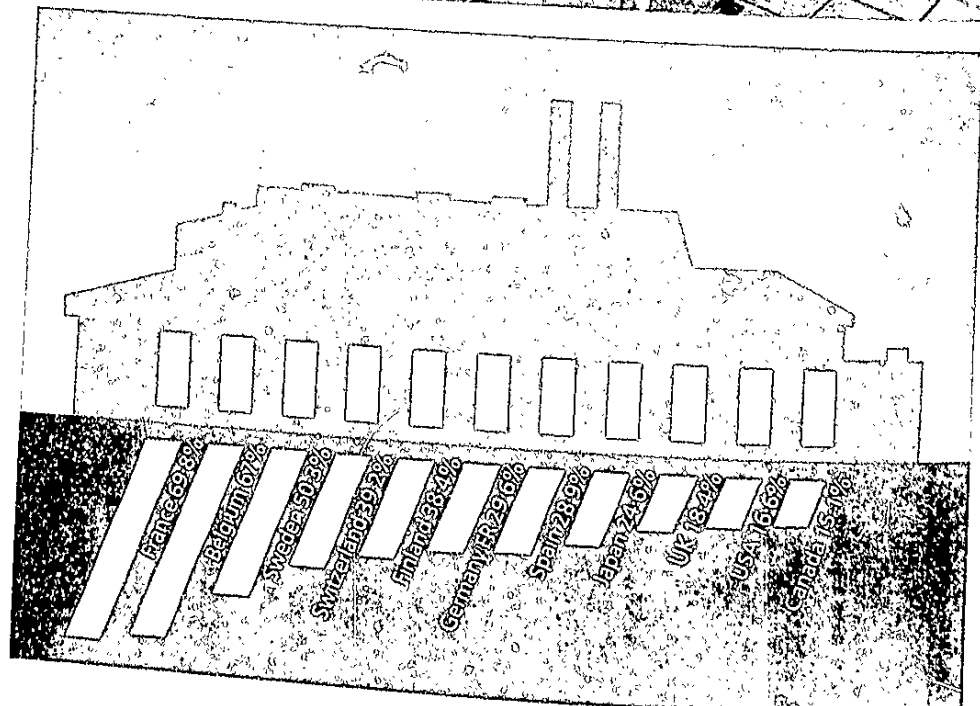
INTRODUCTION

CONTINUED

The purpose-built fuel
canning and assembly plant
for Pressurised Water
Reactor fuel at Springfields.



Proportion of electricity
generated by nuclear power
in various countries in 1986.
Source: OECD Nuclear
Energy Agency.



Pressurised Water Reactor which was given the go-ahead during the year and we are hopeful of gaining further business to supply the fuel for Sizewell B and any subsequent stations built in the UK. The establishment of a home market for PWR fuel will be of great benefit in helping to obtain overseas business.

BNFL has developed substantial export markets for many of its products and services including conversion of uranium ore concentrates to uranium hexafluoride, production of uranium oxide powder and pellets, enrichment of uranium and reprocessing.

The Company has a number of contracts with the MoD. These represent less than 10% of total turnover and include the production of tritium at Chapelcross and low enriched uranium at Capenhurst, in dedicated facilities which operate quite separately from plants involved in the civil nuclear power programme. The Calder and Chapelcross reactors produce plutonium which may be used in civil research and development programmes both in the UK and overseas, and also when required for the defence programme. The irradiated fuel from these reactors is now reprocessed in separate campaigns from fuel originating from civil nuclear power stations which is all under international safeguards.

The substantial capital investment programme totals some £4,500 million over the next 10 years. The bulk of this – some £3,700 million – will be spent on reprocessing and waste management plants at Sellafield.

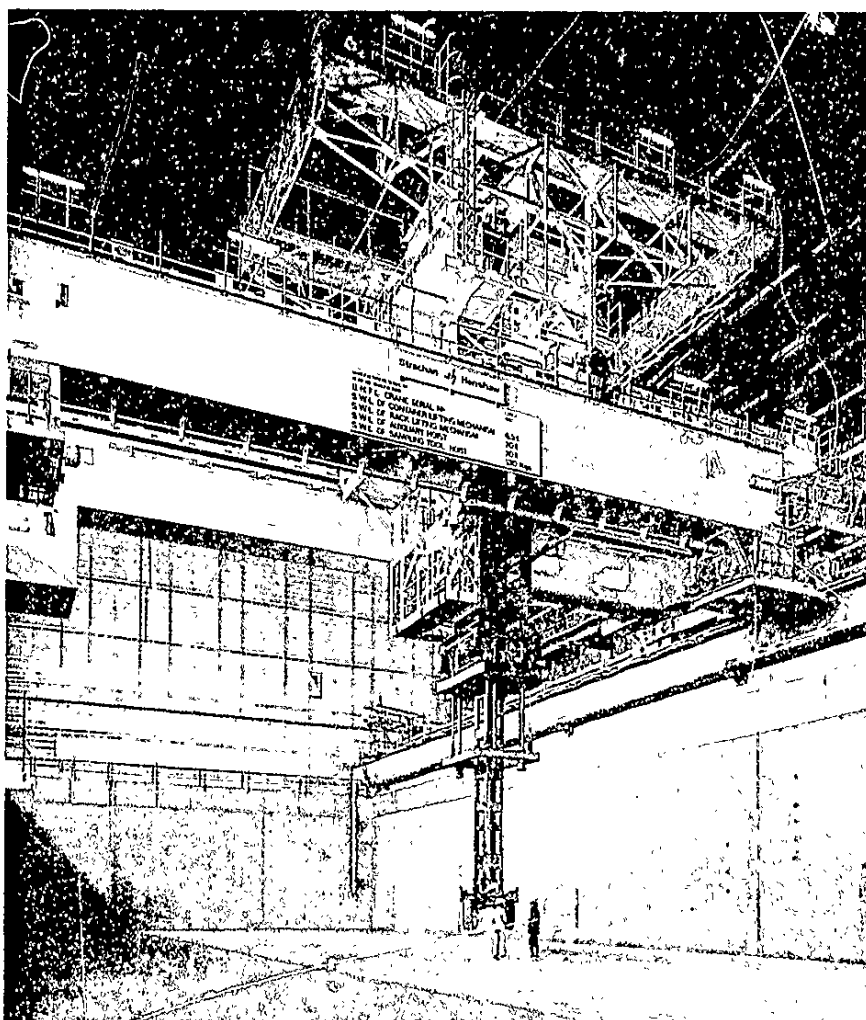
During 1986, BNFL spent some £700 million on goods and services provided by over 5,000 contractors and suppliers. Over 90% of this was under contract with companies based in the UK and a significant proportion – some 45% – of the investment was in North West England.

Safety has always been an overruling consideration in the nuclear industry, but attitudes to safety have stiffened significantly since the Chernobyl accident, partly because of public anxiety, but also because Governments have become much more interested in how nuclear plants beyond their borders are being operated. The encouraging result is that international cooperation has been intensified and countries with nuclear power have agreed to collaborate more effectively to achieve the best possible standards of safety. The Company carried out a comprehensive review of its operations in the light of

experience from Chernobyl.

Once it became known why Chernobyl happened, how it happened, and how it should have been prevented, it did not have the adverse effects on nuclear power programmes that were initially feared. In general the countries which are strongly pro-nuclear have not changed the direction of their nuclear power policies despite a strengthening of the opposition to nuclear power in some of those countries.

Furthermore the Soviet Union has confirmed its intention to increase its nuclear power generation five-fold by the year 2000. However, in some countries less committed to nuclear power like the Netherlands, Italy, Yugoslavia and Austria, there has been some hesitation.



Inside THORP's storage pond.

FUEL SUPPLY SERVICES



Alan Johnson is Director, Fuel Supply Services.

● The turnover in the enrichment and fuel fabrication business areas was £315M. The most notable achievements were the significant increase in export deliveries which were up by over 25% and the achievement of all production targets.

At Springfields, where fuel for all the UK's nuclear power stations is manufactured, the largest ever annual amount of AGR fuel was produced, doubling previous annual production rates, to supply the first charges for the new AGR stations at Torness and Heysham II.

At Capenhurst the enrichment plants achieved record separative work outputs. The new MoD plant was completed and brought on line and the installation of a new generation of gas centrifuges was started.

The world market in the front-end of the fuel cycle is becoming increasingly competitive. New technology is being introduced and, together with voluntary and early retirements, the competitiveness of current operations is being improved. In this context, at Springfields, design and development work has started on new hex conversion and oxide fuel manufacturing facilities. At Capenhurst, site work on a new centrifuge plant, E23, is under way and development work on laser isotope separation is being stepped up. ●

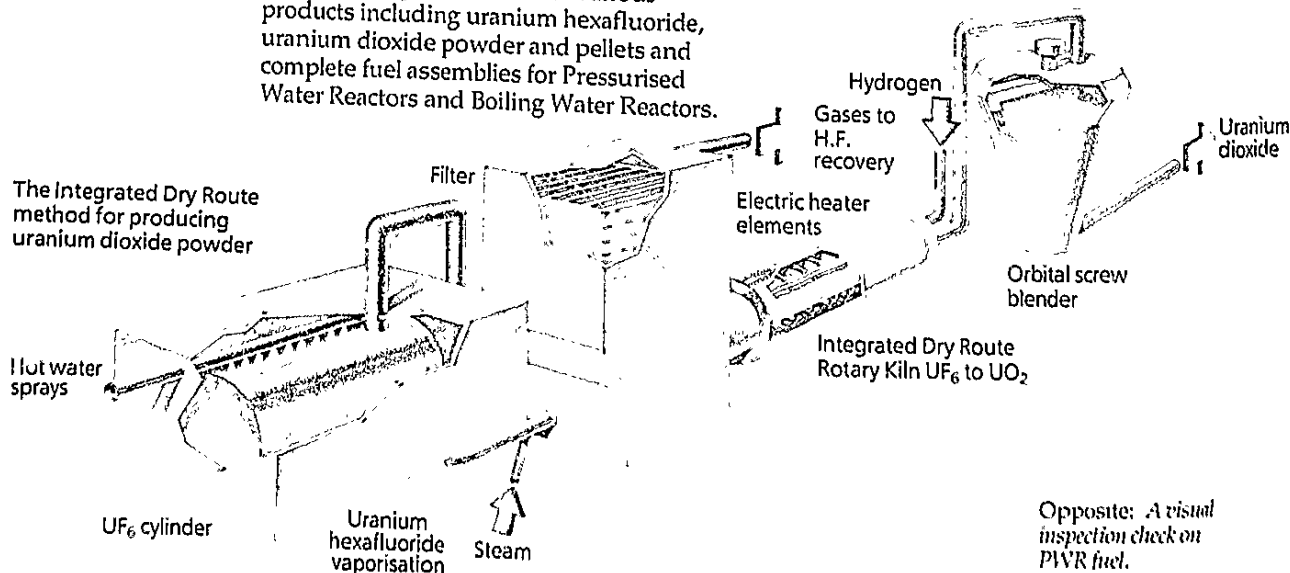
FUEL MANUFACTURE

It is noteworthy that Springfields celebrated its 40th anniversary during the year. More than five million fuel elements for Magnox and Advanced Gas-cooled Reactors have been produced to date, equivalent to over 650 million tonnes of coal. In addition, Springfields has developed export markets for various products including uranium hexafluoride, uranium dioxide powder and pellets and complete fuel assemblies for Pressurised Water Reactors and Boiling Water Reactors.

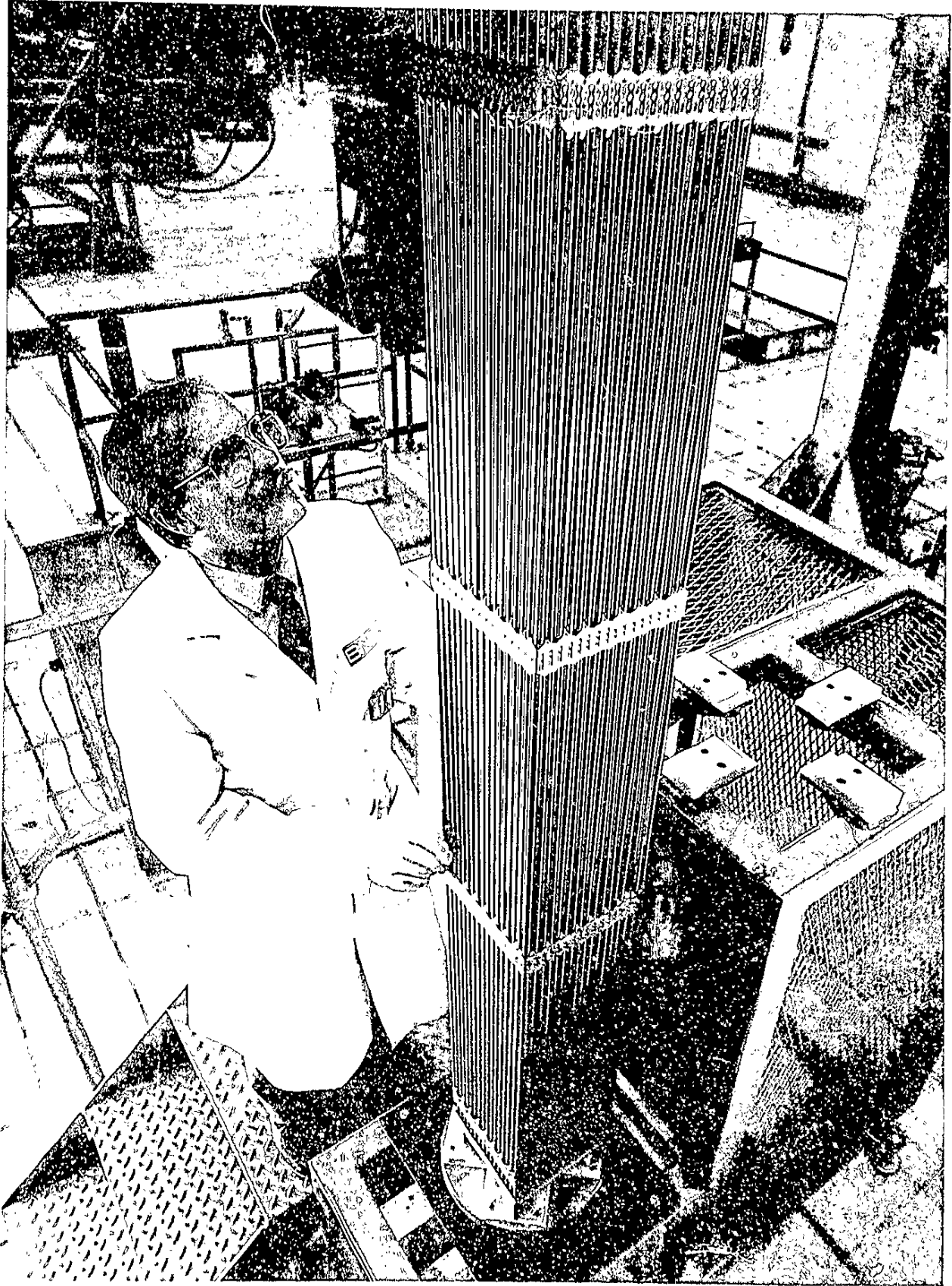
BNFL has received a letter of intent from the CEBG for the first charge of fuel for the Sizewell B PWR which was given the go-ahead by the UK Government in March 1987. Whilst recognising that the opportunity to supply further fuel to this, and to the subsequent family of PWRs planned by the CEBG, will only be achieved if it is fully competitive with overseas suppliers, BNFL is confident that it can meet the challenge. The Company has extensive experience of fabricating uranium dioxide fuel, and this, together with its purpose-built fuel canning and assembly plant and technology licensing agreement with Westinghouse will be advantageous in the development of a PWR fuel business.



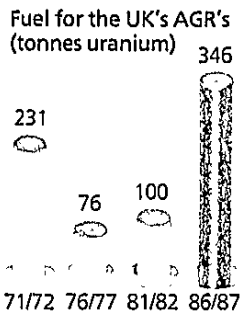
Canning of Magnox fuel.



Opposite: A visual inspection check on PWR fuel.



CONTINUED



During the year BNFL won new contracts worth £30 million to supply uranium hexafluoride conversion services in Japan, USA, Spain, Sweden, Germany and Switzerland. These contracts add to the extensive export order book which covers virtually all countries with commercial nuclear power stations in the non-communist world.

New technologies developed at Springfields have attracted considerable worldwide interest and during the year Westinghouse brought into commercial operation in Columbia USA a production facility based on BNFL's Integrated Dry Route process for the production of uranium dioxide powder. The Company is also seeking to exploit other technology developed at Springfields.

Delivery of reload AGR and Magnox fuel continued to meet requirements and during the year the two millionth AGR fuel pin was produced.

The production line for the manufacture of Stage II AGR fuel (an improved design of fuel assembly) is now fully commissioned and the refurbishment of the Magnox canning lines was completed during the year.

Productivity on the Magnox lines continued the steady improvement shown since 1982 and almost 125,000 elements were produced. Installation work on a second rotary kiln to produce uranium tetrafluoride – an intermediate stage in the production of nuclear fuel – was nearing completion at the end of the financial year. The plant will have a capacity of 5,000 tonnes uranium per year and its design is

based on the first kiln which has been in operation for some eight years.

ENRICHMENT

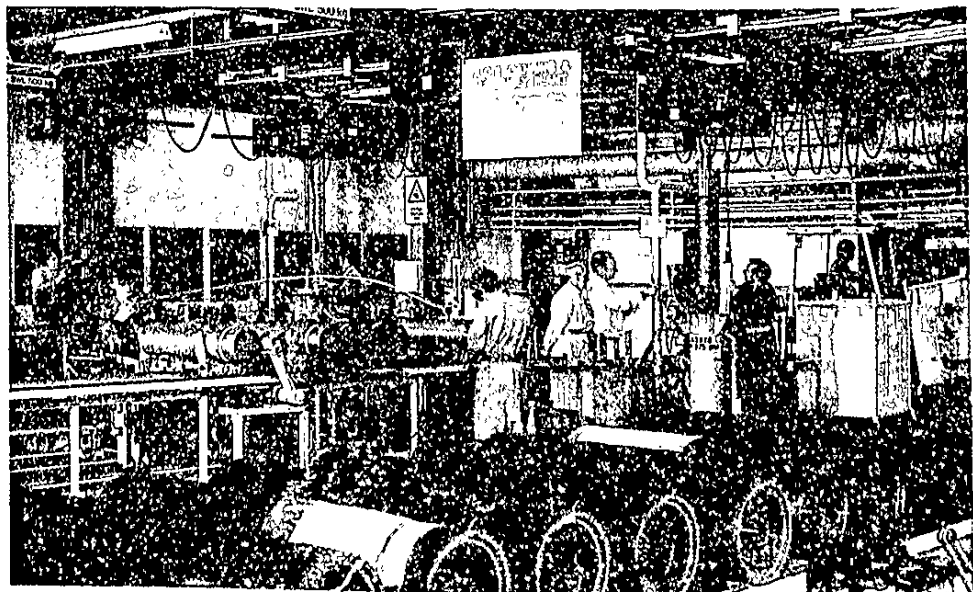
Enrichment is an essential process in the manufacture of fuel for most nuclear reactors worldwide. Enriched fuel contains a slightly increased proportion of uranium 235, one of the two main uranium isotopes, making the fuel more efficient and giving a more economic use of uranium. The process of increasing the proportion of U235, and all the necessary research and development, has been carried out at Capenhurst for well over 30 years. BNFL is in a unique position in that it has commercial experience of both enrichment processes currently used industrially throughout the world: gaseous diffusion and the gas centrifuge process.

The diffusion plant, which closed in 1982, is now undergoing decommissioning and dismantling to remove all the diffusion enrichment equipment. This has involved the development of new decontamination techniques where necessary, all tailored carefully towards minimising the environmental impact.

BNFL is a world leader in enrichment technology and was one of the first organisations to develop the process now used – the centrifuge process – on an industrial scale. The process involves spinning uranium in a gaseous form in a series of centrifuges operating at extremely high speeds.

Since the setting up of the Urenco organisation under the Treaty of Almelo in 1970, BNFL has collaborated most

Final assembly of AGR fuel.



successfully with Dutch and German companies on the commercial development of the centrifuge process and plants are now being commissioned with a common type of machine. Centrifuge enrichment plants are in operation at Capenhurst, Almelo in the Netherlands and Gronau in the Federal Republic of Germany where the plant was formally opened in June 1986. The Urenco partners, BNFL, Ultra Centrifuge Nederland (The Netherlands) and Uranit (Federal Republic of Germany), are vigorously pursuing a joint development programme to reduce specific costs, increase centrifuge output and maintain Urenco's competitiveness through the 1990s.

The major advantage of the centrifuge process is that power consumption is only about 4% of that needed for an equivalent diffusion plant. Furthermore the characteristics of the process mean that a plant can be extended in modular form and the lead time for plant installation is short. So Urenco has been able to increase capacity in phase with contractual requirements and has established a firm footing in the world enrichment market. The value of Urenco's order book is about £2,500 million, of which BNFL will have a one-third share. The home market is also important and during the year Urenco concluded a major contract with the SSEB to provide all its enrichment into the next century.

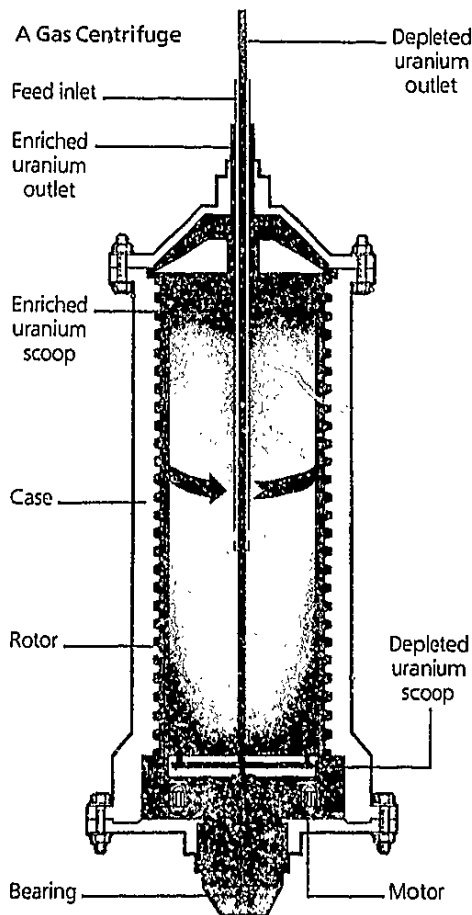
During the 1990s some 25,000 tonnes of uranium is expected to arise worldwide from the reprocessing of spent oxide reactor fuel and BNFL and Urenco are working together to market a complete package of recycle services including conversion of the material to uranium hexafluoride, enrichment and fabrication of fuel. During enrichment in a centrifuge plant, the reprocessed feed can be segregated into particular units to prevent cross-contamination, a great advantage over the diffusion process.

At Capenhurst this year, an improved centrifuge (a third generation machine) completed its development phase and has been installed in a cascade. This came into operation in December 1986 a few weeks ahead of schedule. A further generation of machines is at the prototype stage and several machines have been successfully run.

The modular approach to plant installation has meant that Capenhurst achieved a record output for the second

consecutive year. Production from the Urenco centrifuge plants at Capenhurst substantially increased to approximately 600 tonnes SWU (separative work units) and further increases are forecast for several years to come. Site opening-up work was completed and construction started during the year on a third centrifuge plant due to come into operation in 1990/91.

A plant for producing enriched uranium for the Ministry of Defence was completed during the year, ahead of programme. It produces all the low enriched uranium required by the Ministry for the foreseeable future and is an important project for Capenhurst in terms of employment.

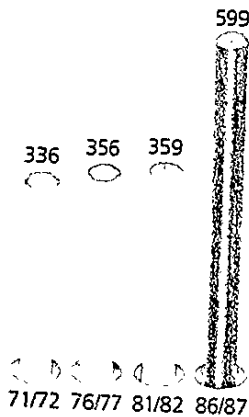


Urenco faces strong international competition for enrichment business in a market which is characterised by surplus capacity. In order to meet the challenges in the market, both in the short and long term, BNFL and its partners in Urenco are

FUEL SUPPLY SERVICES

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Production of separative work for use in the UK's and overseas civil reactors (tonnes separative work)



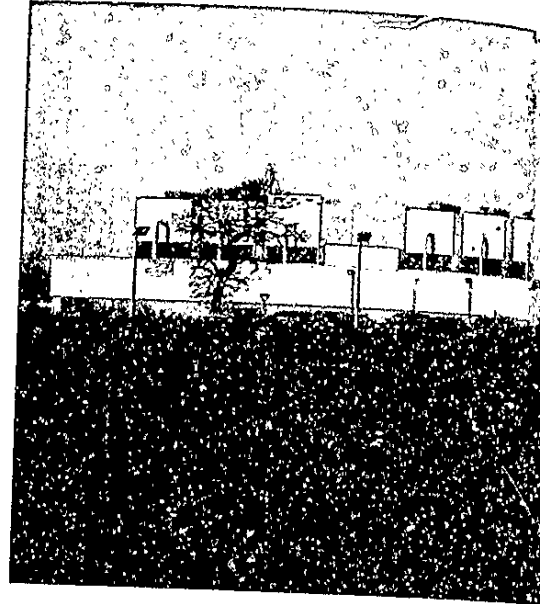
pursuing development programmes aimed at ensuring Urenco continues to provide the most economical enrichment service.

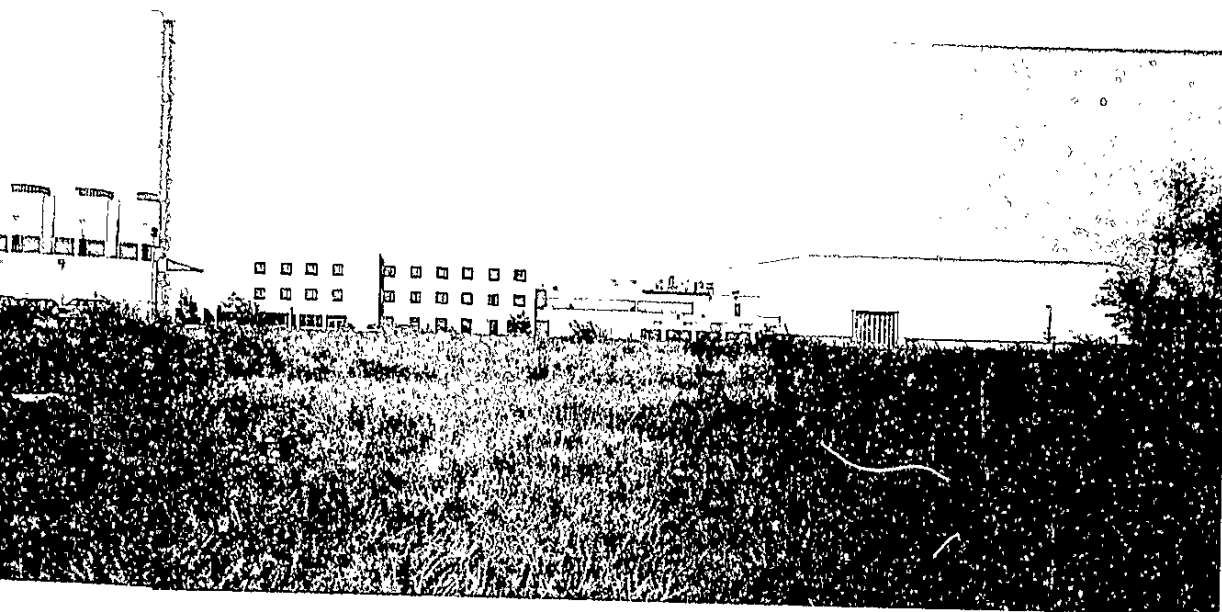
The Urenco partners believe that their centrifuge technology will provide the most economic process through to the next century at least and, through their joint research and development programme, are developing further advanced centrifuge machines for installation in this period.

For the longer term, BNFL and its Urenco partners are each pursuing development programmes on a laser enrichment process. At present these programmes are carried out independently but if a laser isotope process is shown to offer economic advantages over centrifuges, then the partners plan to exploit the process jointly.

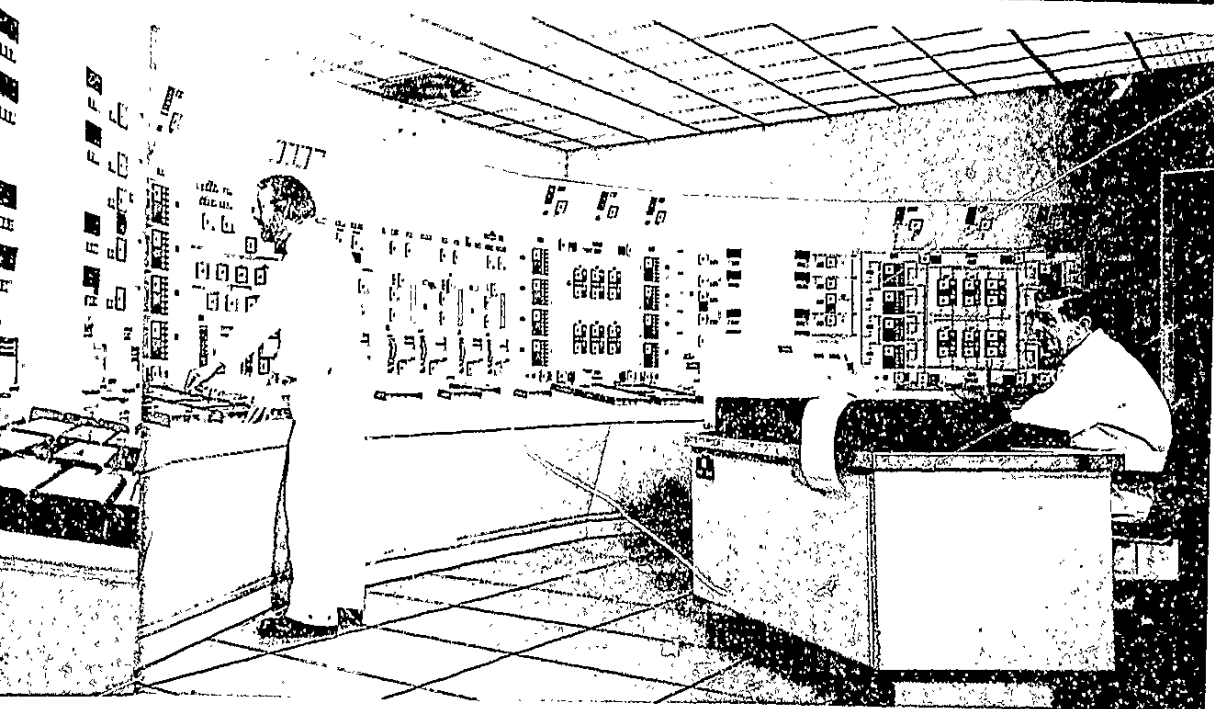
BNFL's laser research is being carried out in conjunction with the United Kingdom Atomic Energy Authority. At Capenhurst the work is aimed at uranium vapour production and at developing powerful laser facilities. Progress to date has enabled a variety of laser operating parameters to be specified and other aspects, such as optical component quality, have been studied. Small quantities of enriched uranium have been produced at Harwell by the laser process under the UKAEA research and development programme.

As a consequence of both the evolution of higher output, more efficient centrifuges and also a critical review of costs in all areas of Enrichment Division to meet the competitive challenges of the market, the manpower levels at Capenhurst are being reduced. During the year the manpower was reduced by some 400 posts, including around 250 fixed term contractors. This was possible using natural wastage and voluntary means.





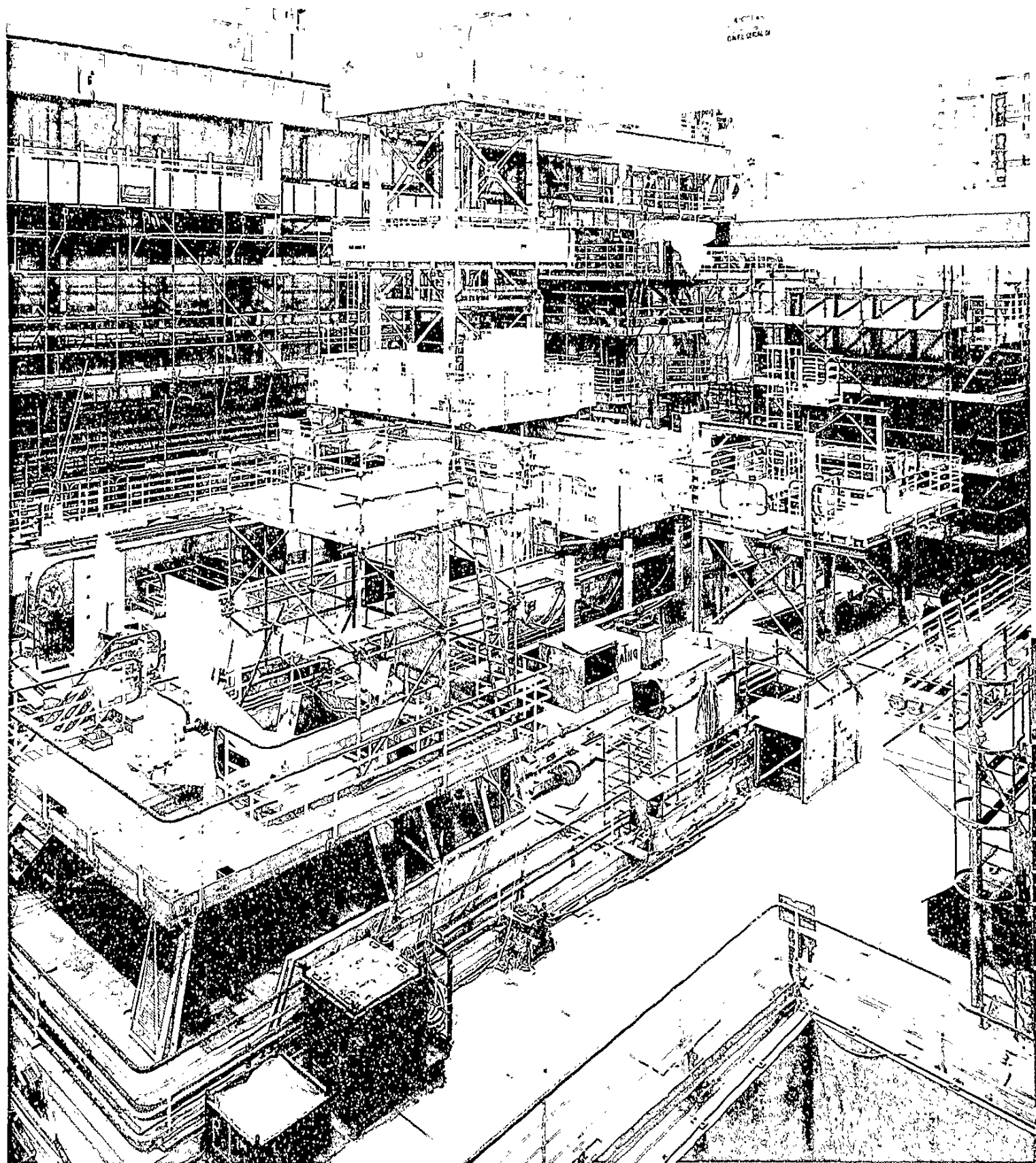
One of the Uthmaniyah centrifuge plants at Capenhurst



A centrifuge plant control room.



Construction of the latest centrifuge plant.



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SPENT FUEL MANAGEMENT SERVICES

CONTINUED

THORP's fuel receipt building and storage pond are almost complete and testing has commenced. Commissioning will start by the end of 1987.

Construction is also proceeding on the Head End and Chemical Separation Plant. The building and civil labour force is now at its peak at 2,200 and two-thirds of the reinforced concrete structure has been completed. The installation of plant and equipment will commence during the coming year.

A significant proportion of the remaining investment plans deal with waste management. Highly active waste is stored at present as a liquid in double walled stainless steel tanks in concrete vaults with overheating prevented by a series of cooling coils. It has been stored safely in this manner for over 30 years but the Vitrification Plant now under construction will solidify these wastes into a solid glass-like form making it more suitable for ultimate disposal. The process involves drying the waste to a powder form, mixing it with glass-making materials and heating it in a furnace. The molten glass is cast into a container, fitted with a lid and sealed by automatic fusion welding. The containers will be stored in an air-cooled store for at least 50 years.

During the financial year the major civil works were completed and mechanical

installation began. The stainless steel lining for the active cells has been completed and some 12,000 metres of high integrity piping installed. Completion of mechanical installation work on the first of two lines is scheduled for the end of 1987 and testing of the part of the plant dealing with highly active liquid and effluents arising from the process is due to start in late 1987.

Construction is proceeding on the building which will store the vitrified waste although delays in steelwork erection were caused by bad weather during the winter. It is not envisaged that these will delay the start up of the plant.

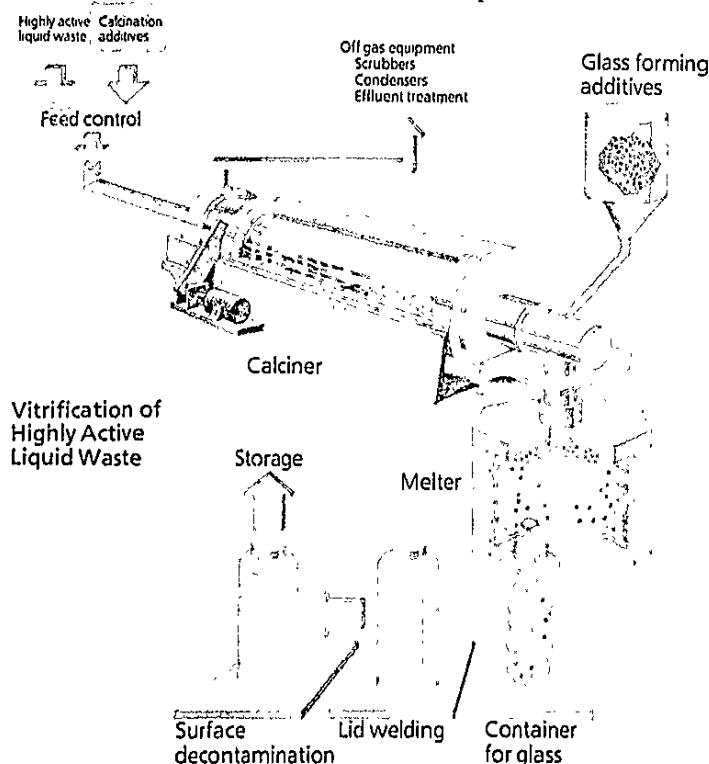
Intermediate level wastes are to be encapsulated in cement. The first plant, designed to deal with material stripped from Magnox fuel elements, is required to be operational by 1990 and will incorporate a product store with a capacity for at least 11,000 drums.

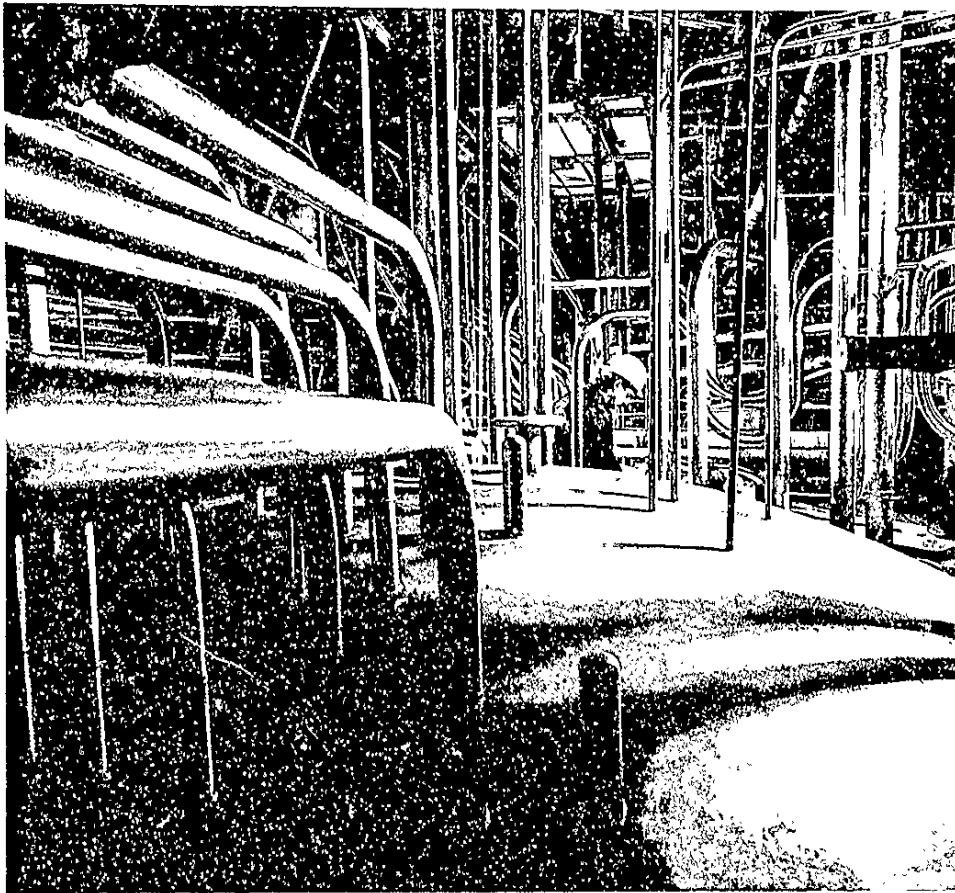
As part of BNFL's continuing policy of significantly reducing levels of activity discharged from Sellafield to the Irish Sea a new plant known as EARP (Enhanced Actinide Removal Plant) is being designed and built at a cost of some £200 million.

It will treat effluents from both Magnox and THORP reprocessing operations, giving a solid waste which will be encapsulated in cement. The plant will incorporate several features developed for the Site Ion Exchange Effluent Plant (SIXEP) which has made a major contribution to the reduction of discharges to sea.

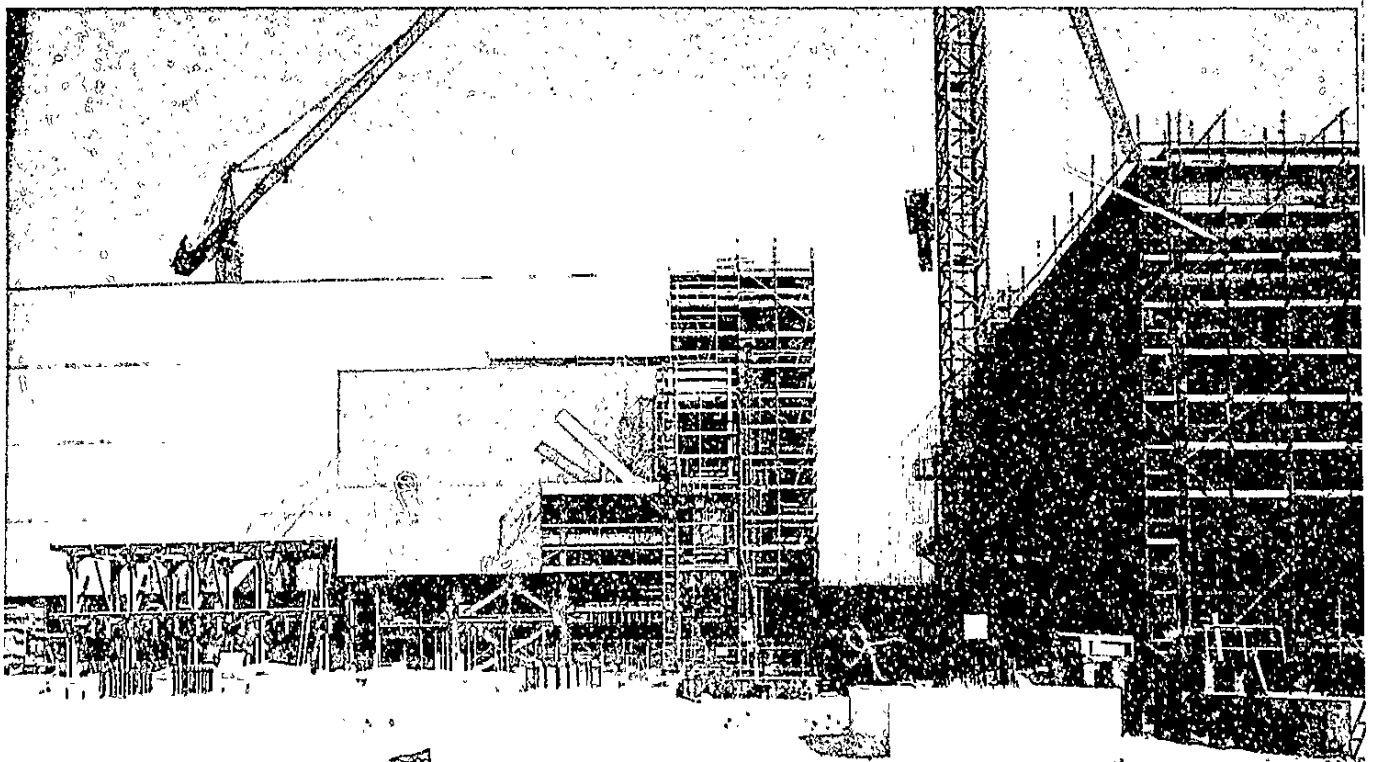
During the year the initial work to develop the process and special plant items was completed, as was the definition of main plant items and plant layout.

Low level wastes are disposed of at Drigg near Sellafield. During 1986/87 a visitors centre at Drigg came into full use with the aim of providing a structured introduction to the Drigg site for visiting parties such as MPs and councillors. Improvements made to the Drigg site include the refurbishment of the drainage system. A new plant is to be built at Sellafield to compact suitable wastes, providing volume reduction and helping to conserve space in Drigg. Both compacted and uncompacted waste will be placed in metal containers and disposed of in a new concrete lined trench. Also at design stage is a building to examine waste on arrival at Drigg which will provide an additional check that waste disposed of is within authorised limits.





View of the tunnel structure
on the right side of the
intermediate section.



SPENT FUEL MANAGEMENT SERVICES

□ CONTINUED

Reprocessing of irradiated
fuel from civil Magnox
reactors in the UK and
from overseas
(tonnes uranium)

1086

956

975

983

71/72 76/77 81/82 86/87

Investigations by UK Nirex Ltd into further sites for low level waste disposal have indicated that shallow disposal would not be as financially attractive as had been previously envisaged and that a new approach of deep disposal for both intermediate and low level waste should be investigated further.

The facility for dismantling AGR fuel started active operation shortly after the year end, having undergone an extensive period of inactive safety commissioning using dummy fuel elements.

During the year a detailed safety audit of the reprocessing plant and associated activities was carried out by the Health and Safety Executive's Nuclear Installations Inspectorate.

BNFL has accepted the findings of the report and is working with the NII on a programme to carry out the refurbishment identified and to improve procedures and training.

It is BNFL's current policy to provide decommissioning of plant to a stage which will ensure its safety with minimum surveillance and maintenance. Further decommissioning can be carried out as necessary. Decontamination and decommissioning technology is being developed under a 10-year programme at Sellafield and a number of projects have been started.

Initial decommissioning of a pond used to store and decan fuel from the Windscale piles and subsequently from Calder Hall is proceeding. New experience is being gained on the work which is expected to take about eight years and involves refurbishing of plant and equipment and the disposal of materials in the pond.

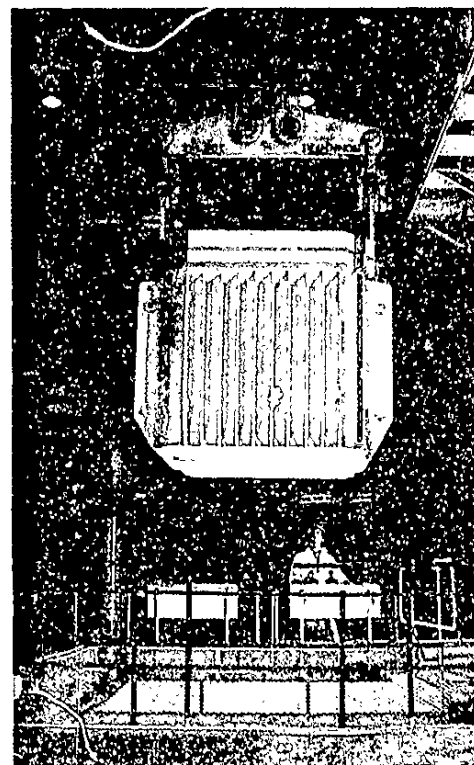
Some dismantling of a plant which produced mixed oxide fuel for the Prototype Fast Reactor is also underway. Dismantling, at a cost of about £2 million is scheduled for completion by the end of 1988 and the work involves the application of newer techniques for decontamination and dismantling under a Commission of European Communities contract. In addition the project is included in a collaborative agreement between member states of the Nuclear Energy Agency on mutual information exchange.

Safety is of paramount importance in all stages of design, manufacture, construction and commissioning of new plants and safety features form an integral part of the design.

Establishing the safety of new plants is carried out by a large team of safety specialists comprising some 50 full-time professional staff assisted by some 100 consultants.

Procedures have been agreed between EURATOM, UK officials and BNFL for inspecting civil nuclear material at Sellafield; EURATOM now have access to all civil nuclear material at all times.

CALDER HALL AND CHAPELCROSS
BNFL operates two Magnox power stations – at Calder Hall on the Sellafield site and at Chapelcross in Southern Scotland. Calder Hall, the world's first industrial-scale nuclear power station celebrated its 30th anniversary during the year. Both stations have continued to operate at full power with very high load factors between scheduled shut-downs. The reactors at both stations were built originally for the

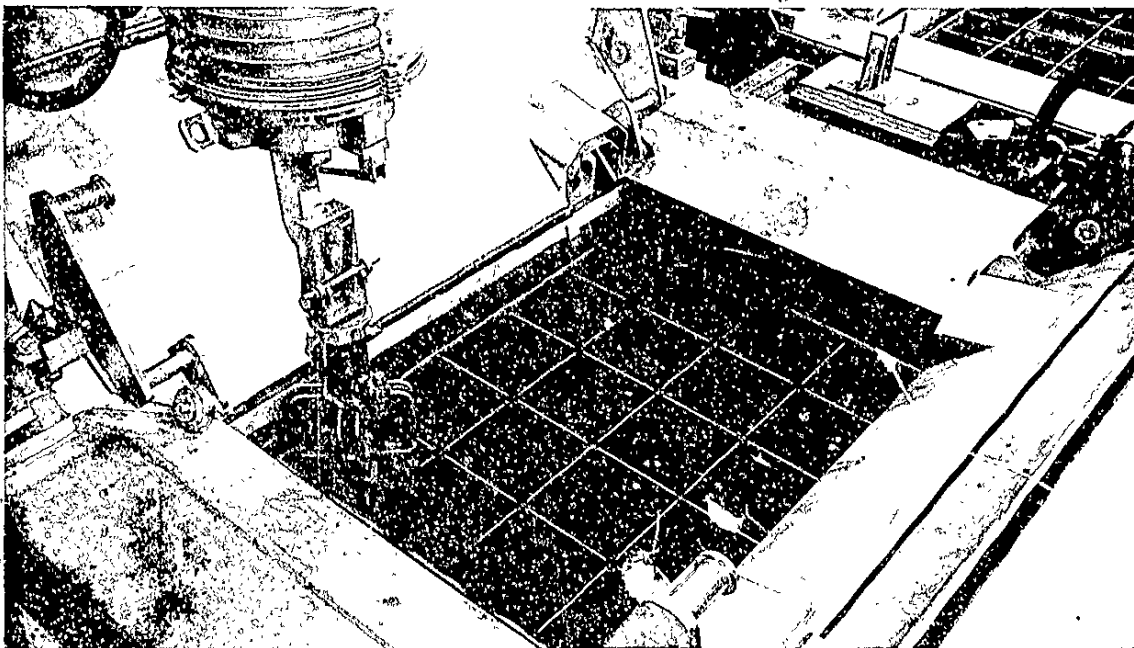


*A transport flask being
lowered into a cell in the Fuel
Handling Plant.*



First year instrument and electrical apprentices calibrating gauges

Dismantling AGR fuel.



dual purpose of producing plutonium for weapons purposes and electricity as a commercially valuable by-product which could be exported to the National Grid. Subsequently, changing defence needs led to the optimisation of electricity production, although plutonium has been produced from time to time for defence purposes.

A plant for the production of tritium for defence purposes was completed at Chapelcross in 1980. The tritium is produced by irradiating lithium cartridges in the Chapelcross reactors, subsequently reprocessing them to provide material which is an essential part of nuclear weapons manufacture.

Electricity production at Calder Hall and Chapelcross now amounts to more than 96,000 million KWh, equivalent to the

electricity which could be obtained from 14 million tonnes of coal.

A new Reactor Division was set up on 1 April 1987 with responsibility for the Calder Hall and Chapelcross reactors.

TRANSPORT

Transport of spent nuclear fuel from power stations in the UK and overseas is carried out under strict regulations laid down by the International Atomic Energy Agency and the Department of Transport.

The specially constructed containers used to carry the fuel are known as flasks and are designed to withstand fire, water and collision damage. They weigh up to about 100 tonnes and are made of steel or steel and lead with walls about one foot thick.

Electricity generated by Calder Hall and Chapelcross (million kWh)

3859	3542
3319	
2877	

71/72 76/77 81/82 86/87

SPENT FUEL MANAGEMENT SERVICES

CONTINUED

Flask testing is carried out using scale models and mathematical calculations but full-scale flasks have also been successfully tested, both in the UK and USA.

More than 8,000 flask journeys of spent fuel have now been made from UK nuclear power stations to Sellafield and spent fuel from overseas has travelled nearly 16,000,000 flask miles without any flask receiving any more significant damage than a few bumps and scratches.

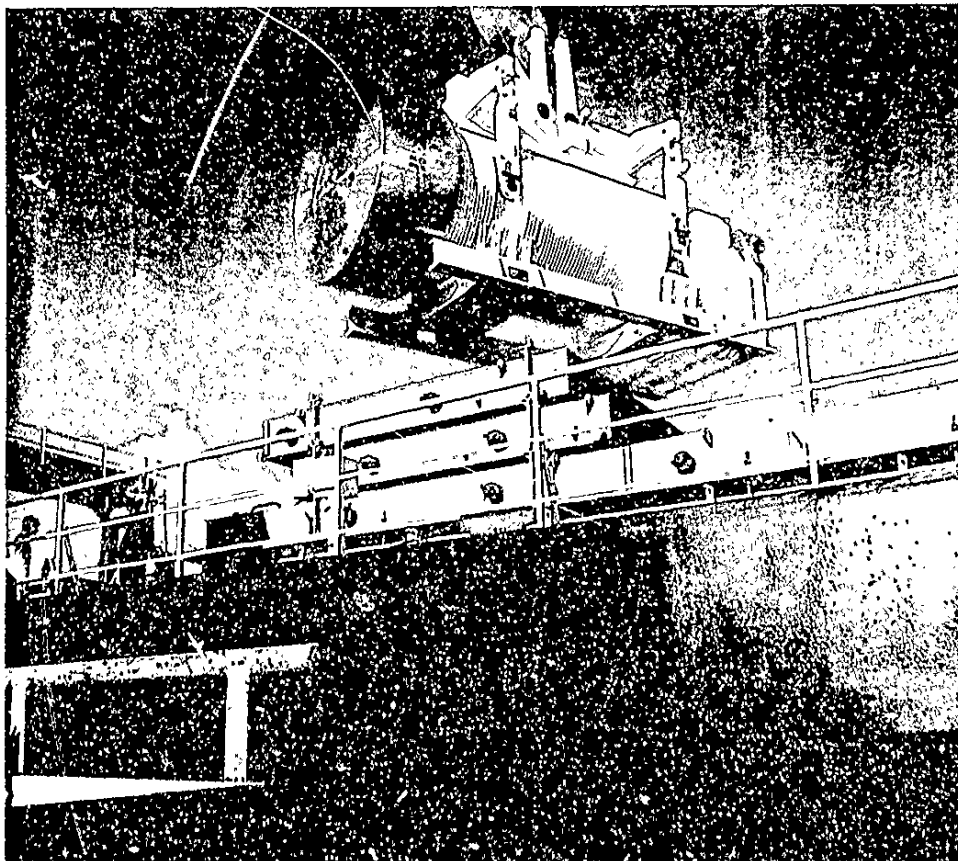
A subsidiary company of BNFL is responsible for the transport of spent fuel from Japan to Europe. Pacific Nuclear Transport Limited was established in 1975 and BNFL owns 62½% of the shares. During the year PNTL delivered 394 tonnes of spent oxide fuel to Sellafield and Cap de la Hague in France.

Four specially designed nuclear fuel carriers, each with a nominal deadweight of 3,000 tonnes and able to carry between 24-28 flasks, are in operation on the Japan-Europe route and a fifth has recently been launched. A further purpose-built ship is owned and operated by BNFL for the transport of spent fuel from European reactors and BNFL has a 33⅓%

shareholding in Nuclear Transport Limited which is responsible for spent oxide fuel movements from European power reactors to Sellafield and Cap de la Hague. NTL delivered over 300 tonnes of spent oxide fuel to the two reprocessing plants during the year.

Fuel carried by the BNFL/PNTL ships arrives in England through the port of Barrow where BNFL has a purpose-built terminal. In common with the Company's other operating sites a local liaison committee meets regularly to discuss progress and subjects of interest. Emergency exercises are also carried out regularly worldwide.

Handling a fuel transport flask at the Barrow marine terminal.



TECHNICAL AND PLANNING

6 Attention has continued to be paid throughout the Company to ensuring high standards of safety throughout its operations with encouraging and positive results. Quality Assurance, already widely applied, is being further extended and developed as an important part of this on-going programme.

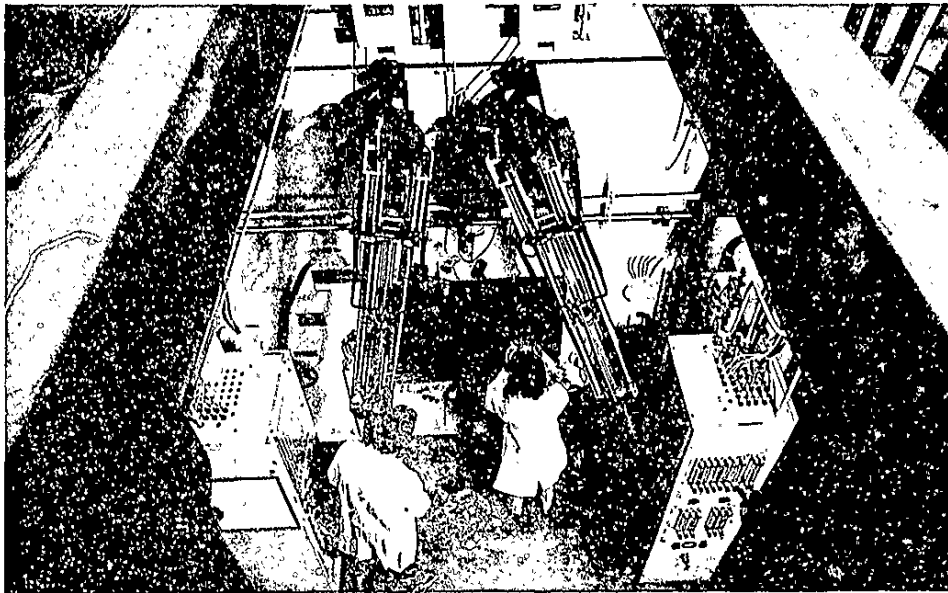
The relevance of the main lessons of the Chernobyl accident to the reactor and chemical plant operations has been the subject of a comprehensive study at all the Company's operating sites. The fact that the Chernobyl accident was a consequence in part of the violation of safety procedures and overriding of automatic protection devices featured particularly in the review. We are

confident that such attitudes do not prevail within the Company but we have nevertheless taken measures as a result of the study to enhance this level of confidence further.

Expenditure on Research and Development totalled £71M. A substantial part of this total was in support of the current programme of investment in new plants, principally at Sellafield and particularly THORP and waste management plants. Expenditure on Research and Development in support of possible future plants and processes including support for the development of fast reactor fuel fabrication and fuel reprocessing facilities amounted to £14M. 9



Roy Pilling is Director, Technical and Planning.



The THORP miniature pilot plant.

RESEARCH AND DEVELOPMENT

BNFL's research and development activities are organised on a Divisional basis with each site having its own technical support facilities. In addition, where appropriate, a significant amount of work is placed with outside organisations including UKAEA and universities or is jointly financed with other organisations.

A substantial proportion of the total programme was concentrated on work in support of the major investments at Sellafield - 'THORI' and projects concerned with solid waste management and liquid effluent treatment.

In Fuel Supply Services the main research and development activities were in support of advanced centrifuge development, preliminary work on laser enrichment technology and the continued

development of oxide powders and fuel.

THORP development work continued throughout the year with a major part of the programme in the Head End area of the plant being completed. A full-scale pulsed column test rig has been used at Sellafield to demonstrate successfully the operation of the columns. This is now being refurbished to install a pulsed column of the exact THORP design for final trials.

Studies have been carried out at Sellafield and Dounreay to confirm chemical behaviour under normal conditions and to study the effect of possible process maloperations.

Waste management research cost some £23 million. Construction is now complete of the full-scale inactive vitrification facility which provides a means

TECHNICAL AND PLANNING

[] CONTINUED



Research into the separation of uranium from solvent.

of testing the whole process from highly active liquor feed to sealing the containers for transfer to the store.

During the year the performance of the melter was optimised and in particular means of improving the mixing of the molten glass identified.

The station where the glass is poured and the lids fitted to the containers has now undergone the equivalent of two year's plant operation in endurance testing without any major problems.

A considerable amount of work also continued in support of intermediate level waste encapsulation. A full-scale cementation plant has been built and commissioned, together with an associated cement testing laboratory.

Testing the physical properties of encapsulated waste continued and experimental assessments began of techniques to check that the encapsulated waste produced meets the standards required.

Plutonium contaminated materials management studies were also carried out during the year in conjunction with the Department of the Environment and the Ministry of Defence. These included plutonium measurements and techniques for the decontamination and decommissioning of redundant equipment.

Research and development into the treatment of low-active liquid effluents continued, in particular process and engineering development and studies on

floc concentration by ultrafiltration for the EARP project.

Research was being undertaken into the long-term integrity of the Calder Hall and Chapelcross reactors and a test rig has been constructed for this purpose.

The programme of generic research included work on materials development, safety development, containment and ventilation and remote handling. This includes support of work by the UKAEA in the areas of remote handling and advanced reprocessing studies.

As part of the longer term Company policy to provide a complete nuclear fuel cycle service, development work is proceeding at Sellafield on the fabrication of plutonium enriched fuels for LWRs and work on a laboratory scale has demonstrated the feasibility of a suitable production process.

At Springfields, development and project work has started this year for a new oxide fuel complex which would deal with the fabrication of AGR fuel – from the production of oxide powder to fuel assemblies. The plant, which will handle both new and recycled material will also be capable of extension to handle PWR fuel.

At present, research and development on the complex is concentrating on optimising powder production from uranium hexafluoride. A full-scale rig was commissioned to test the proposed process and the first trials have given promising results.

HEALTH AND SAFETY

BNFL's operations are carried out with a high awareness of safety – from initial design through to plant operation and decommissioning. Its objective is to keep any hazard as low as reasonably practicable and to work well within the regulatory limits.

The Company is subject to a high degree of external inspection and control. Its operating sites are licensed by the Nuclear Installations Inspectorate in accordance with the Nuclear Installations Act and radioactive discharges are authorised under the Radioactive Substances Act by Authorising Departments – the Ministry of Agriculture, Fisheries and Food and the Department of the Environment in England and the Scottish Office in Scotland.

Radiation protection arrangements incorporated in these licences and certificates of authorisation and the new

Ionising Radiations Regulations are based on the recommendations of the International Commission on Radiological Protection as endorsed by the National Radiological Protection Board.

The Company has safety and medical departments at each operating site which advise local management and arrange for appropriate monitoring and inspection to confirm that safety and environmental protection arrangements are satisfactory.

Safety protection starts with careful plant design with shielding and containment where necessary and continues through detailed plant operating procedures and monitoring of the workplace, employees, the amount of radioactivity discharged and the environment around the sites. Further independent monitoring is carried out by the Authorising Departments.

The introduction of the new Ionising Radiations Regulations has from 1 June 1986 altered the basis of definition of statutory radiation dose in a way which gives greater emphasis to the intake of radioactive substances. Nevertheless, the average exposure of the Company's radiation workforce in 1986 was about 10% of the statutory dose limit, a figure considered by the International Commission on Radiological Protection as commensurate with 'safe' industry.

The successful operation of the new effluent treatment plants at Sellafield led to a further reduction in discharges in 1986 (to three-quarters the 1985 figure for alpha discharges and one-fifth for beta). Alpha discharges are now only 2.4% and beta discharges 1.3% of peak levels. Further reductions are not expected until new plant under construction becomes operational. Meanwhile actual discharges will depend on the details of the reprocessing programmes and performance of treatment plants. A new authorisation for Sellafield liquid discharges to reflect the reduction came into effect on 1 July 1986. It placed a greater emphasis on limiting discharges by the best practicable means and set lower or new limits for various radioactive substances.

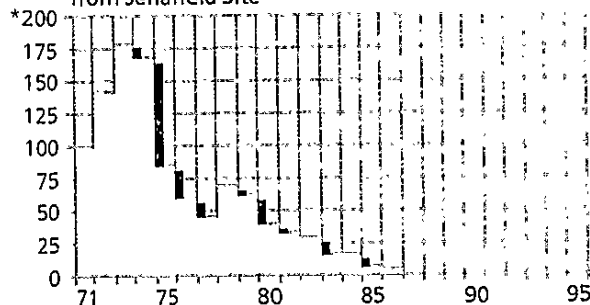
Through regular monitoring of marine samples, the impact of the discharges has been estimated, particularly on the small group of West Cumbrians who consume large quantities of local shellfish. The additional radiation dose received by members of this 'critical' group is about the same as the average annual UK dose in

dwelling from radon and thoron. It has been estimated that eating half a Brazil nut kernel each day entails a similar small risk to that experienced by the average consumer of commercially sold Irish Sea fish. The risk arises from the very low level of radioactivity in both the nuts and Irish Sea fish.

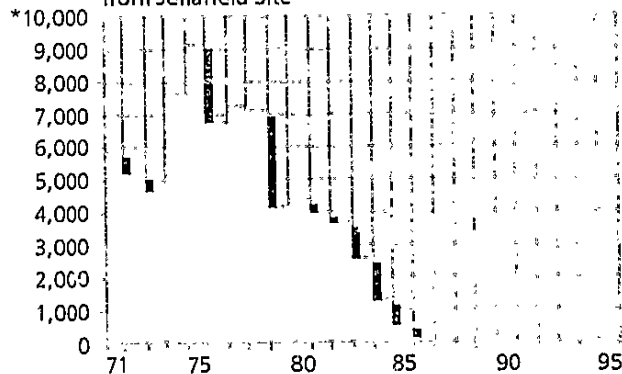


Analysis of film badges.

Discharges of 'Total alpha' activity to the sea from Sellafield Site



Discharges of 'Total beta' activity to the sea from Sellafield Site



*Terabecquerels per year

TECHNICAL AND PLANNING

□ CONTINUED

EFFECTIVE RESOURCE MANAGEMENT

As part of its greater drive for competitiveness BNFL has introduced a system called Effective Resource Management to examine costs in the service and overhead functions of the Company.

Questionnaires and discussions with providers and users of services within the Company are used to give detailed information on the effectiveness of these areas and to provide a basis for decision-taking on the level of services to be provided in the future.

The system will lead to the improved deployment of resources, reduced costs and a better appreciation of the real costs of providing and using services.

QUALITY ASSURANCE

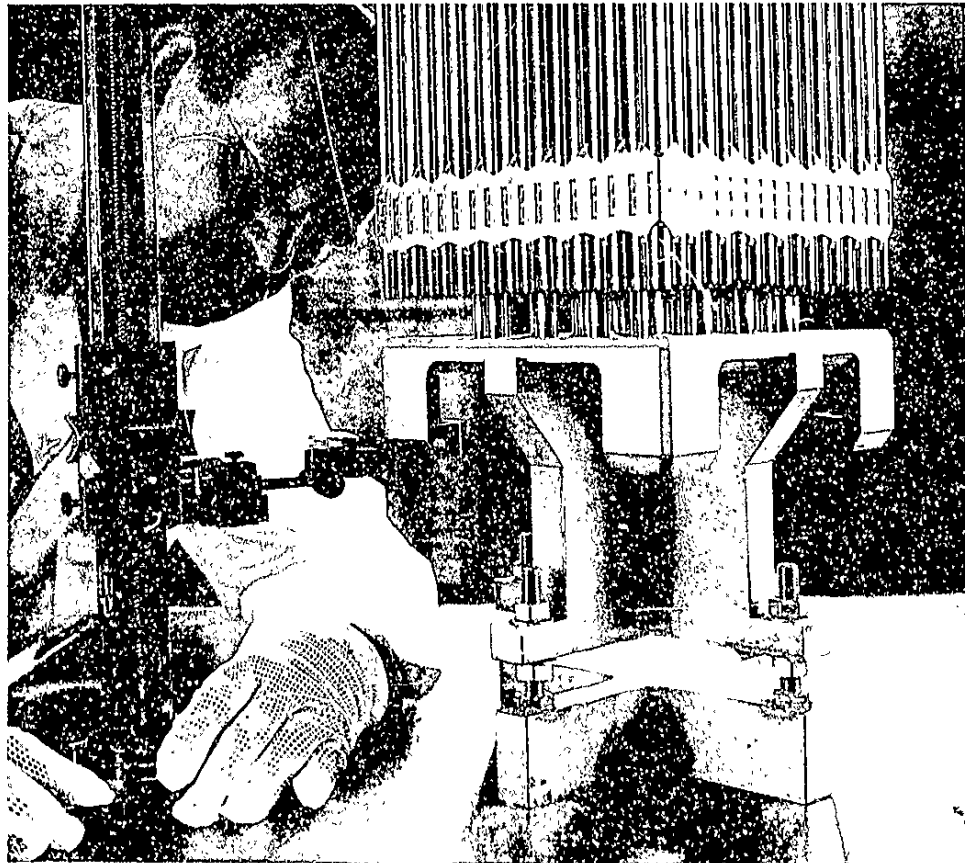
The application of quality assurance plays an essential role in maintaining high standards in safety and product quality and the promotion of technical and economic efficiency throughout the Company's activities. As part of the overall programme of work the application of quality assurance continues to be developed to meet the

requirements of both customers and regulatory bodies and includes the further development of quality circles and quality improvement programmes.

FAST REACTORS

The Company continues to support the development of fast reactors and in particular the associated fuel cycle through the joint UK nuclear industry project with European partners. The Public Inquiry into the joint UKAEA/BNFL planning application for a European Demonstration Reprocessing Plant at Dounreay was completed in November 1986 after 95 days in session. The outcome of this is still awaited. The plant would provide a reprocessing service for the series of demonstration fast reactor power stations to be built in Europe as part of the joint European project. Consent to the planning application would enable the UK to negotiate with her European partners for the plant to be built at Dounreay, continuing and extending operations which have been carried out there for many years. The only other current contender is Cogema who would like to see it located at Marcoule in France.

A quality assurance check on a PWR fuel assembly.



CORPORATE AFFAIRS

● Important initiatives aimed at increasing public support for BNFL's activities, particularly reprocessing, were taken by the Company and its employees last year and there is clear evidence that the extra effort paid off.

In summary, this was a year in which management and trade unions came off the defensive and set out to tell anyone who would listen about the positive achievements of the Company, its importance within a balanced energy economy, its contribution to current and future industrial employment in the UK and the considerable attention paid to safety and environmental issues.

As a Company, we launched our first television advertising campaign, inviting people to visit Sellafield and they came in their

tens of thousands. More politicians, journalists and academics made the journey to West Cumbria too, as did some of the opponents of nuclear power, responding to the Company's open door policy.

The initiative taken by the Company's trade union representatives was just as important. They made sure that their views were heard at all of the main political and trade union conferences and undoubtedly had a considerable impact. The Company's management can take no credit for their efforts, because they formed their own organisation to carry out the tasks they set themselves but they deserve the thanks of everyone in the Company. ●



Harold Bolter is Director, Corporate Affairs.



The most recent television commercial was filmed in the Sellafield Exhibition Centre.

PUBLIC RELATIONS

Achieving and maintaining public confidence is a key priority for the nuclear industry and for BNFL. In the year following Chernobyl opinion research has shown that the percentage of the general public in favour of nuclear generated electricity has steadily increased from the low recorded immediately after the accident and is now back to pre-Chernobyl levels. A great deal of effort has been spent on improving the public's understanding of nuclear power by all parts of the industry. Nevertheless much remains to be done to improve communications with the public and the Company is committed to a wide ranging programme of information activities.

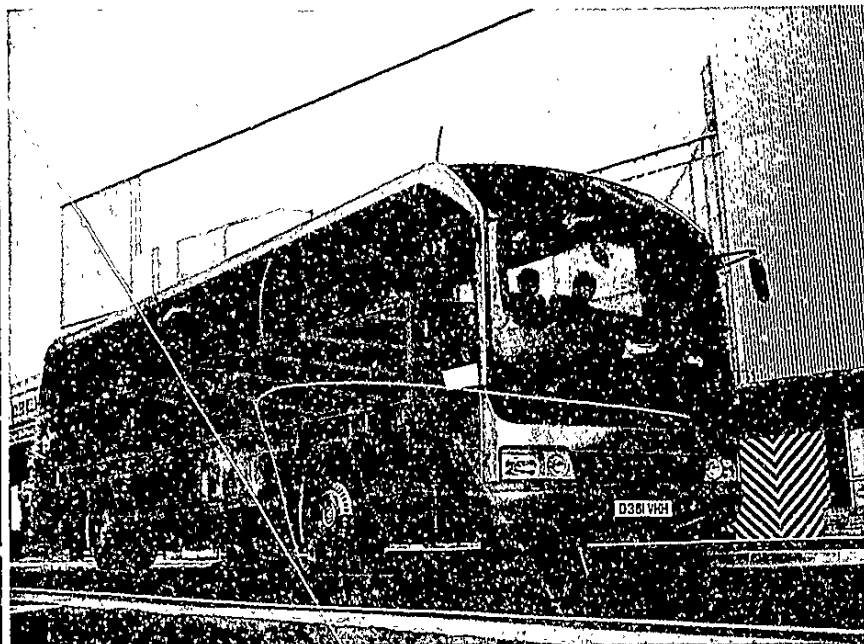
Visitors to the Company's sites have always been welcome but during 1986/87 a more positive approach was taken to promoting this open door policy.

Visits to Sellafield's Exhibition centre were boosted by a press and television advertising campaign featuring invitations to the centre.

Over 69,000 people took up the invitation, an increase of 41,000 visitors on the previous year. A further increase is anticipated during 1987/88 and the exhibition centre has been extended to include a cinema and to accommodate increased numbers. Visitors wishing to tour the site itself will be able to do so on new coaches equipped with videos. Plans are now in hand for a new Visitors Centre

CORPORATE AFFAIRS

CONTINUED



Visitors to Sellafield are able to tour the site on purpose-built coaches equipped with videos.

with additional facilities to cater for the growing number of visitors.

The Company's other sites also recorded an increase in the number of visitors. Three Open Days at Springfields to mark the 40th anniversary attracted nearly 9,000 people; routine visits to Springfields and Capenhurst also increased giving a total of some 84,000 visitors to BNFL's establishments. In addition some 590 talks were given to a variety of audiences by speakers drawn from the Company's 150-strong Speakers Panel.

Nearly 500,000 publications were distributed to a wide range of audiences and many hundreds of films on the Company's activities were mailed out.

BNFL's promotional activities to its customers and potential customers around the world was increased again last year through major exhibitions in Europe and the USA and extensive advertising in the international nuclear press.

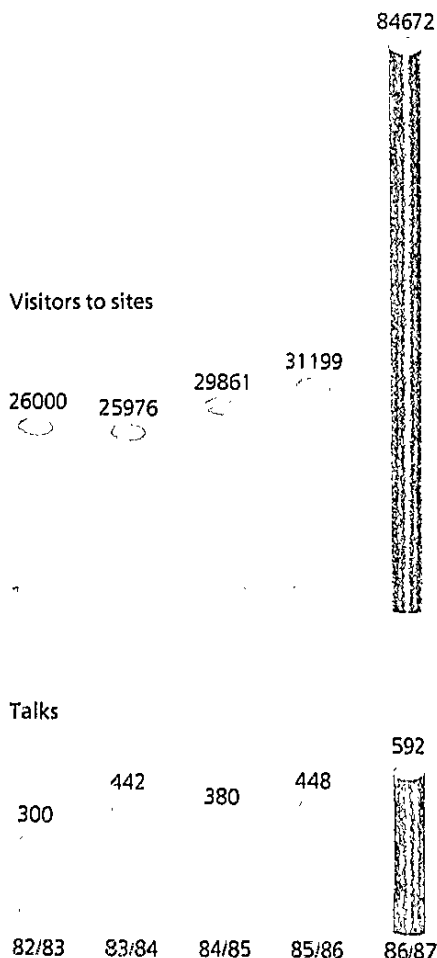
COMMUNITY RELATIONS

In common with many large organisations BNFL recognises the importance of involving the local communities around its sites in its operations.

The most direct involvement is through local liaison committees which include representatives from local authorities, health and emergency services, the NII, the Authorising Departments and BNFL, and meet regularly to discuss site operations and new developments. The largest committee is at Sellafield where meetings are held in public and regularly reported in the local press.

Being a good neighbour also involves financial commitment and BNFL is proud to be a member of The Per Cent Club, composed of organisations who donate at least half a per cent of their pre-tax profits to cultural and charitable causes.

A new development this year is a Joint Venture with local authorities, and Enterprise West Cumbria. The project, which will commit BNFL to make a fixed financial contribution each year for the next 10 years, will focus on projects jointly undertaken with the local community whose principal aim is job creation. This will reduce dependence on BNFL which has progressively become the most dominant factor in the local economy, particularly with the recent decline of other major industries, such as coal and steel. One of its aims will be to maximise the benefit to West Cumbria of the huge





Springfields apprentices working on a wheelchair specially designed for the needs of the physically handicapped.

expenditure by the Company at Sellafield together with any appropriate technology spin-off. Additionally, such an initiative will form a better basis for the Company's investments in the local infrastructure.

Other schemes in progress involve renovation of Whitehaven Town Hall and support for a scheme to establish a Maritime Museum and Exhibition Centre at Maryport. In total more than £560,000 was spent on major schemes in 1986/87. In addition, some £188,000 was given to various national or local appeals.

Apprentices at all sites continue to give their time and skills to a wide variety of community projects such as the fabrication of playground equipment for local villages.

EDUCATION LIAISON

The importance of close liaison with educational establishments which has long been recognised by BNFL was given extra impetus during 1986, designated Industry Year. In Warrington and West Cumbria BNFL staff are actively involved in schemes to provide school children with valuable business experience through running their own companies. Various teaching aids have been produced and BNFL contributes to several educational publications and journals.

EMPLOYEE COMMUNICATIONS

Improving communications with the Company's employees continues to be a major priority and during the year an attitude survey and communications audit was carried out. The results of the survey were generally encouraging, indicating a high degree of identification by employees with their line management and loyalty to



Filming Christopher Harding for an employee communications video.

BNFL as a Company. Although generally satisfactory, a need for improved communications was identified, particularly on matters such as the Company structure, as was a need for improved and regular briefing of employees. From these findings and recommendations it has been decided to supplement the existing informal communications with a more formal structure within the Company. Our objective will be the creation of, identification with, and commitment to, corporate and local site aims by all employees and of encouraging involvement by feedback. Viewdata technology will continue to be used as part of this programme as well as the established Company newspaper, BNFL News.

CONTINUED

PERSONNEL

The average number of people employed by the Group during the year was 16,940 compared with 16,285 in 1986. Some 7,000 of the total as well as 5,500 contractors work at Sellafield, the Company's largest site, with about 4,100 at Springfields, 2,900 at Risley, 2,100 at Capenhurst and 640 at Chapelcross.

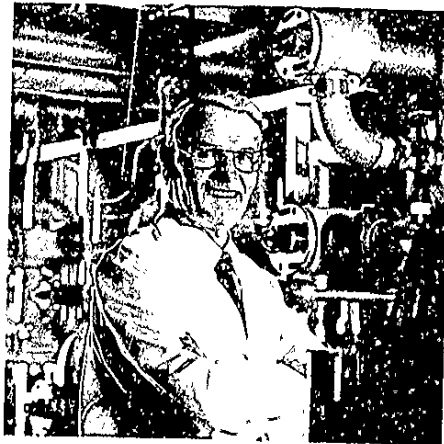
It is Company policy to employ disabled people wherever suitable work can be found. General career development, training and promotion opportunities, as with other employees are appropriate to their abilities but they are also given practical assistance, retraining and facilities appropriate to their special needs. BNFL is also an equal opportunities company.

The Company places great emphasis on the development of employees to their maximum potential and they are encouraged to obtain appropriate qualifications to further their career development. Some 900 employees were granted additional leave and received assistance to follow further educational courses in 1986/87.

Formal training is provided through both internal and external courses. The Company has extensive training facilities at all its sites and during the year organised

1,850 courses ranging from management training, to computing or safety training. 2,538 attendances were organised at appropriate external courses.

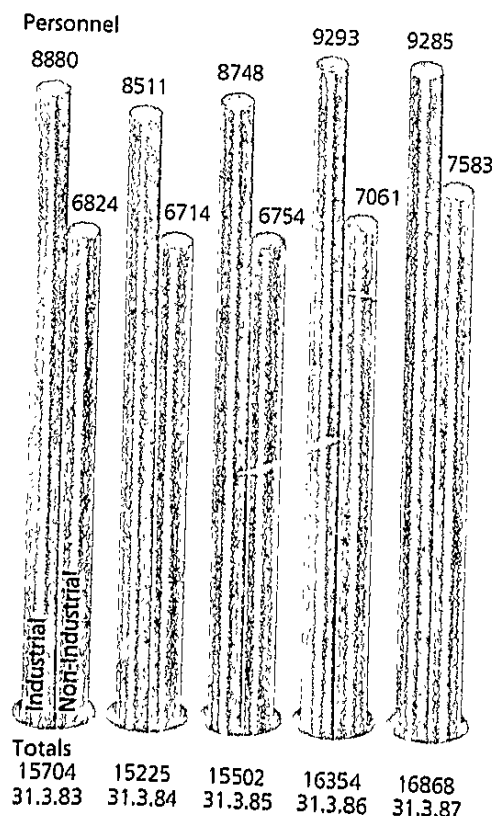
BNFL recognises the importance of providing young people with a job skill and 874 drawing and craft apprentices were



John Bowhill, engineering manager, research and development, Capenhurst.



Neil Bramhall, design draughtsman, THORP plant design office, Risley.



being trained during the year.

Employees of all levels are involved in a well-established system of joint consultation and negotiation covering pay, conditions of service and other areas such as health and safety, catering and transport. The joint consultative machinery is structured from Company down to works level and there is frequent informal contact between both sides. At the Senior Management level important changes to the Company structure and organisation have been made during the last 12 months aimed particularly at sharpening the lines of authority and placing emphasis on the link between performance and reward.



Karen Dakin, junior clerk in the Mechanical Engineering Design Office, Risley.



Stuart Huntington, process worker, Chapelcross.



Alan Britcher, manager, dosimetry services, Sellafield.



Gill Carroll, typist and word processor operator, Capenhurst.



Nick Pearson, second-year apprentice electrician, Springfields.



Carolyn Cassidy, senior technologist, technical department, Risley.



Geoff Lowe, construction manager on the first encapsulation plant, Sellafield.



Jack English, driver at Sellafield



Colin Carr, foreman in the AGR fuel assembly plant, Springfields



Yvonne Ward, information officer at the Exhibition Centre, Sellafield



John Hayles is Director, Finance.

Financial performance for the year showed a significant improvement over 1985/86 with turnover and profits reaching their highest levels since the Company commenced operations in 1971.

The Company has continued to expand its use of Information Technology which has already demonstrated its ability to contribute towards increased efficiency and more effective use of resources. This expansion has been coupled with a reorganisation of the function, aimed at ensuring that growth is user-driven with a clear separation of the respective accountabilities from user and computer management.

Development strategy is reflected in the Corporate Plans and Reviews submitted to and discussed with Government on an annual basis. 9

FINANCE

The Company's financial organisation supports the delegation of authority and accountability to business areas. During the year further devolution to the Divisions of central finance and purchasing operations was completed and the major responsibilities of the Head Office finance branch are now concentrated upon the

monitoring, consolidation and reporting of Divisional financial data and the provision of Treasury services.

Purchasing policy is based on a preference for competitive tendering. More than 40 companies are carrying out long-term contract work at Sellafield and BNFL has spent more than £1 billion with British firms in the past five years.

COMPUTING

Computing technology is in use in BNFL not only for scientific calculations and data processing, but also for engineering drafting and project control, process control and laboratory automation, management information systems, word processing, and facsimile and telephone communication.

During the past year the infrastructure for computing and communications has been enhanced by the commissioning of a new, purpose built, data centre, and the installation of an IBM Corporate mainframe, at the centre of a Company data communications network. Computing expenditure has risen to some 3.5% of Company turnover and the Company owns more than 100 minicomputers and over 600 microcomputers. The number of computer specialist staff has grown to over 350 (including some 100 contract staff). The emphasis in the development of new computer applications has been in exploiting the infrastructure to provide information for monitoring and control, and for improved communications. Simultaneously the Company voice communications network has been enhanced to take advantage of the latest technology, with significant savings in annual costs.

CORPORATE DEVELOPMENT STRATEGY

Short-term planning in the Divisions is complemented by a small central team which is responsible for the development of the Company's overall strategy which of necessity has to look forward over some decades, given the long time-scales associated with nuclear activities. Against this background longer-term planning ranges over a wide choice of scenarios relating to political-economic factors, culminating in the preparation of an annual corporate plan which is the vehicle for securing shareholder support to the Company's programmes.

The new computer suite at Risley.



BOARD OF DIRECTORS



CHRISTOPHER HARDING
Chairman



NEVILLE CHAMBERLAIN
Chief Executive



DR WILLIAM WILKINSON
CBE
Deputy Chief Executive & Director
Spent Fuel Management Services
Reprocessing Operations Division
Reprocessing Engineering Division
Reactor Division
Spent Fuel Transport
Spent Fuel Management Services
Business Centre



HAROLD BOLTER
Company Secretary & Director
Corporate Affairs
Company Personnel
Information Services
Legal Department
Corporate Affairs Department



JOHN HAYLES
Director Finance
Company Finance
Company Accounts
Purchasing Policy
Corporate Development Strategy
Corporate Management Services



ALAN JOHNSON
Director Fuel Supply Services
Fuel Division
Enrichment Division
Corporate Marketing



ROY PILLING
Director Technical and Planning
Company Research and
Development
Health and Safety Directorate
Short term Planning and
Monitoring
Company Quality Assurance
Safeguards
Security
Fast Reactors

NON-EXECUTIVE DIRECTORS



ROY DANTZIC



JEAN DENTON



DR THOMAS MARSHAM
CBE



JOHN WILLS OBE DL

BRITISH NUCLEAR FUELS plc
REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1987

1 The Directors of British Nuclear Fuels plc have pleasure in submitting to the Shareholders their Sixteenth Annual Report together with the audited Accounts for the year ended 31 March 1987.

2 The full accounts of the Group are set out on pages 36 to 57 and include, on a consolidated basis, the accounts of the Group Companies listed on page 53 together with the accounts of the UK Partnership through which the Group participates in the production of enriched uranium using the centrifuge process.

REVIEW OF THE YEAR

3 GROUP RESULTS

Turnover at £792M has increased by some 26% from 1986 (£629M) with home sales rising by some 26% to £640M (1986 £507M) and exports at a new record high of £152M, some 25% higher than last year (£122M), although only about the same proportion of total business. The increased home figures arise partly from an increase in volume, most notably AGR fuel sales (+83%), Magnox reprocessing (+22%) and centrifuge enrichment (+15%) and partly from price increases, a significant portion of which relates to the cost of servicing new investment in plant and equipment and other assets, for use on work for the UK Generating Boards. The most notable areas of improvement in exports are in centrifuge enrichment and in reprocessing operations. The Board is conscious of the need to constrain the level of price increases to the Company's customers and will continue to seek efficiency improvements wherever possible to mitigate the effects of unavoidable increases in costs.

Operating profits at £196M are over 41% higher than last year (£139M). This is due to several factors including the improved outputs and higher prices mentioned above coupled with cost savings and a reduced requirement to provide further amounts to meet future liabilities. In the latter area an additional £64M has been provided in the year, compared to £72M in 1986. The effect on provision movements is again very apparent on electricity generation and contributes largely to the significant deterioration in results in that area. Details of the provisions are given in Note 15 to the Accounts.

Although increased expenditure on research and development (£6M) and increased financial charges (£7M) have partly reduced the £57M improvement in operating profits, profit before tax is at a new record level of £89M – more than double last year's result – and the return on shareholders' funds improved to 28% (1986 14.5%).

On a current cost basis the profit before gearing adjustment, financial charges and tax is £128M (1986

£76M) and this represents a return on current cost assets employed of 5.7% (1986 4.0%).

4 ACCOUNTING POLICIES FOR LONG TERM COMMITMENTS

The Accounting Policies of the Group are set out on pages 36 and 37. The introductory paragraph to these policies comments on the factors leading to their determination. A recent report by the Energy Committee of the House of Commons has drawn attention to the difference between the Accounting Policy for the decommissioning of nuclear facilities in BNFL and that in CEGB. The Report recommends that BNFL should plan and budget for the complete decommissioning of obsolete plant as soon as technically feasible.

In view of the Committee's recommendation the Company is carrying out a major review of its policy for decommissioning of facilities which have been taken out of service. This will be combined with an overall re-examination of its Accounting Policies for dealing with its future commitments which include those for decommissioning. Preliminary estimates confirm that the total discounted cost of complete decommissioning which might fall upon the Company, including site clearance and associated waste treatment and disposal, would be adequately covered by existing reserves.

5 DIVIDEND

The Directors recommend that a final dividend of £25M should be paid making a total of £29M for the year.

6 FINANCE

a Group capital expenditure of £558M (Parent £510M) has been incurred during the year, mainly on the continued upgrading of reprocessing facilities at Sellafield and on centrifuge enrichment plants at Capenhurst.

b During the year agreement was reached with HM Government regarding their rights to a share of future profits from centrifuge operations and the Group paid £48M in full and final settlement.

c In the course of the year internally generated funds were sufficient to meet only some 58% of the Group's requirements (including repayment by the Parent Company of £190M syndicated domestic bank loan finance). The balance of £309M necessary to sustain its high capital programme was borrowed mainly from overseas sources (principally the European Investment Bank and Euratom).

BRITISH NUCLEAR FUELS plc
REPORT OF THE DIRECTORS

□ CONTINUED

7 ACTIVITIES

There were no significant changes in the main activities of the Group, which are:

a Nuclear Fuel Services

The conversion and enrichment of uranium; the manufacture and supply of uranium and plutonium based fuels and the provision of related fuel cycle services for nuclear power stations; and the reprocessing of nuclear fuel after use and associated waste treatment and storage.

b Electricity Generation

The supply of electricity to the English and Scottish grids from the Calder Hall and Chapelcross nuclear power stations.

c Other Activities

These include research, development and the design and construction of plant and equipment associated with the Group's activities.

Information on the activities and developments of the business of the Group during the year is contained in the Company Review on pages 7 to 32.

FUTURE DEVELOPMENTS

8 The Group's principal areas of activity are expected to continue unchanged. Capital expenditure authorised at the end of the year was £1,924M of which contracts have been placed for £421M. The expenditure arises from the major investment programme of the Group, which is referred to in the Company Review. This programme totals £4,500M over the next ten years but a substantial part of its financing will be met from internally generated funds and advances from customers. External sources of medium term finance needed to meet requirements in the next financial year are being investigated. Requirements will be supported where necessary by the provisions of the Nuclear Industry (Finance) Acts 1977 and 1981.

RESEARCH AND DEVELOPMENT

9 The Group has a significant research and development programme and this will continue. During the year expenditure amounted to some £71M (1986 £55M), the principal areas are referred to in the Company Review on pages 23 and 24.

CORPORATE PLAN

10 The Group annually submits a forward Plan covering the next 15 years to the Department of Energy. This is the mechanism by which the Department is notified of, and approves, the Group's projected programmes.

PERSONNEL

11 The average number of persons employed by the Group during the year was 16,940 (1986 16,285). Further information is given in the Notes to the Accounts on page 42, and in the Company Review, pages 30 and 31 which also deals with Employee Involvement and the Employment of Disabled Persons.

THE BOARD OF DIRECTORS

12 The names of the Directors of the Group are set out on page 33. Mr R M Dantzic and Mrs J Denton were appointed to the Board on 6 April and 5 May 1987 respectively. All other Directors served throughout the year.

13 DIRECTORS' SHAREHOLDINGS AND INTERESTS

No Director held, at any time during the year, any share in, or Convertible Loan Stock of the Company, or of its subsidiaries, or of any related company. No Director had during the year any material interest in a contract which is significant in relation to the business of the Company or of the Group, although Dr T N Marsham was a full-time member of the United Kingdom Atomic Energy Authority, which has a number of substantial contracts with the Group.

CONTRIBUTIONS FOR POLITICAL OR CHARITABLE PURPOSES

14 No contributions were made for political purposes. Contributions to charities during the year amounted to £78,000 (1986 £117,000).

AUDITORS

15 The Board have decided to recommend that Ernst & Whinney be appointed as Auditors to the Company in accordance with Section 384(i) of the Companies Act 1985. Accordingly a resolution to appoint Ernst & Whinney as Auditors will be submitted to the Annual General Meeting.

Coopers & Lybrand have carried out the Company's audit since BNFL was formed in 1971. The Board would like to take this opportunity of recording their appreciation of the services provided by Coopers & Lybrand, which have consistently been of the highest quality, over the past 16 years.

By order of the Board
H E Bolter, Secretary

30 June 1987



BRITISH NUCLEAR FUELS plc
REPORT OF THE AUDITORS

TO THE MEMBERS OF BRITISH NUCLEAR FUELS plc

We have audited the accounts set out on pages 36 to 57 in accordance with approved Auditing Standards. The accounts on pages 36 to 53 have been prepared under the historical cost convention and the supplementary accounts on pages 54 to 57 have been prepared under the current cost convention as described in the notes thereto.

In our opinion the accounts on pages 36 to 53 give a true and fair view of the state of affairs of the Company and the Group at 31 March 1987 and of the profit and source and application of funds of the Group for the year then ended, and comply with the Companies Act 1985.

In our opinion the supplementary current cost accounts on pages 54 to 57 have been properly prepared, in accordance with the policies and methods described on pages 56 and 57.

Without qualifying our opinions above, we draw attention to item 4 of the Directors' Report which explains that the Company is carrying out an overall re-examination of its Accounting Policies for dealing with decommissioning and other future commitments.

Coopers & Lybrand
Chartered Accountants
London
30 June 1987

ACCOUNTING POLICIES

DETERMINATION OF POLICIES

The Group's activities are described in the Directors' Report and the Company Review, which contains a detailed review of the year's operations. To a large extent the Company's plants have been or are being constructed for the purpose of servicing specific trading agreements and contracts with both United Kingdom and overseas customers for the provision of nuclear fuel services. Certain of these contracts are of a long-term nature and are not scheduled for completion until the end of this century. The processes involved are of a highly technical nature. The Group is subject to external regulatory requirements and keeps under constant review the safety standards appropriate to its activities in providing for ultimate plant decommissioning and the treatment, storage and disposal of waste products. These factors have affected the Group's determination of two of its major accounting policies, namely, Policy 3 – Provisions and Long-term Commitments and Policy 5 – which describes the depreciation policies for Fixed Assets.

The Directors have commissioned a major review of accounting policies dealing with future commitments. However for the purpose of drawing up these accounts the accounting policies remain unchanged from last year.

The full Accounting Policies are as follows:

1 CONSOLIDATION

a The consolidated accounts include the accounts of British Nuclear Fuels plc, its Group companies, as

listed on page 53 and the accounts of the Urenco (UK) Partnership, all of which are made up to 31 March.

b The consolidated accounts also include the Group's share of the profits less losses (in so far as they are not covered by Government grants available) shown by the accounts of the related companies listed on page 53. The accounts of the related companies are made up to 31 December in each year.

c Foreign currency balances are translated at the exchange rate ruling at the Balance Sheet date or at the rate of exchange specified in a related or matching forward contract. Exchange differences arising from the retranslation of the opening net investment in related foreign enterprises are taken to reserves. Other exchange differences are dealt with in the Profit and Loss Account.

2 TURNOVER

Turnover represents the total invoiced value of products delivered and services rendered to outside customers. In respect of contracts entered into for the provision of nuclear fuel services extending over a period of years, profit is taken in the year in which the services are provided and invoiced.

3 PROVISIONS AND LONG-TERM COMMITMENTS

In the majority of cases, the Company's contracts provide for the recovery of future costs associated with each particular contract.

BRITISH NUCLEAR FUELS plc
ACCOUNTING POLICIES

CONTINUED

a To the extent that the costs are not considered to be recoverable from customers by way of a specific charge at the time the costs are incurred:

- i. Provision is made over their useful lives for the expected cost of decommissioning the Group's radioactive facilities. On being taken out of service, such radioactive facilities will be closed down and maintained in an acceptably safe condition. Provision is not made for the complete demolition and removal of decommissioned facilities on the assumption that the Group will continue to occupy the site on which each facility is located.
- ii. Provision is made for the expected cost of reprocessing irradiated fuel in the Group's storage ponds.
- iii. The costs associated with arisings of waste products for which an authorised disposal route is already in use, principally low level waste at present, are written off in the year in which they occur. Provision is made for the expected cost of treatment, storage and ultimate disposal of the Group's intermediate waste products. Provision is made for the cost of treatment and storage for a minimum period of 50 years for high level waste products.
Provision is not made for the ultimate disposal of these wastes as an appropriate route has not yet been established.
- iv. Provision is made for any losses which are expected to arise on contracts entered into at the Balance Sheet date, whether or not work on these contracts has commenced.

b These provisions are based on the latest technical assessments of the processes and methods likely to be used in the future and represent estimates derived from a combination of the latest technical knowledge available, existing legislation and regulations and commercial agreements evaluated at the Balance Sheet date at current prices. These estimates are reviewed annually and any consequential changes to the provisions that are required are taken up in the accounts for the year in which they arise.

4 RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure on projects not supported by firm orders is charged to Profit and Loss Account in the year in which it is incurred.

Expenditure on products for which firm orders have been received is held as part of the value of stocks and work in progress for recovery against the sales value of the initial orders.

5 FIXED ASSETS

a Tangible Assets

Depreciation is calculated to write off the historic cost of assets, generally by equal annual instalments, over the period assessed as their useful lives or, in the case of contractually committed assets acquired to meet specific contracts over the period in which the cost of these assets is recoverable from the customers. The periods used for depreciation purposes of the major categories of fixed assets are:

Buildings 10 to 60 years

Plant and Machinery 10 years

Provision is not made for depreciation on freehold land or assets in course of construction.

Leasehold land is amortised over the period of the lease.

b Intangible Assets

The payment made in settlement of the undertaking to pay to the Government a share of future profits arising from centrifuge operations in recognition of the grants given to the Group, is treated as an intangible asset and written off in equal instalments over the period over which the profits will arise.

c Government Grants

Government Grants are treated as deferred income and transfers are made to Profit and Loss Account, generally by equal annual instalments, over the period used for depreciation purposes for the assets to which they relate.

6 STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at cost or net realisable value whichever is the lower, and in the case of work in progress after deduction of progress payments. Cost where appropriate includes a proportion of all factory overhead expenses.

7 DEFERRED TAXATION

Provision is made for taxation deferred as a result of material timing differences calculated on the liability method, except where no liability is expected to arise in the foreseeable future.

BRITISH NUCLEAR FUELS plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT

□ FOR THE YEAR ENDED 31 MARCH 1987

	Note	1987 £M	1986 £M
Turnover	1	792	629
Less Net Operating Costs and Expenses	2	596	490
Operating Profit	1	196	139
Less Research and Development not supported by firm orders		14	8
		182	131
Income from Fixed Asset Investments		2	1
		184	132
Less Financial Charges	5	95	88
Profit on Ordinary Activities before Tax		89	44
Tax on Profit on Ordinary Activities	6	10	7
Profit on Ordinary Activities after Tax		79	37
Profit attributable to Minority Interests		3	4
Profit for the Financial Year		76	33
Dividends	7	29	8
Retained Profit for the Year		47	25

STATEMENT OF RETAINED PROFIT/RESERVES

At beginning of year	213	187
Profit retained for year		
British Nuclear Fuels plc	36	34
Group Companies	10	(9)
Related Companies	1	—
	47	25
Exchange differences taken direct to reserves	1	1
At end of year	261	213

The Accounting Policies on pages 36 and 37 and notes on pages 41 to 53 form an integral part of the Accounts.

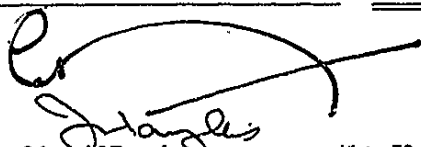
The Auditors' Report is on page 36.

BRITISH NUCLEAR FUELS plc
BALANCE SHEETS

AS AT 31 MARCH 1987

	Note	Group		Parent	
		1987	1986	1987	1986
		£M	£M	£M	£M
ASSETS EMPLOYED					
Fixed Assets:					
Tangible Assets	8	2217	1806	1938	1544
Intangible Assets	9	45	—	—	—
Investments	10	17	9	208	188
		2279	1815	2146	1732
Current Assets:					
Stocks	11	191	187	168	155
Debtors	12	276	228	319	241
Investments (short-term deposits)		2	21	—	6
Cash at bank and in hand		2	2	2	2
		471	438	489	404
Less Creditors: amounts falling due within one year	13	470	306	470	296
Net Current Assets		1	132	19	108
Total assets less current liabilities		2280	1947	2165	1840
FINANCED BY					
Creditors: amounts falling due after more than one year	14	1402	1151	1370	1125
Provisions for liabilities and charges	15	387	330	367	313
Accruals and deferred income	16	179	198	139	151
Capital and Reserves:					
Called up Share Capital	17	33	33	33	33
Exchange Differences		2	1	—	—
Profit and Loss Account	18	259	212	256	218
Shareholders' Interest		294	246	289	251
Minority Interests		18	22	—	—
		2280	1947	2165	1840

CGF Harding } Directors
JM Hayles



The Accounting Policies on pages 36 and 37 and notes on pages 41 to 53 form an integral part of the Accounts.

The Auditors' Report is on page 36.

BRITISH NUCLEAR FUELS plc

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS STATEMENT

FOR THE YEAR ENDED 31 MARCH 1987

	1987		1986	
	£M	£M	£M	£M
SOURCE OF FUNDS				
Profit on Ordinary Activities before Taxation		89		44
Adjustments for items not involving movement of funds:				
(Profit) retained in Related Companies		(1)		—
Depreciation of Tangible Fixed Assets		147		96
Amortisation of Intangible Assets		3		—
Government Grants released		(19)		(14)
Increase in amounts set aside re provisions for liabilities and charges (excluding Deferred Taxation)		55		66
Total generated from Operations		274		192
Funds from other sources:				
Payment on account under long-term contracts		146		138
Government Grants receivable		1		18
Loans received	316		151	
Less increase in amounts repayable within one year	(7)		6	
		309		157
		730		505
APPLICATION OF FUNDS				
Purchase of Tangible Fixed Assets	558		446	
Purchase of Intangible Fixed Assets	48		—	
Dividends paid	8		16	
Repayment of Loans	204		19	
Advance Corporation Tax paid	2		6	
Investment in Partnerships and Related Companies (Fixed Asset Investments)	8		2	
Reduction/(Increase) in Minority Interest in a Group Company and a Partnership	4		(3)	
		832		486
		(102)		19
INCREASE/(DECREASE) IN WORKING CAPITAL				
Stocks		4		5
Debtors		48		21
Creditors – amounts due within one year		(89)		(29)
Movement in net liquid funds:				
Investment (short-term deposits)	(19)		9	
Cash at bank and in hand	(46)		13	
		(65)		22
		(102)		19

NOTES ON THE ACCOUNTS

	Turnover		Operating Profit/(Loss)	
	1987	1986	1987	1986
	£M	£M	£M	£M
1 TURNOVER				
The contributions to turnover and operating profit made by the different classes of business within the Group were as follows:				
Nuclear Fuel Services	737	571	214	135
Electricity	55	58	(18)	4
	<u>792</u>	<u>629</u>	<u>196</u>	<u>139</u>

The loss on electricity is attributable to a higher level of provisions in the year.

Nuclear Fuel Services turnover can be analysed over the major Divisions within the Group as follows:

	1987				1986			
	Fuel	Enrichment	Spent Fuel Management	Total	Fuel	Enrichment	Spent Fuel Management	Total
	£M	£M	£M	£M	£M	£M	£M	£M
Home	182	58	345	585	145	32	272	449
Export:								
European Community Countries	12	45	20	77	9	32	10	51
Other European Countries	—	1	1	2	1	2	1	4
Japan and the Far East	12	—	56	68	10	—	52	62
North & South America	4	1	—	5	4	1	—	5
	<u>28</u>	<u>47</u>	<u>77</u>	<u>152</u>	<u>24</u>	<u>35</u>	<u>63</u>	<u>122</u>
	<u>210</u>	<u>105</u>	<u>422</u>	<u>737</u>	<u>169</u>	<u>67</u>	<u>335</u>	<u>571</u>

2 NET OPERATING COSTS AND EXPENSES

Net Operating Costs and Expenses are made up as follows:

	1987	1986
	£M	£M
Raw materials and consumables	157	154
Employee Costs	256	229
Depreciation	147	96
Provision for Liabilities and Charges (a)	64	72
Hire of Plant and Machinery	4	4
Amortisation of Intangible Assets	3	—
Other External and Operating Charges (b)	167	127
Operating Costs and Expenses	<u>798</u>	<u>682</u>
Less: Changes in stocks of finished goods and work in progress	—	15
Own work capitalised	136	119
Own work on manufacture of components	36	34
Regional Development Grants released	17	11
Centrifuge Assistance Released	2	2
Other Operating Income	<u>11</u>	<u>11</u>
	<u>596</u>	<u>490</u>

NOTES ON THE ACCOUNTS

□ CONTINUED

2 NET OPERATING COSTS AND EXPENSES continued

- a Provisions for liabilities and charges includes exceptional amounts of £31M in 1987 and £42M in 1986. The charge in the year mainly arises from the need to provide additional amounts for the treatment and disposal of intermediate level wastes.
- b Other External and Operating Charges includes Auditors' Remuneration of £81K (1986 £73K) of which £65K (1986 £61K) relates to the Parent Company.

	1987	1986
	Number	Number
3 EMPLOYEE INFORMATION		
The figures given below, other than in note (c) include information on Parent Company executive directors.		
a The average number of persons employed by the Group during the year was:		
Non-Industrial	7372	6946
Industrial	9364	9142
Officers and Ratings of Transport Ships	204	197
	16940	16285
	1987	1986
b Employee costs	£M	£M
Wages and Salaries	215	193
Social Security Costs	16	13
Other Pension Costs	20	20
Other Employee Costs (early retirement etc)	5	3
	256	229
	1987	1986
	£M	£M
The officers and ratings of transport ships are members of the appropriate seamen's pension schemes and the Company's contribution to these schemes totalled £0.2M (1986 £0.2M). All other employees of the Group are members of the appropriate United Kingdom Atomic Energy Authority superannuation schemes. The Company's contributions were as follows:		
Principal non-industrial scheme	10	10
Protected Persons scheme	4	4
Industrial scheme	6	6
Total UKAEA schemes	20	20

BRITISH NUCLEAR FUELS plc
NOTES ON THE ACCOUNTS

□ CONTINUED

	1987	1986
	Number	Number
c Employees earning more than £30,000 per annum*		
£30,001 to £35,000	95	42
£35,001 to £40,000	14	3
£40,001 to £45,000	5	6
£45,001 to £50,000	3	—
£55,001 to £60,000	—	1

*Including taxable transfer grants payable on relocation in the Company's interest.

4 DIRECTORS' EMOLUMENTS AND OTHER STATUTORY INFORMATION

The aggregate emoluments of the Directors of British Nuclear Fuels plc for the year were £0.5M (1986 £0.4M) and included fees of £12,375 (1986 £30,767).

The emoluments of the Chairman amounted to £93,700 (1986 £66,995).

The emoluments, excluding pension provision by the Company, of the Directors in the various ranges are as follows:

Range	1987	1986
	Number	Number
Nil to £5,000	1	2
£5,001 to £10,000	2	6
£10,001 to £15,000	1	—
£40,001 to £45,000	—	5
£45,001 to £50,000	2	1
£50,001 to £55,000	1	—
£55,001 to £60,000	3	—
£65,001 to £70,000	—	1
£90,001 to £95,000	1	—

An ex-gratia payment of £20,000 (1986-Nil) was made to a former Director. Included in debtors is an interest free loan of £6,417 (1986 £7,292) to a Director (Dr W L Wilkinson). This loan was made prior to his joining the Board in accordance with the Company's policy of providing housing assistance to staff who have been relocated.

BRITISH NUCLEAR FUELS plc

NOTES ON THE ACCOUNTS

CONTINUED

	1987	1986
	£M	£M
5 FINANCIAL CHARGES		
Interest on loans: repayable within five years	28	36
repayable after five years	33	26
	61	62
Interest on bank overdraft and short-term loans	5	8
	66	70
Other financial charges:		
Bank Commissions etc.	17	6
Adjustment to opening provisions arising from changes in price levels (see note 15)	14	14
Interest payable and similar charges	97	90
Less Interest receivable from short-term deposits	2	2
Net Financial Charges	95	88

	1987	1986
	£M	£M
6 TAX ON PROFIT ON ORDINARY ACTIVITIES		
Related Companies Taxation	1	—
Corporation Tax (at 35%)	5	5
Advance Corporation Tax	6	2
Deferred Taxation (at 35%)	(2)	—
	10	7

The charge for Corporation Tax relates to a tax liability arising in one of the Subsidiary Companies. No charge for Corporation Tax arises on the profits of the year of the Parent Company and its other subsidiary as a result of accelerated capital allowances and other timing differences. The benefit of these amounted in the year to £19M. Full provision has been made in one of the Subsidiary Companies for Deferred Taxation.

	1987	1986
	£M	£M
7 DIVIDENDS		
Interim Dividend paid	4	4
Final Dividend proposed	25	4
	29	8

BRITISH NUCLEAR FUELS plc
NOTES ON THE ACCOUNTS

8 FIXED ASSETS – TANGIBLE ASSETS

□ CONTINUED

a A summary of the tangible assets held by the Group is as follows:

	Land and Buildings		Plant and Machinery	Fixtures Fittings Tools and Equipment	Assets in Course of Construction	Total
	Long Leasehold	Freehold				
	£M	£M	£M	£M	£M	£M
Cost at 1 April 1986	4	309	1121	18	757	2209
Acquisitions	–	–	–	–	558	558
Disposals	–	–	(2)	–	–	(2)
Transfers	–	40	214	2	(256)	–
Cost at 31 March 1987	4	349	1333	20	1059	2765
Depreciation at 1 April 1986	1	68	326	8	–	403
Charge for Year	–	27	118	2	–	147
Disposals	–	–	(2)	–	–	(2)
Depreciation at 31 March 1987	1	95	442	10	–	548
Net book value at 31 March 1987	3	254	891	10	1059	2217

b A summary of the tangible assets held by the Parent Company is as follows:

	Land and Buildings		Plant and Machinery	Fixtures Fittings Tools and Equipment	Assets in Course of Construction	Total
	Long Leasehold	Freehold				
	£M	£M	£M	£M	£M	£M
Cost at 1 April 1986	4	287	822	18	714	1845
Acquisitions	–	–	–	–	510	510
Disposals	–	–	(2)	–	–	(2)
Transfers	–	42	175	2	(219)	–
Cost at 31 March 1987	4	329	995	20	1005	2353
Depreciation at 1 April 1986	1	64	228	8	–	301
Charge for Year	–	26	88	2	–	116
Disposals	–	–	(2)	–	–	(2)
Depreciation at 31 March 1987	1	90	314	10	–	415
Net book value at 31 March 1987	3	239	681	10	1005	1938

NOTES ON THE ACCOUNTS

CONTINUED

9 FIXED ASSETS – INTANGIBLE ASSETS

This comprises the residual value of the once and for all payment made to H M Government in settlement of its entitlement to a share of future profits arising from the Group's Centrifuge Operations. H M Government provided financial support to the Group, related to the cost of a defined initial programme of development work and plant construction in connection with the tripartite centrifuge project. In return, the Group undertook to make payment to the Department of Energy out of profits accruing from its centrifuge operations in future years. During the year a payment of £47.5M was made to H M Government in full and final settlement of this undertaking. The payment is being amortised and charged against profits in equal annual instalments over the remaining period to the year 2003 as covered by the Centrifuge Agreement.

The amount charged against profits in the year was £2.8M.

10 FIXED ASSETS – INVESTMENTS**GROUP COMPANIES:**

Unquoted Shares at Cost

Convertible Unsecured Loan Stock at Cost

Provision for Losses

Unsecured Loan Stock at Cost

RELATED COMPANIES:

Unquoted Shares at Cost

Loans and Advances

Less Amounts written off

Share of retained profits

ADVANCES TO PARTNERSHIPS

Total Fixed Asset Investments

Group		Parent	
1987	1986	1987	1986
£M	£M	£M	£M
–	–	1	1
–	–	13	13
–	–	14	14
–	–	–	1
–	–	14	13
–	–	187	174
–	–	201	187
RELATED COMPANIES:			
1	1	1	1
24	18	6	–
25	19	7	1
18	18	–	–
7	1	7	1
2	2	–	–
9	3	7	1
ADVANCES TO PARTNERSHIPS			
8	6	–	–
17	9	208	188

a The unquoted shares comprise investments in the Group and Related Companies listed on page 53. Dividends from Related Companies amounting to £574,027 (1986 £447,947) have been received during the year.

b Advances to Partnerships.

The Group is in partnership with Dutch and German organisations in Enterprises in the Netherlands and in Germany, for the purpose of producing enriched uranium using the centrifuge method. The Group's interest in each of the partnerships is 2% and is stated after deducting the Group's share of accumulated losses to date. Advances during the year include £0.7M (1986 £0.4M) share of profits for the year.

BRITISH NUCLEAR FUELS plc
NOTES ON THE ACCOUNTS

CONTINUED

	Group		Parent	
	1987	1986	1987	1986
	£M	£M	£M	£M
11 STOCKS				
Raw materials and consumables	102	87	100	79
Work in Progress	63	57	55	50
Finished Goods	26	43	13	26
	<u>191</u>	<u>187</u>	<u>168</u>	<u>155</u>

Work in progress is stated after deducting progress payments of £56M (1986 £47M) and includes £11M (1986 £10M) which will not be realised within 12 months.

	Group		Parent	
	1987	1986	1987	1986
	£M	£M	£M	£M
12 DEBTORS				
Trade Debtors	251	196	242	183
Amounts owed by Group Companies	—	—	52	28
Amounts owed by Related Companies	3	1	3	1
Other debtors	6	18	6	16
Prepayments and Accrued Income	16	13	16	13
	<u>276</u>	<u>228</u>	<u>319</u>	<u>241</u>

Trade debtors include £7M (1986 £5M) not due for more than one year.

	Group		Parent	
	1987	1986	1987	1986
	£M	£M	£M	£M
13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Current portion of long-term Loans (see note 14)	20	13	16	9
Bank Loans and Overdraft	96	50	96	50
Payments received on account	70	56	69	54
Trade Creditors	147	99	141	96
Amounts owed to Group Companies	—	—	12	9
Taxation	14	14	13	4
Social Security	3	3	3	3
Dividends	25	4	25	4
Accruals and Deferred Income	75	46	75	46
Current portion of provisions and long-term commitments	20	21	20	21
	<u>470</u>	<u>306</u>	<u>470</u>	<u>296</u>

NOTES ON THE ACCOUNTS

□ CONTINUED

		Group		Parent	
		1987	1986	1987	1986
		£M	£M	£M	£M
14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Loans		772	667	750	650
Payments received on account		630	484	620	475
		1402	1151	1370	1125
a Loans	Period of Repayment	Group		Parent	
		1987	1986	1987	1986
		£M	£M	£M	£M
Unsecured Loans					
9¼%–11¼%	1987–1995	5	5	5	5
5½%	1987–1995	10	12	10	12
1¼% above London Inter-Bank	1988–1991	9	–	–	–
Bank Loans – Guaranteed Under Nuclear Industry Finance Acts					
¼%–¾% above London Inter-Bank	1988–1997	313	292	313	292
¼% below London Inter-Bank	1997	95	–	95	–
10¼%–13¾%	1987–1995	340	346	340	346
Secured Bank Loans – Guaranteed by Secretary of State for Industry					
7½%	1987	1	2	–	–
7½%	1987–1990	3	4	3	4
7½%	1987–1991	5	6	–	–
7½%	1987–1994	11	13	–	–
		792	680	766	659
Less repayable before 31 March 1988 included in current liabilities		20	13	16	9
		772	667	750	650
Loans are repayable by instalments within periods from Balance Sheet date of:					
From one to two years		24	29	17	26
From two to five years		138	271	126	262
Over five years		610	367	607	362
		772	667	750	650
		Group		Parent	
		1987	1986	1987	1986
		£M	£M	£M	£M
b Payments on account have been received and are receivable from customers for the provision of services under long-term contracts. Credit will be given, when the services are provided, within periods from Balance Sheet date of:					
From one to five years		53	114	48	111
Over five years		577	370	572	364
		630	484	620	475

BRITISH NUCLEAR FUELS plc
NOTES ON THE ACCOUNTS

CONTINUED

15 PROVISIONS FOR LIABILITIES AND CHARGES

A summary of the Provisions for liabilities and charges is as follows:

Note	Decom- missioning	Waste Products	Future Re- processing Costs	Future Losses on Contracts	Deferred Tax (Note a)	Other Provisions	Total
	£M	£M	£M	£M	£M	£M	£M
Balance at 1 April 1986:							
Parent Company	63	132	15	95	-	8	313
Subsidiary Companies	8	-	-	-	9	-	17
Group	71	132	15	95	9	8	330
Adjustment to Provisions arising from changes in price levels:	5						
Parent Company	2	5	1	4	-	1	13
Subsidiary Companies	1	-	-	-	-	-	1
Group	3	5	1	4	-	1	14
Charge in the Year:	2/6						
Parent Company	16	29	13	4	-	1	63
Subsidiary Companies	1	-	-	-	(2)	-	(1)
Group	17	29	13	4	(2)	1	62
Transfers from/(to) Creditors, amounts due within one year:							
Parent Company	(2)	-	(16)	-	-	(4)	(22)
Subsidiary Companies	-	-	-	-	3	-	3
Group	(2)	-	(16)	-	3	(4)	(19)
Balance at 31 March 1987:							
Parent Company	79	166	13	103	-	6	367
Subsidiary Companies	10	-	-	-	10	-	20
Group	89	166	13	103	10	6	387

BRITISH NUCLEAR FUELS plc
NOTES ON THE ACCOUNTS

CONTINUED

	1987		1986	
	Full Potential	Provided	Full Potential	Provided
	£M	£M	£M	£M
a DEFERRED TAX				
Excess of book written down value of fixed assets eligible for taxation capital allowances over the taxation written down value of those assets:				
Parent Company	354	-	313	-
Subsidiary Companies	66	16	61	18
Group	420	16	374	18
The benefit of taxation losses carried forward:				
Parent Company	(154)	-	(154)	-
Subsidiary Companies	(46)	-	(43)	-
Group	(200)	-	(197)	-
Timing differences between the charging of particular items in the accounts and their equivalent deduction for taxation purposes:				
Parent Company	(115)	-	(99)	-
Subsidiary Companies	(4)	-	-	-
Group	(119)	-	(99)	-
Recoverable UK Corporation Tax:				
Parent Company	(30)	-	(24)	-
Subsidiary Companies	(6)	(6)	(9)	(9)
Group	(36)	(6)	(33)	(9)
Total:				
Parent Company	55	-	36	-
Subsidiary Companies	10	10	9	9
Group	65	10	45	9

The full liability for deferred taxation has been provided in respect of Pacific Nuclear Transport Limited.

No provision for deferred taxation is made in the Parent Company and Group Companies other than Pacific Nuclear Transport Limited because no liability is expected to arise in the foreseeable future. These Companies' plans over the next few years provide for an investment in fixed assets in respect of which the taxation capital allowances will be substantially in excess of the expected charge for depreciation.

At 31 March 1987 certain Companies in the Group had accumulated tax losses amounting to £5M which are available for off-set only against future taxable profits of those Companies and which have, therefore, not been included above.

BRITISH NUCLEAR FUELS plc
NOTES ON THE ACCOUNTS

□ CONTINUED

	Group		Parent	
	1987	1986	1987	1986
	£M	£M	£M	£M
16 ACCRUALS AND DEFERRED INCOME				
This comprises Regional Development and Centrifuge Support Grants held as a deferred credit.				
Regional Development Grants	170	187	139	151
Centrifuge Project	9	11	-	-
	<u>179</u>	<u>198</u>	<u>139</u>	<u>151</u>
17 CALLED UP SHARE CAPITAL			1987	1986
			£M	£M
Ordinary Shares of £1 each Authorised			43	43
Allotted, called up and Fully Paid			<u>33</u>	<u>33</u>
18 PARENT COMPANY PROFIT AND LOSS ACCOUNT				
Balance at 1 April 1986				£M
Profit Retained				218
Balance at 31 March 1987				<u>38</u>
				<u>256</u>

Parent Company Profit and Loss Account includes £15M (1986 £13M) profit on transactions with Urenco (UK) Partnership and subsidiary companies which is eliminated on consolidation.
A separate Profit and Loss Account for the Parent Company has not been published as allowed under S228(7) of the Companies Act 1985.

19 CAPITAL EXPENDITURE AUTHORISED

Capital expenditure authorised but not provided for in these accounts amounted to £1,924M (1986 £1,676M) for the Group including £1,815M (1986 £1,544M) for the Company, for which contracts of £421M (1986 £230M) have been placed by the Group including £380M (1986 £178M) by the Company.

NOTES ON THE ACCOUNTS

CONTINUED

20 CONTINGENT LIABILITIES

At 31 March 1987 the Parent Company had contingent liabilities incurred in the ordinary course of business arising out of guarantees and other transactions in respect of which, in the opinion of the Directors, no material losses are expected to arise. Details are:

- a Contingent liabilities in respect of indemnities given to shippers of nuclear materials covered by a back to back guarantee from United Kingdom Atomic Energy Authority.
- b Contingent liabilities for material supplied and advance payments made by Third Parties to Urenco Nederland and Urenco Deutschland of £78M arising from joint and several liabilities.
- c Guarantees by the Parent Company associated with other Group organisations for:
 - i. £15M advanced on behalf of an overseas customer by the Export Credit Guarantee Department;
 - ii. Commitments to their partners in Urenco (UK), Urenco Nederland and Urenco Deutschland and to the other two Shareholders in Centec GmbH.

BRITISH NUCLEAR FUELS plc
GROUP AND RELATED COMPANIES

GROUP COMPANIES

BNFL Enrichment Limited

Is wholly owned by British Nuclear Fuels plc and is the central subsidiary through which all financial aspects of participation in the tripartite centrifuge project are handled.

In addition, four subordinate companies, wholly owned through BNFL Enrichment Limited, are used as vehicles for financing particular sections of the project.

They are BNFL Enrichment (Plant and Equipment) Limited, BNFL Enrichment (Operations) Limited, BNFL Enrichment (Operations-UK) Limited (96% partner in Urenco (UK)), and BNFL Enrichment (Operations-Europe) Limited (2% partner in Urenco Nederland and Urenco Deutschland).

Pacific Nuclear Transport Limited

Incorporated in England in 1975. Its main purpose is the transport of irradiated fuel from Japan to Europe. BNFL holds 62½% of the shares. The remainder are held by Japanese and French organisations.

RELATED COMPANIES

Centec GmbH

Incorporated in Germany in 1971. Its main purpose is to co-ordinate the development in the laboratories in the three countries of plant for the enrichment of uranium by the centrifuge process.

BNFL holds one-third of the shares. The remainder are held by Netherlands and German organisations.

Urenco Limited

Incorporated in England in 1971. Its main purpose is the marketing of enriched uranium produced in enrichment plants using the centrifuge process.

BNFL holds one-third of the shares. The remainder are held by Netherlands and German organisations.

Combustibili Nucleari SpA

Incorporated in Italy in 1967 for the purpose of manufacturing and supplying fuel and fuel components and providing related services, including reprocessing for nuclear power stations.

BNFL holds half of the shares. The remainder are held by an Italian Company.

Nukleardienst GmbH

Incorporated in Germany in 1964 for the purpose of providing nuclear fuel services for AGR type reactors built in that country or in certain other European countries.

BNFL holds half of the shares. The remainder are held by a German Company.

UK Nirex Limited

Incorporated in England in 1985 for the purpose of providing disposal services for low and intermediate level wastes.

BNFL holds 42½% of the ordinary shares. The remainder are held by other United Kingdom organisations.

United Reprocessors GmbH

Incorporated in Germany in 1971 for the purpose of marketing and providing services for the reprocessing of irradiated fuel from nuclear power stations using uranium oxide fuel.

BNFL holds one-third of the shares. The remainder are held by French and German organisations.

Nuclear Transport Limited

Incorporated in England in 1972 for the purpose of providing services for the transport of irradiated nuclear fuel elements from oxide-fuelled power reactors to reprocessing plants.

BNFL holds one-third of the shares. The remainder are held by French and German organisations.

NTL-Nukleare Transportleistungen GmbH

Incorporated in Germany in 1979 for the purpose of providing services for the transport of irradiated nuclear fuel elements from oxide-fuelled power reactors to reprocessing plants.

BNFL holds one-third of the shares. The remainder are held by French and German organisations.

NTL-Société Nucléaire Pour Les Transports Lourds SARL

Incorporated in France in 1983 for the purpose of providing services for the transport of irradiated nuclear fuel elements from oxide-fuelled power reactors to reprocessing plants.

BNFL holds one-third of the shares. The remainder are held by French and German organisations.

BRITISH NUCLEAR FUELS plc
**CONSOLIDATED CURRENT COST PROFIT
 AND LOSS ACCOUNT**

□ FOR THE YEAR ENDED 31 MARCH 1987

	Note	1987		1986	
		£M	£M	£M	£M
Turnover			792		629
Less Net Operating Costs and Expenses			596		490
Operating Profit on historical cost basis			196		139
Less Research and Development not supported by firm orders			14		8
			182		131
Income from Fixed Asset Investments			2		1
Profit before Financial Charges and Taxation on the historical cost basis			184		132
Less Current cost operating adjustments	2		56		56
Current cost profit before gearing adjustment, financial charges and tax			128		76
Gearing adjustment	5	41		39	
Financial charges		(95)		(88)	
			(54)		(49)
Current cost profit on ordinary activities before tax			74		27
Tax on profit on ordinary activities			10		7
Current cost profit on ordinary activities after tax			64		20
Profit attributable to Minority Interests			2		2
Current cost profit for the Financial Year			62		18
Dividends			29		8
Retained current cost profit for the year			33		10
STATEMENT OF RETAINED PROFITS/RESERVES					
Retained current cost profit for the year			33		10
Movements on current cost reserve	4		15		(27)
Movement on other reserves			1		1
			49		(16)
Retained profit/reserves at the beginning of the year			324		340
Retained profit/reserves at the end of the year			373		324

The notes on pages 56 and 57 form an integral part of the accounts.

The Auditors' Report is on page 36.

BRITISH NUCLEAR FUELS plc
SUMMARISED CONSOLIDATED CURRENT COST
BALANCE SHEET

AS AT 31 MARCH 1987

	Note	1987		1986	
		£M	£M	£M	£M
ASSETS EMPLOYED					
Fixed Assets:					
Tangible Assets					
Intangible Assets	3		2335		1926
Investments			45		—
			17		9
			2397		1935
Net Current Assets/(Liabilities)					
Stocks		198		194	
Debtors		277		228	
Trade creditors, accruals and deferred income falling due within one year		(326)		(236)	
Proposed dividend		149		186	
Other net current assets/(liabilities)		(115)		(43)	
			9		139
Total assets less current liabilities			2406		2074
FINANCED BY					
Creditors: amounts falling due after more than one year			1402		1151
Provisions for liabilities and charges			387		330
Accruals and deferred income			191		212
Capital and Reserves:					
Called up Share Capital		33		33	
Current Cost Reserve	4	230		215	
Other Reserves		2		1	
Profit and Loss Account		141		108	
Shareholders' Interest			406		357
Minority Interests			20		24
			2406		2074

The notes on pages 56 and 57 form an integral part of the accounts.

The Auditors' Report is on page 36.

NOTES ON THE CURRENT COST ACCOUNTS

1 BASIS OF PREPARATION

The current cost accounts have been prepared by reference to current cost principles in conformity with SSAP 16. The accounting policies used in preparing the historical cost accounts have been adopted in the current cost accounts except where adjusted by reference to current cost principles as set out below.

a Fixed Assets

The Group's fixed assets fall into two categories.

i. Assets acquired to meet specific contracts, the cost of which assets will be met by the customer over a period of years; these are referred to as contractually committed assets;

ii. Other fixed assets.

It is considered that the impact of inflation on the Group is best reflected by treating contractually committed fixed assets as monetary assets and showing them at their historical cost net book values, this amount being the proportion of the cost of the assets remaining to be recovered from the customers. The adjustment relating to these assets reflects the change due to inflation in the need for funds to finance such assets except to the extent that they are specifically financed by advance payments from customers, and is computed by reference to their historical cost net book values using an appropriate Government price index of general application.

Other assets are stated at the lower of their net current replacement costs using appropriate Government indices or their recoverable amounts and corresponding depreciation adjustments have been made.

b Working Capital

Stocks and work in progress which will be replaced are stated at estimated current replacement cost. Those which will not be replaced are stated at historical cost. Monetary working capital comprises debtors less trade creditors and accruals and deferred income falling due within one year, and provisions for liabilities and charges other than deferred taxation. Replacement costs and the cost of sales and monetary working capital adjustments have been based on records of changing prices maintained by the Group or appropriate Government indices. The cost of sales adjustment has been arrived at, in part, using the averaging method. No cost of sales adjustment has been made in respect of stocks which will not be replaced. These are excluded from net operating assets and offset against net borrowings in note 5 to the current cost accounts.

c Gearing Adjustment

The gearing adjustment is based on the average gearing during the year, calculated on a Group basis.

	1987	1986
2 ADJUSTMENTS MADE IN DERIVING CURRENT COST OPERATING PROFIT	£M	£M
Cost of Sales	—	1
Monetary Working Capital	(15)	(12)
Working Capital	(15)	(11)
Fixed Assets – Contractually Committed	55	50
– Others	16	17
Current Cost Operating Adjustments	56	56

	1987			1986		
	Gross	Depreciation	Net	Gross	Depreciation	Net
3 FIXED ASSETS	£M	£M	£M	£M	£M	£M
Land and Buildings	385	107	278	340	80	260
Plant and Machinery	1545	553	992	1336	429	907
Assets in Course of Construction	1065	—	1065	759	—	759
	2995	660	2335	2435	509	1926

The net figure includes £1,833M (1986 £1,453M) assets which are contractually committed.

BRITISH NUCLEAR FUELS plc
NOTES ON THE CURRENT COST ACCOUNTS

CONTINUED

4 CURRENT COST RESERVE	1987		1986	
	£M	£M	£M	£M
Revaluation surplus reflecting price changes:				
Land and Buildings	8		(4)	
Plant and Machinery	5		2	
Assets in Course of Construction	4		(5)	
Stocks and Work in Progress	1		(13)	
Government Grants	(1)	17	(5)	(25)
Contractually Committed Assets adjustment		55		49
Cost of Sales adjustment		-		1
Monetary Working Capital adjustment		(15)		(12)
Gearing adjustment		(41)		(39)
Minority Interests		(1)		(1)
Movement in Year		15		(27)
Balance at beginning of Year		215		242
Balance at End of Year		230		215
of which: realised		118		104
unrealised		112		111
		230		215
5 FINANCING OF NET OPERATING ASSETS	1987		1986	
	£M	£M	£M	£M
Fixed Assets (net of Regional Development Grants and specific advance payments from customers)		1854		1502
Investments		17		9
Working Capital		(228)		(135)
Net Operating Assets		1643		1376
Share Capital and Reserves		406		357
Proposed Dividend		25		4
Total Shareholders' Interest		431		361
Minority Interests		20		24
Loans	772		667	
Non-specific advance payments from customers	287		261	
Deferred Tax	10		9	
Government Grants	8		11	
Other Net Current Liabilities	115		43	
Net Borrowing		1192		991
		1643		1376

The gearing adjustment is based on the proportion of the net operating assets that were financed by net borrowing during the year.

BRITISH NUCLEAR FUELS plc
FINANCIAL STATISTICS

	1987	1986	1985	1984	1983
	£M	£M	£M	£M	£M
ASSETS EMPLOYED					
Fixed Assets	2,279	1,815	1,464	1,162	912
Net Current Assets	1	132	113	82	53
	<u>2,280</u>	<u>1,947</u>	<u>1,577</u>	<u>1,244</u>	<u>965</u>
FINANCED BY					
Loans and Advance Payments	1,402	1,151	876	666	508
Provisions for liabilities and charges	387	330	269	208	153
Government Grants	179	198	193	171	141
Share Capital	33	33	33	33	33
Profit and Loss Account and Reserves	261	213	187	150	115
SHAREHOLDERS' INTEREST	<u>294</u>	<u>246</u>	<u>220</u>	<u>183</u>	<u>148</u>
Minority Interests	18	22	19	16	15
	<u>2,280</u>	<u>1,947</u>	<u>1,577</u>	<u>1,244</u>	<u>965</u>
TURNOVER AND PROFITS					
TURNOVER: Nuclear Fuel Services – Home	585	449	358	311	304
– Export	152	122	128	91	92
Electricity	55	58	59	58	55
	<u>792</u>	<u>629</u>	<u>545</u>	<u>460</u>	<u>451</u>
OPERATING PROFITS	<u>196</u>	<u>139</u>	<u>138</u>	<u>125</u>	<u>114</u>
FINANCIAL CHARGES	<u>(95)</u>	<u>(88)</u>	<u>(67)</u>	<u>(47)</u>	<u>(49)</u>
PROFIT BEFORE TAX	<u>89</u>	<u>44</u>	<u>68</u>	<u>71</u>	<u>54</u>
PROFIT FOR THE FINANCIAL YEAR	<u>76</u>	<u>33</u>	<u>53</u>	<u>51</u>	<u>45</u>
DIVIDENDS	<u>29</u>	<u>8</u>	<u>16</u>	<u>16</u>	<u>13</u>
PROFIT RETAINED	<u>47</u>	<u>25</u>	<u>37</u>	<u>35</u>	<u>32</u>
PROFIT FOR THE FINANCIAL YEAR AS A PERCENTAGE OF AVERAGE SHAREHOLDERS' INTEREST	<u>28%</u>	<u>14%</u>	<u>27%</u>	<u>31%</u>	<u>34%</u>

BRITISH NUCLEAR FUELS plc
NOTICE OF MEETING

The Sixteenth Annual General Meeting of British Nuclear Fuels plc will be held at 65 Buckingham Gate, London SW1 on Thursday 23 July 1987 at 10.00 am for the following purposes:

- 1 To receive the Report of the Directors and the audited Accounts for the year ended 31 March 1987, and to declare a final dividend.
- 2 To re-elect Directors appointed prior to the Meeting.
- 3 To appoint auditors, special notice having been given pursuant to Sections 379 and 388 of the Companies Act 1985 of the intention to propose the following resolution as an ordinary resolution.

RESOLUTION

That Messrs Ernst & Whinney be appointed auditors in place of the retiring auditors Messrs Coopers & Lybrand to act as such until the conclusion of the next general meeting of the Company at which the requirements of Section 241 (1) of the Companies Act 1985 should be complied with, and that the Directors be authorised to fix their remuneration.

- 4 To transact any other ordinary business proper to an Annual General Meeting of the Company.

By Order of the Board

H E Bolter
Secretary
Risley, Warrington, WA3 6AS
30 June 1987



Note

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member.

Registered Office

Risley, Warrington, WA3 6AS

Auditors

Coopers & Lybrand
Plumtree Court, London, EC4A 4HT.

Bankers

National Westminster Bank plc
55 King Street, Manchester, M60 2DB.

Solicitors

Freshfields
Grindall House
25 Newgate Street, London, EC1A 7LH.

The categories of radioactive wastes, based on advice from the Radioactive Waste Management Advisory Committee, are as follows:

1 HIGH LEVEL (HEAT GENERATING WASTE) WASTES, which are defined in the UK as those wastes in which the temperature may rise significantly as a result of their radioactivity so that this factor has to be taken into account in designing storage or disposal facilities.

2 LOW LEVEL WASTES, which are wastes containing radioactive materials other than those acceptable for dustbin disposal (very low level) but not exceeding 4 GBq/te alpha or 12 GBq/te beta/gamma.

3 INTERMEDIATE LEVEL WASTES, which are wastes with radioactivity exceeding the boundaries for low level wastes, but which do not require heating to be taken into account in the design of storage or disposal facilities.