

BRITISH NUCLEAR FUELS plc

ANNUAL REPORT AND ACCOUNTS

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BNFL's success as an export earner for the UK was also recognised by the House of Commons Trade and Industry Committee in its report on nuclear privatisation. Moreover, the Committee also supported the Government's proposal to integrate Magnox Electric with BNFL, but only if sufficient financial resources are made available to meet the waste management and decommissioning liabilities of the reactors. I am confident that these hurdles can be overcome so as to ensure a smooth integration of our two companies.

It is in BNFL's interest to ensure that the Magnox workhorses continue to operate safely for as long as is operationally practicable and economic to do so. This interest is shared by the British taxpayer and the Treasury. I look forward to achieving the synergies that I am sure the move will bring.

It was the UK Government's Nuclear Review which perhaps gave the greatest endorsement for BNFL's international activities. The opening of BNFL's office in Tokyo by Energy Minister Tim Eggar in October, to complement those already in Beijing and Seoul, was further evidence of our determination to develop our already long-established and close links with the Japanese nuclear industry.

New markets

Our presence in Japan and South Korea, together with the emerging civil nuclear power nation of China, will provide a further base to demonstrate the skills, experience, technology and services which BNFL supplies and which are increasingly in demand worldwide.

The importance attached to BNFL's international prospects have been recognised by the whole Board in the appointment of Neville Chamberlain to the post of Deputy Chairman. Neville's role will be to help develop these overseas markets, where his personal standing within the worldwide nuclear industry will be an invaluable asset.

I should also like to pay tribute to the transformation of BNFL, which has been achieved under his leadership over the past decade.

Replacing Neville as Chief Executive was never going to be easy. The strong, vibrant BNFL of today is testimony to Neville's dedication and leadership, but we are very fortunate to have attracted someone of the calibre of John Taylor.

His experience in the international chemical industry, together with his commercial, strategic and managerial skills, will provide a firm foundation for the leadership required to take BNFL forward into the next stage of its development into a truly world class company.

Waste management

Another major political development during the year was the Government's White Paper on Radioactive Waste Management Policy, which gave BNFL the go-ahead to proceed immediately with substitution for intermediate and low-level waste.

Our substitution proposals were meticulously put together to ensure that no environmental disadvantage will accrue to the UK. I am pleased that they have received broad endorsement from the Government. We now have a firm foundation for developing overseas markets, where we are in a strong position to win between £2 billion and £4 billion worth of extra business, sustaining thousands of jobs well into the next century.

The official opening, by HRH The Duke of Kent, of the Low Active Effluent Treatment Complex at Sellafield marked another significant milestone in BNFL's on-going £2 billion waste management and effluent treatment programme aimed at minimising the impact of our operations on the environment.

Health, safety and the environment

Not only have we taken steps to minimise the impact of our operations on the environment, there have also been massive strides in two key safety areas within the Company.

Major initiatives have resulted in a 20 per cent reduction in lost time accidents and radiation doses to workers at Sellafield are now the lowest since the earliest days of the site's operations. These are very encouraging steps forward in two vital areas of the Company's operations.

We recognise that, while aiming to achieve commercial success, safety and environment issues must be paramount. Good safety is good business and the health and safety of the workforce, contractors and members of the public are of prime importance. We are fully committed to taking a lead role in setting, maintaining and, where possible, improving our already very high standards of safety.

Responding to change

All over the world the pace of change in business is quickening. Companies are selling in ever more competitive markets, under continuous pressure to innovate, improve quality and reduce costs. The nuclear industry is no exception to these pressures and we at BNFL are responding to this challenging environment with fresh thinking about how to structure our business and how to use our resources to secure competitiveness.

A good neighbour

At BNFL we have always believed that we have a responsibility to invest in, and be involved with, the community – especially in those areas where we are a major employer. It is a tradition that has widened in scope and participation over the years.

BNFL is part of the West Cumbrian Partnership, set up to encourage inward investment so as to broaden and diversify the employment base of the West Cumbrian economy, which is so heavily dependent on our Sellafield site. To date, this initiative has helped to create and safeguard over 3,000 jobs, with a further 1,000 people trained to start their own businesses.

In Cheshire, we are a founding sponsor of an organisation that counsels some 2,000 people a year on setting up their own businesses and in five years of operation it has helped no fewer than 1,000 business endeavours.

In Lancashire, where our Springfields site is located, we are supporting organisations which advise on both the setting up and running of new businesses in the region.

As we look back on the achievements of the past year – and indeed the development of BNFL into a world class organisation over the past 25 years – we should always remember that it is our highly qualified and dedicated workforce which has delivered these successes.

Future success will depend upon maintaining the highly skilled and motivated workforce we have today. Many initiatives are underway to achieve this objective. For example, the many issues which emerged from the employee attitude survey last year are now being systematically addressed to ensure that our employees can play a major part in our future development.

In a year which has seen BNFL move firmly back on the road to success, I would like to send my warmest thanks to everyone in the Company for the outstanding contributions they have made.

CHIEF EXECUTIVE'S REVIEW

A strong, vibrant company

This year BNFL will celebrate its 25th anniversary. But the Company which I took over as Chief Executive in March 1996 is very different from the fledgling organisation which grew out of the AEA's Production Group back in 1971.

The credit for much of the progress made since the early days must go to my predecessor, Neville Chamberlain, who was BNFL's Chief Executive from 1986.

Capital investment coupled with focussed research and development have brought improvements, not only to our existing operations, but also in opening up new business opportunities. In the past ten years alone we have invested nearly £6,000 million on our sites.

We have Thorp in operation and a new MOX business building up fast. We have new fuel manufacturing facilities, a host of new initiatives and new subsidiaries.

We are hopeful of getting approval to extend the life of our Magnox reactors from 40 to at least 45 years. We have opened offices in Japan, Korea, China and Brussels and our first overseas venture, BNFL Inc., has made significant strides in the USA.

Ten years ago BNFL was almost unknown overseas. Now, all the major players want to partner with us. Never before has BNFL been so respected or strongly placed to become a major international company.

All this has been achieved whilst making real strides in safety and care for the environment. Since the 1980s there have been massive reductions in individual and collective radiation doses, and since the 1970s a more than 100-fold reduction in radioactive discharges from Sellafield, and an ongoing fall in the level of conventional accidents.

BNFL has made significant progress during Neville's ten years and the performance recorded in this report is a fitting tribute to his term as Chief Executive. I look forward to working with him in his new role as Deputy Chairman of the Company. Neville's continued advice and wise counsel will be of great help to me as I build upon his achievements and continue the process of transforming BNFL into a truly world class company.

Meeting targets

This year the Company can once again celebrate a robust performance with all financial targets met.

Magnox reprocessing continued at high throughput rates and our Magnox reactors at Calder Hall and Chapelcross maintained their impressive performances as the 40th anniversary of the first Calder reactor approaches later this year.

1995 also saw the Thorp complex building up systematically to full operation with the reprocessing plant now moving through its active commissioning phase towards full operational status. Over 200 tonnes of fuel have been sheared and dissolved and all throughput targets have been either achieved or exceeded. The waste plants associated with Thorp are also performing to target.

It has been a successful year for Fuel Division, where their drive to broaden their customer base has resulted in new customers in Europe, the US and South Korea. But their highlight was the award of a contract to develop a new type of fuel for use in Light Water Reactors from a consortium of Finnish and Hungarian utilities.

At our Springfields site, the Oxide Fuels Complex continues with commissioning and good progress has also been made on the new Research and Development Centre, and the Combined Heat and Power Station.

Improving safety

We have for many years achieved tremendous improvements in our safety performance, particularly in reducing radiation doses to our workforce. In 1995, the average dose received by our radiation workers was 1.4 millisieverts (mSv) (a reduction on the 1994 figure of 2.0 mSv). This was less than the average UK exposure to naturally occurring background radiation which is 2.2 mSv per year for everybody living in Britain.

Our performance in conventional industrial safety, expressed in terms of the frequency rate of reportable accidents, has similarly improved over a number of years. In 1995, we were well within the improvement targets which we had set ourselves as part of our ongoing drive to achieve a world class conventional safety performance which matches our world class radiological safety record.

Worthy of particular note in this area are the presentation of a ROSPA Gold Award to the site construction team at Sellafield in respect of the Waste Monitoring and Compaction Plant project, and a 50% reduction in lost time accidents at Springfields, which has earned them a Chemical Industries Association safety award. In the years ahead we will be building upon our performance to achieve world class safety excellence - my ultimate goal is zero accidents in the workplace.

Caring for the environment

During the year, discharges of gaseous and liquid radioactive effluents from BNFL sites complied with all regulatory discharge limits. The most exposed members of the public near our operational sites, known as the critical group, received radiation doses from the Company's activities of less than one quarter of the internationally recommended limit of 1 mSv.

BNFL is given independent guidance on environmental matters by a top level Environmental Council. In 1994, it was announced that the Company would be seeking to develop its existing management systems so that each of our operating sites would be in a position to seek certification to the Environmental Management Standard BS7750 by the end of 1996. In the light of this commitment, the Company has reviewed its existing policy and objectives and a revised policy statement was endorsed by the Company's Board of Directors and issued in September 1995.

This Corporate Policy Statement is backed up by implementation guidelines designed to highlight issues of particular importance and to help sites and divisions set their own policies, objectives and supporting targets.

Reducing waste

In the important area of waste and effluent treatment, our massive investment programmes, coupled with substantial efforts devoted to cost reduction, are now showing real benefits.

This year BNFL has cut the total volume of low level waste being sent for disposal from Sellafield by more than 60 per cent, despite increasing reprocessing throughput and despite receiving more low level waste from outside sources such as hospitals and university research centres.

Much of this reduction is due to the introduction of new waste compaction techniques, with the savings also cutting more than £5 million from the annual site waste disposal bill. Nonetheless, even before compaction, the amounts of low-level waste produced on site have also dropped by 27 per cent to 13,043 cubic metres in 1995 compared to 17,856 cubic metres the previous year. Much of this reduction is due to good housekeeping. Five years ago the amount of low level waste produced at Sellafield was over 25,000 cubic metres.

Decommissioning continues with significant advances being made in a variety of projects. It is our proven experience and technology in these areas which is leading to extensive openings in both the UK and USA.

Growing new businesses

We have also made progress in applying our competences to new market areas. Notably, we have established International Energy Systems, a new subsidiary, which has developed an efficient energy storage system incorporating advanced carbon fibre flywheels. This innovative system, derived from BNFL's expertise in very high speed rotating machinery, offers major cost advantages for a wide range of energy producers and users.

Meanwhile, the achievements of the re-focussed Engineering Group have confirmed that BNFL has an invaluable asset in its world class engineering capability and one that can make a major impact through planned expansion into international markets.

The future

BNFL is now established as a major player in the nuclear industry, both in the UK and internationally.

We have long-term contracts, but these require sustained improvements if they are to be profitable. There are major international opportunities to be grasped and there is still UK business to be won providing we can continue our improvements in cost, quality and service. Our focus in the years ahead will be to become even more customer-driven and competitive, both in the UK and internationally.

To be successful there will be great challenges to improve our processes and to reduce fuel cycle costs by creating an empowered and flexible workforce which regularly delivers against stretching targets.

During my first few months with BNFL, I have endeavoured to meet as many people in as many locations as I possibly could. During this process, two things have struck me above all else. The first is the superb quality of the people we employ in BNFL and the second is the strength of our technology. Both of these are good foundations upon which to build in the years ahead.

To ensure that we get the most from these valuable assets as we build for our future, I have instigated a review of our long-term company strategy. As we move forward, it is important that we are clear in our objectives and are properly equipped to manage our future. This review will ensure that we can do both of these things.

The future demands that we become truly international and, for BNFL, that means something more than being just a UK company with exports. We must become international in our culture and this must be reflected in our workforce and the way we operate across national boundaries. To achieve this change we will also have to proactively manage and develop our people to ensure we retain the best and appropriately reward them for performing beyond the norm.

The future challenge will be to manage the group of businesses which makes up BNFL in a way which allows them to optimise their potential, whilst getting maximum synergy for the whole family. It is a challenge which I look forward to in the years ahead.

FINANCIAL REVIEW

Record year and rising exports

This year we have seen a continued improvement in the Company's financial performance with pre-tax profits before exceptional items up by 46%. The £316 million profit before tax is a company record since its formation in 1971.

Financial performance

Turnover is £1,549 million (compared to £1,304 million in 1994-95). After adjusting for the £142 million exceptional impact of concluding contract negotiations in 1994-95, this represents an underlying increase of £103 million or 7%. Export sales have increased from £425 million in 1994-95 to £501 million in the current year and now account for 32% of the Group's turnover. It is the Group's intention to continue to increase the value of export sales as we expand our international business and capitalise on our proven expertise and technologies within the global nuclear services market.

Operating profits are £233 million (£228 million before exceptional item in 1994-95). This represents an underlying increase of 2% with the increase in turnover being offset to a certain extent by a change in sales mix.

Profit before tax is £316 million (£216 million before the exceptional item in 1994-95). An exceptional deferred tax charge of £356 million, combined with other tax charges of £48 million, have resulted in a loss for the financial year of £88 million (compared to a profit of £45 million in 1994-95).

Due to the nature of the Group's business there have been and continue to be inherent uncertainties in assessing the Group's future tax profile. During the year however, a number of major uncertainties have been resolved; in particular the tax status of the Group's nuclear provisions. It is now possible to forecast a pattern of taxation liabilities crystallising in the longer term. As a result, the Directors have made a full provision for deferred taxation in the balance sheet. This is in line with the Group's historic deferred tax accounting policy and Statement of Standard Accounting Practice Number 15. The charge to the profit and loss account has been disclosed as exceptional due to its size.

Net Financing

For the first time in the Group's history, the profit and loss account reflects net financing income. This is due to the repayment of £136 million of borrowings, the investment of the previous year's strong cash flows, and the Group's healthy cash position.

The top-up of our nuclear provisions is included at £44 million (£43 million in 1994-95) - this represents price level changes together with the reversal of one year of discounting.

Dividends

An interim dividend of £28 million was paid in December. The Board proposes a final dividend of £65 million, making a total of £93 million for the year (£45 million in 1994-95). This ignores the effect of the deferred tax charge. The dividend is covered from cash flow.

Cash flow

The Group's net cash outflow, after investing £464 million in gilts and £261 million in current asset investments with a maturity of longer than three months, is £798 million. This compares with a cash inflow of £392 million in 1994-95. The 1994-95 figure was inflated by late receipts from Nuclear Electric plc of approximately £525 million. The net cash inflow from operating activities has decreased from £998 million to £461 million primarily as a result of a reduction in receipts from Nuclear Electric, the settlement of VAT creditors and the purchase of Uranium stocks from Scottish Nuclear.

Loans outstanding have been reduced by £136 million in line with our repayment schedule. Capital expenditure is £399 million (£333 million in 1994-95), which reflects the Group's policy of profitable growth whilst maintaining a commitment to safety and improving environmental performance. The expenditure was largely on waste management plants at Sellafield and the Sellafield mixed oxide fuel plant (£112 million) which reflects the Group's confidence in the future.

Balance sheet

Tangible fixed assets have increased by £41million, reflecting the Group's continued investment in excess of depreciation. Fixed asset investments have increased from £204 million to £676 million due to the purchase of index linked gilts. Working capital has increased from £958 million to £1166 million. This primarily reflects the settlement of VAT on late receipts in advance, the release of advance payments to income and the purchase of uranium stocks, offset by the purchase of index-linked gilts and net cashflows. Long-term creditors and provisions have increased from £4775 million to £5677 million as a result of the full provision for deferred taxation and payments in advance. Shareholder's funds have decreased from £684 million to £503 million. Excluding the exceptional deferred tax charge, this represents an underlying increase of £175 million or 26%.

Accounting policies

No accounting policy changes have been made and the accounts are prepared on a consistent basis with the previous year.

Corporate Governance

For the full year ended 31 March 1996, the Company has complied with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance.

OPERATIONAL REVIEW

UK GROUP

Safety and cost reduction targets met

UK Group successfully achieved improved safety performance while continuing to meet cost reduction targets for the 1995-96 financial year.

A reduction in the overall lost time accident rate was achieved and the programme to reduce costs by £100 million and manpower levels to 5000 is still on target. Also, the annual operating costs for the Group have now been reduced by more than £50 million over the past two years.

Magnox reprocessing

Magnox reprocessing throughput was 1590 tonnes for the year, the target of 1635 tonnes was missed due to a shortfall in Nuclear Electric deliveries. The reprocessing plant was shut down before the end of March to allow stocks of used fuel to build to a level which will enable optimum operation in 1996-97, in advance of the major refurbishment of the Magnox Reprocessing Plant scheduled for 1997.

All customer requirements have been met with high standards of safety maintained and cost reductions achieved.

Steady production improvements have been achieved in the areas of flask handling, Advanced Gas-cooled Reactor fuel dismantling and plutonium finishing, with record levels of throughput now being achieved and operating costs continuing to fall.

The Site Ion Exchange Effluent Plant (SIXEP), which was commissioned in May 1985, has now completed ten years of trouble-free operation. This plant has contributed significantly to reducing environmental discharges to the environment from Sellafield's operations.

Construction work on the new Plutonium Oxide Store at Sellafield has continued on schedule throughout the year towards the target of active commissioning beginning in 1997.

Preparations have also continued for the major refurbishment of the Magnox Reprocessing Plant, scheduled for 1997. This work will include the connection of a new dissolver, and the replacement of the plutonium evaporator and thermal denitration equipment. When completed, these refurbishments will support the Magnox stations for their projected lifetime of operations, well into the next century.

The contract with the United States Department of Energy, for the recycling of used nitric acid from their Hanford site in Washington State, was successfully completed to schedule in December.

Electricity generation

BNFL's Magnox reactors, at Calder Hall on the Sellafield site and at Chapelcross in Southern Scotland, continued their impressive performances throughout the year. The two stations generated the equivalent of over 3140 gigawatt hours of electricity - sufficient to meet the needs of a city the size of Leeds.

BNFL has provided just over 1% of the total electricity demand of England and Wales during 1995-96. As well as providing electricity to the National Grid, Calder Hall also continues to meet a large proportion of the demand for steam for the Sellafield site.

Given the continued safe and efficient operation of the reactors, BNFL is seeking to extend their operations beyond their currently authorised lifetime of 40 years. Our aim is to operate the reactors for as long as it is safe and economic to do so and detailed submissions have been made to the Nuclear Installations Inspectorate (NII). These submissions are now at an advanced stage of assessment.

Fellside Heat and Power, the operators of the Combined Heat and Power Plant on the Sellafield site, continue to operate the station to provide electricity to both the site and to the National Grid. The 168 megawatt plant will ensure the long-term supply of steam and electricity to the site.

Waste retrieval and decommissioning

BNFL continues to lead the world in the performance of decommissioning work, the demonstration of novel techniques and the deployment of nuclear skills.

Decommissioning continues with significant advances now being made in both beta/gamma and alpha plants. Twenty-five projects have now reached the practical dismantling stage. They range from the highly visible ongoing work to dismantle the upper sections of the Windscale pile chimneys to the less obvious but equally demanding dismantling of the redundant plutonium plants.

This proven experience and technology is now resulting in extensive marketing openings in both the UK and overseas.

Excellent advances also continue in the retrieval and treatment of waste from historic operations at the Sellafield site. Significant progress is now being made in recovering and treating residual fuel and waste from many of the old disused plants on the site and extensive work is underway to design facilities which will deal with the wide range of these waste arisings.

These include two major projects: the Sellafield Drypac Plant and the Silo Emptying Plant which were both sanctioned by the BNFL Board during the year.

Following the successful project to decommission and de-licence the Manchester and Liverpool Universities reactor at Risley in Cheshire, the Group has had further success in this field. The experience gained from the Risley project is being used to bid for a wide range of projects with some exciting developments expected over the coming year.

Waste and effluent treatment

Cost reduction exercises during the year have resulted in a substantial saving on the expected lifetime costs in the waste and effluent treatment areas.

The Low Active Effluent Treatment Plants were officially opened this year by HRH the Duke of Kent. The plants continue to operate well and have exceeded their design targets to remove low-level radioactivity from sea discharges. Significant progress has also been made in reducing the volume of liquid waste which was stored from past operations so as to allow its safe and controlled disposal with low environmental impact.

Production at the Vitrification Plant, which converts high-level liquid waste into a stable, solid glass form, has reduced the volume of stored liquid waste for the third successive year. Total plant production passed 1000 containers in November, whilst construction of the third line of the plant, aimed at further increasing vitrification capacity, is expected to be completed by the end of the decade.

The Waste Monitoring and Compaction Plant at Sellafield has continued to successfully meet the needs of both BNFL and external customers. This facility, for the high-force compaction of solid low-level waste prior to its ultimate disposal at Drigg, has helped to reduce low-level waste volumes by around 60%.

The Magnox Encapsulation Plant continues to process all the current swarf arisings (pieces of fuel containment cans) from the Fuel Handling Plant, while historic arisings on site have also been retrieved and processed at a rate ahead of programme.

Construction of the second Encapsulated Product Store is continuing to schedule and active commissioning is expected to start in January 1997.

Within the Plutonium Contaminated Material (PCM) Management Services Area, significant progress has been made to remove historic waste packages from the North Group site. A project to retrieve waste from a disused PCM store has also started.

Progress on the Waste Treatment Complex, which compacts plutonium contaminated material and grouts the waste within enhanced drums suitable for disposal, has been maintained and Regulator consent was obtained on programme to begin pre-handover testing and inactive commissioning due to take place in December 1996.

Services

Sellafield Services provides a comprehensive range of services to support operations across UK Group and Thorp. The emphasis within the Services Business Area has continued to be on providing improved value for money, whilst maintaining the highest standards of quality and safety.

In the past year, all cost reduction and efficiency targets have been met, while the range of services provided has been more closely aligned with the requirements of the operational groups. This has been achieved by wide ranging changes to working practices and by forging closer links with outside firms which have specific experience in providing the type of services required on the Sellafield site.

INTERNATIONAL GROUP

Landmark Year

This has been a landmark year for BNFL's international activities as we have continued to build on our reputation as one of the world's largest nuclear services companies.

Providing products and services to 14 countries in Europe, Asia and North America, BNFL has achieved international sales totalling £501 million, amounting to 32% of total group sales. Last year BNFL was named as the fastest-growing UK exporting company by the Financial Times when exports totalled £425 million. This year's performance represents an 18% improvement on last year's record-breaking performance.

The Group is constantly striving to identify and satisfy customer requirements. In addition to the existing activities of recycling used fuel, transport and fuel products, International Group's broad based business portfolio is expanding to include services such as interim storage, rail transport and uranium asset management. The extent of BNFL's international impact is illustrated by the fact that around one-third of the world's reactors have been provided with fuel cycle services by the Company.

The Group now has offices in the USA, Tokyo, Seoul and Beijing. Looking to the future, International Group will continue its market development activity in Europe, Asia and the USA, enabling BNFL to realise its internationalisation targets.

Marketing

Marketing is a key support to International Group's drive for customer focus. The department now has one-third of its staff based overseas and has been instrumental in opening a number of offices around the world to support the rest of BNFL in winning overseas business.

The Tokyo office, officially opened by the UK's Energy Minister Tim Eggar in October 1995, is assisting BNFL in its efforts to secure further fresh and recycled fuel business and engineering contracts. Following on from the September opening of the Beijing office, the signing of a Memorandum of Understanding between BNFL and the China National Nuclear Corporation (CNNC) took place in January. This agreement paves the way for future fuel cycle cooperation in this rapidly expanding market.

BNFL's Seoul office has been open for a number of years and has had a successful year with the conclusion of a business Cooperation Agreement between BNFL Interim Storage and Hanjung for the marketing and supply of a dry cask storage system. The agreement was signed in the presence of UK Prime Minister John Major in March 1996.

Thorp

Thorp Division continues as the cornerstone of International Group and the past year has seen progress in a number of key areas.

The Thorp reprocessing complex is systematically building up to full operation and is now in the process of moving from its active commissioning phase towards full operational status.

All parts of the plant have been proven under active conditions of operation and all major fuel types have been successfully reprocessed. Over 200 tonnes of fuel have been sheared and dissolved and all throughput targets have been either achieved or exceeded. Customers' uranium and plutonium product for recycle has been successfully separated in the Chemical Separation Plant and these products are now being held in purpose-built stores.

The waste plants associated with Thorp are also performing to target. The Waste Encapsulation Plant achieved Lloyds Register Quality Assurance accreditation during the year. This is a significant achievement and full consent to operate has now been granted from the regulators.

A significant achievement was the UK Government's approval for BNFL's substitution proposals, whereby overseas customers' intermediate and low-level waste returns are substituted by an equivalent amount of vitrified high-level waste. This gives the Company an opportunity to reduce costs and to further enhance the services it can offer its customers.

Adjacent to Thorp, the construction of the Sellafield mixed oxide fuel plant (SMP), which will manufacture fuel from recycled uranium and plutonium, is progressing on schedule. Building and civil engineering work is complete and the installation of major plant items is now under-way to meet the start-up target of 1997. Meanwhile, more fuel has been successfully manufactured by the mixed oxide fuel demonstration facility (MDF). This has been delivered to the customer, consolidating BNFL's position in the MOX market and increasing customer interest in the Company's MOX fuel capability. This has resulted in contracts and reservations for further capacity in both MDF and SMP.

The Division's commitment to its employees and quality employment practices was acknowledged in June 1995 with the achievement of the prestigious Investors in People Award.

Fuel

For Fuel Division it has been another profitable year during which significant radiological safety achievements have also been made. A further highlight of the year has been a 57% improvement over the previous year in lost time accidents at the Springfields site. This conventional safety achievement has earned Fuel Division a Chemical Industries Association Commendation Award.

During the year, the Division worked hard to develop relationships and partnerships with a broad customer base and this work has resulted in new customers in the US, Europe and South Korea. The highlight of the year was the award from a consortium of Finnish and Hungarian utilities for the development of a new type of fuel for use in their light water reactors.

There has also been extensive development of capital projects during the year. The Oxide Fuels Complex (OFC) continues in its commissioning. Good progress has been made on both the new Research and Development Centre and the Combined Heat and Power Station to help provide power to the site. Approval has also been granted for the construction of a recycled uranium conversion facility, a vital step to demonstrate the Company's commitment to recycling uranium and closing the fuel cycle. In addition, the Uranium Asset Management organisation was launched in March to support uranium procurement activities associated with Scottish Nuclear fuel supply contracts.

Training and organisational developments have continued throughout the year and these, along with the opening of OFC and the celebration of Springfields' 50th anniversary in 1996, will ensure that the business continues to increase its focus on customers and external stakeholders.

The Division won the Investors in People Award early in 1996 and was also awarded ISO 9001 and recommended for the BS 7750 award for environmental management, in March 1996.

Transport

Transport Division continues to perform well, meeting all customer used fuel delivery programmes during the past year and keeping BNFL at the forefront of worldwide nuclear fuel transportation. A major milestone was the completion of the first vitrified residue shipment from Europe to Japan in early 1995.

As well as the Division's established core business, namely the transport of radioactive materials associated with the 'back end' of the fuel cycle, 1995-96 also saw the establishment of two new subsidiary companies: BNFL Interim Storage Ltd will market flasks for use in the interim storage of used fuel and high-level waste, while Direct Rail Services provides a safe and reliable transport route between Sellafield and BNFL's purpose-built terminal at Barrow-in-Furness in Cumbria.

The Division is actively involved in improving public knowledge concerning the transport of nuclear materials and last year some 500 people attended the Barrow Terminal Open Days. The Division also spearheaded BNFL's participation in Government delegations advising South American countries on safety matters relating to sea transport. High level dignitaries from Panama, the Caribbean and the Solomon Islands have visited Sellafield and Barrow. PNTL ships have been berthed at Canary Wharf on the Thames on two occasions during the year, in cooperation with the International Maritime Organisation, in order for delegates to view the safety features of the ships.

BNFL Inc

As BNFL Inc. moves into the second half of its first decade of operation, the potential for expanded operations is now being realised.

BNFL Inc. continues to grow at a very high rate and for the fourth year in a row the Company has exceeded its previous year's total revenue by more than 50%. The revenue of \$24.5 million in 1995-96 represents a growth of 54% over that of 1994-95.

Many goals have been successfully accomplished in the 1995-96 financial year, including the design and construction of a contaminated metals recycling facility in Oak Ridge, Tennessee which was completed on budget and ahead of schedule. This state-of-the-art facility will take contaminated metals from US DoE sites and commercial clients to clean and recycle them for re-use. It represents the largest investment BNFL has made outside the UK and, as the facility becomes fully operational, BNFL Inc.'s commercial waste management business will grow in profitability.

BNFL Inc. also provided key support in the successful negotiation of the new US-Euratom Agreement.

Over the past year, the Company's North American subsidiary has assumed a key role on waste management and environmental restoration activities at the Rocky Flats Environmental Technology Site in Colorado. This is BNFL Inc.'s first operations contract at a US Department of Energy (US DoE) site.

Currently, BNFL Inc. are partners in the only team competing for the operating contract on the former defence site at Savannah River which now also concentrates on environmental clean-up. The contract is expected to be awarded shortly, and the Company is teamed on two other proposals to manage US DoE sites.

Privatisation initiatives, whereby private companies are selected to design, construct, own and operate facilities for the US DoE, have also spurred many new exciting opportunities in the United States. BNFL's unique capabilities, experience and approach separate BNFL Inc. from its competitors and place the Company in a leading position to seize on these opportunities.

CAPENHURST

New investment

Since the transfer of enrichment activities to Urenco, which began in 1993, the BNFL site at Capenhurst has been working towards a new role.

Following a year of new opportunities and new investment, that role is now becoming a reality.

Work has continued on the decommissioning of the old Diffusion Plant. This work represents one of the world's largest decommissioning projects and the work has pioneered recycling techniques which are attracting both national and international interest. It is expected that the wide variety of skills and experience gained during this project will be used to form the foundations of a new business aimed at offering industry the option to recycle contaminated metals as a viable alternative to land burial.

The BNFL workforce at Capenhurst has remained stable at just over 300 throughout the year, but some further reduction will be necessary over the next year as decommissioning work comes to an end. Nevertheless, it is expected that this reduction will be mitigated by the development of new businesses associated with the site.

A new product development team has been established to exploit BNFL's leading edge technology and know-how in a variety of new products and applications, many of which will have benefits outside the nuclear field. The team moves into a new, purpose-built facility on the site later this year.

Continuing the theme of new investment, a £6 million programme has been approved for modernisation and upgrading of the uranium storage facilities on the Capenhurst site.

Capenhurst Training Services, which provides engineering and industrial training to both young people and adults, enjoys a reputation as a centre of excellence and has an impressive portfolio of business with several 'blue chip' companies.

ENGINEERING GROUP

Internationally-recognised expertise

The achievements of the past year have confirmed that BNFL has an invaluable asset in its world class engineering capability which can make a major contribution, particularly in international markets.

Engineering Group provides the full range of the in-house engineering and technical services required by BNFL to support its programme of capital investment. In addition to fulfilling this in-house role, the Group is strongly focused externally to fully exploit its internationally-recognised expertise. Substantial progress has already been made in developing new outside business following the restructuring of the Group at the beginning of April last year. More organisational changes are planned for the next 12 months to further reinforce the business focus for engineering.

Four organisations currently comprise Engineering Group:

BNFL Engineering Ltd.

This subsidiary company began formal trading at the beginning of April 1995 from its headquarters at Salford Quays, near Manchester. The new company has 272 employees and offers the full range of project management, technical and engineering services across the whole nuclear fuel cycle. Local offices have been established at Springfields and Sellafield.

During the Company's first year of operation, considerable progress has been made in developing external engineering business, in partnership with others where appropriate.

Major effort has also been directed towards the pursuit of clean-up business in the UK, in conjunction with UK Group. Japan represents a major opportunity for BNFL Engineering Ltd because of our reputation as a cost-effective supplier of quality services. This has been long-established through plants built at Sellafield in support of reprocessing and waste management contracts. Successes in these and other markets are reflected in a growing order book. With markets opening up in South Africa, North America and China, the prospects for more external engineering business are very encouraging.

BNFL Engineering Ltd is heavily involved in providing in-house design and engineering services and has responsibility for a number of major capital projects for the parent company's operating businesses. At Sellafield, these include the £360 million Drypac Plant, which will revolutionise the treatment of intermediate-level waste and the Mixed Oxide (MOX) Fuel Plant for the manufacture of new fuel. At Springfields, BNFL Engineering will also be responsible for the project management of the £40 million Line 3 Hex Plant for the manufacturing of uranium hexafluoride.

Consultancy Services

During the past year, Consultancy Services has been providing safety and technical advice to a broad range of customers. Internally, the organisation has made major contributions to corporate research and development programmes and has provided support to BNFL Engineering Ltd and Engineering Division on major capital projects. Consultancy Services has also partnered with BNFL Engineering Ltd in the pursuit of external business and has supported BNFL's American subsidiary, BNFL Inc., to demonstrate its capability in providing services to the worldwide operations of the Company.

Looking ahead, Consultancy Services aims to build on the achievements of the past year and develop from its service role towards being a commercially-focused technical consultancy business.

Engineering Division

Engineering Division continues to have a major role in the provision of in-house design and engineering services. The Division has a number of important Sellafield capital projects on its books, including the third line for the high-level waste Vitrification Plant, the Solvent Treatment Plant and the Encapsulated Product Store.

The Division also has responsibility for BNFL's new £100 million Technology Centre at Sellafield and for the Product Development Centre at Capenhurst. Together with existing facilities, these new investments will take the Company well into the 21st century with its research and development capabilities.

BNFL Instruments Ltd

Following its launch in April 1995, BNFL Instruments Ltd has had a very successful first year of operation. The subsidiary has 91 employees, mainly highly qualified physicists and software engineers. Its headquarters are at Pelham House, close to the Sellafield site, but there is also a recently completed research and development facility on the site itself, where advanced research and radiometric systems and services are now carried out.

Apart from continuing to provide services to the Sellafield site, BNFL Instruments is also expanding into external markets. In pursuit of this goal, the Company has worked in close collaboration with the US-based Pajarito Scientific Corporation which was acquired by BNFL Inc. at the beginning of last year. A number of agents covering the Far East and Europe have now been appointed to further help internationalisation.

The past year has also seen the development of BNFL Instruments' first standard product - the RadScan 600 - which allows large surfaces to be surveyed for gamma contamination. This product has already been successfully demonstrated to potential customers and a production capability has been established to meet the anticipated demand. External sales have already been achieved in the USA, Germany and the UK.

COMPANY DEVELOPMENT

New market opportunities

Technologies developed by BNFL continue to provide opportunities for the Company to create valuable new businesses.

Technology Development

Successful research and development (R&D) is a crucial element for the continuing growth and expansion of BNFL. It is also vital to ensure that BNFL maximises the return on its R&D investment by continually aligning technology development to the needs of the business.

Research and development programmes are clearly focused on improved efficiency and safety; the development of the next generation of integrated fuel cycle technologies and the pursuit of new business opportunities. Another major role is to underpin the Company's science base.

Key technical highlights of the past year:

- * The provision of ongoing development work in support of the Sellafield MOX Plant.

- * A number of bio-remediation and bio-decontamination projects are successfully moving from science to the technology demonstration phase. These projects are to explore and exploit research into the interaction of microbes and metals, the removal of radionuclides from the environment and the clean-up of non-radioactive heavy metal pollution.

- * Novel environmental sensors are being developed through extensive links with Europe and the USA.

- * New remote handling products and techniques, which were previously under development, are now successfully being deployed in BNFL plants.

Strong links with international organisations and universities have been established over a number of years. These have enhanced the productive working relationships which now exist between BNFL and international experts and have been underpinned by:

- * Programmes of work with key Russian research institutes which form an integral part of a number of technology development programmes.

- * Collaboration with Power Reactor and Nuclear Fuel Development Corporation, one of Japan's leading nuclear research and development organisations.

- * Strengthening of links with a number of US institutes, enabling the transfer of key BNFL technologies to our US subsidiary.

- * increased collaboration within the Commission of the European Union.

Continued investment in both people and new facilities has further emphasised BNFL's commitment to R&D. The recruitment of highly qualified scientists has continued, and a number have joined the Company following BNFL university sponsorships.

New state-of-the-art facilities at Springfields opened in the spring of this year, whilst last December, Board approval was gained for the construction of new R&D facilities at Sellafield. This new centre will be fully operational by the year 2000 and will focus on R&D for reprocessing and waste management.

A new Radiometric Development Facility at Sellafield, also opened in the late spring, will enable the transfer of systems, such as those used in waste assessment by internal customers, to the external market.

New business ventures

In the energy sector, BNFL has established International Energy Systems Ltd, a new company which aims to sell energy storage solutions to a wide range of customers. The product, Pirouette™ is based upon a cylindrical flywheel of wound carbon fibre composite, rotated at very high speed to store kinetic energy. There are many applications, notably in the fields of uninterruptable power supplies and communications power back-up. Pirouette™ also allows the matching of electrical demand with generating availability, providing advantages for major power suppliers and potentially improving the efficiency of renewable energy resources such as wind, wave and solar cells.

BNFL's skills in advanced engineering, particularly in robotics, have enabled the Company to design an Automated Pharmaceutical Dispenser for Amercare Ltd. This product is in use in hospital nuclear medicine departments to dispense radioisotope pharmaceuticals whilst giving real benefits of quality assurance and reduced radiation doses to hospital staff. New engineered products are also being developed at the Product Development Centre at Capenhurst. This centre was set up early last year to exploit BNFL's technology and know-how in new products and applications, many outside the nuclear field.

New Business Ventures will continue to investigate opportunities for the exploitation of BNFL know-how in new markets, thereby ensuring the Company obtains maximum commercial value from its technological expertise.

HEALTH, SAFETY AND THE ENVIRONMENT

A fully committed approach

1995 was a very good year for BNFL's Health and Safety performance.

The year's additional total average whole body radiation dose received by BNFL classified radiation workers was once again below the average exposure that UK residents receive from natural background radiation.

Scientific opinion has moved decisively away from a link between childhood leukaemia clusters around certain nuclear sites and exposure to radiation. The fourth report by the UK Government's independent Committee on the Medical Aspects of Radiation in the Environment (COMARE) has concluded that:

*Occupational exposure of the Sellafield workforce to radiation (the Gardner hypothesis) is very unlikely to account for the excess of childhood leukaemia at Seascale in Cumbria.

*Environmental exposure to authorised or unplanned radiation releases from Sellafield could also not account for the excess.

*Environmental and occupational exposure to chemicals and other factors are unlikely to offer any explanation.

The report also suggests that COMARE believe a mechanism involving infection-population mixing is likely to be a significant factor affecting the risk of leukaemia and other cancers in young people in Seascale. Nevertheless, it is still premature to conclude that infection theories alone are sufficient to explain the abnormal pattern of leukaemia in the village. COMARE recommended that no further studies should be undertaken into the Seascale leukaemia clusters until a much better understanding of the fundamental causes of cancer has developed, so that specific theories could be tested in relation to the Seascale events

The COMARE report follows that of the United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR) in 1994 which also concluded that such clusters are unlikely to be connected with radiation.

An open door policy on the dissemination of information is at the heart of BNFL's safety and 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.

The Company's 1995 Environmental Annual Report contains a wide range of information on chemical as well as radiological discharges and has once again been verified by an independent team of experts. A second annual report, entitled 'Radioactive Discharges and Monitoring of the Environment', will be published later this year. This report gives a deeper and more technical insight into the Company's radiological impact.

Gaseous and liquid radioactive discharges from our operating sites continued to be within all authorised limits. Even for the most exposed members of the public, the radiation dose they could receive due to discharges from the site during 1995 was equivalent to the dose received when taking a return flight to the Far East - when flying at altitude people are exposed to an increase in naturally-occurring cosmic radiation.

Throughout the year, our sites have continued to pursue a host of innovative initiatives in support of the BNFL environmental policy. We remain on target with our objective of enabling each operating site to seek certification to the stringent BS7750 standard by the end of 1996.

The Company Environmental Council brings together key BNFL people and eminent individuals from outside the Company in order to provide an authoritative and independent overview of the Company's approach to environmental protection. During the year, the Council met at Sellafield and visited Thorp and the nature trail at Drigg. Members of the Council commented favourably on the revised Company Environmental Policy; presentations were made on the implementation of BS7750 at Sellafield and on Sellafield's Integrated Pollution Control applications.

SERVING OUR COMMUNITIES

Being a good neighbour

BNFL has a commitment to an ongoing programme of community investment and involvement, covering economic regeneration, education academia, charitable giving and sponsorship.

The programme is mainly aimed at the communities surrounding our operating sites in the North West of England and in the Scottish Borders. A key component of the programme is local and regional investment in economic regeneration and job creation.

Through BNFL Enterprise Ltd, the Company has established its own business development fund to provide investment in new and existing small to medium-sized technology-based businesses. This is in addition to the long-standing support given to the West Cumbrian Development Fund which aims to establish new businesses in its areas of operation.

The Westlakes Science and Technology Park, now houses 23 companies with a total of almost 300 employees. BNFL has worked with the West Cumbria Partnership, the Rural Development Commission and the European Regional Development Fund to create in Westlakes a centre for research and knowledge-based businesses.

Westlakes' growing links with universities, both in the UK and worldwide, continue to bring academic recognition to West Cumbria and its growing scientific and technological capabilities.

In the areas of charitable giving and sponsorship, support is centred upon activities and organisations concerned with many of today's social issues, as well as grassroots sport and the arts.

Theatr Clwyd, in Mold, North Wales, benefited from company support through funding to their Theatre in Education section, which performs plays in junior schools on topical and social issues. This year's play was on the theme of bullying and was performed to 26 schools in North Wales.

Support was given to the charity, Drugline, to assist a drugs education programme for parents across Lancashire. Drug education packs were produced and presentation evenings held in Blackburn, Preston, Blackpool and Lancaster.

An approach to the Lancashire Schools with Severe Learning Difficulties Sports Association resulted in a company-organised sports day for children attending these schools across Lancashire. Some 12 schools took part.

The year also saw the homeless in Lancashire helped by way of project funding to the Salvation Army and the Lancaster and District Homeless Association.

1995-96 marked the completion of the Granada Community Challenge with the opening of the 'Medlock Links' facility. Five BNFL employees led a team working with the Salvation Army, local business and the local community to refurbish part of an existing Salvation Army building. The project provided both an indoor and outdoor sports and leisure facility for the inner city area of Medlock in Manchester. Although the Challenge is now finished, BNFL will continue its commitment to 'Medlock Links' to ensure it can develop as a vital resource for the Medlock community.

During the year, the Company continued its support for the Prince's Trust Volunteers and the Prince's Youth Business Trust (PYBT). Support included financial seconded staff and employee volunteers. An interesting initiative was the sponsorship by BNFL of the PYBT exhibition stand at the CBI National Conference - a first for PYBT.

The BNFL-funded 'Inside Stories', a magazine written by young offenders for young offenders, broke new ground during the year when the first issue was produced by inmates of the Young Offenders Institute at Dumfries in Scotland.

In 1995 BNFL provided financial support to the 'Anchor Homes Staying Put' project which provides home help services in Ellesmere Port and Neston.

Throughout the year, the BNFL-supported Warrington Male Voice Choir continued its efforts to promote peace and reconciliation in Ireland. They became the first English group ever to walk in the St Patrick's Day Parade in Armagh and took their message of hope to London with a candle light concert in St Martin-in-the-Fields.

In October, the BNFL Band undertook a major tour of Japan and South Korea. The band performed at the World Energy Conference in Tokyo and also to celebrate the official opening of the BNFL office. The band also gave two special performances for the Korea Electric Power Corporation in the South Korean capital of Seoul and in Pusan. A busy year for the band saw them give more than 40 performances at concerts nationwide.

1995 also saw the re-opening of the refurbished Sellafield Visitors Centre. Research carried out among visitors soon after the opening showed that 90% found the Centre informative and 85% found it entertaining. When questioned about the Company, 85% believed BNFL to be a world leader in technology and 90% believed it created wealth and employment.

Whilst the centre's main function is to explain, in a relaxed and interactive manner, the activities of BNFL, it also plays a key role in the tourism industry of West Cumbria. During the year the Tourist Information Centre (TIC), located within the Visitors Centre, was awarded the title of top 'TIC' in Cumbria.

Our support for tourism was further highlighted with the publication by the Company of 'West Cumbrian Views', a 'coffee table' book collection of outstanding photographs of West Cumbria taken from a competition sponsored by BNFL. The year also saw BNFL link up with the North West Tourist Board to stage the North West Tourism Awards.

The Company's education initiatives continue to offer sustained support for teachers in primary, secondary and tertiary education, with 13 new resource packs produced during the year, including three primary INSET materials and two GNVQ science packs. We exhibited at seven major exhibitions, including shows in Belfast and Dublin, all of which proved to be very successful.

Development also began of an important multi-media resource for secondary schools and colleges to promote a better understanding and appreciation of the engineering and construction industry.

During the year, the Company continued funding of university posts, contract research and studentships. BNFL has helped establish Britain's first dedicated research and teaching unit for Corporate Communications at Salford University. Our support means that the new unit will soon run the first MSc in Corporate Communications Management.

Report of the Directors

For the year ended 31 March 1996

1. The Directors of British Nuclear Fuels plc have pleasure in submitting to the Shareholders their twenty-fifth Annual Report together with the audited accounts for the year ended 31 March 1996.

Review of the year

2. Group results

Information on the Group's results is contained in the Financial Review on pages 10 and 11

3. Dividend

The Directors recommend that a final dividend of £65M should be paid making a total of £93M for the year.

4. Finance

a. Group capital expenditure of £373M (Parent £365M) 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 £136M of long-term loans were repaid.

5. Activities

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

a. Nuclear fuel services

The conversion 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 Operational Review on pages 12 to 30.

6. Research and development

The Group has a significant research and development programme and this will continue. During the year, expenditure amounted to some £72M (1995 £66M) which includes expenditure of £44M (1995 £42M) not specifically recoverable directly from customers and as such charged against profits. The principal areas are referred to in the Operational Review on pages 24 and 25.

7. 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.

8. Personnel

The average number of persons employed by the Group during the year was 13451 (1995 14221). Further information is given in the Notes on the Accounts on page 50.

The Company is committed to a policy of equal opportunities for all employees. Great care is exercised in our recruitment and selection procedures to ensure that there is no discrimination and that training is given to meet individual needs. Applications by persons with disabilities are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria for training and promotion applies to persons with disabilities as to any other employee. If employees become disabled, every effort is made to ensure their continued employment.

9. 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, Mr J J Taylor (appointed 1 March 1996), Dr G G Butler, Mr K G Jackson, Mr G L Watts, Mr R A N Chiese, Sir Norman Wooding, Mr D J S Roques, Miss K M H Mortimer, Mr R R Knowland, Prof A G J MacFarlane and Lady Shuttleworth (appointed 23 June 1995).

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.

10. 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 associated 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.

11. Contributions for political or charitable purposes

No contributions were made for political purposes. Charitable contributions during the year amounted to £2.1M (1995 £1.8M). The increase reflects the Company's continuing commitment to the social and economic regeneration of the North West of England and the Scottish Borders.

12. Policy on the payment of suppliers

It is the policy of the Company to pay suppliers' invoices promptly in accordance with the contract and to abide by the Prompt Payers Code of Practice drawn up by the CBI. The Company's declared standard payment terms are Nett Monthly Account. Any variations agreed with suppliers are no worse than Nett Monthly Account.

13. Auditors

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

By order of the Board



A J Shuttleworth, Secretary
27 June 1996

Corporate Governance

Statement of compliance

For the full year ended 31 March 1996 the Company has complied with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance.

Internal financial control

The Directors are responsible for ensuring that the Company maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control system that operated throughout the period covered by the accounts are described under the following headings:

- ***Control environment***

There is a clearly defined organisational structure within which individual responsibilities are identified and can be monitored. Where appropriate, businesses operate to procedures laid down in written manuals and are required to comply with them.

- ***Identification and evaluation of business risks and control objectives***

The Board has the primary responsibility for identifying the major business risks facing the Company and developing appropriate policies to manage those risks. A risk management approach is used to focus the work of the internal audit function on the Company's most significant areas of risk and to determine key control objectives.

- ***Information systems***

There is a comprehensive budgeting system in place with an annual budget approved by the Board. Management information systems provide Directors with relevant and timely reports that identify significant deviations from approved plans and include regular reforecasts for the year.

- ***Main control procedures***

The Company has identified a number of key areas which are subject to regular reporting to the Board. Financial controls and procedures, including information systems controls, are detailed in procedures manuals. These controls include defined procedures for seeking and obtaining approval for major transactions and organisational changes as well as organisational controls involving the segregation of incompatible duties.

- ***Monitoring***

The Company has an established internal audit function which carries out reviews of its business and control procedures in operation on a regular basis having due regard to the key issues and business and financial risks identified. Formal reports are prepared of all such reviews and summaries are provided to the Audit Committee, which meets twice a year.

The Board through the Audit Committee reviews the operation and effectiveness of this framework on a regular basis. Having reviewed its effectiveness, the Directors are not aware of any significant weakness or deficiency in the Group's system of internal financial control during the period covered by this Report and Accounts.

Going concern

The Directors also report that in connection with paragraph 4.6 of the Code, after making enquiries, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Report by the Auditors

To British Nuclear Fuels plc on corporate governance matters

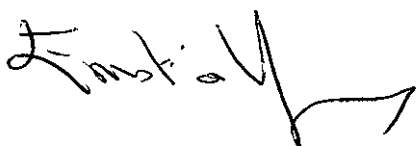
In addition to our audit of the accounts we have reviewed the directors' statement on pages 34 and 35 on the company's compliance with the paragraphs of the Code of Best Practice recommended for our review by the Cadbury Committee. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or the company's corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on pages 34 and 35 and going concern on page 35, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 34 and 35 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.



Ernst & Young
Chartered Accountants
London

27 June 1996

Report of the Remuneration committee

Compliance

The Board of the Company has adopted a voluntary compliance stance in respect of the Code of Best Practice ('the Code') contained in the Report of the Study Group on Directors' Remuneration. The Remuneration Committee ('the Committee') therefore seeks to comply with the principles set out in the Code.

Composition of the Committee

The Committee consists exclusively of Non-Executive Directors with no personal interests in the matters to be decided.

The members of the Committee are:

Sir Norman Wooding (Chairman)
Mr D J S Roques
Mr R R Knowland

Policy on Remuneration of Directors

The Committee recommends the remuneration to be paid to Executive Directors, and the conditions of service to be applied. The decisions on all these matters are made by the Shareholder.

In considering their recommendations the Committee takes account of:

- market positioning in relation to size of job and responsibility
- individual performance
- impact of the Board bonus scheme
- movements in the retail price index

Recommendations are made, in the light of these factors, for each individual director. As already stated these recommendations are then communicated to the Shareholder whose decision is final.

The remuneration of Non-Executive Directors is set by the Shareholder.

Policy on contracts of service

There are three service contracts of Executive Directors that provide for a period of notice in excess of one year. These contracts were entered into prior to the publication of the Code and are:

L N Chamberlain	2 years
G G Butler	2 years
K G Jackson	2 years

Directors' Emoluments

	Basic salary £	Fees £	Benefits £	Annual bonus £	Total emoluments excluding pensions		Pensions 1996 £	Pensions 1995 £
					1996 £	1995 £		
Executive								
J R S Guinness	89268	-	4254	18706	112228	104837	8803	8603
J J Taylor	18750	-	927	-	19677	-	1638	-
L N Chamberlain	151745	-	17886	31798	201429	194654	16995	16563
G G Butler	114912	-	5569	24080	144561	138470	12870	12542
K G Jackson	106745	-	9846	22369	138960	148362	11955	11652
G L Watts	120350	-	12282	24715	157347	150150	8402	8402
R A N Chiese	153900	-	14122	15188	183210	123224	15000	10000
P S Phillips	-	-	-	-	-	71816	-	6750
	<u>755670</u>	<u>-</u>	<u>64886</u>	<u>136856</u>	<u>957412</u>	<u>931513</u>	<u>75663</u>	<u>74512</u>
Non-Executive								
N Wooding	-	14000	-	-	14000	11000	-	-
D J S Roques	-	11000	-	-	11000	11000	-	-
K M H Mortimer	-	10000	-	-	10000	10000	-	-
R R Knowland	-	10000	-	-	10000	10000	-	-
A G J MacFarlane	-	17000	-	-	17000	7120	-	-
Lady Shuttleworth	-	8167	-	-	8167	-	-	-
W L Wilkinson	-	-	-	-	-	833	-	-
	<u>-</u>	<u>70167</u>	<u>-</u>	<u>-</u>	<u>70167</u>	<u>49953</u>	<u>-</u>	<u>-</u>
Total	<u>755670</u>	<u>70167</u>	<u>64886</u>	<u>136856</u>	<u>1027579</u>	<u>981466</u>	<u>75663</u>	<u>74512</u>

The figures above represent emoluments paid to directors during the relevant financial year. Bonuses are earned for the achievement of individual targets and targets linked to the Group's performance, for example, in profit before tax.

Until final detailed guidance is available the figures for pensions shown above are the contributions paid by the Company.

On behalf of the Remuneration Committee

Norman Wooding

Sir Norman Wooding - Chairman

27 June 1996

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 41 to 66, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 41 to 44. We have also examined the amounts disclosed relating to the emoluments of the directors which form part of the report of the Remuneration Committee on page 38.

Respective responsibilities of Directors and Auditors

As described on page 39, 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.

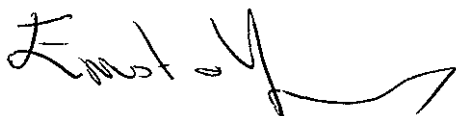
Basis of opinion

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.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 1996 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

27 June 1996

Accounting Policies

Determination of policies

The Group's activities are described in the Directors' Report and the Operational Review, which contains a detailed review of the year's operations. To a large extent, the Company's plants have been or are being constructed for the purpose of servicing specific trading agreements and contracts with both United Kingdom and overseas customers for the provision of nuclear fuel services. Certain of these contracts are of a long-term nature and are not scheduled for completion until the end of this century or beyond. The processes involved are of a highly technical nature. The Group is subject to external regulatory requirements and keeps under constant review the safety standards appropriate to its present or proposed activities. These factors have affected the Group's determination of two of its major accounting policies, namely, Policy 4 - Provisions and Long-Term Commitments and Policy 6 - Depreciation Policies for Fixed Assets.

The accounts have been prepared 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 made up to 31 March 1996.
- b. The consolidated accounts also include the Group's share of the net assets shown by the accounts of its associated undertakings. The accounts of the associated 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 associated 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 are:

Buildings 10 to 60 years

Plant and machinery 10 to 20 years

Fixtures, fittings, tools and equipment 3 to 10 years

Provision is not made for depreciation on freehold land or assets in course of construction. Leasehold land is amortised over the period of the lease.

b. Capital grants

Capital 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.

c. Investments

Fixed asset investments comprise investments in and loans to subsidiary and related undertakings, together with investments in Government gilt-edged stocks (gilts).

The investment in gilts has been treated as a fixed asset investment since it is the directors' intention to hold this investment for the long term. Gilts are stated in the balance sheet on the basis of cost adjusted so as to amortise to redemption value over the period to maturity. If sold before maturity the difference between proceeds and the amortised value is taken to the profit and loss account in the year of realisation.

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 foreseeable future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

10. **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All exchange differences are taken to the profit and loss account.

The accounts of overseas subsidiary and associated undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken to reserves. All other translation differences are taken to 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.

12. **Leases**

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Consolidated profit and loss account

For the year ended 31 March

	Note	1996 £M	1995 £M
Turnover	1		
Continuing operations		1549	1446
- normal			
- exceptional	2	-	(142)
		<u>1549</u>	<u>1304</u>
Less net operating costs and expenses	3	(1316)	(1218)
Operating profit from continuing operations	1	<u>233</u>	<u>86</u>
Income from interests in associated undertakings		14	11
		<u>247</u>	<u>97</u>
Investment income	6	141	73
Less interest payable and similar charges	7	(72)	(96)
		<u>316</u>	<u>74</u>
Profit on ordinary activities before tax			
Tax on profit on ordinary activities - normal	8	(48)	(29)
- exceptional	8	(356)	-
		<u>(88)</u>	<u>45</u>
Profit (loss) on ordinary activities after tax			
Profit attributable to minority interests		-	-
		<u>(88)</u>	<u>45</u>
Profit (loss) for the financial year			
Dividends	9	(93)	(45)
		<u>(181)</u>	<u>-</u>
Retained profit (loss) for the year			

Statement of total recognised gains and losses

For the year ended 31 March

	1996 £M	1995 £M
Profit (loss) for the financial year	(88)	45
Currency translation differences on foreign currency net investments	5	2
	<u>5</u>	<u>2</u>
Total recognised gains and losses relating to the year	<u>(83)</u>	<u>47</u>

Balance sheets

As at 31 March

	Note	Group		Parent	
		1996	1995	1996	1995
		£M	£M	£M	£M
Assets employed					
Fixed assets:					
Tangible assets	10	4339	4298	4316	4281
Investments	11	676	204	780	276
		<u>5015</u>	<u>4502</u>	<u>5096</u>	<u>4557</u>
Current assets:					
Stocks	12	193	121	185	115
Debtors	13	489	254	619	388
Investments and short-term deposits	14	1632	2050	1444	1876
Cash at bank and in hand		34	1	1	-
		<u>2348</u>	<u>2426</u>	<u>2249</u>	<u>2379</u>
Less creditors: amounts falling due within one year	15	<u>(1182)</u>	<u>(1468)</u>	<u>(1166)</u>	<u>(1465)</u>
Net current assets		<u>1166</u>	<u>958</u>	<u>1083</u>	<u>914</u>
Total assets less current liabilities		<u>6181</u>	<u>5460</u>	<u>6179</u>	<u>5471</u>
Financed by					
Creditors: amounts falling due after more than one year	16	3848	3428	3835	3412
Provisions for liabilities and charges	17	1808	1317	1795	1311
Accruals and deferred income	18	21	30	21	30
Capital and reserves:					
Called up share capital	19	33	33	33	33
Exchange differences		7	2	-	-
Profit and loss account	20	463	649	495	685
		<u>503</u>	<u>684</u>	<u>528</u>	<u>718</u>
Shareholder's funds - equity interests		1	1	-	-
Minority interests - equity interests		<u>6181</u>	<u>5460</u>	<u>6179</u>	<u>5471</u>



John R S Guinness)

) Directors



Ross Chiese)

27 June 1996

Consolidated cash flow statement

For the year ended 31 March

		1996		1995	
	Note	£M	£M	£M	£M
Net cash inflow from operating activities	25a		461		998
Returns on investments and servicing of finance:					
Dividends received from associated undertakings		6		4	
Interest received		125		57	
Interest paid		(24)		(44)	
Bank commissions		(9)		(14)	
Dividends paid to shareholder		(46)		(47)	
Dividends paid by subsidiary undertakings to minority interests		(2)		(2)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			50		(46)
Taxation:					
UK corporation tax paid		(10)		(23)	
Overseas tax paid		(1)		-	
Net cash outflow on taxation			(11)		(23)
Investing activities:					
Payments to acquire tangible fixed assets		(399)		(333)	
Proceeds from disposal of fixed assets		-		39	
Payments to acquire gilts		(464)		-	
Acquisition of subsidiary undertakings		(3)		(3)	
Net investment of short term deposits and current investments		(261)		(111)	
Net investment in associated undertakings and other investments		(35)		(44)	
Net cash outflow from investing activities			(1162)		(452)
Net cash (outflow)/inflow before financing			(662)		477
Financing:					
Receipt of new loan		-		3	
Repayment of loans and long-term credit		(136)		(88)	
Net cash outflow from financing	16c		(136)		(85)
Decrease/(Increase) in cash and cash equivalents	25b		798		(392)
			662		(477)

Notes on the accounts

1. 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	
	1996	1995	1996	1995	1996	1995
	£M	£M	£M	£M	£M	£M
Nuclear fuel services	4033	3307	1428	1197	179	59
Electricity	133	147	121	107	54	27
			<u>1549</u>	<u>1304</u>	<u>233</u>	<u>86</u>
Net operating assets	4166	3454				
Unallocated net assets	2015	2006				
	<u>6181</u>	<u>5460</u>				

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

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

	Export				Total Exports	Home	Total
	Europe EEC	Other	Japan & Far East	North & South America			
	£M	£M	£M	£M	£M	£M	£M
1995-96							
Fuel	36	-	10	5	51	186	237
Enrichment	-	-	-	-	-	7	7
Engineering	2	-	2	-	4	2	6
Transport	7	3	41	-	51	2	53
Waste Disposal	-	-	-	-	-	13	13
Waste Management & Decommissioning	3	-	5	15	23	293	316
Magnox Reprocessing	2	-	20	-	22	231	253
Thorp	97	34	213	-	344	183	527
Electricity	-	-	-	-	-	121	121
Other	4	-	-	2	6	10	16
	<u>151</u>	<u>37</u>	<u>291</u>	<u>22</u>	<u>501</u>	<u>1048</u>	<u>1549</u>
1994-95							
Fuel	11	1	7	5	24	208	232
Enrichment	-	-	-	-	-	14	14
Engineering	-	-	2	-	2	3	5
Transport	6	3	41	-	50	1	51
Waste disposal	-	-	-	-	-	7	7
Waste management & decommissioning	2	-	4	9	15	184	199
Magnox reprocessing	-	-	42	-	42	155	197
Thorp	76	31	180	-	287	197	484
Electricity	-	-	-	-	-	107	107
Other	4	-	-	1	5	3	8
	<u>99</u>	<u>35</u>	<u>276</u>	<u>15</u>	<u>425</u>	<u>879</u>	<u>1304</u>

2. Exceptional turnover

The prior year exceptional item related to retrospective price concessions agreed in finalising contracts.

3. Net operating costs and expenses

	1996 £M	1995 £M
Net operating costs and expenses are made up as follows:		
Raw materials and consumables	241	186
Employee costs	404	417
Depreciation	331	314
Provisions for liabilities and charges	187	222
Research and development not specifically recoverable directly from customers	44	42
Hire of plant and machinery	2	3
Other external and operating charges (a)	218	186
Operating costs and expenses	<u>1427</u>	<u>1370</u>
Less:		
Changes in stocks of finished goods and work in progress	(47)	(33)
Own work capitalised	119	110
Own work on manufacture of components	20	20
Regional development grants released	11	14
Other operating income	8	41
	<u>1316</u>	<u>1218</u>

- a. Other external and operating charges include Auditors' remuneration of £426,000 (1995 £272,000) of which £202,000 (1995 £218,000) relates to the Parent Company. The increase in the Group's audit fees is due to an increase in the number of subsidiaries requiring a statutory audit. Amounts paid to Ernst & Young, the Group's auditors, in respect of non-audit services to the Company and its subsidiaries amounted to £3,410,000 (1995 £518,000). Non-audit fees in the current year relate mainly to business process reengineering projects at Sellafield. These projects are part of the Company's continuing drive to improve quality and efficiency and hence reduce costs.

4. Employee information

	1996 Number	1995 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	6667	7009
Industrial	6584	7016
Officers and ratings of transport ships	200	196
	<u>13451</u>	<u>14221</u>
	1996	1995
	£M	£M
b. Employee costs:		
Wages and salaries	330	336
Social security costs	27	28
Other pension costs (note 23)	21	20
Other employee costs (early retirement etc)	26	33
	<u>404</u>	<u>417</u>

5. Directors' emoluments and other statutory information

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

Range	1996 Number	1995 Number
£Nil to £5,000	-	1
£5,001 to £10,000	3	3
£10,001 to £15,000	2	2
£15,001 to £20,000	2	-
£70,001 to £75,000	-	1
£100,001 to £105,000	-	1
£110,001 to £115,000	1	-
£120,001 to £125,000	-	1
£135,001 to £140,000	1	1
£140,001 to £145,000	1	-
£145,001 to £150,000	-	1
£150,001 to £155,000	-	1
£155,001 to £160,000	1	-
£180,001 to £185,000	1	-
£190,001 to £195,000	-	1
£200,001 to £205,000	1	-

Pensions paid to former Directors amounted to £83,939 (1995 £107,851).

For further details refer to the Report of the Remuneration committee on pages 37 and 38.

6. Investment income

	1996 £M	1995 £M
Income from gilts fixed asset investments	4	-
Income from current asset investments	130	70
Interest on loans to associated undertakings	7	3
	<u>141</u>	<u>73</u>

7. Interest payable and similar charges

	1996 £M	1995 £M
Interest on loans	19	38
Bank commissions etc	10	14
Adjustments to opening provisions arising from changes in price levels (see note 17)	44	43
Realised exchange (gains)/losses	(1)	1
	<u>72</u>	<u>96</u>

8. Tax on profit on ordinary activities

	1996 £M	1995 £M
Corporation tax:		
Current year	99	8
Advance corporation tax written back	(51)	-
Adjustment in respect of prior years	(7)	6
Overseas taxation	1	-
Associated undertakings' taxation	6	4
Advance corporation tax written off	-	11
	<u>48</u>	<u>29</u>
Exceptional deferred taxation	356	-
	<u>404</u>	<u>29</u>

As a result of the resolution of a number of uncertainties regarding the Group's future tax profile, it is now possible to forecast a pattern of liabilities crystallising in the foreseeable future. The Directors have therefore made a full provision for deferred taxation, in accordance with the Group's accounting policy and Statement of Standard Accounting Practice Number 15. The charge is disclosed as exceptional due to its size.

The charge for corporation tax is stated after utilisation of losses brought forward. The benefit of these amounted in the year to £58M. The charge for deferred tax is stated after utilisation of advance corporation tax previously written off of £67M.

9. Dividends

	1996 £M	1995 £M
Interim dividend paid	28	27
Final dividend proposed	65	18
	<u>93</u>	<u>45</u>

10. Fixed Assets - Tangible Assets

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

	Land and buildings		Plant and machinery	Fixtures fittings tools and equipment	Assets in course of construction	Total
	Long leasehold	Freehold				
	£M	£M	£M	£M	£M	£M
Cost at 1 April 1995	3	2918	2523	47	691	6182
Additions	1	-	1	6	365	373
Disposals	-	(3)	(6)	(1)	-	(10)
Reclassifications	-	(1)	-	1	-	-
Transfers	-	27	264	12	(303)	-
Cost at 31 March 1996	4	2941	2782	65	753	6545
Depreciation at 1 April 1995	-	495	1355	34	-	1884
Charge for the year	-	153	171	7	-	331
Disposals	-	(3)	(5)	(1)	-	(9)
Reclassifications	-	(1)	-	1	-	-
Depreciation at 31 March 1996	-	644	1521	41	-	2206
Net book value at 31 March 1996	4	2297	1261	24	753	4339
Leased assets included in the above:						
Net book value at 31 March 1996	-	-	3	-	-	3

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

	Land and buildings		Plant and machinery	Fixtures fittings tools and equipment	Assets in course of construction	Total
	Long leasehold	Freehold				
	£M	£M	£M	£M	£M	£M
Cost at 1 April 1995	2	2917	2396	46	684	6045
Additions	-	-	-	-	365	365
Disposals	-	(3)	(8)	(13)	(1)	(25)
Reclassifications	-	(1)	-	1	-	-
Transfers	-	27	256	12	(295)	-
Cost at 31 March 1996	2	2940	2644	46	753	6385
Depreciation at 1 April 1995	-	495	1236	33	-	1764
Charge for the year	-	152	166	5	-	323
Disposals	-	(2)	(6)	(10)	-	(18)
Reclassifications	-	(1)	-	1	-	-
Depreciation at 31 March 1996	-	644	1396	29	-	2069
Net book value at 31 March 1996	2	2296	1248	17	753	4316
Leased assets included in the above:						
Net book value at 31 March 1996	-	-	-	-	-	-

11. Fixed assets - investments

	Group		Parent	
	1996	1995	1996	1995
	£M	£M	£M	£M
Subsidiary undertakings	-	-	242	195
Other investments	8	-	-	-
Associated undertakings	206	204	76	81
Gilts	462	-	462	-
	<u>676</u>	<u>204</u>	<u>780</u>	<u>276</u>

See pages 65 to 66 for details of principal subsidiary and associated undertakings.

a) Subsidiary undertakings

	Shares	Parent Loans	Total
	£M	£M	£M
Cost and net book value			
At 1 April 1995	162	33	195
Acquisitions	3	-	3
New share issues/loans	23	6	29
Capitalisations	27	(13)	14
Transfers from other group undertakings	1	-	1
At 31 March 1996	<u>216</u>	<u>26</u>	<u>242</u>

On 30 August 1995 the Company acquired 750 'A' £1 shares in Robotic Control Solutions Limited (since renamed UK Robotics Limited) being 75% of a new issue, for cash consideration of £1.7M. The fair value and book value of net assets acquired was £1.3M.

On 21 November 1995 the Company acquired the entire issued share capital of Amercare Limited for initial cash consideration of £401,000. An additional payment which is dependent on pre-tax profits may be due in 1998. The fair value and book value of net liabilities acquired was £93,000. The resulting goodwill of £494,000 has been written off against reserves.

The new share issues/loans were in respect of existing and start up wholly owned subsidiaries. All shares were acquired at par.

BNFL Inc was recapitalised during the year resulting in a capital structure more appropriate for this growing business.

On 12 January 1996 the Group acquired the entire issued share capital of Oakwood Products Inc for cash consideration of £846,000. The fair value and book value of net assets acquired was £108,000. Resulting goodwill of £738,000 has been written off against reserves.

b) Other investments

	Group		Parent	
	1996	1995	1996	1995
	£M	£M	£M	£M
Balance at 1 April 1995	-	-	-	-
Additions	8	-	-	-
Balance at 31 March 1996	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>

11. Fixed assets - investments *continued*

c) Associated undertakings

	Share of net assets £M	Group Loan and advances £M	Total £M	Shares £M	Parent Loan and advances £M	Total £M
Balance at 1 April 1995	82	122	204	20	61	81
Additions	3	32	35	1	32	33
Investment repaid	-	(9)	(9)	-	(5)	(5)
Share of retained profit	9	-	9	-	-	-
New amounts provided	(1)	(32)	(33)	(1)	(32)	(33)
Balance at 31 March 1996	93	113	206	20	56	76

The Group's share of retained profit of associated undertakings at 31 March 1996 is £14 M (1995 £5M).

Cumulative amounts provided against investments in associated undertakings are £183M for both Group and Parent.

	Group Listed £M	Parent Listed £M
d) Gilts		
Balance at 1 April 1995	-	-
Additions	464	464
Revaluation	(2)	(2)
Balance at 31 March 1996	462	462

The market value of the Company's gilt investment at 31 March 1996 was £448M.

12. Stocks

	Group		Parent	
	1996 £M	1995 £M	1996 £M	1995 £M
Raw materials and consumables	158	89	156	88
Work in progress	25	15	22	13
Finished goods	10	17	7	14
	193	121	185	115

Work in progress is stated after deducting progress payments of £130M (1995 £170M).

13. Debtors

	Group		Parent	
	1996 £M	1995 £M	1996 £M	1995 £M
Trade Debtors	295	161	284	153
Amounts recoverable on long term contracts	88	-	88	-
Amounts owed by Group undertakings	-	-	154	149
Amounts owed by associated undertakings	9	10	2	4
Prepayments and accrued income	97	83	91	82
	489	254	619	388

Debtors include £15M (1995 £3M) due in more than one year.

At the end of the year, there were 108 loans amounting to £592,000 outstanding with non-Director employees (1995 99 loans amounting to £655,000).

14. Current asset investments and short-term deposits

	Group		Parent	
	1996	1995	1996	1995
	£M	£M	£M	£M
Listed investments at market value	108	99	-	-
Unlisted investments at cost	65	28	-	-
	<u>173</u>	<u>127</u>	<u>-</u>	<u>-</u>
Short-term deposits	1459	1923	1444	1876
	<u>1632</u>	<u>2050</u>	<u>1444</u>	<u>1876</u>

(a)

- a. The historical cost of investments at 31 March 1996 was £181M (1995 £127M).

15. Creditors: amounts falling due within one year

	Group		Parent	
	1996	1995	1996	1995
	£M	£M	£M	£M
Current portion of long-term loans (note 16)	102	114	101	114
Bank loans and overdraft	161	9	161	9
Payments received on account	472	790	469	790
Trade creditors	58	87	40	84
Amounts owed to Group undertakings	-	-	41	11
Amounts owed to associated undertakings	3	-	3	-
Taxation	68	176	65	174
Social security	7	5	7	5
Dividends	66	18	65	18
Accruals and deferred income	137	160	107	152
Current portion of provisions and long-term commitments (note 17)	108	109	107	108
	<u>1182</u>	<u>1468</u>	<u>1166</u>	<u>1465</u>

16. Creditors: amounts falling due after more than one year

	Group		Parent	
	1996	1995	1996	1995
	£M	£M	£M	£M
Loans	121	244	111	232
Obligations under finance leases	3	4	-	-
Payments received on account	3723	3180	3723	3180
Other	1	-	1	-
	<u>3848</u>	<u>3428</u>	<u>3835</u>	<u>3412</u>

	Group		Parent	
	1996	1995	1996	1995
	£M	£M	£M	£M
a. Loans				
Amounts repayable by instalments:				
Within one year	102	114	101	114
Between one and two years	118	110	108	100
Between two and five years	3	120	3	118
After five years	-	14	-	14
	<u>223</u>	<u>358</u>	<u>212</u>	<u>346</u>

16. Creditors : amounts falling due after more than one year *continued*

		Group		Parent	
		1996	1995	1996	1995
		£M	£M	£M	£M
Loans wholly repayable within five years	Period of repayment				
Unsecured convertible loans:					
5%	1996-2000	-	1	-	-
Unsecured loans:					
London Inter-Bank plus 25 basis points	revolving credit	11	10	-	-
2% below London Inter-Bank	1996-1997	-	1	-	-
Bank loans - guaranteed under Nuclear Industry Finance Acts					
9% - 12 ¹³ / ₃₂ %	1996-1998	117	231	117	231
1 ¹ / ₈ % below London Inter-Bank	1997	95	95	95	95
Loans not wholly repayable within five years					
Variable rate (related to lender's cost of funds)					
bank loans guaranteed under the Nuclear Industry Finance Acts	1997-2006	-	20	-	20
		<u>223</u>	<u>358</u>	<u>212</u>	<u>346</u>
		Group		Parent	
		1996	1995	1996	1995
		£M	£M	£M	£M
b. 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		1619	1562	1619	1562
Over five years		2104	1618	2104	1618
		<u>3723</u>	<u>3180</u>	<u>3723</u>	<u>3180</u>

16. Creditors : amounts falling due after more than one year *continued*

	1996		1995	
	£M	£M	£M	£M
c. Analysis of changes in financing during the year				
Total at 1 April 1995		362		444
Cash flow from financing:				
Loans acquired	-		3	
Repayments	(136)		(88)	
		(136)		(85)
New finance leases		-		4
Exchange adjustments		-		(1)
Total at 31 March 1996		<u>226</u>		<u>362</u>
Proportion falling due:				
Within one year		102		114
After more than one year		124		248
		<u>226</u>		<u>362</u>

	Group		Parent	
	1996	1995	1996	1995
	£M	£M	£M	£M
d. Obligations under finance leases and hire purchase contracts				
Amounts payable:				
Within one year	-	-	-	-
Within two to five years	2	2	-	-
After five years	1	2	-	-
	<u>3</u>	<u>4</u>	<u>-</u>	<u>-</u>

17. Provisions for liabilities and charges

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

	Decom- missioning (note a)	Final reactor core costs (note a)	Waste products (note a)	Future re- processing costs on fixed price contracts (note a)	Deferred tax (note b)	Other provisions (note c)	Total
Group	£M	£M	£M	£M	£M	£M	£M
Balance at 1 April 1995	322	31	517	144	1	411	1426
Adjustment arising from changes in price levels and interest credited	16	2	22	1	-	3	44
Charge in the year	62	(5)	1	(1)	356	130	543
Expenditure in the year	(1)	-	(15)	(6)	-	(74)	(96)
Recoverable advance corporation tax	-	-	-	-	(17)	-	(17)
Reclassifications	13	1	16	-	-	(14)	16
Balance at 31 March 1996	412	29	541	138	340	456	1916
Analysed as follows:							
Amounts due within one year	2	-	13	18	-	75	108
Amounts due after one year	410	29	528	120	340	381	1808
	412	29	541	138	340	456	1916
Parent							
Balance at 1 April 1995	322	31	517	144	-	405	1419
Adjustment arising from changes in price levels and interest credited	16	2	22	1	-	3	44
Charge in the year	62	(5)	1	(1)	356	124	537
Expenditure in the year	(1)	-	(15)	(6)	-	(72)	(94)
Recoverable advance corporation tax	-	-	-	-	(17)	-	(17)
Reclassifications	13	1	16	-	-	(17)	13
Balance at 31 March 1996	412	29	541	138	339	443	1902
Analysed as follows:							
Amounts due within one year	2	-	13	18	-	74	107
Amounts due after one year	410	29	528	120	339	369	1795
	412	29	541	138	339	443	1902

17. Provisions for liabilities and charges *continued*

- a. These provisions have been discounted. The table below analyses total costs still to be incurred at the Company's sites (both undiscounted at current prices and discounted to the balance sheet date), BNFL's share of these costs and the amounts provided to date:

	Total costs		BNFL share		Provided to date
	Undiscounted £M	Discounted £M	Undiscounted £M	Discounted £M	
Decommissioning	6310	3040	1571	798	412
Waste management and other costs	11007	7885	1044	777	708
At 31 March 1996	17317	10925	2615	1575	1120
At 31 March 1995	16871	10657	2253	1402	1014

The difference between total discounted costs of £10925M and £1120M provided to date represents costs of £9350M which are to the charge of customers and costs of £455M which will be provided over remaining plant lives in accordance with the Group's accounting policy.

	1996		1995	
	Not provided £M	Provided £M	Not provided £M	Provided £M
b. Deferred tax				
Capital allowances in advance of depreciation:				
Parent Company	-	806	809	-
Subsidiary undertakings	-	1	-	1
Group	-	807	809	1
Other timing differences:				
Parent Company	-	(383)	(444)	-
Subsidiary undertakings	-	-	-	-
Group	-	(383)	(444)	-
Recoverable advance corporation tax:				
Parent Company	-	(84)	(105)	-
Subsidiary undertakings	-	-	-	-
Group	-	(84)	(105)	-
Total:				
Parent Company	-	339	260	-
Subsidiary undertakings	-	1	-	1
Group	-	340	260	1

17. Provisions for liabilities and charges *continued*

c. Other provisions can be analysed as follows:-

	Contract provisions £M	Restructuring provisions £M	Other sundry cost provisions £M	Total £M
Group				
Balance at 1 April 1995	177	125	109	411
Adjustment arising from changes in price levels and interest credited	-	1	2	3
Charge in the year	95	19	16	130
Expenditure in the year	(9)	(27)	(38)	(74)
Reclassification	(3)	-	(11)	(14)
Balance at 31 March 1996	260	118	78	456
Analysed as follows:				
Amounts due within one year	20	49	6	75
Amounts due after one year	240	69	72	381
	260	118	78	456
Parent				
Balance at 1 April 1995	177	123	105	405
Adjustment arising from changes in price levels and interest credited	-	1	2	3
Charge in the year	95	19	10	124
Expenditure in the year	(9)	(25)	(38)	(72)
Reclassification	(3)	-	(14)	(17)
Balance at 31 March 1996	260	118	65	443
Analysed as follows:				
Amounts due within one year	20	49	5	74
Amounts due after one year	240	69	60	369
	260	118	65	443

18. Accruals and deferred income

	Group		Parent	
	1996 £M	1995 £M	1996 £M	1995 £M
This comprises capital grants held as a deferred credit	<u>21</u>	<u>30</u>	<u>21</u>	<u>30</u>

19. Called up share capital

	1996 £M	1995 £M
Ordinary shares of £1 each authorised	<u>43</u>	<u>43</u>
Allotted, called up and fully paid	<u>33</u>	<u>33</u>

20. Profit and loss account

	Group £M	Parent £M
Balance at 1 April 1995	649	685
Retained profit (loss) for the year	(181)	(190)
Goodwill written off	(5)	-
Balance at 31 March 1996	<u>463</u>	<u>495</u>

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

21. Reconciliation of movements in shareholders' funds

	Group		Parent	
	1996 £M	1995 £M	1996 £M	1995 £M
Profit (loss) for the financial year	(88)	45	(97)	37
Dividends	(93)	(45)	(93)	(45)
Goodwill written off	(5)	(2)	-	-
Exchange gains/(losses)	5	2	-	-
	<u>(181)</u>	<u>-</u>	<u>(190)</u>	<u>(8)</u>
Opening shareholders' funds	684	684	718	726
Closing shareholders' funds	<u>503</u>	<u>684</u>	<u>528</u>	<u>718</u>

Cumulative goodwill written off to reserves amounts to £50M (1995 £45M).

22. Capital expenditure authorised

	Group		Parent	
	1996 £M	1995 £M	1996 £M	1995 £M
Contracted for but not provided for	<u>122</u>	<u>109</u>	<u>122</u>	<u>109</u>

23. Pensions

- a. The majority of the employees of the Group are covered by four defined benefit (final salary) schemes. The UKAEA Principal Non-Industrial Superannuation Scheme (PNISS), the UKAEA Industrial Superannuation Scheme (ISS) and the UKAEA Protected Persons Superannuation Scheme (PPSS) have covered BNFL employees since 1971 (the PPSS is now closed to new employees of the Company). In April 1995, a fourth scheme, the BNFL Group Pension Scheme was set up to cover employees of BNFL Subsidiaries, who are not permitted to remain in membership of the UKAEA schemes. The Group's contributions were as follows:

	1996	1995
	£M	£M
Principal non-industrial scheme	15	16
Industrial scheme	4	4
Protected persons scheme	-	-
BNFL Group Pension Scheme	2	-
	<u>21</u>	<u>20</u>

The charge to the profit and loss account in respect of the PNISS, the ISS and the BNFL Group Pension Scheme is identical with the funding costs. For the PPSS, no further funding is required.

- b. For the UKAEA 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	1996
Date of the most recent investigation for which information is available (31 March)	1991	1992	1993
Market value of notional investments	£515M	£263M	£45M
Level of funding	100%	130%	119%
Deficiency on a current funding level basis	Balance	Surplus	Surplus

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	2.0
Investment yield (pa) net of price inflation	3.0	3.5	3.5

23. Pensions *continued*

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 - No contributions are required.

- c. For the BNFL Group Pension Scheme, contributions are paid into investment funds operated by the Clerical Medical Investment Group. The first annual report on these investments is expected to be available in August 1996. The first triennial valuation of the scheme will be carried out in 1997/98.

The subsidiaries contribute to the scheme at rates recommended by the scheme's actuaries, William M Mercer Limited. These rates range from 8% to 9.5% depending on the subsidiary concerned.

24. Contingent liabilities

At 31 March 1996, 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. 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.
- b. Guarantee given to a bank of US \$18M in respect of a loan facility granted to BNFL Inc.
- c. Indemnity given to a bank of £1.1M in respect of bonds provided to a customer.
- d. Warranty given to Urenco Ltd in respect of unexpected higher cost obligations of the future disposal of tails. The maximum contingent liability is £18M.
- e. Deposit of US \$4.2M with a bank, pledged in support of a letter of credit facility for an overseas company.

25. Consolidated cash flow statement

	1996 £M	1995 £M
a. Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	233	86
Loss on disposal of fixed assets	1	8
Depreciation charges	331	314
(Increase)/decrease in debtors	(126)	(53)
Increase/(decrease) in creditors	(169)	107
(Increase)/decrease in stock and work in progress	(56)	(12)
Grants released	(11)	(14)
Increase in provisions	91	121
Increase in advance payments	136	403
Investment provision	33	38
Other non cash movements	(2)	-
	<u>461</u>	<u>998</u>

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

	1996 £M	1995 £M
Balance at start of the year	1297	905
Net cash inflow/(outflow)	(798)	392
Balance at end of the year	<u>499</u>	<u>1297</u>

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

	1996 £M	1995 £M	Change in Year £M
Cash at bank and in hand	34	1	33
Portion of short-term bank deposits maturing in under three months	626	1305	(679)
Bank overdrafts	(161)	(9)	(152)
	<u>499</u>	<u>1297</u>	<u>(798)</u>

	1995 £M	1994 £M	Change in Year £M
Cash at bank and in hand	1	4	(3)
Portion of short-term bank deposits maturing in under three months	1305	926	379
Bank overdrafts	(9)	(25)	16
	<u>1297</u>	<u>905</u>	<u>392</u>

Principal subsidiary and associated undertakings

(Subsidiary and associated undertakings whose results did not, in the opinion of the Directors, materially affect the profit or the assets of the Group are not shown)

Subsidiary undertakings

International Nuclear Fuels Limited (INFL)

Incorporated in Great Britain. It is wholly owned by BNFL and its purpose is to develop international business through collaboration.

INFL has a 62½% shareholding in Pacific Nuclear Transport Limited, incorporated in Great Britain, whose main purpose is the transport of irradiated fuel and associated services.

BNFL Inc

Incorporated in the United States of America. It is wholly owned by BNFL and its purpose is to identify and pursue business opportunities in North America.

BNFL Fluorochemicals Limited

Incorporated in Great Britain. It is wholly owned by BNFL and its purpose is to produce and market fluorine-based products. The company also has a 100% shareholding in Fluorochem Limited.

Deva Manufacturing Services Limited

Incorporated in Great Britain. It is wholly owned by BNFL and its purpose is to manufacture waste drums and associated equipment.

Hinton Insurance Limited

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

Rutherford Indemnity Limited

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

BNFL Engineering Limited

Incorporated in Great Britain. It is wholly owned by BNFL and its purpose is to provide worldwide engineering services.

Nuclear Liabilities Management Company Limited

Incorporated in Great Britain. It is wholly owned by BNFL and its purpose is to minimise the cost of discharging nuclear liabilities on BNFL's sites.

BNFL Instruments Limited

Incorporated in Great Britain. It is wholly owned by BNFL and its purpose is to develop, manufacture and market advanced radiometric and related systems and services.

Principal subsidiary and associated undertakings *continued*

Asssociated undertakings

Urenco Limited

Incorporated in Great Britain Its main purpose is the supply of enriched uranium produced in enrichment plants using the centrifuge process.

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

United Kingdom Nirex Limited

Incorporated in Great Britain 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.

Fellside Heat and Power Limited

Incorporated in Great Britain for the purpose of the production of electricity through combined heat and power.

BNFL holds 50% of the ordinary shares. The remainder are held by Scottish Hydro Limited.

Nuclear Transport Limited

Incorporated in Great Britain for the purpose of providing services for the transport of irradiated nuclear fuel elements from oxide-fuelled power reactors to reprocessing plants in Europe and associated services.

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

International Environmental Resources LLC

Incorporated in the United States of America for the purpose of constructing and leasing out a radioactive scrap metals recycling facility.

BNFL Inc. has a 32% governance interest. The remainder is held by American corporations.

Financial statistics

	1996 £M	1995 £M	1994 £M	1993 £M	1992 £M
Assets employed					
Fixed assets	5015	4502	4527	4619	4310
Net current assets	1166	958	318	60	37
	<u>6181</u>	<u>5460</u>	<u>4845</u>	<u>4679</u>	<u>4347</u>
Financed by					
Loans and advance payments	3848	3428	2972	2865	2612
Provisions for liabilities and charges	1808	1317	1139	1054	992
Government grants	21	30	47	68	83
Share Capital	33	33	33	33	33
Profit and loss accounts and reserves	470	651	651	647	614
Shareholder's funds	<u>503</u>	<u>684</u>	<u>684</u>	<u>680</u>	<u>647</u>
Minority interests	1	1	3	12	13
	<u>6181</u>	<u>5460</u>	<u>4845</u>	<u>4679</u>	<u>4347</u>
Turnover and profits					
Turnover:					
Nuclear fuel services - home	927	772	872	756	711
- export	501	425	150	186	268
Electricity	121	107	111	107	103
	<u>1549</u>	<u>1304</u>	<u>1133</u>	<u>1049</u>	<u>1082</u>
Operating profits	<u>233</u>	<u>86</u>	<u>104</u>	<u>149</u>	<u>278</u>
Net financing income (expense)	69	(23)	(35)	(76)	(119)
Profit before tax	316	74	81	76	161
Profit (loss) for the financial year	(88)	45	75	59	143
Dividends	(93)	(45)	(26)	(26)	(52)
Retained profit (loss) for the year	<u>(181)</u>	<u>-</u>	<u>49</u>	<u>33</u>	<u>91</u>
Profit before tax as a percentage of average shareholder's interest	<u>53%</u>	<u>11%</u>	<u>12%</u>	<u>11%</u>	<u>27%</u>