

BRITISH NUCLEAR FUELS plc

ANNUAL REPORT AND ACCOUNTS

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ANNUAL REPORT AND ACCOUNTS 1993/94

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COMPANY REVIEW

BNFL - UNPARALLELED EXPERTISE FOR WORLDWIDE CUSTOMERS

BNFL is a leading force in the international nuclear industry. A successful track record in the nuclear fuel cycle services business has enabled BNFL to establish a strong position both at home and abroad. This is reinforced by a proven capability in the manufacture of fuel products, and the transport and reprocessing of spent fuel as well as the safe treatment and storage of radioactive waste. In all activities, we have gained unparalleled and hard-won expertise which is being increasingly and successfully deployed in the pursuit of new opportunities, particularly in the decommissioning of redundant nuclear facilities.

BNFL is a quality-driven business backed by sustained investment in research and development, which is aimed at maintaining the Company's technological lead in an increasingly competitive market-place.

Operational highlights during the year included exceptional performance by the Company's two nuclear power stations, the achievement of record levels of Magnox fuel reprocessing, productivity gains in waste and effluent treatment, and new high levels of fuel production with deliveries to the UK's first Pressurised Water Reactor at Sizewell.

September 1993 saw the shares in Urenco (Capenhurst) Ltd exchanged for a one-third interest in Urenco Ltd. The most notable development came in January 1994 when the go-ahead was given for the Thermal Oxide Reprocessing Plant (THORP). However, the lengthy regulatory delays associated with the operation of THORP is once again reflected in a reduced operating profit for the year of £104M. With active commissioning of the plant now well under way, BNFL can look forward to a full order book for the next decade and to the opportunity of further expanding its international customer base in the years ahead.

Over the past year, strength in core activities has been matched by the development of new openings in world markets. Expertise in nuclear waste management and reprocessing techniques continues to attract wide interest from Western Europe and the Pacific Rim countries, and we have embarked upon new initiatives to gain waste management, decommissioning and clean-up business in the CIS through the newly founded European Fuel Cycle Consortium.

Our presence in the Far East is being strengthened through an office in South Korea - a market experiencing strong economic growth and increased energy demand. BNFL Inc., the Company's North American subsidiary, has built on its success in tackling waste management projects whilst BNFL's transport operations maintain their world lead in the shipping and transportation of spent nuclear fuel for reprocessing.

The Company is also investigating opportunities within technological fields which mirror in-house expertise in environmental services, speciality chemicals and materials, energy systems and advanced engineering.

UK GROUP

MAGNOX REPROCESSING - A RECORD YEAR

Magnox fuel reprocessing at Sellafield reached new record levels during the year. Throughput not only exceeded the annual target by over 10% but was 62 tonnes more than in the previous record year (1989/90). The uranium recovered, if reused in a Pressurised Water Reactor, would generate some 21,000 million kilowatt hours of electricity, equivalent to the electricity demand of a city the size of Glasgow for more than six years.

As part of our on-going programme to maintain high levels of performance throughout the Company, a detailed evaluation of the current Magnox Reprocessing Plant has confirmed its ability to continue operating for at least a further two years before a major refurbishment is undertaken, which is planned for 1996. When complete, the refurbishment will allow the Company to meet existing and future demand from our UK and overseas customer base. The rescheduling of this work will further extend the availability of the Magnox Reprocessing Plant in support of our customers' aim to extend the lifetime of the UK's Magnox power stations.

Magnox reprocessing operations have contributed significantly to the Company's overall profitability for many years. This record is expected to continue for many more years whilst we achieve significant cost reductions which will assist our two UK customers to compete with fossil fuels in the privatised electricity market. We are determined to continue to provide a high quality, safe and cost-effective service and so assist in maintaining the economic future for Magnox power stations.

During the year, BNFL completed a review of its UK Group organisation. The result was the creation of seven new business/service areas which are clearly focused on meeting our customers' individual business needs both now and well into the future. In support of this development, we aim to reduce annual operating costs by around 20% over the next five years - a challenging cost reduction programme which if successful will secure the long-term employment of around 5,000 full-time employees in UK Group at Sellafield and Chapelcross for as long as the UK's Magnox workhorses continue to operate. *In the medium-term, reducing costs will inevitably and regrettably affect manpower.* Nevertheless, the Company is determined to achieve a more effective and efficient employee resource to complement its long-term vision. It is our aim that any manpower reductions in UK Group will be achieved gradually over the next five years by purely voluntary means and at no time will safety be compromised as we move forward to secure the viability of our Magnox related business.

With our commitment to deliver a quality, safe and efficient service to our customers, we believe that agreement is now capable of being reached in concluding the fixed price contracts with Nuclear Electric and Scottish Nuclear. These contracts are for reprocessing services and once signed will provide a long-term framework within which we can continue the on-going initiatives aimed at improving efficiency.

REACTORS - EXTENDED LIFE IN PROSPECT

BNFL's Magnox reactors - Calder Hall at Sellafield, West Cumbria and Chapelcross in Southern Scotland - have had a very successful year of sustained high power output. The continual safe and efficient operation of these reactors, which are authorised to operate for 40 years, is why we are looking to extend the life of the two power stations even further.

Calder Hall, the world's first industrial-scale nuclear power station, achieved the highest output in its 37 year operational history. The combined generation by Calder Hall and its sister station Chapelcross of over 3,000 million kilowatt hours of electricity is equivalent to meeting the needs of a city the size of Leeds for over a year. It is also the highest sustained energy output since the reactors were commissioned over three decades ago. In addition to the energy supplied to the National Grid - over 1% of total UK generating capacity - Calder Hall meets all current electricity and steam demand for our Sellafield complex.

The gas-fired Combined Heat and Power Plant at Sellafield, which will ensure the long-term supply of steam and electricity to the site, has been connected to the national grid and exported electricity during commissioning trials. The plant is now nearing completion and will be operated under a joint venture agreement with Scottish Hydro.

WASTE RETRIEVAL AND DECOMMISSIONING - KEY MILESTONES MET

Progress continued to be made in retrieving and treating waste from historic operations, thereby cleaning up the legacy of past operations and substantially improving the safety of on-going waste storage.

A significant milestone during the year was the start-up of a major remote handling facility which is now retrieving the waste, resulting from past Magnox reprocessing operations, currently stored in water-filled silos. In its first year of operation, the facility exceeded its target for retrieving this historic waste by 150%. This waste is treated in the £240M Magnox Encapsulation Plant, which has been operating efficiently for over three years, by encapsulating it in cement within steel drums. This enables waste to be stored safely and economically prior to ultimate disposal.

In addition, attention continues to be focused on a broad range of decommissioning projects such as the Windscale Pile Chimneys, built in the 1950s to assist with the production of military material. Such experience, combined with that being gained through the waste retrieval programme, is providing the confidence that future plans and cost estimates are robust.

There was a further notable achievement with a bid to pursue external business opportunities. BNFL successfully won the contract to decommission an experimental reactor at Risley in Cheshire. Once operated by the universities of Liverpool and Manchester, the project is progressing on time and to budget.

DEFENCE - A FOCUSED SERVICE

Activity on behalf of our customer, the UK Ministry of Defence (MoD), has again accounted for some 10% of the total annual turnover.

The key activity has been to maximise the value for money the MoD and, therefore, the nation as a whole receives from decommissioning old plant and the treatment of waste from past operations.

WASTE & EFFLUENT TREATMENT - OPERATIONAL SUCCESSES

Over more than a decade, we have undertaken a substantial programme of waste treatment plant construction and operation, totalling an investment of some £750M, to reduce levels of radioactivity in discharges to sea which are now only 1% of peak 1970s levels. The beneficial effects of the Site Ion Exchange Effluent Plant (SIXEP), which treats contaminated water, and the associated Salt Evaporator Plant have continued during the year.

In line with the Company's commitment to reduce discharges even further, a suite of five new integrated waste treatment plants began operation during the year, but later than scheduled owing to the delays associated with obtaining the site discharge authorisations resulting from the legal challenge to the operation of THORP. These include the Enhanced Actinide Removal Plant (EARP) which removes radioactivity by chemical treatment, and a facility for encapsulating medium active residues in concrete which met design targets only a few weeks after start-up.

Considerable progress has also been made in the installation and commissioning of a Waste Monitoring and Compaction Plant (WAMAC) at Sellafield. The plant will compress solid low-level waste generated by a broad spectrum of customers including hospitals and universities, where items such as equipment and protective clothing are used in areas handling radioactive materials.

Once compacted, this waste is then transported to our disposal site at Drigg, south of Sellafield, where it is sealed in cement within freight containers, prior to storage in a concrete-lined vault. This high compaction and sealing process, to be fully operational by the end of 1994, will considerably extend the storage capacity at Drigg.

At Sellafield, operations proceeded well in the Vitrification Plant, which converts the most radioactive high-level waste from a liquid into more manageable glass blocks. In addition to reducing the liquid waste to around a third of its original volume, the process also enables the solid and stable waste to be stored safely, conveniently and economically, and in a form suitable for transportation back to overseas customers. The Vitrification Plant produced 267 glass blocks, 11% over target, following the completion of the first phase of an improvement programme.

INTERNATIONAL GROUP FUEL - A LANDMARK YEAR

Our fuel production operations are strengthening the Company's international reputation as a quality supplier of nuclear fuel and associated products. Turnover in this business is one mark of success - up £24M on 1992/93 to £222M.

In the UK market, this has been sustained by high levels of demand for Magnox and the more modern Advanced Gas-cooled Reactor (AGR) fuel as reactors operated by our customers maintain high productivity levels. We are particularly proud of the high standards achieved in the supply of fuel elements for Sizewell B, the UK's first Pressurised Water Reactor (PWR), and the recent award of contracts for further supplies of fuel once the reactor is operational.

Overseas, we signed our largest ever export order for the supply of uranium dioxide pellets which are used to manufacture nuclear fuel.

From this strong base, we continue to build on existing strengths such as the increased international interest being expressed in our ability to supply high quality reprocessed uranium.

In a bid to gain a competitive edge, further progress has been made on the construction of the New Oxide Fuels Complex (NOFC) at Springfields, scheduled to begin operation in late 1994. This major investment in one of the world's most advanced PWR and AGR fuel manufacturing plants brings the operations of five separate buildings under one roof. The highly automated complex, housing the latest technology and high standards of radiological protection, continues to excite international interest.

In the developing market for uranium hexafluoride, a product used to manufacture AGR and Light Water Reactor fuel, our business prospects have improved by a significant rise in the spot market price for this product.

BNFL Fluorochemicals Ltd also continues to establish a reputation for excellence within the speciality fluorochemicals market. Construction of a perfluorocarbon manufacturing plant at Springfields has begun and is scheduled to start operating in 1995. The plant will produce high value, non-nuclear chemicals which are not harmful to the atmosphere's ozone layer.

THORP - YEAR ENDS WITH START-UP

The Thermal Oxide Reprocessing Plant (THORP) at Sellafield is a world class facility for the reprocessing of modern reactor fuel and is set to give BNFL a competitive edge for future international growth.

The plant recovers reusable material - uranium and plutonium - from used oxide fuel and separates out the remaining 3% waste materials for treatment and safe storage.

Together with associated waste treatment plants, THORP represents a total investment of £2.85 billion and is now being commissioned using radioactive materials. March 1994 marked a historic moment as the first Advanced Gas-cooled Reactor fuel from Nuclear Electric's Heysham power station entered the area of THORP where spent fuel is sheared.

The plant's successful operation, fully backed by BNFL's customers at home and overseas, brings to an end a year of frustration for our committed team which has brought the THORP project to fruition following the re-examination and eventual justification of the plant's safe operation by the Secretary of State for the Environment. The substantial capital investment has been supported throughout by a worldwide customer base which includes 34 utilities spanning nine countries, including the UK. Already, THORP has secured orders worth £9,000M, over half from overseas and is expected to attract a further £3,000M of foreign earnings in its second ten years of operation.

However, the lengthy delay associated with THORP's operation has reduced BNFL's operating profit this year by nearly £80M. It is anticipated that, with THORP now active, this trend will be reversed in the next reporting period. We are delighted that finally THORP can realise its full potential and prove its profitability. The plant is the key element of our fully integrated recycling capability and the year has seen substantial progress in related activities. As with Magnox reprocessing, THORP has an associated plant dedicated to the treatment of intermediate-level waste by encapsulating it in cement within steel drums. Testing of the Wastes Encapsulation Plant was successfully completed during the year and is now being commissioned.

The plutonium recovered from reprocessing provides a rich source of energy and when mixed with uranium produces a highly efficient fuel known as mixed oxide (MOX) fuel which can be burnt in modern reactors. The use of MOX will not only safeguard other finite fuel resources, but provides a route for reducing the world's civil and military plutonium stockpiles by turning it into fuel for the generation of electricity. At Sellafield, MOX fuel production began during the year for the Swiss utility NOK following the successful commissioning of the MOX Demonstration Facility. A full-scale plant, currently in the design and engineering phase, has already received local authority planning permission and will sustain around 100 jobs at Sellafield once it becomes operational.

ENRICHMENT - A CHANGING PICTURE

After a year of change and uncertainty, 1993/94 was the first full year of operations by BNFL Capenhurst, near Chester, since the transfer of the Company's civil enrichment business to the newly formed Urenco (Capenhurst) Ltd on the site. This marked the beginning of a new era for BNFL after more than 40 years of development on the site which enriches uranium for the fuel used in modern nuclear power stations.

In September 1993, the shares in Urenco (Capenhurst) Ltd were exchanged for a one-third interest in Urenco Ltd who own similar facilities in Germany and the Netherlands with a head office based in Marlow, Buckinghamshire. This development marks the completion of the merger of the British, Dutch and German gas centrifuge enrichment enterprises. Urenco Ltd has a healthy forward order book in excess of eight times the current annual capacity.

Reflecting the changes in the business environment and the resulting diminished overall business activity by BNFL Capenhurst, a significant reduction in manpower is being achieved at the site in close co-operation with trade unions. About 250 people will either have transferred to other jobs within the Company or to Urenco (Capenhurst) Ltd, or will have opted for voluntary severance by the end of 1994, representing almost a halving of the workforce since April 1993.

At Capenhurst, the Company remains committed to a programme aimed at decontaminating and decommissioning outdated enrichment technology which was closed down in 1982 as more advanced and efficient centrifuge technology took over. In line with our environmental policy, much of the material reclaimed from this decommissioning programme has been recycled.

In addition, we have continued to identify new and commercially viable business opportunities to maintain employment. An example is the wholly owned subsidiary Deva Manufacturing Services Ltd which is safeguarding over 30 jobs in the Capenhurst area. The company, which forms part of a programme of enterprise initiatives being developed by BNFL Enterprise Ltd, is being established initially to manufacture waste drums and associated equipment to support our operations at Sellafield.

TRANSPORT - MOVING THE BUSINESS FORWARD

BNFL supplies a safe and efficient transport service to a worldwide customer base. Through our subsidiary company, Pacific Nuclear Transport Limited (PNTL), and our associate company, Nuclear Transport Limited (NTL), BNFL safely carried over 400 tonnes of used nuclear fuel from Japan and Continental Europe during the year.

Since the beginning of operations, Transport Division has shipped radioactive packages over 4 million nautical miles without a single radiological incident. This outstanding safety record continued throughout the year with all shipments completed safely and efficiently.

PNTL currently has contracts with all 10 Japanese utilities and, to date, has transported used fuel from 33 of the 46 operational reactors in Japan. During the year, over 300 tonnes of used fuel were shipped on board PNTL ships.

In addition, the year saw the transport by NTL of over 100 tonnes of spent fuel from six European reactor sites to Sellafield. Since operations began, BNFL has contracted with 13 European utilities and 16 of their operational reactors.

The efficiency of modern nuclear fuel is constantly being improved. In parallel, the design of transport flasks for carrying spent fuel is progressively refined. A highlight of this year was the introduction of the world leading BNFL Excellox 6 flask for German business, fully licensed to carry the high performance nuclear fuel of today and tomorrow.

The BNFL/PNTL fleet total six purpose built ships which comply fully with the recently introduced International Maritime Organisation (IMO) standards. This is the only fleet of ships in the world which meets the IMO 'INF 3' standard, encompassing a high damage stability, coupled with duplication and segregation of power supplies, confirming the Company's position at the forefront of worldwide nuclear fuel transportation.

BNFL INC. - EXPANDED NORTH AMERICAN OPERATIONS

Four years after its launch, BNFL Inc. is now firmly established as a leading nuclear waste clean-up and decommissioning company in North America. During the year, the Company's team of employees has almost doubled to match expanded operations and has centred on the Richland office in Washington state. A new office has opened at Oak Ridge, in Tennessee, and a further office is planned to open at Aiken, South Carolina, later in the year.

Throughout the business, BNFL Inc. has been restructured to meet the increasing demands and challenges of this specialist American market and, despite a shorter financial reporting period, has increased its revenue by 58% over the last full operating year. Significant successes include the award of 26 out of the 35 projects BNFL Inc. have applied for. In fact, 4 of the 35 projects had been cancelled and so the success rate was even higher which sees the Company strongly positioned for future profitability.

Particular business achievements include the completion of design of the first stage of the new Waste Receipt and Processing Plant at the US Department of Energy Hanford site in Washington state, and the completion of engineering tests to recover waste from a site operated by the Department's Idaho National Engineering Laboratory (INEL). Success with this project has opened the door to further opportunities for BNFL Inc..

ENGINEERING GROUP

ENGINEERING SALES - STRONG FAR EAST PROSPECTS

In a strong year, BNFL Engineering has gained a wide range of work at home and abroad, with external sales amounting to some £6M.

Notable achievements include design work on modernising a dockyard at Devonport for refitting nuclear submarines, project management work for UK Nirex Ltd and inspection services for Mitsubishi Heavy Industries in Japan.

In the Far East, work has continued with Hitachi on the design contract for a new evaporator system for the Rokkasho Mura reprocessing plant which will recycle Japan's used fuel.

However, Europe continues to provide the mainstay of sales activity. In the UK, we have relocated a key team of engineers to concentrate on the second design phase of the £230M nuclear submarine refit facility at Devonport Management Ltd.

These new international links are providing a solid foundation for further business opportunities.

ENGINEERING - EMPHASIS ON IN-DEPTH CAPABILITY

BNFL's engineering activity remained focused on providing a full range of technical, design and project management services to the Company and external clients around the world.

Throughout the year, expertise centred on the major plant construction programme at Sellafield. Project teams have worked on the successful handover of the £600M complex of effluent treatment plants which will reduce the already low radioactive content of liquid waste discharged to sea. Amongst the year's other developments were the start-up of electricity and steam supplies from the gas-fired Combined Heat and Power Plant to the Sellafield site, and the commissioning of the Waste Monitoring and Compaction Plant which will extend the life of the Drigg low-level waste disposal site near Sellafield well into the next century.

Site work has begun on the full-scale mixed oxide fuel manufacturing plant - a key project which will establish BNFL as a leading international supplier of modern reactor fuel. In addition, the year saw the start of site work on facilities which will compact and encapsulate waste items, such as protective clothing, which have been used in areas processing plutonium. Substantial progress has also been made on a plant which will treat and recycle solvents used in Sellafield's reprocessing operations, and on the second encapsulated product store which will increase the storage capacity for intermediate-level waste.

In pursuit of external engineering work, we have provided support for BNFL Engineering sales and BNFL Inc., the Company's decommissioning and waste management subsidiary in the USA. However, with the major projects now approaching completion, a programme of staff reductions was announced some two years ago and has remained on target to around 1,470 at the end of the year from an original strength in 1992 of 1,600.

GROWING INTERNATIONAL DECOMMISSIONING BUSINESS

As the world nuclear market comes of age, there is a growing need for nuclear plant to be decommissioned as it reaches the end of its useful life. BNFL sees this as a growth opportunity and during the year, established a dedicated team to capitalise on the Company's unrivalled expertise in decommissioning redundant nuclear facilities. We channelled significant effort into developing a strategy aimed at pursuing the opportunities which exist in this field in Europe and around the world.

BNFL - RESPONSIBILITY TO THE WORLD ABOUT US

A key element of the Company's success, both at home and abroad, is the importance we have placed on a duty of care - to our workforce, to the environment in which we all live and to the communities in which we operate.

In the past year, there have been many aspects of Company activities, throughout all operations, that reflect this philosophy.

HEALTH, SAFETY AND PERSONAL DEVELOPMENT

We are committed to promoting high standards of health and safety to protect a key asset, our team of dedicated and loyal employees.

In the field of health and safety, the average total whole-body radiation dose for the year received by individual BNFL classified employees is now so low that it is below the average exposure UK residents receive from natural background radiation. Even the individual BNFL worker who had the highest radiation dose in 1993 received less than the residents of some 25,000 homes in Devon and Cornwall would receive from natural background radiation. A full account of BNFL's health and safety activities appears in the comprehensive annual Health and Safety Report 1993, available on request.

In two leading cases in the High Court, the Judge decisively rejected an alleged link between Sellafield site operations and leukaemia in local children. Most recently, the eight remaining cases against BNFL involving leukaemia in which lawyers had applied for a further year's delay in the hope that additional evidence for the allegations would appear, were also struck out in a hearing at Maidstone. Mr Justice French told the Court that it was "entirely speculative" to believe that fresh evidence to give the cases any chance of succeeding would appear within a year, or at any time in the future. The main plank of the High Court actions against BNFL centred on a theory by the late Professor Martin Gardner that radiation doses to fathers before conception of their children could result in leukaemia in the offspring. However, since the Gardner study appeared, a significant number of studies have been carried out, none of which have provided evidence to support his theory.

Industrial safety initiatives continue to be successful. There has been a further reduction in reportable accidents and BNFL now has an overall safety record comparable to that of the chemical industry.

A key objective in the year has been to reduce costs and improve efficiency in every area of BNFL in order to secure the Company's future prosperity in an increasingly competitive world market. Regrettably, this has meant a reduction in manpower levels. During the year, an average of 15,476 people were employed by the Group compared with 16,186 in the previous year, whilst the number of people employed by the Parent Company at the end of the year was 14,459, a reduction of 879 on 1993. An average of 210 were employed on our fleet of ships. Targets within each business area have largely been met by natural wastage, voluntary severance and early retirement.

Against this background, a smaller highly skilled workforce requires a commitment of professional and technical skills development through further education opportunities and a wide range of internal and external training programmes.

An audit of employee capabilities is under way to identify personal development needs and to ensure staff are in the right jobs to match their skills.

Nurturing the principles and culture of Total Quality Management in all our operations, the focus of a reinforced human resources strategy, has remained a strong strand in all personal development and job-related training initiatives.

We are also committed to a policy of equal opportunities for all employees. We actively seek to employ people with a range of disabilities in suitable posts and to offer training to meet their individual needs. Throughout the Company, we recognise the importance of conserving good employee relations which are achieved through the well established bargaining and consultative machinery at both divisional and company level.

SAFEGUARDING THE ENVIRONMENT

Open dissemination of information is at the heart of BNFL's environmental policy and the Company has an acknowledged high standard of reporting to all relevant Government authorities as well as to interested groups and the general public. During the year, our environmental reporting policy gained wide recognition when the 1992 Environment Annual Report was short-listed for a prestigious Environmental Reporting Award. The 1993 report, which contains a wide range of information on chemical as well as radiological discharges, has once more been assessed by an independent team of environmental experts. A second annual report, entitled 'Radioactive Discharges and Monitoring of the Environment', which gives a deeper and more technical insight into our environmental performance, will be published later in the year.

Radioactive discharges from our operating sites continued to be well within all authorised limits. Even for the most exposed members of the public living close to the Sellafield site, the radiation dose from discharges from the site during 1993 was equivalent to the dose received taking a return flight to the Far East - when flying at altitude people are exposed to an increase in naturally occurring cosmic radiation. The additional annual dose from THORP's discharges to the most exposed members of the public living around the Sellafield complex will be equivalent to that received during a return flight to Tenerife on a passenger aircraft.

Throughout the year, our sites have pursued a whole host of innovative initiatives in support of BNFL's environmental policy. Our aim is to enable each site to seek certification to the stringent BS7750 standard in recognition of our commitment to improving our environmental performance.

The Company Environmental Council, which brings together key BNFL people and eminent individuals from outside the Company, continued to provide an authoritative and independent overview of the Company's approach to environmental protection. During the year, the Council visited Springfields and Sellafield.

INVOLVEMENT WITH THE COMMUNITIES IN WHICH WE LIVE AND WORK

As a major employer, BNFL has developed a consistent Company-wide policy for community involvement, funding and sponsorship. A proven track record, spanning many years, demonstrates the Company's commitment to local communities, supporting a wide spectrum of charitable and sponsorship activities across all Company sites.

The main theme of this policy is a programme of regional and local investment in economic regeneration, job creation and long-term support for education and innovation, as well as sponsorship for sport and the arts. Our support is channelled through a number of organisations, among which the BNFL-backed West Cumbria Partnership is an acknowledged success.

A highlight of the Partnership's activities over the year has been the opening, by Lord Inglewood, of the first phase of the Whitehaven-based Westlakes Science and Technology Park which is now fully occupied. The Park is home to companies keen to forge links with BNFL and play a part in the West Cumbrian economy. Part of the initiative is the Westlakes Research Institute, which has now gained charitable status and is a centre for encouraging innovation with strong university links.

In a further bid to boost the West Cumbrian economy, the West Cumbria Partnership is also focused on attracting inward investment and encouraging the growth of businesses already established in the region. In the face of heavy local recession, the Partnership created some 720 new job opportunities during 1993. Meanwhile, in Cheshire, the Warrington Business Venture, of which BNFL is a founding sponsor, counsels some 2,000 people every year on the start-up of their own businesses and has assisted 800 new business endeavours in four years of operation.

Openness with information is a persistent theme in many of these enterprises and a clear demonstration of this policy is the success of the Sellafield Visitors Centre. The Centre, which continues to welcome over 150,000 visitors each year, is set to enter the 21st century with a £4M refurbishment, reflecting our commitment to the continuation of the open door policy.

Since the Centre opened six years ago, around a million visitors have toured the exhibits which are now simply wearing out. As with the current Centre, the new one will present information about the nuclear industry in a balanced and objective way but more importantly in an entertaining way. Housed in the existing building, the very latest hands-on computer technology and special effects will place the Centre up amongst the top league of European tourist attractions.

TECHNOLOGY DEVELOPMENT - INVESTING FOR THE FUTURE

BNFL's future growth depends upon maintaining its technological lead. For this reason, the Company is committed to long-term investment in leading edge technology and we continue to improve our range of products and services in order to maintain our competitiveness. Through our research programme, amounting to around £75M this year, we aim to make advances in efficiency, safety and environmental protection as well as enhance profitable growth.

During the year, we have played a leading role in forging international links within the scientific and nuclear industry community, and with universities and Government research centres. In particular, exchange programmes have been initiated with scientists from Russian and American institutes.

The Company Research Laboratory, located at our Springfields site near Preston, is part of our long-term commitment to research and development. It houses a team of scientists who have a growing reputation in the fields of surface science and biotechnology which has placed the laboratories as acknowledged leaders in using atomic force microscopy to examine micro-organisms such as those used in our applications of biotechnology.

Remaining at the leading edge of nuclear technology is a primary aim. Projects are already under way to investigate fuels for the next generation of reactors and to develop an integrated understanding of the complete fuel cycle to improve the service provided to customers. In addition, novel processes are being explored to recycle spent fuel at a lower cost and with less waste.

During the year, we also directed research towards maintaining our competitive position in businesses associated with THORP, the New Oxide Fuels Complex and mixed oxide fuel manufacture. The result is an impressive array of technical achievements which include image processing for the automated inspection of fuel pellets and the development of specialised fuel for PWRs and BWRs. In addition, significant progress was made into the study of pollutant movement in ground water and into the effects of radiation on health.

In a bid to commercialise and exploit the unrivalled technical strength, developed through our own operations, we are also developing new business opportunities in the fields of environment, speciality materials and chemicals, energy systems and advanced engineering. During the year, we again registered a number of patents, in these and other areas of research, reflecting the growing importance we place upon preparing the Company to profit from markets outside the nuclear industry.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 1994

1. The Directors of British Nuclear Fuels plc have pleasure in submitting to the Shareholders their twenty third Annual Report together with the audited accounts for the year ended 31 March 1994.
2. The full accounts of the Group are set out on pages 21 to 51 and include, on a consolidated basis, the accounts of the Group undertakings listed on pages 45 and 46.

REVIEW OF THE YEAR

3. GROUP RESULTS

Turnover is £1133M compared with £1049M last year. The increase principally reflects the strong performance of Magnox reprocessing.

Operating profits at £104M are 30% down on last year (£149M) with the increased turnover being offset by the delay in the authorisation for the start up of THORP and a provision in anticipation of the likely future change in the financial structure of Nirex.

After allowing for reduced financial charges of £35M (1993 £76M) mainly due to lower borrowings and interest rates, profit before tax amounts to £81M (1993 £76M). The return on average shareholder's interest is 12% (1993 11%).

4. BASIS OF TRADING

As noted in last year's accounts, the Company is continuing negotiations with its customers, Nuclear Electric plc and Scottish Nuclear Limited, and with HM Government in respect of certain major contracts. Under the terms of these contracts, to apply retrospectively from 1 April 1989, BNFL is to 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.

The principal area of ongoing discussion is a formula for the sharing of risk of unforeseen cost increases in relation to the historic area and regulatory change, between the Company, HM Government, Nuclear Electric plc and Scottish Nuclear Limited.

The accounts have been prepared on the assumption that a degree of underwriting will be available. The assumption has also been made that the contracts will be signed by both customers on a basis reflecting a contribution from each to the risks that the Company would absorb as a result of the proposed level of underwriting.

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 turnover, relating to the services covered by these contracts, amounts to £680M (1993 £578M). The Directors believe that the signing of the contracts on the above basis will not lead to any change which will alter the results for the year to any material extent.

5. DIVIDEND

The Directors recommend that a final dividend of £20M should be paid making a total of £26M for the year.

6. FINANCE

a. Group capital expenditure of £328M (Parent £313M) has been incurred during the year, mainly on the continued upgrading of reprocessing, waste management and service facilities at Sellafield and fuel manufacturing plants at Springfields.

b. In the course of the year, the Group's new finance requirements were principally met by internally generated funds and advance payments from customers. A total of £28M 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 1 to 12.

8. FUTURE DEVELOPMENTS

The Group's principal areas of activity are expected to continue largely unchanged. Capital expenditure authorised at the end of the year was £476M of which contracts have been placed for £139M. The expenditure is part of an on-going 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.

9. RESEARCH AND DEVELOPMENT

The Group has a significant research and development programme and this will continue. During the year expenditure amounted to some £75M (1993 £88M) which includes expenditure of £49M (1993 £64M) not specifically recoverable directly from customers and as such charged against profits. The principal areas are referred to in the Company Review on pages 11 and 12.

10. DECOMMISSIONING

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.

11. CORPORATE PLAN

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.

12. PERSONNEL

The average number of persons employed by the Group during the year was 15,476 (1993 16,186). Further information is given in the Notes on the Accounts on page 30 and in the Company Review, pages 9 and 10 which also deals with employee involvement and the employment of disabled persons.

13. THE BOARD OF DIRECTORS

The names of the Directors of the Company during the year were, Mr J R S Guinness, Mr L N Chamberlain, Sir Norman Wooding, Mr D J S Roques, Dr W L Wilkinson, Mr H E Bolter (resigned 31 March 1994), Dr G G Butler, Mr K G Jackson, Mr P S Phillips, Mr G L Watts, Miss K M H Mortimer and Mr R R Knowland.

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

The Group maintains indemnity insurance to cover Directors and Officers.

14. CORPORATE GOVERNANCE

The Company has complied with those paragraphs of the Cadbury Code of Best Practice which are now in operation. Until guidance for Directors is finalised on statements relating to the effectiveness of internal control and the Company's status as a going concern, the Directors will not report in relation to paragraphs 4.5 and 4.6 of the Code.

In addition to their audit of the accounts, our Auditors have reviewed the Directors' statement set out above concerning the Company's compliance with the Code of Best Practice. They carried out their review having regard to the Bulletin "Disclosures Relating to Corporate Governance" issued by the Auditing Practices Board. The Auditors have reported to the Directors that through enquiry of certain Directors and Officers of the Company, and examination of relevant documents, they have satisfied themselves that the Directors' statement appropriately reflects the Company's compliance with the specified paragraphs of the Code.

15. DIRECTORS' SHAREHOLDINGS AND INTERESTS

No Director held, at any time during the year, any share in, or Convertible Loan Stock of the Company, or of its subsidiaries, or of any related 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.

16. CONTRIBUTIONS FOR POLITICAL OR CHARITABLE PURPOSES

No contributions were made for political purposes. Contributions to charities during the year amounted to £266,250 (1993 £262,577).

17. AUDITORS

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

By order of the Board

A handwritten signature in black ink, appearing to read 'A J Shuttleworth', with a stylized flourish at the end.

A J Shuttleworth, Secretary

28 July 1994

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them for safeguarding the assets of the Group and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

To the members of British Nuclear Fuels plc

We have audited the accounts on pages 21 to 51. The accounts on pages 21 to 46 have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 21 to 24. The accounts on pages 47 to 51 have been prepared under the current cost convention as described in the notes thereto.

Respective responsibilities of Directors and Auditors

As described on page 18 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

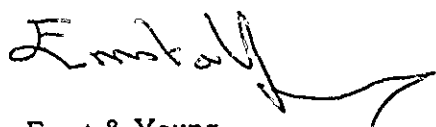
Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures concerning the matters referred to below. As explained in Note 1, the Company cannot finalise its fixed price contract arrangements, relating to services provided to two major customers with effect from 1 April 1989, until a formula is agreed for sharing the risk of certain unexpected cost increases with these two customers and HM Government. Such cost increases are not presently foreseen but could arise at some future date. The Company is continuing to negotiate with the parties involved and has prepared its accounts on the basis that an acceptable formula will be found and the contracts signed. If such an agreement were not to be reached the assumptions on which these accounts have been prepared would be rendered invalid. It is not possible to ascertain the effect on these accounts of any alternative contractual arrangements which would replace those assumed. Accordingly these accounts do not incorporate any adjustment that would result from the failure by the Company to reach agreement with its customers and HM Government. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts on pages 21 to 46, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the accounts on pages 47 to 51, which have been prepared under the current cost convention, give, under that convention, a true and fair view of the state of affairs of the Group as at 31 March 1994 and of the profit of the Group for the year then ended.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', with a long, sweeping horizontal stroke extending to the right.

Ernst & Young
Chartered Accountants
Registered Auditor
London

28 July 1994

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 on pages 25 to 46 have been prepared under the historical cost convention and 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 all its subsidiary undertakings, as listed on page 45, made up to 31 March 1994.
- b. The consolidated accounts also include the Group's share of the net assets shown by the accounts of the related undertakings listed on pages 45 and 46. The accounts of the related undertakings are made up to 31 December in each year.
- c. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and related undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation, representing the excess of purchase consideration over the fair value of net tangible assets acquired, is written off against reserves in the year of acquisition.

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 within 100 years of being taken out of service, 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 historical 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. 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 Group operates pension schemes for the benefit of the majority of its employees. The schemes are funded by contributions, partly from the employees and partly from the Group, to separately administered funds. Actuaries complete valuations at least every three years and, in accordance with their recommendations, annual contributions from the Group are paid to the scheme to secure the benefits as set out in the rules. The cost of these is 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.

11. INSURANCE SUBSIDIARIES

a. Investments

Investments are stated at market value at the balance sheet date. The gain or loss on the change in market values of investments is taken to the profit and loss account. The gain or loss arising on disposals of investments is taken to the profit and loss account. Where there is a disposal of part of an investment holding the gain or loss arising is calculated by reference to the average unit value of the total holding.

b. Outstanding Claims

Full Provision is made for all claims notified, but not settled, at the balance sheet date, on the basis of the most up-to-date information.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year Ended 31 March

	Note	1994 £M	1993 £M
Turnover	3		
Continuing operations		1098	964
Discontinued operations		35	85
		<u>1133</u>	<u>1049</u>
Less net operating costs and expenses	4	1029	900
Operating Profit	3		
Continuing operations		103	128
Discontinued operations		1	21
		<u>104</u>	<u>149</u>
Income from associated undertakings		12	3
		<u>116</u>	<u>152</u>
Less financial charges	7	35	76
Profit on Ordinary Activities before Tax		81	76
Tax on profit on ordinary activities	8	5	15
Profit on Ordinary Activities after Tax		<u>76</u>	<u>61</u>
Profit attributable to minority interests		1	2
Profit for the Financial Year		<u>75</u>	<u>59</u>
Dividends	9	26	26
		<u>49</u>	<u>33</u>
Retained Profit for the Year			

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March

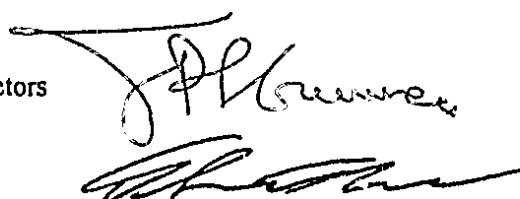
	1994 £M	1993 £M
Profit for the financial year	75	59
Currency translation differences on foreign currency net investments	-	1
	<u>75</u>	<u>60</u>
Total recognised gains and losses relating to the year		

BALANCE SHEETS

As at 31 March

As at 31 March		GROUP		PARENT	
	Note	1994 £M	1993 £M	1994 £M	1993 £M
ASSETS EMPLOYED					
Fixed Assets:					
Tangible Assets	10	4412	4504	4395	4299
Intangible Assets	11	-	28	-	-
Investments	12	115	87	145	460
		<u>4527</u>	<u>4619</u>	<u>4540</u>	<u>4759</u>
Current Assets:					
Stocks	13	120	181	116	163
Debtors	14	147	133	336	140
Investments and short-term deposits	15	1559	944	1433	820
Cash at bank and in hand		4	18	1	17
		<u>1830</u>	<u>1276</u>	<u>1886</u>	<u>1140</u>
Less Creditors: amounts falling due within one year	16	<u>1512</u>	<u>1216</u>	<u>1558</u>	<u>1286</u>
Net Current Assets/(Liabilities)		<u>318</u>	<u>60</u>	<u>328</u>	<u>(146)</u>
Total assets less current liabilities		<u>4845</u>	<u>4679</u>	<u>4868</u>	<u>4613</u>
FINANCED BY					
Creditors: amounts falling due after more than one year	17	2972	2865	2961	2859
Provisions for liabilities and charges	18	1139	1054	1139	1027
Accruals and deferred income	19	47	68	42	53
Capital and Reserves:					
Called up share capital	20	33	33	33	33
Exchange differences		-	3	-	-
Profit and loss account	21	651	644	693	641
		<u>684</u>	<u>680</u>	<u>726</u>	<u>674</u>
Shareholder's funds		3	12	-	-
Minority interests		<u>4845</u>	<u>4679</u>	<u>4868</u>	<u>4613</u>

John R S Guinness) Directors
 Peter S Phillips)
 28 July 1994



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March

	Note	£M	1994 £M	1993 £M
Net cash inflow from operating activities	26a		555	379
Returns on investments and servicing of finance:				
Interest received		51	40	
Interest paid		(35)	(44)	
Bank commissions		(22)	(23)	
Dividends paid		<u>(18)</u>	<u>(54)</u>	
Net cash outflow from returns on investments and servicing of finance			(24)	(81)
Taxation:				
UK Corporation tax paid		(4)	(23)	
Overseas tax paid		<u>-</u>	<u>(3)</u>	
Net cash outflow on taxation			(4)	(26)
Investing activities:				
Payments to acquire tangible fixed assets		(343)	(475)	
Proceeds from disposal of fixed assets		2	-	
Disposal of subsidiary undertaking		22	-	
Net (investment)/receipt of short term deposits and current investments		(481)	135	
Net payment of loans and advances to related undertakings		<u>(27)</u>	<u>(28)</u>	
Net cash outflow from investing activities			<u>(827)</u>	<u>(368)</u>
Net cash outflow before financing			<u>(300)</u>	<u>(96)</u>
Financing:				
Receipt of new loan		3	3	
Receipt of advances from customers		430	754	
Repayment of loans and long term credit		<u>(28)</u>	<u>(28)</u>	
Net cash inflow from financing	17d		405	729
Increase in cash and cash equivalents	26b		<u>(105)</u>	<u>(633)</u>
			<u>300</u>	<u>96</u>

NOTES ON THE ACCOUNTS

1. Contracts under negotiation

As described in Section 4 of the Directors' Report there have been no significant developments in the Company's negotiations with Nuclear Electric plc and Scottish Nuclear Ltd since the date on which the previous year's accounts were approved. These negotiations relate to new fixed price contractual terms in respect of services provided by the Company from 1 April 1989 to replace previous arrangements whereby all relevant costs were recovered from these organisations or their predecessors.

These contracts cannot be finalised until a formula is agreed between the Company, Nuclear Electric plc, Scottish Nuclear Limited and HM Government for sharing the risk in respect of certain unexpected cost increases relating to historic areas and regulatory change. These accounts have been prepared on the assumption that a satisfactory formula for sharing risk will be agreed and the fixed price contracts will be signed. The Board continues to anticipate a satisfactory resolution to these matters. If such a formula were not agreed the basis on which the accounts have been prepared, assuming the anticipated fixed price contracts terms apply, would be rendered invalid. It is not possible to ascertain the effect on these accounts of any alternative arrangements which would then replace those assumed.

2. Discontinued Operations

On 31 August 1993 the Group entered into an agreement with the other tripartite centrifuge project partners to achieve a merger of their respective interests in uranium enrichment. In order to achieve the merger each partner transferred their relevant business interests to Urenco Limited in exchange for a one third interest in the restructured organisation (note 12c).

3. 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	
	1994	1993	1994	1993	1994	1993
	£M	£M	£M	£M	£M	£M
Nuclear Fuel Services	3232	3604	1022	942	84	147
Electricity	175	175	111	107	20	2
			<u>1133</u>	<u>1049</u>	<u>104</u>	<u>149</u>
Net Operating Assets	3407	3779				
Unallocated Net Assets	1438	900				
	<u>4845</u>	<u>4679</u>				

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

3. Segmental Information *continued*

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

	EXPORT				Total Exports £M	HOME	TOTAL
	Europe		Japan & Far East £M	North & South America £M		£M	£M
	EEC £M	Other £M					
<u>1993/94</u>							
Fuel	12	3	5	11	31	191	222
Enrichment	-	-	-	-	-	47	47
Engineering	-	-	2	-	2	4	6
Transport	9	1	44	-	54	1	55
Waste Management	-	-	-	5	5	5	10
Defence	-	-	-	-	-	114	114
Magnox	3	-	11	-	14	403	417
THORP	16	-	28	-	44	103	147
Reactor	-	-	-	-	-	111	111
Head Office	-	-	-	-	-	4	4
	<u>40</u>	<u>4</u>	<u>90</u>	<u>16</u>	<u>150</u>	<u>983</u>	<u>1133</u>

	EXPORT				Total Exports £M	HOME	TOTAL
	Europe		Japan & Far East £M	North & South America £M		£M	£M
	EEC £M	Other £M					
<u>1992/93</u>							
Fuel	9	5	15	1	30	168	198
Enrichment	35	10	-	5	50	43	93
Engineering	2	-	2	-	4	2	6
Transport	4	1	55	-	60	-	60
Waste Management	-	-	-	-	-	4	4
Defence	-	-	-	-	-	119	119
Magnox	2	-	18	-	20	300	320
THORP	5	2	13	-	20	118	138
Reactor	-	-	-	-	-	108	108
Head Office	-	-	-	2	2	1	3
	<u>57</u>	<u>18</u>	<u>103</u>	<u>8</u>	<u>186</u>	<u>863</u>	<u>1049</u>

4. Net operating costs and expenses

	1994			1993		
	Continuing £M	Discontinued £M	Total £M	Continuing £M	Discontinued £M	Total £M
Net operating costs and expenses are made up as follows:						
Raw materials and consumables	169	1	170	156	5	161
Employee Costs	399	6	405	403	-	403
Depreciation	205	35	240	191	45	236
Provisions for liabilities and charges (note 18)	122	(19)	103	108	1	109
Exceptional investment provision (note 12)	111	-	111	-	-	-
Research and development not specifically recoverable directly from customers	49	-	49	64	-	64
Hire of plant and machinery	3	-	3	3	-	3
Amortisation of intangible assets	-	1	1	-	3	3
Other external and operating charges (a)	237	8	245	230	15	245
Operating costs and expenses	1295	37	1327	1155	69	1224
Less:						
Changes in stocks of finished goods and Work in progress	14	-	-	11	3	14
Own work capitalised	238	-	-	-	-	256
Own work on manufacture of components	21	-	-	-	-	26
Regional Development grants released	11	-	-	-	2	14
Other operating income	16	-	16	-	-	14
	995	34	1029	836	4	900

- a. Other external and operating charges include Auditors' remuneration of £178,000 (1993 £168,000) of which £152,000 (1993 £141,000) relates to the Parent Company. Amounts paid to Ernst & Young, the Group's Auditors, in respect of non-audit services to the Company and its subsidiaries amounted to £881,500 (1993 £1,604,300).

5. Employee information

	1994 Number	1993 Number
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:		
Non-Industrial	7687	8072
Industrial	7579	7913
Officers and ratings of transport ships	210	201
	15476	16186
b. Employee costs:		
Wages and salaries	337	341
Social security costs	28	27
Other pension costs (note 24)	21	25
Other employee costs (early retirement etc)	19	10
	405	403

6. Directors' emoluments and other statutory information

The emoluments of the Directors of British Nuclear Fuels plc for the year were as follows:-

	1994 £	1993 £
Non Executive Directors' Fees	40000	29473
Executive Directors (including the Chairman)		
Remuneration, excluding bonuses	768800	777481
Bonuses (a)	184500	-
Benefits in kind	69644	97399
Pension contributions	78853	163105
	<u>1101797</u>	<u>1037985</u>
Payments on retirement	-	135118
	<u>1141797</u>	<u>1202576</u>

a. Bonuses are related to corporate performance targets.

b. The emoluments of the Chairman, inclusive of pension contributions of £8,400 and bonuses of £23,000, were £117,480. The Chairman was elected part way through 1992/93 and emoluments, inclusive of pension contributions of £48,465, were £105,311. The emoluments of the previous Chairman, inclusive of pension contributions of £11,376, were £49,107.

The emoluments of the highest paid Director, inclusive of pension contributions of £16,240 (1993 £16,240) and bonuses of £39,000 (1993 £Nil) were £215,757 (1993 £169,042).

c. The emoluments, excluding pension contributions of the Directors in the various ranges were as follows:-

Range	1994 Number	1993 Number
£Nil to £5,000	1	-
£5,001 to £10,000	4	3
£35,001 to £40,000	-	1
£55,001 to £60,000	-	1
£100,001 to £105,000	1	-
£105,001 to £110,000	1	1
£110,001 to £115,000	-	1
£120,001 to £125,000	-	1
£135,001 to £140,000	1	-
£140,001 to £145,000	1	2
£150,001 to £155,000	1	1
£180,001 to £185,000	1	-
£195,001 to £200,000	1	-

Pensions paid to former Directors amounted to £95,272 (1993 £91,770). Included in debtors is an interest free loan of £4,500 (1993 £6,750) to Mr K G Jackson. This loan was made prior to his joining the Board in accordance with the Company's policy of providing housing assistance to staff who have been relocated.

7. Financial charges

	1994	1993
	£M	£M
Interest on loans: repayable within 5 years	32	39
repayable after 5 years	2	2
	<u>34</u>	<u>41</u>
Other financial charges:		
Bank commissions etc.	22	23
Adjustments to opening provisions arising from changes in price levels (see note 18)	34	53
Interest payable and similar charges	<u>90</u>	<u>117</u>
Less income from investments and short-term deposits and realised exchange gains	55	41
Net financial charges	<u>35</u>	<u>76</u>

Included in the above is income from listed investments of £6M (1993 £1M).

8. Tax on profit on ordinary activities

	1994	1993
	£M	£M
Corporation tax at 33%	1	3
Related undertakings taxation	2	-
Advance corporation tax:		
Adjustment in respect of prior year	(5)	-
Current year	7	12
	<u>5</u>	<u>15</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 £62M.

9. Dividends

	1994	1993
	£M	£M
Interim dividend paid	6	16
Dividend payable	20	10
	<u>26</u>	<u>26</u>

10. Fixed Assets - Tangible Assets

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

	<u>Land and Buildings</u>		<u>Plant and Machinery</u>	<u>Fixtures Fittings Tools and Equipment</u>	<u>Assets in Course of Construction</u>	<u>Total</u>
	<u>Long Leasehold</u>	<u>Freehold</u>				
	£M	£M	£M	£M	£M	£M
Cost at 1 April 1993	2	691	2437	50	3060	6240
Additions	-	-	8	-	320	328
Disposals	-	-	-	(11)	-	(11)
Reclassified to current assets	-	-	-	-	(18)	(18)
Transfers	-	1941	425	5	(2371)	-
Disposal of subsidiaries	-	(49)	(413)	-	(3)	(465)
Cost at 31 March 1994	<u>2</u>	<u>2583</u>	<u>2457</u>	<u>44</u>	<u>988</u>	<u>6074</u>
Depreciation at 1 April 1993	-	330	1371	35	-	1736
Charge for Year	-	44	186	10	-	240
Disposals	-	-	-	(9)	-	(9)
Disposal of subsidiaries	-	(40)	(265)	-	-	(305)
Depreciation at 31 March 1994	<u>-</u>	<u>334</u>	<u>1292</u>	<u>36</u>	<u>-</u>	<u>1662</u>
Net book value at 31 March 1994	<u>2</u>	<u>2249</u>	<u>1165</u>	<u>8</u>	<u>988</u>	<u>4412</u>

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

	<u>Land and Buildings</u>		<u>Plant and Machinery</u>	<u>Fixtures Fittings Tools and Equipment</u>	<u>Assets in Course of Construction</u>	<u>Total</u>
	<u>Long Leasehold</u>	<u>Freehold</u>				
	£M	£M	£M	£M	£M	£M
Cost at 1 April 1993	2	654	1927	50	3057	5690
Additions	-	-	-	-	313	313
Disposals	-	(12)	(20)	(11)	-	(43)
Transfers	-	1941	425	4	(2370)	-
Reclassified to current assets	-	-	-	-	(17)	(17)
Cost at 31 March 1994	<u>2</u>	<u>2583</u>	<u>2332</u>	<u>43</u>	<u>983</u>	<u>5943</u>
Depreciation at 1 April 1993	-	302	1054	35	-	1391
Charge for Year	-	42	139	10	-	191
Disposals	-	(11)	(14)	(9)	-	(34)
Transfers	-	-	-	-	-	-
Depreciation at 31 March 1994	<u>-</u>	<u>333</u>	<u>1179</u>	<u>36</u>	<u>-</u>	<u>1548</u>
Net book value at 31 March 1994	<u>2</u>	<u>2250</u>	<u>1153</u>	<u>7</u>	<u>983</u>	<u>4395</u>

11. Fixed Assets - Intangible Assets

This comprised the residual value of a once and for all payment made to HM Government in settlement of its entitlement to a share of future profits arising from the Group's Centrifuge Operations. The balance has been reclassified to investments in related undertakings following the disposal of enrichment interests referred to in note 12.

	£M
Cost at 1 April 1993	48
Reclassification	(48)
Cost at 31 March 1994	<u>-</u>
Amortisation at 1 April 1993	20
Charge in Year	1
Reclassification	(21)
Amortisation at 31 March 1994	<u>-</u>
Balance at 31 March 1994	<u>-</u>

12. Fixed assets - investments

Subsidiary undertakings

	Unquoted shares	PARENT Convertible unsecured loan stock	Unsecured loan stock	Total
	£M	£M	£M	£M
Balance at 1 April 1993	114	13	251	378
New investments during year	16	-	-	16
Investments repaid	-	-	(250)	(250)
Balance at 31 March 1994	<u>130</u>	<u>13</u>	<u>1</u>	<u>144</u>

Related undertakings

	GROUP				PARENT		
	Share of net assets £M	Loans and advances £M	Advances to partnerships £M	Total £M	Un- quoted shares £M	Loans and advances £M	Total £M
Balance at 1 April 1993	2	81	4	87	1	81	82
New investment during year	56	86	-	142	-	30	30
Investment repaid	-	-	(4)	(4)	-	-	-
	<u>58</u>	<u>167</u>	<u>-</u>	<u>225</u>	<u>1</u>	<u>111</u>	<u>112</u>
Less New Amounts provided	-	111	-	111	-	111	111
	<u>58</u>	<u>56</u>	<u>-</u>	<u>114</u>	<u>1</u>	<u>-</u>	<u>1</u>
Share of Retained Profit	1	-	-	1	-	-	-
Balance at 31 March 1994	<u>59</u>	<u>56</u>	<u>-</u>	<u>115</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total Fixed Asset Investment				<u>115</u>			<u>145</u>

The Group's share of retained profits of related undertakings at 31 March 1994 is £2M (1993 £1M).

12. Fixed assets - investments *continued*

- a. The unquoted shares comprise investments in the Subsidiary and Related undertakings listed on pages 45 and 46. Dividends from Related undertakings amounting to £639,397 (1993 £466,667) have been received during the year.
- b. On 31 March 1994 the Company acquired a further 15M £1 ordinary shares in BNFL Insurance Limited, being 100% of a new share issue. The shares were acquired at par.
- c. As stated in note 2 the Group completed the disposal of its uranium enrichment subsidiary, Urenco (Capenhurst) Limited, to Urenco Limited (a related undertaking). The disposal is analysed as follows:

Net assets disposed of:

	£M
Fixed assets	160
Stocks	12
Debtors	16
Cash	10
Creditors	(9)
Provisions	(46)
	<u>143</u>

Satisfied by:

Share capital	56
Subordinated loans	44
Cash receivable	43
	<u>143</u>

Net cash inflows:

Cash received	32
Cash in subsidiary sold	(10)
	<u>22</u>

During the year, Urenco (Capenhurst) Limited contributed £33M to the Group's net operating cash flow, and utilised £4M for investing activities.

Goodwill arising on consolidation of Urenco Limited of £42M has been written off directly to reserves (note 22).

- d. The Company has made full provision (£111M) in respect of loans made to UK Nirex Limited, a related undertaking, as a result of potential changes in the financial structure of that company.

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
13. Stocks				
Raw materials and consumables	72	89	72	90
Work in progress	38	61	37	56
Finished goods	10	31	7	17
	<u>120</u>	<u>181</u>	<u>116</u>	<u>163</u>

Work in progress is stated after deducting progress payments of £158M (1993 £65M).

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
14. Debtors				
Trade Debtors	75	79	68	74
Amounts owed by Group undertakings	-	-	200	14
Amounts owed by Related undertakings	7	-	2	-
Prepayments and Accrued Income	65	54	66	52
	<u>147</u>	<u>133</u>	<u>336</u>	<u>140</u>

Trade debtors include £4M (1993 £3M) not due for more than one year.

At the end of the year there were 109 loans amounting to £808,000 outstanding with non-Director employees (1993 134 loans amounting to £874,000).

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
15. Current asset investments and short term deposits				
Securities listed on the London Stock Exchange	90	13	-	-
Other listed investments	8	47	-	-
	<u>98</u>	<u>60</u>	<u>-</u>	<u>-</u>
Unlisted investments	2	13	-	-
	<u>100</u>	<u>73</u>	<u>-</u>	<u>-</u>
	(a)			
Short-term deposits	1450	871	1433	820
	<u>1559</u>	<u>944</u>	<u>1433</u>	<u>820</u>

a. The historic cost of Investments at 31 March 1994 was £102M (1993 £74M).

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
16. Creditors: Amounts falling due within one year				
Current portion of long-term Loans (note 17)	88	34	87	29
Bank loans and overdraft	25	10	25	7
Payments received on account	929	722	926	719
Trade creditors	71	106	67	102
Amounts owed to Group undertakings	-	-	62	90
Taxation	116	95	113	92
Social Security	5	4	5	4
Dividends	20	10	20	10
Accruals and deferred income	142	130	137	129
Current portion of provisions and long-term commitments (note 18)	116	105	116	104
	<u>1512</u>	<u>1216</u>	<u>1558</u>	<u>1286</u>

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
17. Creditors: Amounts falling due after more than one year				
Loans	355	434	345	433
Long-term credit	1	2	-	-
Payments received on account	2616	2429	2616	2426
	<u>2972</u>	<u>2865</u>	<u>2961</u>	<u>2859</u>

		GROUP		PARENT	
		1994	1993	1994	1993
		£M	£M	£M	£M
a. Loans	Period of				
Unsecured convertible loans	Repayment				
5%	2000	1	-	-	-
Unsecured loans					
5½%	1994 - 1995	-	1	-	1
Variable rate	1994 - 1997	9	4	-	-
Bank loans - guaranteed under Nuclear Industry Finance Acts					
1/8% below London Inter-Bank	1997	95	95	95	95
9% - 13 3/8%	1994 - 1998	317	346	317	346
Variable - related to lender's cost of funds	1997 - 2006	20	20	20	20
Secured Bank Loans - Guaranteed by the Secretary of State for Industry					
7½%	1994 - 1995	1	2	-	-
		<u>443</u>	<u>468</u>	<u>432</u>	<u>462</u>
Less repayable before 31 March 1995 included in current liabilities		88	34	87	29
		<u>355</u>	<u>434</u>	<u>345</u>	<u>433</u>
Loans are repayable by instalments within periods from the balance sheet date of:					
From one to two years		113	85	113	87
From two to five years		217	323	216	323
Over five years		25	26	16	23
		<u>355</u>	<u>434</u>	<u>345</u>	<u>433</u>

17. Creditors : Amounts falling due after more than one year *continued*

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
b. Payments under long term credit will fall due within periods from the balance sheet date of:				
From one to five years	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>
	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
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 the balance sheet date of:				
From one to five years	873	901	873	902
Over five years	1743	1528	1743	1524
	<u>2616</u>	<u>2429</u>	<u>2616</u>	<u>2426</u>
		1994		1993
	£M	£M	£M	£M
d. Analysis of changes in financing during the year				
Total at 1 April		3621		2969
Cash flow from financing:				
Advance payments	430		754	
Loans acquired	3		3	
Repayments	<u>(28)</u>		<u>(28)</u>	
		405		729
Advance payments utilised on contracts		(37)		(77)
Total at 31 March		<u>3989</u>		<u>3621</u>
Proportion falling due:				
Within one year				
Long-term loans and long-term credit	88		34	
Advance payments	<u>929</u>		<u>722</u>	
		1017		756
After more than one year		<u>2972</u>		<u>2865</u>
		<u>3989</u>		<u>3621</u>

18. 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 at fixed price contracts (note a)	Deferred Tax (note d)	Other Provisions (note e)	Total
GROUP	£M	£M	£M	£M	£M	£M	£M
Balance at 1 April 1993	273	26	520	148	2	190	1159
Adjustment arising from changes in price levels and interest credited	11	1	18	1	-	3	34
Charge in the year	34	1	14	4	-	50	103
Expenditure in the year	(7)	-	(11)	(2)	-	(14)	(34)
Reclassifications	-	-	-	-	(2)	26	24
Disposals	(31)	-	-	-	-	-	(31)
Balance at 31 March 1994	<u>280</u>	<u>28</u>	<u>541</u>	<u>151</u>	<u>-</u>	<u>255</u>	<u>1255</u>
Analysed as follows:							
Amounts due within one year	6	-	21	18	-	71	116
Amounts due after one year	274	28	520	133	-	184	1139
	<u>280</u>	<u>28</u>	<u>541</u>	<u>151</u>	<u>-</u>	<u>255</u>	<u>1255</u>
PARENT							
Balance at 1 April 1993	247	26	520	148	-	190	1131
Adjustment arising from changes in price levels and interest credited	11	1	18	1	-	3	34
Charge in the year	29	1	14	4	-	50	98
Expenditure in the year	(7)	-	(11)	(2)	-	(14)	(34)
Reclassifications	-	-	-	-	-	26	26
Balance at 31 March 1994	<u>280</u>	<u>28</u>	<u>541</u>	<u>151</u>	<u>-</u>	<u>255</u>	<u>1255</u>
Analysed as follows:							
Amounts due within one year	6	-	21	18	-	71	116
Amounts due after one year	274	28	520	133	-	184	1139
	<u>280</u>	<u>28</u>	<u>541</u>	<u>151</u>	<u>-</u>	<u>255</u>	<u>1255</u>

a. These provisions have been discounted.

18. Provisions for liabilities and charges *continued*

b. Amounts due after one year are analysed as follows:	1994		1993	
	Total Cost £M	Discounted Value £M	Total Cost £M	Discounted Value £M
Total liability relating to operational plants	4615	1975	4443	1885
Less to be provided by BNFL over remaining plant lives	330	120	333	132
Amounts covered by future sales revenue	3847	1634	3688	1550
Net liability relating to operational plants	438	221	422	203
Allowance for costs on plants yet to become operational which will not be covered by future sales revenue	185	53	166	62
Amount provided	623	274	588	265

- c. 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.

d. Deferred tax	1994		1993	
	Not provided £M	Provided £M	Not provided £M	Provided £M
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	796	-	735	-
Subsidiary undertakings	-	1	40	2
Group	796	1	775	2
The benefit of taxation losses carried forward:				
Parent Company	(46)	-	(81)	-
Subsidiary undertakings	-	-	(31)	-
Group	(46)	-	(112)	-
Timing differences between the charging of particular items in the accounts and their equivalent deduction for taxation purposes:				
Parent Company	(405)	-	(366)	-
Subsidiary undertakings	-	-	(9)	-
Group	(405)	-	(375)	-
Recoverable advance corporation tax:				
Parent Company	(109)	-	(110)	-
Subsidiary undertakings	-	(1)	-	-
Group	(109)	(1)	(110)	-
Total:				
Parent Company	236	-	178	-
Subsidiary undertakings	-	-	-	2
Group	236	-	178	2

18. Provisions for liabilities and charges *continued*

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, provide for an investment in fixed assets in respect of which the taxation capital allowances will be substantially in excess of the expected charge for depreciation.

e. Other provisions relate to restructuring and long term contracts.

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
19. Accruals and deferred income				
This comprises Regional Development Grants held as a deferred credit	47	68	42	53
20. Called up share capital			1994	1993
			£M	£M
Ordinary Shares of £1 each Authorised			43	43
Allotted, called up and fully paid			33	33
21. Profit and loss account			GROUP	PARENT
			£M	£M
Balance at 1 April 1993			644	641
Profit Retained			49	52
Goodwill written off			(42)	-
Balance at 31 March 1994			651	693

A separate profit and loss account for the Parent Company has not been published as allowed under section 230 of the Companies Act 1985.

22. Reconciliation of movements in shareholder's funds

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
Profit for the financial year	75	59	78	60
Dividends	(26)	(26)	(26)	(26)
Goodwill written off	(42)	(1)	-	-
Exchange gains/(losses)	(3)	1	-	-
	4	33	52	34
Opening shareholder's funds	680	647	674	640
Closing shareholder's funds	684	680	726	674

Cumulative goodwill written off to reserves amounts to £43M (1993 £1M).

23. Capital expenditure authorised

	GROUP		PARENT	
	1994	1993	1994	1993
	£M	£M	£M	£M
Contracted for but not provided for	139	139	134	138
Authorised but not contracted for	337	384	335	384
	<u>476</u>	<u>523</u>	<u>469</u>	<u>522</u>

24. 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) which is now closed to new entrants. The schemes are operated by the United Kingdom Atomic Energy Authority (UKAEA) on behalf of the Company. The Company's contributions were as follows:

	1994	1993
	£M	£M
Principal non-industrial scheme	16	17
Industrial scheme	5	8
Protected persons scheme	-	-
Total UKAEA schemes	<u>21</u>	<u>25</u>

The charge to the profit and loss account in respect of the PNISS and the ISS is identical with the funding costs. For the PPSS the deficit on a current funding basis has been provided.

- 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)	1994	1995	1993
Date of the most recent investigation for which information is available (31 March)	1991	1992	1990
Market value of notional investments	£515M	£263M	£31M
Level of funding	100%	130%	91%
Deficiency on a current funding level basis	Balance	Surplus	£4M

24. Pensions *continued*

ii) Actuarial methods and assumptions.

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

	PNISS	ISS	PPSS
	%	%	%
Investment yield (pa) net of pay increase	1.5	2.0	1.5
Investment yield (pa) net of price inflation	3.0	3.5	3.0

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 11.2% of members' and new entrants' total pensionable pay from 1 April 1992 to 31 March 2008 and that such rates of contribution would be adequate to meet benefits payable.

ISS - BNFL should pay a contribution of 3.9% of members' and new entrants' total pensionable pay from 1 April 1993 to 31 March 2010 and 9.3% thereafter and that such rates of contribution would be adequate to meet benefits payable and eliminate the current funding surplus.

PPSS - BNFL paid £2.896M in the year ending 31 March 1992 and £2.034M in 1990/91. These payments will be adequate to meet benefits payable and eliminate the current funding level deficiency.

25. Contingent liabilities

At 31 March 1994 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. Guarantee and Indemnity given by BNFL to a bank in respect of an option to purchase the majority of equity in an overseas company amounting to US \$9M.
- c. Guarantee given to a bank of US \$13M in respect of a loan facility granted to BNFL Inc.
- d. Indemnity given to a bank of US \$11M in respect of a bank guarantee provided to an overseas customer.
- e. Warranty given to Urenco Limited in respect of unexpected higher cost obligations of the future disposal of tails. The maximum contingent liability is £18M.

26. Consolidated cash flow statement

	1994 £M	1993 £M
a. Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	104	149
Depreciation charges	240	236
Amortisation of intangible asset	1	3
(Increase)/decrease in debtors	(29)	50
Increase/(decrease) in creditors	26	(24)
(Increase)/decrease in stock and work in progress	66	(16)
Grants released	(12)	(14)
Increase in provisions	131	72
Advance payments utilised on contracts	(37)	(77)
Dividends relating to minority interests	(2)	-
Exceptional investment provision	111	-
Other non cash movements	(44)	-
	<u>555</u>	<u>379</u>

b. Analysis of changes in cash and equivalents during year:

	1994 £M	1993 £M
Balance at start of year	800	167
Net cash inflow	105	633
Balance at end of year	<u>905</u>	<u>800</u>

c. Analysis of the balance of cash and cash equivalents incorporated in the balance sheet:

	1994 £M	1993 £M	Change in year £M
Cash at bank and in hand	4	18	(14)
Portion of short-term bank deposits maturing in under 3 months	926	792	134
Bank overdrafts	(25)	(10)	(15)
	<u>905</u>	<u>800</u>	<u>105</u>

PRINCIPAL SUBSIDIARY AND RELATED UNDERTAKINGS

SUBSIDIARY UNDERTAKINGS

International Nuclear Fuels Limited (INFL)

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

INFL has a 62½% shareholding in Pacific Nuclear Transport Limited, registered in England and Wales, 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 Fluorochemicals Limited

Registered in England and Wales in 1992. Its principal activity is to produce and market Fluorine based products. It is wholly owned by BNFL. The company also has a 100% shareholding in Fluorochem Limited.

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.

Deva Manufacturing Services Limited

Registered in England and Wales in 1992. It is wholly owned by BNFL Enterprise Limited and its purpose is to manufacture waste drums and associated equipment.

BNFL Insurance Limited

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

BNFL Indemnity Limited

Incorporated in Guernsey in 1992. It is wholly owned by BNFL and its purpose is to underwrite BNFL Group Undertakings' liability risks.

Viridian Bioprocessing Limited

Registered in England and Wales in 1990. BNFL has a 64.8% shareholding and its purpose is to treat industrial waste by biotechnological methods.

RELATED UNDERTAKINGS

Urenco Limited

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

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

PRINCIPAL SUBSIDIARY AND RELATED UNDERTAKINGS

continued

Nukleardienst GmbH

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

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

UK Nirex Limited

Registered in England and Wales in 1985 for the purpose of providing disposal services for low- and intermediate- level waste.

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

Registered in England and Wales 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.

CONSOLIDATED CURRENT COST PROFIT AND LOSS ACCOUNT

For the year ended 31 March

	Note	1994 £M	1993 £M
Turnover		1133	1049
Less net operating costs and expenses		1029	900
Operating profit on the historical cost basis		<u>104</u>	<u>149</u>
Income from fixed asset investments		12	3
Profit before financial charges and taxation on the historical cost basis		<u>116</u>	<u>152</u>
Less current cost operating adjustments	2	<u>35</u>	<u>28</u>
Current cost profit before gearing adjustments, financial charges and tax		81	124
Gearing adjustment	5	6	11
Financial charges		<u>(35)</u>	<u>(76)</u>
Current cost profit on ordinary activities before tax		<u>(29)</u>	<u>(65)</u>
Tax on profit on ordinary activities		52	59
Current cost profit on ordinary activities after tax		<u>5</u>	<u>15</u>
Current cost profit on ordinary activities after tax		<u>47</u>	<u>44</u>
Profit attributable to minority interests		-	2
Current cost profit for the financial year		<u>47</u>	<u>42</u>
Dividends		26	26
Retained current cost profit for the year		<u>21</u>	<u>16</u>

STATEMENT OF RETAINED PROFITS/RESERVES

Retained current cost profit for the year		21	16
Movements on current cost reserve	4	9	40
Movement on other reserves		(3)	-
Goodwill written off		<u>(42)</u>	<u>-</u>
Retained profit/reserves at the beginning of the year		<u>(15)</u>	<u>56</u>
Retained profit/reserves at the end of the year		<u>759</u>	<u>703</u>
		<u>744</u>	<u>759</u>

SUMMARISED CONSOLIDATED CURRENT COST BALANCE SHEET

As at 31 March

	Note	1994		1993	
		£M	£M	£M	£M
ASSETS EMPLOYED					
Fixed assets:					
Tangible Assets	3		4462		4615
Intangible Assets			-		29
Investments			154		87
			<u>4616</u>		<u>4731</u>
Net current assets/(liabilities)					
Stocks		125		188	
Debtors		147		133	
Trade creditors, accruals and deferred income falling due within one year		(1374)		(1165)	
		<u>(1102)</u>		<u>(844)</u>	
Proposed dividends		(20)		(10)	
Other net current assets/(liabilities)		<u>1445</u>		<u>919</u>	
			323		65
Total assets less current liabilities			<u>4939</u>		<u>4796</u>
FINANCED BY					
Creditors: amounts falling due after more than one year			2972		2865
Provisions for liabilities and charges			1139		1054
Accruals and deferred income			48		70
Capital and Reserves:					
Called up share capital		33		33	
Current cost reserve	4	423		414	
Other reserves		-		3	
Profit and loss account		<u>321</u>		<u>342</u>	
Shareholder's funds			777		792
Minority interests			3		15
			<u>4939</u>		<u>4796</u>

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 historical cost accounts have been adopted in the current cost accounts except where adjusted by reference to current cost principles as set out below:

a. Fixed assets

The Group's fixed assets fall into two categories:

- i. Assets acquired to meet specific contracts, the cost of which 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.

	1994 £M	1993 £M
2. Adjustments made in deriving current costs operating profit		
Cost of sales	-	-
Monetary working capital	(53)	(63)
Working capital	(53)	(63)
Fixed Assets - contractually committed	59	84
- others	29	7
Current cost operating adjustments	<u>35</u>	<u>28</u>

	1994			1993		
	Gross £M	Depreciation £M	Net £M	Gross £M	Depreciation £M	Net £M
3. Fixed assets						
Land and buildings	2600	339	2261	737	363	374
Plant and machinery	2635	1439	1196	2850	1682	1168
Assets in course of Construction	1005	-	1005	3073	-	3073
	<u>6240</u>	<u>1778</u>	<u>4462</u>	<u>6660</u>	<u>2045</u>	<u>4615</u>

The net figure includes £4,107M (1993 £3,937M) assets which are contractually committed.

	1994		1993	
	£M	£M	£M	£M
4. Current Cost Reserve				
Revaluation surplus reflecting price changes:				
Land and buildings	-		1	
Plant and machinery	2		12	
Assets in course of construction	6		11	
Stocks and work in progress	-		3	
Government grants	<u>1</u>		<u>3</u>	
		9		30
Contractually committed assets adjustment		59		84
Monetary working capital adjustment		(53)		(63)
Gearing adjustment		<u>(6)</u>		<u>(11)</u>
Movement in year		9		40
Balance at beginning of year		<u>414</u>		<u>374</u>
Balance at end of year		<u>423</u>		<u>414</u>
of which: realised		<u>330</u>		<u>302</u>
unrealised		<u>93</u>		<u>112</u>
		<u>423</u>		<u>414</u>

	1994		1993	
	£M	£M	£M	£M
5. Financing of net operating assets				
Fixed assets (net of regional development grants and specific advance payments from customers)		2892		2969
Investments		154		87
Working capital		(2243)		(1895)
Net operating assets		<u>803</u>		<u>1161</u>
Share capital and reserves		777		792
Proposed dividend		20		10
Total shareholder's funds		<u>797</u>		<u>802</u>
Minority interests		3		15
Loans	356		434	
Non-specific advance payments from customers and long term credit	1092		827	
Deferred tax	-		2	
Other net current assets	<u>(1445)</u>		<u>(919)</u>	
Net borrowing		3		344
		<u>803</u>		<u>1161</u>

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

FINANCIAL STATISTICS

	1994	1993	1992	1991	1990
	£M	£M	£M	£M	£M
ASSETS EMPLOYED					
Fixed assets	4527	4619	4310	3923	3517
Net current assets	318	60	37	186	17
	<u>4845</u>	<u>4679</u>	<u>4347</u>	<u>4109</u>	<u>3534</u>
FINANCED BY					
Loans and Advance Payments	2972	2865	2612	2564	2197
Provisions for liabilities and charges	1139	1054	992	874	732
Government Grants	47	68	83	99	118
Share Capital	33	33	33	33	33
Profit and Loss Accounts and Reserves	651	647	614	523	437
SHAREHOLDER'S FUNDS	<u>684</u>	<u>680</u>	<u>647</u>	<u>556</u>	<u>470</u>
Minority Interests	3	12	13	16	17
	<u>4845</u>	<u>4679</u>	<u>4347</u>	<u>4109</u>	<u>3534</u>
TURNOVER AND PROFITS					
TURNOVER:					
Nuclear Fuel Services - Home	872	756	711	769	796
- Export	150	186	268	179	187
Electricity	111	107	103	94	60
	<u>1133</u>	<u>1049</u>	<u>1082</u>	<u>1042</u>	<u>1043</u>
OPERATING PROFITS	104	149	278	305	288
FINANCIAL CHARGES	(35)	(76)	(119)	(151)	(145)
PROFIT BEFORE TAX	81	76	161	156	145
PROFIT FOR THE FINANCIAL YEAR	75	59	143	136	124
DIVIDENDS	26	26	52	50	46
PROFIT RETAINED	<u>49</u>	<u>33</u>	<u>91</u>	<u>86</u>	<u>78</u>
PROFIT BEFORE TAX AS A PERCENTAGE OF AVERAGE SHAREHOLDER'S INTEREST	<u>12%</u>	<u>11%</u>	<u>27%</u>	<u>30%</u>	<u>34%</u>