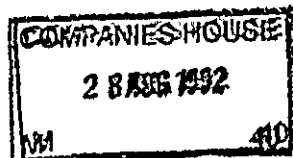


BRITISH NUCLEAR FUELS plc

BRITISH NUCLEAR FUELS PLC

REGD. NUMBER: 1002607

Annual Report and Accounts 1991/92



BRITISH NUCLEAR FUELS plc

BRITISH NUCLEAR FUELS PLC

ANNUAL REPORT AND ACCOUNTS 1991/92

CONTENTS

Board of Directors	1
Company Review	2
Report of the Directors	22
Report of the Auditors	27
Accounting Policies	28
Consolidated Profit and Loss Account	32
Balance Sheet	33
Consolidated Cash Flow Statement	34
Notes on the Accounts	35
Group and Related Companies	52
Consolidated Current Cost Accounts	54
Financial Statistics	59

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Sir Christopher Harding, Chairman

Neville Chamberlain, CBE, Chief Executive

Dr William Wilkinson, CBE, Deputy Chief Executive

Harold Bolter, CBE, Company Secretary and Director, Corporate Affairs

Peter Phillips, Group Finance Director

Dr Gregg Butler, Group Director, UK
(Appointed to the Board 27 February 1992)

Kenneth Jackson, Group Director, International
(Appointed to the Board 27 February 1992)

Graham Watts, Commercial Development Director
(Appointed to the Board 1 April 1992)

NON-EXECUTIVE DIRECTORS

Baroness Denton of Wakefield, CBE (Retired from the Board
7 January 1992)

Lady Denton is Parliamentary Under-Secretary of State for Consumer Affairs and Small Firms at the Department of Trade and Industry. In May 1992 the Prime Minister appointed Lady Denton co-Chairman of the Women's National Commission. She chairs Women on the Move against Cancer and Forum UK. Lady Denton is former Deputy Chairman of the Black Country Development Corporation and a former Director of North West Television, Burson-Marsteller, London and Edinburgh Insurance Group, Eureka! The Children's Museum and Triplex Lloyd.

John Roques

John Roques, a Chartered Accountant, is Senior Partner of Touche Ross & Co and a member of the Executive Committee of Deloitte Touche Tohmatsu International, the worldwide firm of accountants and consultants. He is a member of the Financial Reporting Review Panel.

Sir Norman Wooding, CBE

Sir Norman is Chairman of the East European Trade Council and President of the British Soviet Chamber of Commerce. He is also Deputy Chairman of the Royal London Mutual Insurance Society, Chairman of Agricultural Genetics Company Ltd, and Chairman of the British Textile Technology Group. He is a former Deputy Chairman of Courtaulds plc.

Introduction to the Company

The primary objective of British Nuclear Fuels plc (BNFL) is to supply a safe and efficient nuclear fuel cycle service. Our credibility as a leading specialist in nuclear technology is acknowledged internationally.

At home, BNFL fuels the UK's nuclear power programme which currently accounts for some 20% of the Country's electricity generation. Overseas, we have also established a substantial export business which accounts for some 25% of our annual turnover.

Without question, BNFL's main asset is a workforce totalling some 15,700 people which spans five UK sites in North West England and Southern Scotland.

Springfields near Preston is the site of our fuel manufacturing operations, while Capenhurst near Chester is responsible for uranium enrichment. We reprocess irradiated nuclear fuel at Sellafield in West Cumbria, the site also of our multi-million pound investment programme which includes the Thermal Oxide Reprocessing Plant (THORP) and a range of facilities for the treatment and storage of waste produced during reprocessing operations.

We also operate two highly effective nuclear power stations - Calder Hall on the Sellafield site and Chapelcross in Southern Scotland. Risley in Cheshire is the focus for our engineering design activities and the Company's Central Services Unit. The Head Office, also based at Risley, was redefined during the year, taking on a strategic role as part of the Company's restructure designed to develop BNFL as a market-driven company.

Fuel cycle services associated with the production of nuclear-generated electricity accounts for around 90% of our work. However we have contracts with the Ministry of Defence (MoD) which involves the production of tritium at Chapelcross and low-enriched uranium at Capenhurst. In addition the Calder Hall and Chapelcross reactors can produce plutonium if required for defence purposes.

BNFL's long-term vision is to remain a major supplier of a comprehensive fuel cycle service, setting new standards in safety, quality and efficiency. Participation in European and International quality assurance initiatives, coupled with the implementation of Total Quality Management across the Company, are key elements to achieving this goal.

UK GROUP

The UK Group was formed in October 1991 to provide a commercial focus for the predominately UK-only business areas.

It consists of the pre-existing Reactor, Magnox Reprocessing, and Waste Management Divisions; together with a newly formed Defence Division and a Corporate Affairs Unit dealing with all aspects of public, community, and business relations in West Cumbria.

The overall development of the Group is facilitated by a Development Director who also co-ordinates BNFL's relationship with the UK civil fuel cycle customers.

The signature of two agreements during the year with Nuclear Electric plc and Scottish Nuclear Ltd represent major milestones in the establishment of new trading relationships with these customers. The agreements cover the supply of nuclear fuel cycle services for the UK's Magnox and Advanced Gas-cooled Reactor stations into the next century under fixed price commercial arrangements. The negotiation of a series of detailed contracts covering business worth some £17 billion, as envisaged under the two agreements, is nearing completion and is being led by UK Group.

Reactors

Our power stations at Calder Hall and Chapelcross again operated reliably throughout the year, and a major programme of work associated with the Long-Term Safety Review was completed on schedule at the end of 1991. Each of the reactors is now authorised to operate until at least 40 years old, subject to continuing inspection and satisfactory performance.

At Calder Hall, the 35th anniversary of the plant's official opening by the Queen in October 1956 was marked by local celebrations and an Open Day for employees and their families as well as members of the general public.

Construction of a gas-fired Combined Heat and Power Plant next to the Calder Hall site is proceeding to programme with completion scheduled for July 1993. The plant will supply process steam and electricity to Sellafield ensuring reliable energy supplies for the reprocessing and waste management plants, with surplus power being exported to the National Grid.

Looking further ahead, we are continuing the second phase of the Company's feasibility study into the construction of new reactors at Sellafield and Chapelcross. This extended study will be completed at the end of 1993, with the overall objectives of evaluating technical options, investigating the potential sites in detail and establishing the commercial basis for investment in new generating plant. Following detailed discussions with Nuclear Electric and Scottish Nuclear, this work is now integrated into the joint Nuclear Industry response being formulated for the 1994 Government Review of Nuclear Power.

Magnox Reprocessing

Magnox Reprocessing Division pursued several initiatives during the year to strengthen BNFL's performance in the fixed price trading environment, which now characterises most of the Company's existing business.

The introduction of Total Quality Management across the Division has been a driving force in improving the Division's productivity. A programme to improve the commercial awareness of the Division's employees has also begun, highlighting the importance on customer satisfaction in ensuring the Company's future success.

All reprocessing and Advanced Gas-cooled Reactor (AGR) fuel dismantling targets were achieved and fuel receipts met all customer requirements. Reprocessing operations were shut down as scheduled in February 1992 to carry out engineering and maintenance work.

A notable event during the year was the official opening of the Magnox Encapsulation Plant in October 1991 by the Rt Hon John Wakham MP, the former Secretary of State for Energy. The £249M plant which encapsulates swarf from decanning operations is performing well.

Despite a shut-down of the Vitrification Plant for remedial engineering work earlier in the year, we have kept pace with highly active liquor arisings from current reprocessing operations.

In recognition of the quality assurance achievements of our Magnox Encapsulation Plant and Vitrification Plant, we were accredited with the British Standard 5882.

The Division's waste management and decommissioning activities, reviewed during the year, will become increasingly significant in future years. Projects being pursued involve new methods for retrieving and treating radioactive waste from historic operations, and the decommissioning of redundant facilities. This work offers both operational and technical challenges.

Waste Management

Drigg continued to operate as a disposal site for solid low-level radioactive waste for BNFL's operational sites, the UK nuclear power industry and a variety of other consignors.

Our initiative to compact low-level waste and extend the life of the Drigg site well into the 21st century became a visual reality with the onset of construction during 1991 of the high-force compaction plant at Sellafield, scheduled to begin operations in 1994. Negotiations are proceeding with all consignors to establish fixed price contracts for low-level waste conditioning and disposal.

Waste Management Division took on a new role during the year with responsibility for the retrieval, conditioning and storage of Sellafield-generated plutonium contaminated material, coupled with the management of miscellaneous beta-gamma waste.

A high point of our waste management programme came with the selection, by UK Nirex Ltd, of Sellafield as the site at which it will concentrate further geological investigations for the development of an underground repository. In the same year, a site specific design for a Sellafield repository for intermediate- and low-level radioactive waste was issued by Nirex for consideration. A Sellafield Repository Information Unit was also established during 1991 to provide a focus for local communications. The Division has taken on responsibility for co-ordinating the repository project with operations at Sellafield.

Defence

1991 saw the formation of a new BNFL division assuming responsibility for all the Company's business interests in the defence sector, principally with the UK Ministry of Defence (MoD) which accounts for 12% of BNFL's turnover.

The new Defence Division has enabled us to separate the Company's commercial arrangements in the defence area from mainstream business activities, providing a focused professional service tailored to meet the MoD's particular requirements and constraints.

During the year BNFL and the MoD reached an understanding of each other's priorities and problems, particularly in recognition of the impact of recent political changes in the world. We are committed to maintaining this understanding and to improving our performance as a Ministry supplier, so ensuring that the nation obtains value for money whilst BNFL secures an appropriate return.

Corporate Affairs

A Corporate Affairs Unit was established during the year to concentrate specifically on public, community and business relations in West Cumbria.

Four years on and the West Cumbria Development Fund is continuing to make a major contribution to the economic regeneration of the area surrounding Sellafield. Specific measures have been taken to alleviate the unemployment arising from the run down of BNFL's massive construction programme at Sellafield. A current review of the Fund, which is over 85% financed by an annual BNFL donation of £1M, is expected to confirm that an estimated 1,750 jobs have been either created or safeguarded as a result of the Fund's activity.

Now faced with mounting redundancies across all sectors of the local industry, the Fund will focus more on attracting new organisations to West Cumbria. As a first step the Fund is supporting a major Cumbria Marketing Initiative being launched in Autumn 1992.

The flagship of the Fund is the Westlakes Science and Technology Park established on a site near to the town of Whitehaven. BNFL is promoting the multi-million pound scheme, aimed at attracting knowledge-based industries in conjunction with the Rural Development Commission and through financial support from the European Regional Development Fund. The first phase of the Park was completed during the year, and half of the 30,000 sq ft of high quality accommodation was contracted within six weeks of its opening.

The relocation of BNFL's Bio-Analytical Laboratories and Genetics Unit from Sellafield to the Park demonstrates the Company's commitment to the initiative.

Copeland MP Dr John Cunningham performed the official opening of the Geoffrey Schofield Laboratories offering neighbouring tenants a vast scientific and technical resource. The complex provides the Sellafield Technical Department with a suite of custom-built bio-analytical laboratories which will provide an analytical service in support of Sellafield and Drigg operations.

In addition the laboratory also provides accommodation for the Health and Safety Directorate's Genetics Unit which will provide a comprehensive service to all BNFL sites and to local hospitals.

A third initiative designed to promote the Park is the establishment of the Westlakes Research Institute drawing together BNFL's expertise in occupational health, environmental sciences, toxicology, epidemiology, bio-safety, molecular biology and genetics.

The Institute plans to forge academic links with primarily Northern-based universities with the objective of becoming West Cumbria's first Institution of Higher Education.

In the long-term it is envisaged that the Institute will become financially independent of BNFL, undertaking a variety of research work and so contributing to the development of West Cumbria's image, economy and social status on an international scale.

INTERNATIONAL GROUP

International Group was formed during the year in line with BNFL's market-orientated restructure, designed to make BNFL better equipped to face up to the new more competitive business climate which now characterises the world nuclear fuel cycle market.

The Group comprises Fuel Division, Enrichment Division, THORP Division, Transport Division and Marketing Services.

In the short-term the Group will ensure the completion of the Company's flagship, the Thermal Oxide Reprocessing Plant (THORP) and the New Oxide Fuels Complex (NOFC) to time and cost.

In addition the Group's structure establishes a firm basis for developing new export markets through intensive marketing initiatives, and where appropriate, through the establishment of collaborative arrangements. The BNFL subsidiary company, International Nuclear Fuels Limited (INFL), provides the mechanism for entering into new overseas business.

Fuel Manufacture

Our fuel manufacturing plant at Springfields enjoyed another successful year generating a divisional turnover of £192M.

Fuel manufacturing output increased significantly, reflecting the improved performance of nuclear power stations operated by Nuclear Electric and Scottish Nuclear.

BNFL won a new contract to supply Pressurised Water Reactor (PWR) fuel pellets to a German fuel fabricator, further establishing the Company's position as an international supplier of intermediate products.

The first conversion of Magnox depleted uranium reprocessed product to uranium hexafluoride using new kilns took place during the year.

Progress on our two major capital projects, the New Oxide Fuels Complex (NOFC) and the new uranium hexafluoride conversion plant, has continued to programme. NOFC continued to attract considerable international interest owing to the advanced automation and radiological protection concepts being adopted, and further capital spend was sanctioned for an additional third oxide powder conversion kiln in the plant.

Expansion opportunities within the PWR market have been reinforced by the renewal of our Licensing and Technology Agreement for PWR fuel fabrication with Westinghouse of the US, and also through the establishment of the European Fuel Group, a partnership with Westinghouse and Enusa of Spain to market and manufacture PWR fuel for Western Europe.

Great emphasis continues to be placed on achieving continual improvement in fuel quality through new personnel training initiatives.

Plans to diversify into stand-alone activities which are compatible with existing strengths are also well on course. BNFL Fluorochemicals Ltd was formed as a wholly owned subsidiary of BNFL to develop and manufacture high value, non-nuclear fluorochemical products, based on our expertise in manufacturing elemental fluorine.

Enrichment

During the year BNFL continued to operate gas centrifuge plants as a partner in the tripartite organisation, Urenco.

Both the civil enrichment plant, operated for Urenco, and the plant, operated by BNFL primarily for the Ministry of Defence, continued to perform well. Despite a market still characterised by an over capacity and fierce competition, the civil market has shown a short-term improvement with the signing of several new contracts and an expansion of existing contracts. However the overall the value of Urenco's forward order book has been reduced further to £1,350M of which we will have a one-third share.

Since the announcement of a cost reduction programme in March 1991, 180 jobs have been lost at Capenhurst through natural wastage, early retirements and transfers to our other sites.

The programme of work to dismantle and decommission the obsolete diffusion plant proceeded with speed and is now well advanced.

Looking to the future, progress has been made on the development of a laser-based enrichment process and of a fifth generation of centrifuge. Both programmes are being carried out with BNFL's Urenco partners in the Netherlands (Ultra Centrifuge Nederland NV) and Germany (Uranit GmbH).

The schedule for constructing and operating a joint venture centrifuge plant in Louisiana has been delayed by a year due to the lengthy US licensing procedures. The joint venture is a partnership company, Louisiana Energy Services, comprising Urenco, several American utilities and an American engineering design/construction group. 1997 is the date earmarked for the start of the plant's operation.

The adverse market conditions associated for some years now with the world civil enrichment market prompted Urenco to investigate whether the tripartite Company's operations could be streamlined. As a first and necessary step, we announced in May 1992 that BNFL will transfer the commercial uranium enrichment business at Capenhurst into a wholly owned subsidiary company, Urenco (Capenhurst) Ltd. Subject to negotiations currently in progress, the shares in Urenco (Capenhurst) Ltd will be transferred to Urenco Ltd, which will be one-third owned by BNFL.

THORP

The major achievement and indeed turning point of the year has been the successful completion, to programme, of the THORP Head End and Chemical Plant. THORP, one of Europe's largest and most complex engineering projects, is designed to recover approximately 96% reusable material from irradiated nuclear fuel.

Commissioning teams are now progressing the meticulous task of inactive commissioning, leading to the introduction of irradiated fuel into the plant at the end of 1992 and the start of reprocessing during the 1992/93 financial year.

The first 4,000 tonnes of irradiated uranium fuel from UK and overseas customers are already being stored awaiting reprocessing in THORP.

Construction of the Waste Encapsulation Plant, is on target for completion by June 1992 with commissioning teams working hard to ensure the plant is ready to encapsulate intermediate-level waste arising from THORP.

Recent negotiations with Nuclear Electric and Scottish Nuclear have led to agreements in principle for further post-baseload reprocessing business. The agreements, which also cover their share of the initial 7,000 tonnes of capacity, are at fixed prices. This new commitment brings our order book for the second decade of THORP operations to approximately 3,450 tonnes and increases THORP's total order book to some £9,000M of which £4,400M is export business.

As part of THORP Division's strategy, customers will be offered competitive services for the recycle of uranium and plutonium products.

The construction of the Division's Mixed Oxide Fuel (MOX) Manufacturing Facility is on schedule for operation in Spring 1993. The first commercial order for MOX fuel fabrication was secured at the end of 1991 representing a major step into the emerging MOX fuel market. Plans will be firmed up during next year for further major MOX fuel fabrication investment.

As part of our Company-wide efficiency drive, THORP Division is implementing Total Quality Management (TQM) across all departments. TQM techniques have been used to address many key issues associated with commissioning, manning and future operation of plant. Flexible working agreements have been negotiated, and over 600 people of all grades and disciplines have now attended teamwork training courses.

Transport

We prospered once again from another good year of transport operations. Our subsidiary company Pacific Nuclear Transport Limited (PNTL) and associate company Nuclear Transport Limited (NTL) safely carried out 276 flask movements of irradiated fuel from Japan and Europe. Voyages by BNFL and PNTL vessels from Japan to Sellafield now total 120 under transport contracts extending to 1998.

In 1991 we concluded an agreement with NTL and the German utility-owned company GNS for supplying a comprehensive transport service for German baseload and post-baseload THORP reprocessing customers. This resulted in five offers being made to German power utilities proposing a flask pooling arrangement for the delivery of fuel to Sellafield.

Contract terms were also successfully concluded with Rheinisch Westfaelisches Elektrizitaetswerk AG (RWE) and Bernische Kraftwerke AG (BAG) for transporting irradiated fuel from the German Gundremmingen reactor for reprocessing at Sellafield.

Our vessel Mediterranean Shearwater successfully completed final shipments of irradiated Magnox fuel from the Latina reactor in Italy to the UK.

Our transport service also entails the design of irradiated fuel flasks. During the year two further flask designs were developed to enable us to meet the future needs of overseas power utilities for the transport of higher burn-up fuels. In preparation for returning vitrified highly active waste to customers following reprocessing at Sellafield, we have also completed the design of a residue transport flask which is currently under the final stages of review for UK licensing approval.

Marketing

Our activities continue to concentrate on raising BNFL's profile in the international market-place. Where substantial market opportunities exist it is often necessary to establish an overseas presence, as was demonstrated by the setting up of BNFL Inc in the US.

South Korea has a developing nuclear programme and, in conjunction with AEA Technology, we have opened a liaison office in Seoul.

Over the past 18 months we have been particularly active in Central and Eastern Europe where detailed discussions to supply fuel cycle services have taken place, particularly in Czechoslovakia and Russia. In addition studies have been conducted, in co-operation with AEA Technology, to examine the decommissioning and waste management services for the older reactors in Czechoslovakia. Similar business opportunities are also being pursued in Bulgaria and Romania.

In Western Europe we are developing closer links with customers and other suppliers in specific areas of the fuel cycle, to optimise use of planned capacity. The establishment of a Brussels office will enable the Company to participate more actively in European energy related discussions. In the UK a more structured relationship with AEA Technology has led to formal collaboration agreements in a number of specialist markets.

ENGINEERING GROUP

The newly formed Engineering Group draws together three common elements of BNFL's business activities - Engineering Division, BNFL Engineering and International Nuclear Decommissioning.

The overall aim of the Group is to meet the internal and external engineering needs of BNFL, in addition to supporting any developing external markets.

The Group will continue to support BNFL's Company-wide investment programme into new plant and equipment while, in parallel, endeavouring to secure external engineering business.

Engineering

Engineering Division continued to support BNFL's major construction programme at Sellafield. Particularly noteworthy was the start of inactive commissioning of our plants to treat low-active effluents, in preparation for active commissioning in 1993.

Good progress was also made on the Combined Heat and Power Plant, the Mixed Oxide Fuel Fabrication Facility and the Waste Monitoring and Compaction Facility. Projects planned for the retrieval and treatment of intermediate-level waste are at the preliminary design stage.

With the major projects now approaching completion, a significant reduction in workload is anticipated. In recognition of this, and of the need to provide cost-effective services to internal and external customers, plans, including assistance with job search and voluntary early retirement, have been announced to reduce manpower from some 1,750 to around 1,000 by the mid 1990s.

BNFL Engineering

Obtaining profitable external nuclear engineering business is a goal attained by BNFL Engineering Building on the success achieved to date, we are now beginning to identify ways of diversifying into non-nuclear markets.

Our initial success in Japan has laid firm foundations for developing future business and discussions are under way with potential Japanese customers for nuclear engineering services. In Spain a small team is currently providing consultancy services on our computer aided design expertise to an engineering company, Initec.

In the highly competitive US market, support continues for BNFL Inc. A skid-mounted ion-exchange unit has been successfully designed, manufactured and shipped to the US, and a number of engineers has been seconded to the US to join a BNFL Inc team for the design of a Waste Receipt and Processing Plant to be built at the US Department of Energy's Hanford site.

Significant business has also been won in the UK, particularly support for UK Nirex Ltd in the development of a deep underground repository for low-level and intermediate-level radioactive waste.

International Nuclear Decommissioning

International Nuclear Decommissioning, a collaborative venture by BNFL and AEA Technology, made progress during the year in the pursuit of external decommissioning business.

A number of small contracts, secured predominantly in the UK with one success in the US, have laid a firm foundation for developing future business. Support to BNFL Inc continued in a bid to seek further decommissioning business in the US.

CENTRAL SERVICES UNIT

The Central Services Unit forms an integral part of BNFL's new structure. It embraces a range of activities which are most effectively managed as a central resource for the benefit of the Company's new operating Groups and Strategic Centre.

Activities of the Unit are reported under the headings: Research and Development; Health, Safety and Environmental Protection; Public Relations; Community Relations; Education Liaison; Employee Communications; Human Resources; Legal; Safeguards; and Corporate Finance.

Health and Safety

It continues to be a fundamental policy of BNFL to carry out operations with the highest regard for the environment and for the health and safety of the Company's employees and the public. The Company not only complies with the requirements of statutory legislation but also promotes even more stringent standards.

Our operating sites are scrutinised regularly by the Nuclear Installations Inspectorate and the Factory Inspectorate. Recommendations by the International Commission on Radiological Protection form the basis of the UK radiological protection policy for the environment and the workforce.

Considerable progress has been made in recent years in reducing radiation doses to employees. The current annual dose to BNFL radiation workers is, on average, about 4% of the statutory 50 mSv, and in 1991 less than 10 employees received a dose of more than 15 mSv. This compares to 715 employees in 1985.

The study of Company workforce health and safety data continues to be an extremely important aspect of health and safety activities. Epidemiological data for our workforce have been included in the National Register for Radiation Workers. The National Radiological Protection Board concludes that their first analysis of the Register data does not provide sufficient evidence to justify a revision in risk estimates for radiological protection purposes.

The implications of the Gardner Report of 1990 continue to influence the shape and volume of epidemiological research significantly. A national study of childhood cancer by the UK Co-ordinating Committee on Cancer Research will run from 1992 to 1996.

We also continue to sponsor other safety related research projects at universities and other institutions including several relating to the behaviour of radionuclides in the environment.

In conjunction with the staff and trade unions, BNFL continues to operate a compensation scheme for radiation workers, or former radiation workers, who develop or die from cancer. The scheme, designed to avoid the expense and delays associated with legal procedures and to provide a more favourable outcome for the claimant, has recently been updated and all past claims are being re-evaluated. Any improvement identified will be passed on retrospectively.

All discharges and disposals of radioactive waste from our sites are authorised and closely monitored by the Government's authorising departments and agencies. We are also required to use the 'best practicable means' to minimise radioactive discharges, and to carry out detailed environmental monitoring programmes. These again confirmed that doses to the general public were within the relevant limits, and far less than those received from natural sources. All our sites complied with the limits and conditions laid down in the authorisations.

The Environmental Protection Act introduced new legislation for the control of non-radioactive discharges which requires demonstration that industrial processes use the 'best practicable environmental option' to minimise impacts. During 1991 BNFL made its first applications for authorisations under this new regime.

Increased public interest in environmental issues has prompted us to strengthen our environmental policy. The policy sets out nine principles of environmental care ranging from energy efficiency and recycling of materials to conservation. BNFL's Chief Executive, who has personally assumed Board level responsibility for environmental matters, has announced the Company's commitment to the environment and to the public in a brochure entitled 'BNFL and Environmental Care'. A sister publication 'Our Environment' has been designed to inform employees that BNFL's policy acknowledges a 'duty of care' for the environment.

Our Environmental Forum is developing codes of practice to support the Policy Statement. We are also playing an active role in industry-led initiatives being co-ordinated by the Chemical Industries Association and the CBI.

As part of an open information policy BNFL has, for many years, published detailed and summarised annual reports on radioactive discharges and monitoring of the environment.

The possibility of a major incident at a BNFL site is extremely remote. Nevertheless, the Company is fully equipped to respond instantly in the event of a major accident in order to protect the workforce and the public. During the year on-site emergency plans were tested through simulated incidents on five occasions under the scrutiny of the Health and Safety Executive. Three transport exercises were also held.

Research and Development

Extensive research and development activities, totalling some £72M for the year, have addressed technologies important to all areas of BNFL's business. The overall objective has been to ensure the most appropriate technology is available, allowing us to provide competitive services whilst safeguarding the health and safety of our workforce and the environment for the community at large.

Our commitment to basic science and a good environment has been demonstrated during the year by the launch of a new Company Research Laboratory at Springfields. This supports current BNFL activities in addition to serving future long-term research needs, working in conjunction with a number of leading universities. Initially research projects will concentrate on clean technology and looking at ways in which bio-technology can be used to benefit our environment.

BNFL is becoming widely known as a national leader in advanced computer simulation techniques for robotic and remote handling systems, offering the potential to reduce costs and allow possible application solutions to be quickly evaluated.

Successful implementation of a formal collaborative programme involving experts from BNFL and AEA Technology will ensure that important nuclear physics computational codes continue to be developed and maintained.

Work to increase the effectiveness of decommissioning technology available in both the short- and long-term has intensified. A complete decommissioning planning capability will provide an integrated suite of computer-based systems, to include databases, expert systems, radiation models, robotic simulators and cost estimation models, and will underpin estimates of decommissioning liabilities.

Development work at Springfields has been in support of the future generations of fuel manufacturing plants and fuel designs. Work to produce pellets of the right size first time, and for powder handling and transport, has confirmed our current equipment designs and identified potential new processes. A fast firing process for pellet sintering has been developed, producing an IDR oxide product which meets the full specifications for AGR fuel.

Our unique short binderless route technology demonstrated its versatility, during a cross-divisional programme between Springfields and Sellafield, when it was successfully used as an application for the MOX Demonstration Facility.

Developments in support of our new waste treatment plants at Sellafield have proceeded with speed. Vitrification development work for THORP arisings and those blended with Magnox has been completed. Projects for waste treatment and conditioning associated with THORP are on schedule.

A major development role for Sellafield has been to define a strategy for dealing with intermediate-level waste from various plants on site. Alternative methods of retrieval and conditioning have been assessed and provision is being made to mount a major development programme to demonstrate techniques.

Long-term research at Sellafield, based on extensive experience of plant development, is currently focused on the requirements of reprocessing beyond THORP and the science of waste disposal.

An assessment of the integrity of the Calder Hall and Chapelcross reactor pressure circuits identified no components or factors would impinge on a further life extension of the reactors.

Versatility of the centrifuges at Capenhurst has been proven by their use in the separation of special products. Development of both the advanced gas centrifuge and the laser isotope separation process continue to establish competitive enrichment technologies.

Public Relations

During the year a range of publicity activities took the nuclear message to BNFL's various audiences.

National press advertising campaigns dealt with the management of nuclear waste and the environmental issues of acid rain and the Greenhouse Effect. In addition literature was produced to promote the Company's policy of environmental care.

The 'Centre of Attraction' campaign was further developed during the year to promote both the Sellafield Visitors Centre and tourism in West Cumbria. As well as a video entitled 'Over the Fells', commercial radio and regional television were used to great effect to encourage visitors to West Cumbria. During the year 140,000 people, compared with 130,000 during the same period last year, passed through the open door of the Sellafield Visitors Centre.

We took to the road with a new high-tech Mobile Exhibition Unit, inviting the public to step inside the world of nuclear energy. The 44 ft long trailer, designed to be utilised across the Company's varying activities, replaced the Company's ageing exhibition trailer.

During the year our sponsorship of the Buxton Opera House 'Quest for New Musicals' continued. Extensive promotional opportunities were created as the entries were gradually reduced to the final seven that would be workshopped.

A number of new sponsorship initiatives were developed including the Duke of Westminster Awards, the BNFL Band formerly Leyland DAF, and the Warrington Male Voice Choir.

A new stand was created for the our political exhibition programme under the theme of 'Fuelling a brighter cleaner future'.

The Company's Speakers' Panel continued to play an important role in our objective of raising public awareness of BNFL and the nuclear industry. Visits to schools accounted for a significant proportion of the total number of talks given across the Country.

During the year more than 3,000 press inquiries were dealt with, and a total of 140 press releases covering such topics as new contracts, sponsorships and major Company decisions were issued, in addition to 62 press releases covering BNFL's 'Quest for New Musicals' sponsorship.

Media visits to our sites, predominantly Sellafield, by journalists from TV, radio, newspapers and magazines on an international, national and regional basis, were actively encouraged with many resulting from invitations.

The opening of the Magnox Encapsulation Plant at Sellafield attracted significant media interest and positive publicity, as did a similar tour of THORP, following completion of the project's construction to time and budget.

Community Relations

Great emphasis is placed on the well-being and prosperity of the communities around BNFL's sites and we endeavour to offer our support, both financial and otherwise, towards maintaining this stability. During the year we supported a number of notable events, in addition to many worthy smaller charities and organisations.

Preston, the home town of our Springfields site, celebrates its Guild Merchant Year during 1992. BNFL has provided energetic support through a series of events commemorating the Guild, which dates back to 1185 and takes place once every 20 years.

Other site-wide sponsorships include those in support of local education initiatives, local business agencies such as the Preston Business Venture and the Blackpool and Fylde Business Agency, local sports organisations, and arts societies and productions including several performances by the Royal Liverpool Philharmonic Orchestra.

Our Capenhurst site celebrated its 40th anniversary and an open day was organised welcoming many members of the local community.

Regular meetings have been held by Local Liaison Committees at all sites, providing a vital link between BNFL and the community. Drawing together representatives from both local and national organisations, the committee members have the knowledge and technical expertise to discuss in depth, events which may affect the local community and their environment.

Education Liaison

BNFL has, for some years, recognised the importance of industrial support in education and our substantial education liaison programme continued to grow during the year. Eleven new resource packs, produced in collaboration with teachers and specifically tied in with the National Curriculum, bring the total to 21. The material, which explores the ways in which science and technology impact upon our everyday lives, has received positive reviews from the education press and users alike.

Local contributions to the education programme from our sites include the well-established 'Top of the Form' competition at Springfields, teachers seminars, Understanding Industry courses, and work experience.

Specific events this year included the annual governors' seminar attended by more than a hundred BNFL school governors and headteachers, an evening at the House of Commons discussing our education initiatives with MPs and members of the House of Lords, a two-day conference for teachers on 'Mathematics in Technology 11-16', and the MEI structural Sixth Form Mathematics Conference at St Catherines College, Oxford.

We invest over £2M annually in support of research at universities and polytechnics. During the year BNFL supported some 30 post-graduate students through either studentships or bursaries. In 1991 we awarded Hatfield Polytechnic with the annual BNFL-sponsored Partnership Award in recognition of the Polytechnic's development in teaching and learning mathematics.

Employee Communications

A well structured framework for employee communications has now been firmly established. Following the 1991 Attitude Survey and Communications Audit, the divisions have organised and held their own discussion groups and monthly operational briefings as well as providing training in communication for their own managers.

The monthly employee newspaper, 'BNFL News', continues to be a major medium of communication and for the second year running was judged Britain's best company newspaper by the British Association of Industrial Editors. During the year the paper and its sister publications have taken seven top BAIE awards at national and regional level.

A new system of rolling audits has been developed so that targets of achievement in communication and the management of change can be set and monitored. Every effort is also being made to make employee communication more relevant to our employees' needs and improve the policy when required.

Human Resources

An average of 15,783 people were employed by the Group in 1991/92 compared with 15,327 in the previous year. Of the 15,784 employees at the end of the year, 7,981 worked at Sellafield, 3,262 at Springfields, 2,622 at Risley, 1,264 at Capenhurst and 655 at Chapelcross. A further 233 were employed on our fleet of ships.

Great value has again been placed on the training and development of our employees. During the year we assisted 1,253 employees to pursue further education courses on a part-time basis, and 38 employees were granted support to follow full-time courses of further education. In addition there were 41,361 attendances at internal courses and 3,378 attendances at external courses supplementing internal programmes.

Assessment and personal development programmes for managers continued with 47 attending Senior Development Workshops, and two Senior Management Conferences were attended by 160 senior managers. In conjunction with the Management School at Lancaster University and Fuel Division, two residential development modules have been established which will be made available to senior managers.

An internal review of employee development procedures was concluded. Recommendations were endorsed by our Personnel Committee and are being implemented, including the development of revised appraisal procedures, the establishment of divisional employee development groups, and the introduction of personal development plans as a basis of continuous improvement for all employees.

Close links continue to be maintained with representative external bodies and consultants to ensure that we are fully aware of national educational and training standards and the best external employee development practices.

Graduate recruitment continues to be a significant activity, with 91 graduates and 22 research associates being recruited during the year as a result of a substantial on-going recruitment programme.

Both management and unions agree that our continued success is dependent upon the conservation of good employee relations, and through this philosophy a well established bargaining and consultative machinery has developed. Current employee conditions and benefits reflect the best practices in British industry. A notable landmark has been the introduction of a restructured working week agreement which provides additional leisure time for employees but at no additional cost to the Company. Progress continues in increasing efficiency through local efficiency agreements.

Our equal opportunities concept is continually endorsed and the employment of disabled people in suitable posts remains an important feature of Company personnel policy, with practical training being given to meet the individual needs of these employees. The prime responsibility for providing equal opportunities rests with the Company, but equally, individual employees and our trade unions recognise their responsibility not to discriminate on the grounds of sex, marital status or race.

Legal

Our professional body of legal personnel continued to play an active role in BNFL's many commercial dealings and major contracts, including the fixed price agreements reached with Nuclear Electric and Scottish Nuclear, joint venture acquisitions and corporate reorganisations.

In a more contentious area, our Legal Directorate has been heavily involved in the litigation brought against BNFL alleging a link between our activities and childhood leukaemia in the Sellafield area. The cases, which come to trial in late 1992, are being vigorously defended and, because of their complexity, are breaking new ground both scientifically and legally.

Support and advice to the divisions, in addition to customary requirements, included Town and Country Planning matters such as new developments and the proposed Nirex repository.

During the year Legal Directorate also followed the lead of progressive private legal practices in seeking to implement Total Quality Management in line with Company policy.

Safeguards

The profile of international safeguards has increased considerably in the light of recent world events, highlighting the importance of effective systems to counter nuclear proliferation risks. BNFL fully supports the implementation of safeguards and has continued to devote time and resources in co-operation with the inspection and verification activities of the International Atomic Energy Agency and Euratom on Company sites.

We also recognise the advantages to the operator and the Inspectorates of incorporating safeguards requirements in the design of new facilities. Arrangements for the application of Euratom safeguards to THORP are well advanced, and collaboration with Euratom is also making good progress towards ensuring that the AEA/BNFL joint venture in the MOX Demonstration Facility will be fully and effectively safeguarded.

Corporate Finance

The breadth of Corporate Finance activities are carried out by a relatively small but highly skilled Risley-based team, reflecting BNFL's new decentralised structure. The team has continued to provide a valuable service in support of BNFL's many business areas.

The move from cost plus to fixed price contracts with our major domestic customers, Nuclear Electric and Scottish Nuclear, has resulted in fundamental changes in accounting methodology as well as additional computer-based systems to manage the increased data effectively. These changes placed heavy demands on both corporate and divisional accounting areas, which caused us to strengthen our existing finance resource with the objective of ensuring continuous improvement in financial control, in addition to providing a cost-effective internal service.

CORPORATE MANAGEMENT SERVICES

Corporate Management Services (CMS) provides the computer links essential for ensuring reliable and effective operations across BNFL's vast range of activities. Operating as a specialist business unit, our centrally-based CMS team support both divisional Information Technology (IT) departments and corporate management. In response to keen competition from external IT suppliers, CMS continues to provide competitively priced services for in-house customers.

A notable achievement of the year was the completion of the Chemical Plant Information Computer system for THORP on a fixed price basis. In addition our CMS specialists worked with the management of the Magnox and THORP Divisions in developing systems for controlling the fixed price contracts with Nuclear Electric and Scottish Nuclear.

Whilst the major part of our work is in support of BNFL's own business, the spectrum of skills and breadth of experience acquired over the years has enabled CMS to develop a small but growing number of external customers.

BNFL INC

BNFL Inc was formed in 1990 to promote BNFL's expertise and technology in North America. The subsidiary company now has offices in Fairfax, Virginia, and Englewood, Colorado, in addition to its headquarters in Washington DC.

Good business progress has been made with the US Department of Energy (USDOE) and other clients either as a prime contractor or through joint ventures. Areas of immediate interest include the design of facilities for the waste management and decommissioning sectors, and related services. Other areas of interest and activity include enrichment, fuel fabrication, fuel transportation and reprocessing.

The Company's marketing efforts have been rewarded during the year with eleven new contracts and additional work on two existing contracts. The most significant of the new awards is the teaming contract with United Engineers and Constructors for the design of the second module of the Waste Receiving and Processing Plant (WRAP) at the USDOE's Hanford site. On-going work includes the design of WRAP Module 1 and engineering support for decommissioning the Shoreham nuclear plant.

With increasing recognition of BNFL's capabilities by the USDOE and nuclear industry, business prospects are promising. Ten tenders were put forward for consideration with several more in preparation.

With increasing recognition of BNFL's capabilities by the USDOE and nuclear industry, business prospects are promising. Ten tenders were put forward for consideration with several more in preparation.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 1992

1. The Directors of British Nuclear Fuels plc have pleasure in submitting to the Shareholders their twenty first Annual Report together with the audited Accounts for the year ended 31 March 1992.
2. The full accounts of the Group are set out on pages 28 to 58 and include, on a consolidated basis, the accounts of the Group undertakings listed on pages 52 to 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 is £1082M, compared with £1042M last year. Exports at £268M show a significant increase (1991 £179M) mainly due to additional reprocessing and enrichment services. However, this has been partly offset by reduced home sales, reflecting a temporary change in the balance between overseas and UK customers' reprocessing.

Operating profits at £328M are 3% down on last year (£339M). Research and development not specifically recoverable directly from customers has increased to £50M (1991 £34M) including expenditure on the Mixed Oxide demonstration facility and the Reactor Feasibility study.

However, after allowing for reduced financial charges of £119M (1991 £151M) partly due to lower borrowings and interest rates, profit before tax amounts to £161M (1991 £156M). The return on average shareholder's interest is 27% (1991 30%).

On a current cost basis the profit before gearing adjustment, financial charges and tax is £192M, (1991 £205M) and this represents a return on average current cost net capital employed of 9.8% (1991 9.1%).

4. BASIS OF TRADING

Last year's report referred to discussions on fixed price trading which were taking place with Nuclear Electric plc and Scottish Nuclear Ltd. The negotiations with both Companies have been completed and the contracts now await signature. Under the new arrangements, which will apply

retrospectively from 1 April 1989, BNFL will receive fixed prices, adjustable for escalation, in return for acceptance of full responsibility for undertaking the range of services previously covered by cost related arrangements. These arrangements are subject to implementation of the agreed risk sharing formula in relation to the historic areas and regulatory changes. These contracts are of a long-term nature and are being accounted for as such under the requirements of Statement of Standard Accounting Practice No 9.

The accounts have been prepared on the basis that the contracts as presently negotiated will be signed by both customers. Turnover, relating to the services covered by these contracts, amounts to £564M (1991 £624M).

The Directors believe the signing of the contracts will not lead to any changes which will alter the results for the year to any material extent.

5. DIVIDEND

The Directors recommend that a final dividend of £37M should be paid making a total of £52M for the year.

6. FINANCE

a Group capital expenditure of £590M (Parent £572M) has been incurred during the year, mainly on the continued upgrading of reprocessing and waste management facilities at Sellafield and fuel manufacturing plants at Springfields.

b In the course of the year, the Group's new finance requirements were met by internally generated funds and advance payments from customers and a £20M borrowing from the European Investment Bank. A total of £357M of long-term loans and credit were repaid.

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 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 2 to 21.

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 £520M of which contracts have been placed for £235M. The expenditure is part of an ongoing major investment programme. It is anticipated that the majority of its financing will be met from internally generated funds and advances from customers. Any external sources of medium-term finance needed to meet requirements in future years will be supported where necessary by the provisions of the Nuclear Industry (Finance) Acts 1977 and 1981 and the Atomic Energy Act 1989.

RESEARCH AND DEVELOPMENT

9. The Group has a significant research and development programme and this will continue. During the year expenditure amounted to some £72M (1991 £62M) which includes expenditure of £50M (1991 £34M) not specifically recoverable directly from customers and as such charged against profits. The principal areas are referred to in the Company Review on pages 14 to 15.

DECOMMISSIONING

10. The general features of the Company's approach to the decommissioning of its radioactive facilities are as follows:
 - a The Company operates nuclear reactors and fuel cycle plants which, by the nature of the process involved, become radioactive during their life. When the plants come to the end of their useful life it is the Company's policy to carry out their decommissioning in a manner that provides for the protection of the health and safety of the workforce, the public and the environment.
 - b The principal stages of decommissioning involve the decontamination and dismantling of plant and equipment and the demolition of buildings.

The initial stage of decommissioning commences as soon as reasonably practicable after the end of the plant's useful life. This involves the decontamination of the plant and the immobilisation of residual radioactivity so that safety is subsequently maintained by surveillance and maintenance. The subsequent stages are undertaken on a timescale which takes into account inter alia the effective utilisation of waste treatment facilities, manpower and equipment resources and the possible re-use of buildings and structures.

c All decommissioning activities conform to the Company's health, safety and environmental protection policies and requirements; disposals of the resulting radioactive waste conform with the regulations laid down by the appropriate authorities.

This approach has been reviewed during the year and reaffirmed.

CORPORATE PLAN

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

PERSONNEL

12. The average number of persons employed by the Group during the year was 15,783 (1991 15,327). Further information is given in the Notes to the Accounts on page 37 and in the Company Review, pages 18 to 19 which also deals with employee involvement and the employment of disabled persons.

THE BOARD OF DIRECTORS

13. The names of the Directors of the Group are set out on page 1. Mr A Johnson and the Baroness Denton of Wakefield retired from the Board on the 2 April 1991 and the 7 January 1992 respectively. Dr G G Butler and Mr K G Jackson were appointed to the Board on 27 February 1992 and Mr G L Watts was appointed on 1 April 1992. All other Directors served throughout the year.

The Secretary of State for Energy (Trade and Industry) is considered to be a shadow Director for the Company within the meaning of Section 741, Companies Act 1985.

DIRECTORS' SHAREHOLDINGS AND INTERESTS

14. 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 undertaking. 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.

CONTRIBUTIONS FOR POLITICAL OR CHARITABLE PURPOSES

15. No contributions were made for political purposes.
Contributions to charities during the year amounted to
£204,000 (1991 £189,000).

AUDITORS

16. A resolution to re-appoint the Auditors, Ernst & Young, will
be proposed at the Annual General Meeting.

By order of the Board
H E Bolter, Secretary
25 June 1992



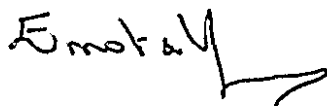
REPORT OF THE AUDITORS

To the members of British Nuclear Fuels plc

We have audited the accounts on pages 28 to 58 in accordance with Auditing Standards. The accounts on pages 28 to 53 have been prepared under the historical cost convention and the accounts on pages 54 to 58 have been prepared under the current cost convention as described in the notes thereto.

In our opinion the accounts give a true and fair view of the state of the Company and of the Group at 31 March 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, as explained in Note 1, the Company has now negotiated the terms of fixed price contracts relating to services provided to two major customers with effect from 1 April 1989. As previously the finalisation of these contracts is subject to a condition that Government financial support in respect of certain unexpected cost increases will be available. The arrangements for this support are still to be finally agreed.



Ernst & Young
Chartered Accountants
Registered Auditor
London

25 June 1992

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 or beyond. 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 present or proposed activities. These factors have affected the Group's determination of two of its major accounting policies, namely, Policy 4 - Provisions and Long-Term Commitments and Policy 6 - Depreciation Policies for Fixed Assets.

The accounts have been prepared in accordance with all applicable accounting standards. The full Accounting Policies are as follows:

1. CONSOLIDATION

a The consolidated accounts include the accounts of British Nuclear Fuels plc, and its Group undertakings, as listed on pages 52 to 53, all of which are made up to 31 March.

b The consolidated accounts also include the Group's share of the profits less losses shown by the accounts of the related undertakings listed on pages 52 to 53. The accounts of the related undertakings are made up to 31 December in each year.

2. TURNOVER

Turnover, which is stated net of value added tax, represents the invoiced value of products delivered and services rendered to outside customers except in respect of contracts entered into for the provision of nuclear fuel services extending over a period of years (long-term contracts) where turnover represents the sales value of work done in the year including, where appropriate, estimates of amounts not yet invoiced.

3. LONG TERM CONTRACTS

Profits on long-term contracts are taken in the year in which the services are provided proportionate to the prudently assessed overall forecast profitability of each contract after allowing for contingencies. Full provision is made for losses on contracts in the year in which they are first identified.

4. 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.

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

i Provision for decommissioning the Group's radioactive facilities is made over their useful life and covers complete demolition of process plants within 50 years of being taken out of service (reactors within 100 years), together with disposal of the associated waste.

ii Provision is made for the defuelling, reprocessing and waste management of the final cores of the Group's reactors.

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 treatment, handling and disposal of the Group's remaining waste products.

iv Provision is made for future reprocessing costs which are expected to arise on fixed price contracts entered into at the Balance Sheet date, whether or not work on these contracts has commenced.

These provisions, which are expressed at current price levels, 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.

b These liabilities will not crystallise until reasonably distant dates and, in accordance with the practice in other sections of the industry, the provisions for them are discounted at an appropriate real rate of return to take account of the delay in meeting the expenditure. These estimates are reviewed annually and any consequential changes to the provision that are required, including price level changes, are taken up in the accounts for the year in which they arise, together with the recognition of a real rate of return on past provisions.

5. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure on projects not specifically recoverable directly from customers is charged to the 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.

6. 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 to 20 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 the Profit and Loss Account, generally by equal annual instalments, over the period used for depreciation purposes for the assets to which they relate.

7. 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.

8. PENSIONS

The Company operates pension schemes for the benefit of the majority of its employees. The schemes, which are funded by contributions partly from the employees and partly from the Company, are administered by the United Kingdom Atomic Energy Authority and are completely independent of the Company. Government actuaries complete valuations at least every three years and, in accordance with their recommendations, annual contributions from the Company are paid to the scheme to secure the benefits as set out in the rules. The cost of these are charged against profits in the year in which the contributions are made.

9. DEFERRED TAXATION

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

10. FOREIGN CURRENCIES

Foreign currency balances are translated 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.

BRITISH NUCLEAR FUELS plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH

	<u>Note</u>	<u>1992</u>	<u>1991</u>
		£M	£M
Turnover	2	1082	1042
Less Net Operating Costs and Expenses	3	754	703
Operating Profit	2	328	339
Less Research and Development not specifically recoverable directly from customers		50	34
		278	305
Income from Associated undertakings		2	2
		280	307
Less Financial Charges	6	119	151
Profit on Ordinary Activities before Tax		161	156
Tax on Profit on Ordinary Activities	7	15	17
Profit on Ordinary Activities after Tax		146	139
Profit attributable to Minority Interests		3	3
Profit for the Financial Year		143	136
Dividends	8	52	50
Profit Retained for the Year		91	86

STATEMENT OF RETAINED PROFIT/RESERVES

	<u>Profit and</u>	<u>Exchange</u>
	<u>Loss Account</u>	<u>Differences</u>
Balance at the beginning of the year	521	2
Profit Retained for Year	91	-
Exchange Differences	-	-
Balance at the end of the year	612	2

BRITISH NUCLEAR FUELS plc

BALANCE SHEETS

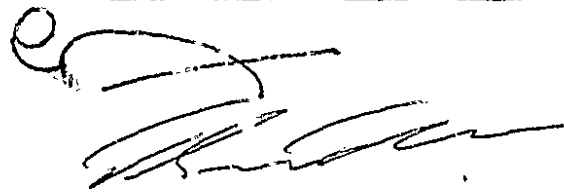
AS AT 31 MARCH

	<u>Note</u>	<u>Group</u>		<u>Parent</u>	
		<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
		<u>£M</u>	<u>£M</u>	<u>£M</u>	<u>£M</u>
ASSETS EMPLOYED					
<u>Fixed Assets:</u>					
Tangible Assets	9	4221	3850	3972	3590
Intangible Assets	10	31	33	-	-
Investments	11	58	40	327	300
		<u>4310</u>	<u>3923</u>	<u>4299</u>	<u>3890</u>
<u>Current Assets:</u>					
Stocks	12	165	179	152	154
Debtors	13	183	144	184	153
Investments (short-term deposits)		487	568	476	560
Cash at bank and in hand		4	2	1	1
		<u>839</u>	<u>893</u>	<u>813</u>	<u>868</u>
Less Creditors: amounts falling due within one year	14	802	707	843	724
Net Current Assets/(Liabilities)		<u>37</u>	<u>186</u>	<u>(30)</u>	<u>145</u>
Total assets less current liabilities		<u>4347</u>	<u>4109</u>	<u>4269</u>	<u>4034</u>
FINANCED BY					
Creditors: amounts falling due after more than one year	15	2612	2564	2597	2552
Provisions for liabilities and charges	16	992	874	967	850
Accruals and deferred income	17	83	99	65	79
Capital and Reserves:					
Called up Share Capital	18	33	33	33	33
Exchange Differences		2	2	-	-
Profit and Loss Account	19	612	521	607	520
		<u>647</u>	<u>556</u>	<u>640</u>	<u>553</u>
Shareholders' Interest		13	16	-	-
Minority Interests		<u>4347</u>	<u>4109</u>	<u>4269</u>	<u>4034</u>

Sir Christopher Harding)
Peter S Phillips)

Directors

25 June 1992



BRITISH NUCLEAR FUELS plc

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH

	Note	1992 £M	1991 £M
Net Cash Inflow from Operating Activities	23(a)	498	686
Returns on Investments and Servicing of Finance:			
Interest Received	47		34
Interest Paid	(80)		(84)
Bank Commissions	(23)		(22)
Dividends paid	(67)		(40)
		—	—
Net cash outflow from returns on Investments and Servicing of Finance		(123)	(112)
Taxation:			
UK Corporation Tax paid	(22)		(5)
Overseas Tax paid	(3)		-
		—	—
Net Cash outflow on taxation		(25)	(5)
Investment Activities:			
Payments to acquire Tangible Fixed Assets	(662)		(596)
Net (Investment)/Receipt of Short term Deposits with over 3 months maturity	18		(305)
Net Payment of Loans & Advances to Related Undertakings	(19)		(16)
		—	—
Net Cash Outflow from Investing Activities		(663)	(917)
		—	—
Net Cash Outflow Before Financing		(313)	(348)
		—	—
Financing:			
Receipt of European Investment Bank Loan	20		20
Receipt of Advances from Customers	593		483
Repayment of Loans and long Term Credit	(357)		(22)
		—	—
Net Cash Inflow from Financing	15d	256	481
(Increase)/Decrease in Cash and Cash Equivalents	23b	57	(133)
		—	—
		313	348

NOTES ON THE ACCOUNTS

1. CONTRACTS UNDER NEGOTIATION

The company has now completed its negotiations with Nuclear Electric plc and Scottish Nuclear Ltd in respect of the fixed price contractual terms relating to services provided by the company from 1 April 1989 to replace previous arrangements whereby all relevant costs were recovered from these undertakings or their predecessors. These accounts have been prepared on the basis that the terms and conditions as negotiated will be those finally ratified. One of the principal conditions embodied in both agreements is that if certain unexpected cost increases should occur, Government financial support will be available. The arrangements for this support are still to be finally agreed.

2. SEGMENTAL INFORMATION

(a) Total Assets less Current Liabilities (Net Assets), Turnover and Operating profit by the different classes of business within the Group are as follows:

	Net Assets		Turnover		Operating Profits	
	1992	1991	1992	1991	1992	1991
	£M	£M	£M	£M	£M	£M
Nuclear Fuel Services	3745	3527	979	948	313	327
Electricity	155	92	103	94	15	12
			1082	1042	328	339
Net Operating Assets	3900	3619				
Unallocated Net Assets	447	490				
	4347	4109				

Unallocated net assets comprises intangible assets, investments in associated undertakings and other investments less non operating liabilities.

(b). All material turnover, operating profit and net assets of the Group relate to origins within the United Kingdom. Turnover by destination, analysed by Division, is as follows:

	EXPORT				HOME	TOTAL
	Europe EEC	Other	Japan & Far East	North & South America	Total Exports	
	£M	£M	£M	£M	£M	£M
<u>1991/92</u>						
Fuel	11	1	11	3	26	192
Enrichment	50	9		3	62	122
Engineering			3	1	4	5
Transport	5		49		54	55
Waste Treatment & Decommissioning						
					19	19
Magnox	88			5	93	415
Thorp	10	1	18		29	160
Reactors						
					113	113
Head Office					1	1
	164	11	81	12	268	1082

1990/91

Fuel	7	-	13	3	23	159	182
Enrichment	40	4	-	4	48	55	103
Engineering	-	-	5	-	5	1	6
Transport	4	1	50	-	55	1	56
Waste Treatment & Decommissioning	-	-	-	-	-	17	17
Magnox	21	-	1	-	22	375	397
THORP	7	3	16	-	26	151	177
Reactors	-	-	-	-	-	103	103
Head Office	-	-	-	-	-	1	1
	79	8	85	7	179	863	1042

3. NET OPERATING COSTS AND EXPENSES

	<u>1992</u>	<u>1991</u>
	£M	£M
Net Operating Costs and Expenses are made up as follows:		
Raw materials and consumables	143	137
Employee Costs	359	319
Depreciation	217	211
Provision for Liabilities and Charges (See note 16)	80	76
Hire of Plant and Machinery	3	4
Amortisation of Intangible Assets	3	3
Other External and Operating Charges (a)	<u>179</u>	<u>183</u>
Operating Costs and Expenses	984	933
Less: Changes in stocks of finished goods and work in progress	(1)	36
Own work capitalised	182	137
Own work on manufacture of components	20	26
Regional Development Grants released	16	16
Centrifuge Assistance Released	-	3
Other Operating Income	<u>13</u>	<u>12</u>
	<u>754</u>	<u>703</u>

- a Other External and Operating Charges includes Auditors' remuneration of £158,000 (1991 £151,000) of which £139,000 (1991 £133,000) relates to the Parent Company.

4. EMPLOYEE INFORMATION

The figures given below include information on Parent Company executive directors.

- a The average number of persons employed by the Group during the year was:

	<u>1992</u>	<u>1991</u>
	Number	Number
Non-Industrial	7925	7491
Industrial	7625	7595
Officers and Ratings of Transport Ships	<u>233</u>	<u>241</u>
	<u>15783</u>	<u>15327</u>

	<u>1992</u>	<u>1991</u>
	£M	£M
b Employee Costs		
Wages and Salaries	306	275
Social Security Costs	23	21
Other Pension Costs (see note 21)	21	18
Other Employee Costs (early retirement etc)	<u>9</u>	<u>5</u>
	<u>359</u>	<u>319</u>

5. DIRECTORS' EMOLUMENTS AND OTHER STATUTORY INFORMATION

The aggregate emoluments of the Directors of British Nuclear Fuels plc for the year were £1,001,451 (1991 £845,104) including fees of £21,737 (1991 £28,057) and payments of £118,805 (1991 £29,800) on retirement.

The emoluments of the Chairman, the highest paid Director, amounted to £191,675 (1991 £162,208).

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

Range	<u>1992</u> Number	<u>1991</u> Number
Nil to £5,000	-	2
£5,001 to £10,000	3	3
£10,001 to £15,000	2	-
£15,001 to £20,000	-	1
£20,001 to £25,000	-	1
£25,001 to £30,000	-	1
£30,001 to £35,000	-	1
£35,001 to £40,000	1	-
£40,001 to £45,000	-	1
£45,001 to £50,000	1	-
£50,001 to £55,000	-	1
£55,001 to £60,000	-	-
£60,001 to £65,000	1	-
£65,001 to £70,000	-	-
£70,001 to £75,000	1	-
£75,001 to £80,000	-	-
£80,001 to £85,000	1	-
£85,001 to £90,000	-	-
£90,001 to £95,000	-	-
£95,001 to £100,000	-	-
£100,001 to £105,000	-	-
£105,001 to £110,000	-	-
£110,001 to £115,000	-	-
£115,001 to £120,000	-	-
£120,001 to £125,000	-	-
£125,001 to £130,000	-	-
£130,001 to £135,000	-	-
£135,001 to £140,000	-	-
£140,001 to £145,000	-	-
£145,001 to £150,000	-	-
£150,001 to £155,000	-	-
£155,001 to £160,000	-	-
£160,001 to £165,000	-	-
£165,001 to £170,000	-	-
£170,001 to £175,000	-	-
£175,001 to £180,000	-	-
£180,001 to £185,000	-	-
£185,001 to £190,000	-	-
£190,001 to £195,000	-	-
£195,001 to £200,000	-	-
£200,001 to £205,000	-	-
£205,001 to £210,000	-	-
£210,001 to £215,000	-	-
£215,001 to £220,000	-	-
£220,001 to £225,000	-	-
£225,001 to £230,000	-	-
£230,001 to £235,000	-	-
£235,001 to £240,000	-	-
£240,001 to £245,000	-	-
£245,001 to £250,000	-	-
£250,001 to £255,000	-	-
£255,001 to £260,000	-	-
£260,001 to £265,000	-	-
£265,001 to £270,000	-	-
£270,001 to £275,000	-	-
£275,001 to £280,000	-	-
£280,001 to £285,000	-	-
£285,001 to £290,000	-	-
£290,001 to £295,000	-	-
£295,001 to £300,000	-	-
£300,001 to £305,000	-	-
£305,001 to £310,000	-	-
£310,001 to £315,000	-	-
£315,001 to £320,000	-	-
£320,001 to £325,000	-	-
£325,001 to £330,000	-	-
£330,001 to £335,000	-	-
£335,001 to £340,000	-	-
£340,001 to £345,000	-	-
£345,001 to £350,000	-	-
£350,001 to £355,000	-	-
£355,001 to £360,000	-	-
£360,001 to £365,000	-	-
£365,001 to £370,000	-	-
£370,001 to £375,000	-	-
£375,001 to £380,000	-	-
£380,001 to £385,000	-	-
£385,001 to £390,000	-	-
£390,001 to £395,000	-	-
£395,001 to £400,000	-	-
£400,001 to £405,000	-	-
£405,001 to £410,000	-	-
£410,001 to £415,000	-	-
£415,001 to £420,000	-	-
£420,001 to £425,000	-	-
£425,001 to £430,000	-	-
£430,001 to £435,000	-	-
£435,001 to £440,000	-	-
£440,001 to £445,000	-	-
£445,001 to £450,000	-	-
£450,001 to £455,000	-	-
£455,001 to £460,000	-	-
£460,001 to £465,000	-	-
£465,001 to £470,000	-	-
£470,001 to £475,000	-	-
£475,001 to £480,000	-	-
£480,001 to £485,000	-	-
£485,001 to £490,000	-	-
£490,001 to £495,000	-	-
£495,001 to £500,000	-	-
£500,001 to £505,000	-	-
£505,001 to £510,000	-	-
£510,001 to £515,000	-	-
£515,001 to £520,000	-	-
£520,001 to £525,000	-	-
£525,001 to £530,000	-	-
£530,001 to £535,000	-	-
£535,001 to £540,000	-	-
£540,001 to £545,000	-	-
£545,001 to £550,000	-	-
£550,001 to £555,000	-	-
£555,001 to £560,000	-	-
£560,001 to £565,000	-	-
£565,001 to £570,000	-	-
£570,001 to £575,000	-	-
£575,001 to £580,000	-	-
£580,001 to £585,000	-	-
£585,001 to £590,000	-	-
£590,001 to £595,000	-	-
£595,001 to £600,000	-	-
£600,001 to £605,000	-	-
£605,001 to £610,000	-	-
£610,001 to £615,000	-	-
£615,001 to £620,000	-	-
£620,001 to £625,000	-	-
£625,001 to £630,000	-	-
£630,001 to £635,000	-	-
£635,001 to £640,000	-	-
£640,001 to £645,000	-	-
£645,001 to £650,000	-	-
£650,001 to £655,000	-	-
£655,001 to £660,000	-	-
£660,001 to £665,000	-	-
£665,001 to £670,000	-	-
£670,001 to £675,000	-	-
£675,001 to £680,000	-	-
£680,001 to £685,000	-	-
£685,001 to £690,000	-	-
£690,001 to £695,000	-	-
£695,001 to £700,000	-	-
£700,001 to £705,000	-	-
£705,001 to £710,000	-	-
£710,001 to £715,000	-	-
£715,001 to £720,000	-	-
£720,001 to £725,000	-	-
£725,001 to £730,000	-	-
£730,001 to £735,000	-	-
£735,001 to £740,000	-	-
£740,001 to £745,000	-	-
£745,001 to £750,000	-	-
£750,001 to £755,000	-	-
£755,001 to £760,000	-	-
£760,001 to £765,000	-	-
£765,001 to £770,000	-	-
£770,001 to £775,000	-	-
£775,001 to £780,000	-	-
£780,001 to £785,000	-	-
£785,001 to £790,000	-	-
£790,001 to £795,000	-	-
£795,001 to £800,000	-	-
£800,001 to £805,000	-	-
£805,001 to £810,000	-	-
£810,001 to £815,000	-	-
£815,001 to £820,000	-	-
£820,001 to £825,000	-	-
£825,001 to £830,000	-	-
£830,001 to £835,000	-	-
£835,001 to £840,000	-	-
£840,001 to £845,000	-	-
£845,001 to £850,000	-	-
£850,001 to £855,000	-	-
£855,001 to £860,000	-	-
£860,001 to £865,000	-	-
£865,001 to £870,000	-	-
£870,001 to £875,000	-	-
£875,001 to £880,000	-	-
£880,001 to £885,000	-	-
£885,001 to £890,000	-	-
£890,001 to £895,000	-	-
£895,001 to £900,000	-	-
£900,001 to £905,000	-	-
£905,001 to £910,000	-	-
£910,001 to £915,000	-	-
£915,001 to £920,000	-	-
£920,001 to £925,000	-	-
£925,001 to £930,000	-	-
£930,001 to £935,000	-	-
£935,001 to £940,000	-	-
£940,001 to £945,000	-	-
£945,001 to £950,000	-	-
£950,001 to £955,000	-	-
£955,001 to £960,000	-	-
£960,001 to £965,000	-	-
£965,001 to £970,000	-	-
£970,001 to £975,000	-	-
£975,001 to £980,000	-	-
£980,001 to £985,000	-	-
£985,001 to £990,000	-	-
£990,001 to £995,000	-	-
£995,001 to £1,000,000	-	-

Pensions paid to former Directors amounted to £58,910 (1991 £44,101). Included in debtors are interest free loans of £2042 repaid in April 1992 (1991 £2,917) and £9000 to Dr W L Wilkinson and Mr K G Jackson respectively. These loans were made prior to their joining the Board in accordance with the Company's policy of providing housing assistance to staff who have been relocated.

	<u>1992</u> £M	<u>1991</u> £M
6. FINANCIAL CHARGES		
Interest on loans: repayable within 5 years	51	45
repayable after five years	<u>20</u>	<u>39</u>
	71	84
Other financial charges:		
Bank Commissions etc.	23	24
Adjustment to opening provisions arising from changes in price levels (see note 16)	<u>72</u>	<u>81</u>
Interest payable and similar charges	166	189
Less Interest receivable from short-term deposits and realised exchange gains	<u>47</u>	<u>38</u>
Net Financial Charges	<u>119</u>	<u>151</u>

	1992 £M	1991 £M
7. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Related Undertakings Taxation	-	-
Corporation Tax at 33% (1991 34%)	3	5
Advance Corporation Tax	12	15
Deferred Taxation at 33% (1991 34%)	<u>-</u>	<u>(3)</u>
	<u>15</u>	<u>17</u>

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 subsidiaries as a result of accelerated capital allowances and other timing differences. The benefit of these amounted in the year to £49M. Full provision has been made in one of the Subsidiary Companies for Deferred Taxation.

	1992 £M	1991 £M
8. DIVIDENDS		
Interim Dividend paid	15	4
Dividend payable	<u>37</u>	<u>46</u>
	<u>52</u>	<u>50</u>

9. FIXED ASSETS - TANGIBLE ASSETS

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

	Land and Buildings		Fixtures Fittings		Assets in	Total £M
	Long Leasehold £M	Freehold £M	Plant and Machinery £M	Tools and Equipment £M	Course of Construction £M	
Cost at 1 April 1991	2	668	2200	35	2245	5150
Acquisitions	-	-	-	-	590	590
Disposals	-	(1)	(1)	-	-	(2)
Transfers	-	21	119	7	(147)	-
Cost at 31 March 1992	<u>2</u>	<u>688</u>	<u>2318</u>	<u>42</u>	<u>2688</u>	<u>5738</u>
Depreciation at 1 April 1991	1	238	1036	25	-	1300
Charge for Year	-	41	171	5	-	217
Disposals	-	-	-	-	-	-
Depreciation at 31 March 1992	<u>1</u>	<u>279</u>	<u>1207</u>	<u>30</u>	<u>-</u>	<u>1517</u>
Net book value at 31 March 1992	<u>1</u>	<u>409</u>	<u>1111</u>	<u>12</u>	<u>2688</u>	<u>4221</u>

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

	Land and Buildings			Fixtures	Assets in	
	Long	Freehold	Plant and	Fittings	Course of	
	<u>Leasehold</u>		<u>Machinery</u>	<u>Tools and</u>	<u>Construction</u>	<u>Total</u>
	£M	£M	£M	£M	£M	£M
Cost at 1 April 1991	2	631	1735	35	2213	4616
Acquisitions	-	-	-	-	572	572
Disposals	-	(1)	(1)	-	-	(2)
Transfers	-	21	122	7	(150)	-
Cost at 31 March 1992	<u>2</u>	<u>651</u>	<u>1856</u>	<u>42</u>	<u>2635</u>	<u>5186</u>
Depreciation at 1 April 1991	1	227	773	25	-	1026
Charge for Year	-	40	143	5	-	188
Disposals	-	-	-	-	-	-
Depreciation at 31 March 1992	<u>1</u>	<u>267</u>	<u>916</u>	<u>30</u>	<u>-</u>	<u>1214</u>
Net book value at 31 March 1992	<u>1</u>	<u>384</u>	<u>940</u>	<u>12</u>	<u>2635</u>	<u>3972</u>

10. 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. A payment of £47.5M was made to H.M. Government in full and final settlement of this undertaking in 1987. 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.

BRITISH NUCLEAR FUELS plc

	<u>Group</u>		<u>Parent</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£M	£M	£M	£M
11. FIXED ASSETS - INVESTMENTS				
GROUP UNDERTAKINGS:				
Unquoted Shares At Cost	-	-	9	2
Convertible Unsecured Loan Stock at Cost	-	-	<u>13</u>	<u>13</u>
	-	-	22	15
Unsecured Loan Stock at Cost	-	-	<u>251</u>	<u>251</u>
	-	-	<u>273</u>	<u>266</u>
RELATED UNDERTAKINGS:				
Unquoted Shares at Cost	2	2	1	1
Loans and Advances	<u>69</u>	<u>51</u>	<u>53</u>	<u>33</u>
	71	53	54	34
Less Amounts provided	<u>18</u>	<u>18</u>	-	-
	53	35	54	34
Share of retained profits	<u>1</u>	<u>1</u>	-	-
	<u>54</u>	<u>36</u>	<u>54</u>	<u>34</u>
ADVANCES TO PARTNERSHIPS	4	4	-	-
Total Fixed Asset Investments	<u>58</u>	<u>40</u>	<u>327</u>	<u>300</u>

a The unquoted shares comprise investments in the Group and Related undertakings listed on pages 52 to 53. Dividends from Related undertakings amounting to £568,888 (1991 £735,652) 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 £1.0M (1991 £0.8M) share of the profits for the year.

BRITISH NUCLEAR FUELS plc

	<u>Group</u>		<u>Parent</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£M	£M	£M	£M
12. STOCKS				
Raw materials and consumables	79	86	79	86
Work in Progress	58	47	58	46
Finished Goods	<u>28</u>	<u>46</u>	<u>15</u>	<u>22</u>
	<u>165</u>	<u>179</u>	<u>152</u>	<u>154</u>

Work in progress is stated after deducting progress payments of £95M (1991 £90M)

	<u>Group</u>		<u>Parent</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£M	£M	£M	£M
13. DEBTORS				
Trade Debtors	159	127	149	120
Amounts owed by Group undertakings	-	-	11	17
Prepayments and Accrued Income	<u>24</u>	<u>17</u>	<u>24</u>	<u>16</u>
	<u>183</u>	<u>144</u>	<u>184</u>	<u>153</u>

Trade debtors include £1M (1991 £1M) not due for more than one year.

	<u>Group</u>		<u>Parent</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£M	£M	£M	£M
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Current portion of long-term Loans (see note 15)	28	24	24	21
Bank Loans and Overdraft	36	41	36	41
Payments received on account	329	206	327	205
Trade Creditors	77	79	74	77
Amounts owed to Group undertakings	-	-	56	30
Taxation	93	72	90	67
Social Security	4	2	4	2
Dividends	37	52	37	52
Accruals and Deferred Income	157	184	155	182
Current portion of provisions and long-term Commitments	<u>41</u>	<u>47</u>	<u>40</u>	<u>47</u>
	<u>802</u>	<u>707</u>	<u>843</u>	<u>724</u>

BRITISH NUCLEAR FUELS plc

		<u>Group</u>		<u>Parent</u>	
		<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
		£M	£M	£M	£M
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Loans		463	803	462	800
Long-term Credit		3	4	-	-
Payments received on account		<u>2146</u>	<u>1757</u>	<u>2135</u>	<u>1752</u>
		<u>2612</u>	<u>2564</u>	<u>2597</u>	<u>2552</u>
a. Loans					
	Period of Repayment	<u>Group</u>		<u>Parent</u>	
		<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
		£M	£M	£M	£M
Unsecured Loans					
5½%	1992-1995	2	4	2	4
Bank Loans - Guaranteed Under Nuclear Industry Finance Acts.					
1/8% above London Inter-Bank	1992-1996	-	153	-	153
1/8% below London Inter-Bank	1997	95	95	95	95
9% - 13 3/8%	1992-1998	369	389	369	389
Variable - related to lender's cost of funds	1994-2000	20	180	20	180
Secured Bank Loans - Guaranteed by Secretary of State for Industry.					
7½%	1992-1994	<u>5</u>	<u>6</u>	<u>-</u>	<u>-</u>
		491	827	486	821
Less repayable before 31 March 1993 included in current liabilities					
		<u>28</u>	<u>24</u>	<u>24</u>	<u>21</u>
		<u>463</u>	<u>803</u>	<u>462</u>	<u>800</u>
Loans are repayable by instalments within period from Balance Sheet date of :					
	From one to two years	30	27	29	25
	From two to five years	301	387	301	386
	Over five years	<u>132</u>	<u>389</u>	<u>132</u>	<u>389</u>
		<u>463</u>	<u>803</u>	<u>462</u>	<u>800</u>
b. Payments under the long term credit will fall due within periods from Balance Sheet date of:					
	From one to five years	3	4	-	-
	Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>3</u>	<u>4</u>	<u>-</u>	<u>-</u>
c. Payments on account have been received from customers for the provision of services under long-term contracts. Sales will be recognised, when the services are provided within periods from Balance Sheet date of:					
	From one to five years	892	835	887	832
	Over five years	<u>1254</u>	<u>922</u>	<u>1248</u>	<u>920</u>
		<u>2146</u>	<u>1757</u>	<u>2135</u>	<u>1752</u>

BRITISH NUCLEAR FUELS plc

Long Term Loans, Advance Payments, and Long Term Credit

	1992 £M	1991 £M
d. Analysis of changes in Financing during year		
Total at 1st April	2793	2331
Cash Flow from Financing:		
Advance payments	593	483
Loans acquired	20	20
Repayments	<u>(357)</u>	<u>(22)</u>
	256	481
Net Cash Inflow from Operating Activities:		
Advance payments utilised on contracts	(80)	(19)
	<u>2969</u>	<u>2793</u>
Proportion falling due:		
Within one year		
Long Term Loans and Long Term Credit	28	24
Advance Repayments	<u>329</u>	<u>205</u>
	357	229
After more than one year	<u>2612</u>	<u>2564</u>
	<u>2969</u>	<u>2793</u>

BRITISH NUCLEAR FUELS plc

16. PROVISIONS FOR LIABILITIES AND CHARGES

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

	Decom- missioning (notes a & b)	Final Reactor Core Costs (note a)	Waste Products (note a)	Future Re- processing costs on fixed price contracts (note a)	Deferred Tax (note e)	Other Provisions	Total
	£M	£M	£M	£M	£M	£M	£M
Balance at 1 April 1991:							
Parent Company	230	29	370	151	-	70	850
Subsidiary undertakings	20	-	-	-	4	-	24
Group	<u>250</u>	<u>29</u>	<u>370</u>	<u>151</u>	<u>4</u>	<u>70</u>	<u>874</u>
Adjustment to Provisions arising from changes in price levels and interest credited:							
Parent Company	20	2	28	14	-	6	70
Subsidiary undertakings	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Group	<u>22</u>	<u>2</u>	<u>28</u>	<u>14</u>	<u>-</u>	<u>6</u>	<u>72</u>
Charge in the Year:							
Parent Company	(17)	(6)	92	(19)	-	31	81
Subsidiary undertakings	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(1)</u>
Group	<u>(16)</u>	<u>(6)</u>	<u>92</u>	<u>(19)</u>	<u>(2)</u>	<u>31</u>	<u>80</u>
Transfer from/(to) Creditors, amounts due within one year:							
Parent Company	(4)	-	(1)	(10)	-	(19)	(34)
Subsidiary undertakings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Group	<u>(4)</u>	<u>-</u>	<u>(1)</u>	<u>(10)</u>	<u>-</u>	<u>(19)</u>	<u>(34)</u>
Balance at 31 March 1992:							
Parent Company	229	25	489	136	-	88	967
Subsidiary undertakings	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>25</u>
Group	<u>252</u>	<u>25</u>	<u>489</u>	<u>136</u>	<u>2</u>	<u>88</u>	<u>992</u>

a) These provisions have been discounted.

BRITISH NUCLEAR FUELS plc

16. PROVISIONS FOR LIABILITIES AND CHARGES continued

- b) The above provision is the discounted accrued portion of future decommissioning liabilities, including allowance for plants not yet operational, and is stated net of amounts specifically recoverable in future sales revenue. It comprises :

	1992		1991	
	Total Cost £M	Discounted Value £M	Total Cost £M	Discounted Value £M
Accrued proportion of net liability on plants in operation	340	206	374	214
Allowance for costs on plants yet to become operational but which will not be covered by future sales revenue	140	46	113	36
Amount Provided	<u>480</u>	<u>252</u>	<u>487</u>	<u>250</u>

- c) The total liability for plants currently in operation is :

	1992		1991	
	Total Cost £M	Discounted Value £M	Total Cost £M	Discounted Value £M
Net liability provided as per above	340	206	374	214
To be provided by BNFL over the remaining plant lives	231	77	192	96
Add amounts covered by future sales revenue	4148	1834	4106	2193
Total liability	<u>4719</u>	<u>2117</u>	<u>4672</u>	<u>2503</u>

- d) The Company has no obligation for the costs of disposal of waste products resulting from the reprocessing of customers' fuel other than as provided above.

BRITISH NUCLEAR FUELS plc

	1992		1991	
	Potential	Provided	Potential	Provided
	£M	£M	£M	£M
e 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	640	-	557	-
Subsidiary undertakings	<u>54</u>	<u>4</u>	<u>53</u>	<u>6</u>
Group	<u>694</u>	<u>4</u>	<u>610</u>	<u>6</u>
The benefit of taxation losses carried forward:				
Parent Company	(41)	-	(53)	-
Subsidiary undertakings	<u>(42)</u>	<u>-</u>	<u>(43)</u>	<u>-</u>
Group	<u>(83)</u>	<u>-</u>	<u>(96)</u>	<u>-</u>
Timing differences between the charging of particular items in the accounts and their equivalent deduction for taxation purposes:				
Parent Company	(334)	-	(299)	-
Subsidiary undertakings	<u>(8)</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
Group	<u>(342)</u>	<u>-</u>	<u>(305)</u>	<u>-</u>
Recoverable Advanced Corporation Tax:				
Parent Company	(91)	-	(80)	-
Subsidiary undertakings	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Group	<u>(93)</u>	<u>(2)</u>	<u>(82)</u>	<u>(2)</u>
Total:				
Parent Company	174	-	125	-
Subsidiary undertakings	<u>2</u>	<u>2</u>	<u>2</u>	<u>4</u>
Group	<u>176</u>	<u>2</u>	<u>127</u>	<u>4</u>

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 undertakings other than Pacific Nuclear Transport Limited because no liability is expected to arise in the foreseeable future. These undertakings' plans over the next few years provided 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 1992 certain undertakings in the Group had accumulated tax losses amounting to £5M which are available for off-set only against future taxable profits of those undertakings and which have, therefore, not been included above.

BRITISH NUCLEAR FUELS plc

	<u>Group</u>		<u>Parent</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£M	£M	£M	£M
17. ACCRUALS AND DEFERRED INCOME				
This comprises Regional Development Grants held as a deferred credit	83	99	65	79

	<u>1992</u>	<u>1991</u>
	£M	£M
18. CALLED UP SHARE CAPITAL		
Ordinary Shares of £1 each Authorised	43	43
Allotted, called up and fully paid	33	33

	£M
19. PARENT COMPANY PROFIT AND LOSS ACCOUNT	
Balance at 1 April 1991	520
Profit Retained	87
Balance at 31 March 1992	607

Parent Company Profit and Loss Account includes £14M (1991 £14M) profit on transactions with Urenco (UK) Partnership and subsidiary undertakings which is eliminated on consolidation. A separate Profit and Loss Account for the Parent Company has not been published as allowed under S230 of the Companies Act 1985.

20. CAPITAL EXPENDITURE AUTHORISED
Capital expenditure authorised but not provided for in these accounts amounted to £520M (1991 £964M) for the Group including £520M (1991 £940M) for the Company, for which contracts of £235M (1991 £324M) have been placed by the Group including £235M (1991 £321M) by the Company.

21. PENSIONS

(a) The majority of the employees of the Group are covered by three defined benefit (final salary) schemes which are the Principal Non-Industrial Superannuation Scheme (PNISS), the Industrial Superannuation Scheme (ISS) and the Protected Persons Superannuation Scheme (PPSS). The schemes are operated by the United Kingdom Atomic Energy Authority (UKAEA) on behalf of the Company. The Company's contributions were as follows:

	<u>1992</u>	<u>1991</u>
	£M	£M
Principal non-industrial scheme	11	10
Industrial scheme	7	6
Protected persons scheme	3	2
Total UKAEA schemes	21	18

BRITISH NUCLEAR FUELS plc

21. PENSIONS (continued)

The charge to the Profit and Loss Account in respect of the PNISS and the ISS is identical with the funding costs. However for the PPSS, which is a closed scheme, the deficit on a current funding basis has been provided for.

- (b) For these three schemes, contributions are paid to and benefits are paid by HM Government via the Consolidated Fund. For the purpose of preparing scheme accounts the surplus of contributions over benefits paid are deemed to be invested in notional portfolios of redeemable UK Government stocks and local authority stocks. The schemes are therefore notionally funded.

For each scheme the date of the most recent tri-annual actuarial investigation, and the outcome of that investigation together with the main assumptions made are given below:

	PNISS	ISS	PPSS
(i) Actuarial report data			
Next investigation report date (31 March)	1991	1992	1993
Date of the most recent investigation for which information is available (31 March)	1988	1989	1990
Market value of notional investments	£382M	£182M	£31M
Level of funding	108%	122%	91%
Deficiency on a current funding level basis	Surplus	Surplus	£4M

- (ii) Actuarial methods and assumptions

The "entry age" method was used for PNISS and ISS and a modified "attained age" method for PPSS which is a closed scheme. The main long-term assumptions made in respect of the investigations were:

	PNISS	ISS	PPSS
	%	%	%
Investment yield (pa) net of pay increase	1.5	1.5	1.5
Investment yield (pa) net of price inflation	3	3	3

- (iii) Funding

The Company has followed the Government Actuary's advice as set out below in respect of funding payments, none of which give rise to a prepayment.

PNISS - BNFL should pay a contribution of 7.8% of members' and new entrants' total pensionable pay from 1 April 1989 to 31 March 2005 and 10.5% thereafter and that such rates of contribution would be adequate to meet benefits payable and eliminate the current funding surplus.

ISS - BNFL should pay a contribution of 8.0% of members' and new entrants' total pensionable pay from 1 April 1990 to 31 March 2005 and 10.5% thereafter and that such rates of contribution would be adequate to meet benefits payable and eliminate the current funding surplus.

PPSS - BNFL should pay £2.896M in the year ending 31 March 1992 and together with a contribution of £2.034M paid in 1990/91 will be adequate to meet benefits payable and eliminate the current funding level deficiency.

BRITISH NUCLEAR FUELS plc

22. CONTINGENT LIABILITIES

At 31 March 1992 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 £68M arising from joint and several liabilities.
- c Guarantees by the Parent Company associated with other Group organisations for commitments to their partners in Urenco (UK), Urenco Nederland and Urenco Deutschland and to the other two Shareholders in Centec GmbH.

	<u>1992</u> <u>£M</u>	<u>1991</u> <u>£M</u>
23 CONSOLIDATED CASH FLOW STATEMENT		
a Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities:		
Operating Profit	328	339
Depreciation Charges	217	211
Amortisation of Intangible Ass ^{ts}	3	3
(Increase)/Decrease In Debtors	(39)	95
Increase in Creditors	81	62
(Increase)/Decrease in Stock & WIP	14	(14)
Grants released	(16)	(19)
Increase in Long Term Provisions	41	63
Development Expenditure	(50)	(34)
Advance Payments utilised on contracts	(80)	(19)
Profits and Dividends relating to Minority Interests	(1)	(1)
	498	686

b. Analysis of Changes in Cash and Equivalents during Year:

	<u>1992</u> <u>£M</u>	<u>1991</u> <u>£M</u>
Balance of Start of Year	224	91
Net Cash Inflow/(Outflow)	(57)	133
Balance at end of year	167	224

BRITISH NUCLEAR FUELS plc

c. Analysis of the Balance of cash and cash equivalents incorporated in the Balance Sheet

	1992 <u>£M</u>	1991 <u>£M</u>	Change in Year <u>£M</u>
Cash at Bank and in Hand	4	2	2
Portion of short term bank deposits maturing in under 3 months	199	263	(64)
Bank Overdrafts	(36)	(41)	5
	167	224	(57)

BRITISH NUCLEAR FUELS plc

PRINCIPAL GROUP AND RELATED UNDERTAKINGS

GROUP UNDERTAKINGS

International Nuclear Fuels Limited (INFL)

Incorporated in England, it is wholly owned by BNFL for the purpose of developing international business through collaboration.

INFL has five subsidiary undertakings all of which are involved in the tripartite centrifuge project, these being:

BNFL Enrichment (Plant and Equipment) Ltd, wholly owned and incorporated in England.

BNFL Enrichment (Operations - Europe) Ltd, wholly owned and incorporated in England.

BNFL Enrichment (Operations-UK) Ltd, wholly owned and incorporated in England.

Urenco (Capenhurst) Ltd, formally BNFL Enrichment (Operations) Ltd, wholly owned and incorporated in England.

Urenco (UK), whose principal place of business is in England, and 96% owned.

INFL also has a 62½% shareholding in Pacific Nuclear Transport Limited, incorporated in England, whose main purpose is the transport of irradiated fuel.

BNFL INC

Incorporated in the United States of America in 1990. The main purpose of this wholly owned subsidiary is to identify and pursue business opportunities in North America.

BNFL Enrichment (Investments-US) Limited

Incorporated in England in 1989. Its principal activity is the involvement in the design, construction and operation of a centrifuge plant, by a partnership, in the United States of America. It is wholly owned by BNFL.

BNFL Enterprise Limited

Incorporated under Guarantee in England in 1988. Its main purpose is to stimulate and promote the creation of new enterprises within the North West of England and the South West of Scotland (Dumfriesshire). BNFL is the sole subscriber.

BNFL Insurance Limited.

Incorporated in Jersey in 1992. It is wholly owned by BNFL and its purpose is to act as an Insurer for BNFL Group undertakings.

RELATED UNDERTAKINGS

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.

BRITISH NUCLEAR FUELS plc

PRINCIPAL GROUP AND RELATED UNDERTAKINGS continued

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.

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.

INFL 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

	<u>Note</u>	<u>1992</u> £M £M	<u>1991</u> £M £M
Turnover		1082	1042
Less Net Operating Costs and Expenses		<u>754</u>	<u>703</u>
Operating Profit on historical cost basis		328	339
Less Research and Development not supported by firm orders		<u>50</u>	<u>34</u>
		278	305
Income from Fixed Asset Investments		<u>2</u>	<u>2</u>
Profit before Financial Charges and Taxation on the historical cost basis		280	307
Less Current cost operating adjustments	2	<u>88</u>	<u>102</u>
Current cost profit before gearing adjustment, financial charges and tax		192	205
Gearing adjustment	5	44	59
Financial charges		<u>(119)</u>	<u>(151)</u>
		<u>(75)</u>	<u>(92)</u>
Current cost profit on ordinary activities before tax		117	113
Tax on profit on ordinary activities		<u>15</u>	<u>17</u>
Current cost profit on ordinary activities after tax		102	96
Profit attributable to Minority Interests		<u>2</u>	<u>2</u>
Current cost profit for the Financial Year		100	94
Dividends		<u>52</u>	<u>50</u>
Retained current cost profit for the year		<u>48</u>	<u>44</u>
 <u>STATEMENT OF RETAINED PROFITS/RESERVES</u>			
Retained current cost profit for the year		48	44
Movements on current cost reserve	4	52	12
		<u>100</u>	<u>56</u>
Retained profit/reserves at the beginning of the year		<u>603</u>	<u>547</u>
Retained profit/reserves at the end of the year		<u>703</u>	<u>603</u>

BRITISH NUCLEAR FUELS plc

SUMMARISED CONSOLIDATED CURRENT COST BALANCE SHEET

AS AT 31 MARCH 1992

	Note	<u>1992</u>		<u>1991</u>	
		£M	£M	£M	£M
<u>ASSETS EMPLOYED</u>					
Fixed Assets:					
Tangible Assets	3	4315		3937	
Intangible Assets		31		33	
Investments		<u>58</u>		<u>40</u>	
		4404		4010	
Net Current Assets/(Liabilities)					
Stocks		168		182	
Debtors		183		144	
Trade creditors, accruals and deferred income falling due within one year		<u>(700)</u>		<u>(585)</u>	
		(349)		(259)	
Proposed dividends		<u>(37)</u>		<u>(52)</u>	
Other net current assets/(liabilities)		<u>426</u>		<u>500</u>	
		40		189	
Total assets less current liabilities		<u>4444</u>		<u>4199</u>	
<u>FINANCED BY</u>					
Creditors: amounts falling due after more than one year					
		2612		2564	
Provisions for liabilities and charges		992		874	
Accruals and deferred income		88		107	
Capitals and Reserves:					
Called up Share Capital		33		33	
Current Cost Reserve	4	374		322	
Other Reserves		2		2	
Profit and Loss Account		<u>327</u>		<u>279</u>	
Shareholders' Interest		736		636	
Minority Interests		<u>16</u>		<u>18</u>	
		4444		4199	

BRITISH NUCLEAR FUELS plc

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 (now withdrawn). The accounting policies used in preparing the historic 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 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 price index of general application.

Other assets are stated at the lower of their net current replacement costs using appropriate 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 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.

BRITISH NUCLEAR FUELS plc

NOTES ON THE CURRENT COST ACCOUNTS continued

	<u>1992</u> £M	<u>1991</u> £M
2. ADJUSTMENTS MADE IN DERIVING CURRENT COST OPERATING PROFIT		
Cost of Sales	-	1
Monetary Working Capital	(81)	(91)
Working Capital	(81)	(90)
Fixed Assets - Contractually Committed	133	175
- Others	<u>36</u>	<u>17</u>
Current Cost Operating Adjustments	<u>88</u>	<u>102</u>

	<u>Gross</u> £M	<u>1992</u> <u>Depreciation</u> £M	<u>Net</u> £M	<u>Gross</u> £M	<u>1991</u> <u>Depreciation</u> £M	<u>Net</u> £M
3. FIXED ASSETS						
Land and Buildings	729	308	421	700	260	440
Plant and Machinery	2679	1475	1204	2492	1241	1251
Assets in Course of Construction	2690	-	2690	2246	-	2246
	<u>6098</u>	<u>1783</u>	<u>4315</u>	<u>5438</u>	<u>1501</u>	<u>3937</u>

The net figure includes £3,894M (1991 £3,511M) assets which are contractually committed.

	<u>1992</u> £M	<u>1991</u> £M
4. CURRENT COST RESERVE		
Revaluation surplus reflecting price changes:		
Land and Buildings	2	(4)
Plant and Machinery	30	5
Assets in Course of Construction	10	(1)
Stocks and Work in Progress	1	(14)
Government Grants	<u>1</u>	<u>-</u>
	44	(14)
Contractually Committed Assets adjustment	133	175
Cost of Sales adjustment	-	1
Monetary Working Capital adjustment	(81)	(91)
Gearing adjustment	<u>(44)</u>	<u>(59)</u>
Movement in Year	52	12
Balance at beginning of Year	<u>322</u>	<u>310</u>
Balance at End of Year	<u>374</u>	<u>322</u>
of which: realised	285	242
unrealised	<u>89</u>	<u>80</u>
	<u>374</u>	<u>322</u>

BRITISH NUCLEAR FUELS plc

NOTES ON THE CURRENT COST ACCOUNTS continued

	<u>1992</u>		<u>1991</u>	
	£M	£M	£M	£M
5. FINANCING OF NET OPERATING ASSETS				
Fixed Assets (net of Regional Development Grants and specific advance payments from customers)		2810		2575
Investments		58		40
Working Capital		<u>(1340)</u>		<u>(1129)</u>
Net Operating Assets		1528		1486
Share Capital and Reserves		736		636
Proposed Dividend		<u>37</u>		<u>52</u>
Total Shareholders' Interest		773		688
Minority Interests		16		18
Loans	463		807	
Non-specific advance payments from customers and long term credit		700		469
Deferred Tax		2		4
Other Net Current Liabilities		<u>(426)</u>		<u>(500)</u>
Net Borrowing		<u>739</u>		<u>780</u>
		1528		1486

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

	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
	£M	£M	£M	£M	£M
<u>ASSETS EMPLOYED</u>					
Fixed Assets	4,310	3,923	3,517	3,140	2,686
Net Current Assets	<u>17</u> 4,347	<u>186</u> 4,109	<u>17</u> 3,534	<u>(23)</u> 3,117	<u>(98)</u> 2,588
<u>FINANCED BY</u>					
Loans and Advance Payments	2,612	2,564	2,197	1,983	1,592
Provisions for liabilities and charges	992	874	732	586	494
Government Grants	<u>83</u>	<u>99</u>	<u>118</u>	<u>138</u>	<u>158</u>
Share Capital	33	33	33	33	33
Profit and Loss Account and Reserves	<u>614</u>	<u>523</u>	<u>437</u>	<u>358</u>	<u>292</u>
SHAREHOLDERS' INTEREST	647	556	470	391	325
Minority Interests	<u>13</u> 4,347	<u>16</u> 4,109	<u>17</u> 3,534	<u>19</u> 3,117	<u>19</u> 2,588
<u>TURNOVER AND PROFITS</u>					
<u>TURNOVER:</u>					
Nuclear Fuel Services - Home	711	769	796	692	637
- Export	268	179	187	169	134
Electricity	<u>103</u>	<u>94</u>	<u>60</u>	<u>55</u>	<u>68</u>
	1,082	1,042	1,043	916	839
OPERATING PROFITS	328	339	314	275	236
FINANCIAL CHARGES	(119)	(151)	(145)	(134)	(121)
PROFIT BEFORE TAX	161	156	145	124	100
PROFIT FOR THE FINANCIAL YEAR	143	136	124	107	84
DIVIDENDS	52	50	46	40	36
PROFIT RETAINED	<u>91</u>	<u>86</u>	<u>78</u>	<u>67</u>	<u>48</u>
PROFIT BEFORE TAX AS A PERCENTAGE OF AVERAGE SHAREHOLDERS' INTEREST	<u>27%</u>	<u>30%</u>	<u>34%</u>	<u>35%</u>	<u>33%</u>