

BRITISH NUCLEAR FUELS plc

ANNUAL REPORT AND ACCOUNTS

31 MARCH 1995

REGISTERED NO: 1002607



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ANNUAL REPORT AND ACCOUNTS 1994/95

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CHAIRMAN'S REVIEW

1994 Highlights

Following a year of frustration caused by the regulatory delays to the start-up of Thorp, I am glad to be able to report that the Company has made very significant progress on a number of important fronts over the past year.

First, after nearly six years of negotiations we signed contracts worth a total of £18 billion with our two principal UK customers, Nuclear Electric and Scottish Nuclear.

Secondly, we have achieved good and steady progress with the commissioning of Thorp, which contributed greatly to our achieving over £425 million of export earnings, equivalent to 33% of our turnover. This means that we are now one of Britain's major export earners - a position that we will build on as Thorp is fully commissioned.

The Government's recent positive decision on waste substitution should also greatly help our efforts to obtain further orders for the second ten years of Thorp's operations.

Thirdly, we have made determined efforts during the past year to develop and apply our unique advanced nuclear technologies to related areas, both in the nuclear and non-nuclear fields. I would hope and expect these developments to figure more prominently in future annual reports and in our bottom line profits.

Fourthly, our underlying profit before tax of £292M was the highest yet, before allowing for a number of 'unusual' factors, including some £180 million resulting from the new contracts with Nuclear Electric and Scottish Nuclear.

Given its confidence in BNFL's future, the Board has recommended a larger than expected dividend of £45M, compared with £26M last year, all of which will benefit the British taxpayer.

The Board is confident that it will be in a position to pay an increasing flow of dividends to the British taxpayer in the years ahead reflecting the Company's commercial and financial growth. These key achievements are described in greater detail in the Chief Executive's and the Finance Director's reports.

The Nuclear Review

The Nuclear Review was published in May. The Government clearly recognised BNFL's place at the forefront of the nuclear services market and emphasised its continuing support to BNFL in offering the full range of fuel cycle services and in developing its business in overseas markets.

It was also very pleasing to note the Review's support for BNFL and the Government's commitment to work alongside the Company with overseas Governments and customers. It recognised - as indeed everyone at BNFL recognises - that a major challenge for us now is to develop our business in overseas markets where the growth of nuclear power is strongest.

BNFL's International Activities

The international nuclear services market is large and growing. It is expected to be worth some \$20 billion annually by the year 2000 and some \$35 billion by 2010.

BNFL Inc, our subsidiary in the US which specialises in the environmental restoration of nuclear sites, is strengthening its foothold with a growing number of contracts from the US Department of Energy (US DOE). The most recent contract will see BNFL Inc, as part of a consortium, managing and operating all environmental restoration and waste management at Rocky Flats in Colorado. The contract is worth some \$325 million over the next five years. It is a recognition of the fact that BNFL has a pre-eminent record in completing environmental restoration, waste management and decommissioning work successfully.

Despite some delays in funding, it has been estimated that the US DOE will need to spend around \$300 billion over the next 30 years to clean up nuclear waste. The Nuclear Review recognises that there is clearly scope for BNFL to pursue a substantial amount of business in the US.

Far Eastern markets also offer great potential to BNFL. Japan is already an extremely important market where BNFL accounts for nearly 10% of Britain's exports to Japan. Some business has already been won in South Korea, where nuclear power is expanding fast. We are, of course, pursuing a strategy to increase our business in the region still further. We have had an office in Seoul for three years. We have more recently set up an office in Tokyo, while earlier this year the then President of the Board of Trade, Michael Heseltine, announced the opening of our new office in Beijing.

We are delighted that the Government, in its Nuclear Review, endorsed our commercial plans so strongly, particularly in overseas markets where we are an established world leader in providing nuclear fuel services. Their continued support is of great importance in these markets as we endeavour to obtain more business for the UK.

Privatisation

Much of the Nuclear Review focused on the privatisation of Nuclear Electric and Scottish Nuclear. As far as BNFL was concerned the Government said that it would not want to rule out the privatisation of BNFL as an aim in the longer term.

The Board's position on privatisation remains unchanged. It has always taken the view that it is for the shareholder to decide whether or not to sell its shares. It is the

duty of the Board, as envisaged in 1971 when BNFL was founded, to exercise our commercial judgment in running the business so that the options of share sale or profitable retention by the Government remain available.

Magnox Stations

The Review also stated that the Government intended to transfer full responsibility for all NE's and SNL's Magnox stations and liabilities to BNFL following the privatisation of the two generators. Mr Heseltine told Parliament that the transfer would take place on a commercial basis.

BNFL will now need to study the impact of any such proposal. A good deal of discussion and negotiation will now take place between ourselves, the Government and the new Magnox company. It is clearly in the interests of the UK as a whole, notably HM Treasury, that the Magnox stations should continue to generate electricity for as long as it is economic and safe for them to do so. BNFL also remains firmly committed to its objective. Indeed, BNFL's own Magnox stations at Calder Hall and Chapelcross have been generating electricity for 38 and 35 years respectively. In particular, we will need to be assured that, if the Government transfers the Magnox stations to BNFL, there will be a financially credible means of meeting their decommissioning and other liabilities without harming the rest of our business.

Costs

A key objective during the year has been to reduce our cost base and improve efficiency in every area of the Company in order to secure our future prosperity in an increasingly competitive domestic and overseas market. This has to be tackled right across the Company, from achieving greater energy efficiency in our operations, to putting still greater emphasis on waste minimisation technology and optimising the way we manage our business. Regrettably, it has also meant a reduction in manpower levels. Targets within each business area are being met by natural wastage, voluntary severance and early retirement. For the future, further reductions in manpower numbers will be necessary to reflect our business needs at divisional or group level.

Personnel Development

Against this background of a leaner, more highly skilled workforce there must be a commitment to develop individual professional and technical skills through further education opportunities and a wide range of internal and external training programmes. An audit of the capabilities of our employee is under way to identify individual development needs and to ensure that staff are in the right jobs to match their skills. The objective is to have a personal development plan in place for every BNFL employee within two years.

I believe that one of the major challenges facing the Company is to make sure that we make use of the unrivalled talents and innovative skills of our outstanding workforce at all levels, notably in exploiting to the full our unique technological base.

With our superb workforce and the proven technology, we have the assets to maintain and build on our position as the world number one within the nuclear industry. We are committed to developing these opportunities to the full. I would like to thank everyone in the Company for the contribution they have made to our successes over the past year.

CHIEF EXECUTIVE'S REVIEW

A year of landmark achievements

1994/95 has seen BNFL's financial performance return to our original expectations of profit growth. This has been underpinned by the landmark achievements of starting up the Thorp facilities and concluding some of the world's largest commercial contracts, worth £18 billion, with our principal UK nuclear utility customers. These achievements provide a firm base for the continuing international development of the Company.

A Sound Business Footing

Following the delayed Thorp discharge authorisation, BNFL's financial performance is back on track. The previous two years can now be firmly viewed as an unfortunate aberration in an overall long-term trend signified by substantial sales and profit growth.

The closing days of March 1995 saw the signing of two major fuel cycle services contracts, worth £18 billion, with Nuclear Electric and Scottish Nuclear. These contracts are clearly important due to their magnitude alone. However, they also provide for a reduction in uncertainty for our customers with regard to future fuel cycle and waste management costs. For BNFL, the conclusion of these contracts enables us to plan with greater certainty with regard to our future income stream, whilst allowing all of our businesses to be more firmly targeted and evaluate future prospects with greater clarity. I am delighted that we have been able to conclude these contracts, which represent a good deal for our customers and a good deal for BNFL. The challenge ahead is for us to continue with the cost reduction initiatives already in place within BNFL so that we can profitably fulfil our obligations under these contracts.

The Scottish Nuclear deal is significant in that it specifies the provision of an integrated front-end fuel supply package. This will give BNFL the opportunity to optimise the procurement of raw materials, together with the processing and manufacturing stages of fuel supply. The customer will be the ultimate winner. It also includes a substantially increased commitment by Scottish Nuclear to Advanced Gas-cooled Reactor (AGR) fuel reprocessing during the second 10 year period of Thorp.

The conclusion of these major contracts puts almost half of the second 10 year period of Thorp onto a fully contracted basis. The first ten years of Thorp's operation is already fully committed.

Of course, our investment programme in the UK and the successes that I have reported on the home front would not have been possible without the tremendous support of our overseas customers. BNFL has been a significant international player for many years and we are continuing to develop our international portfolio. This is evident from the proportion of sales derived from exports which have increased to 33% in 1994/95 from 13% in 1993/94. It is our 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. BNFL will continue to make a significant contribution to the UK's balance of payments whilst bringing commercial and social benefits to the North West of England.

During the past year, the Government has announced that, for statistical purposes, BNFL has been reclassified within the Public Sector Borrowing Requirement. This change in status does not alter our commercial *modus operandi*. This point was made very clear by Ministers at the time. I am therefore confident that we will continue with the constructive relationship we enjoy with our shareholder, the Department of Trade & Industry.

The Government has also recently announced the results of their Nuclear Review which began last summer and I am delighted that it has re-affirmed its continuing support for BNFL's full range of products and services. The Government has also recognised our legitimate international ambitions and has again pledged its full support in realising these. The Review indicates the intention to transfer the responsibility for all of the UK Magnox power stations to BNFL. I welcome this move, subject to a satisfactory conclusion of the liability and provisioning issues. All at BNFL will rise to the challenge of optimising the UK's Magnox programme.

The Year's Successes

During the financial year, the active commissioning and start up of the Thorp facilities has proceeded steadily with a modest 65 tonnes of fuel being sheared and dissolved. This is a substantial achievement, given the huge scale and engineering complexity of the facility. It was particularly pleasing that the chemical separation area of the plant behaved exactly as expected and operated at full level almost immediately.

In the other main areas of our business: Magnox reprocessing; waste management; decommissioning; fuel manufacturing; transport and electricity generation, all technical targets have been met. I am particularly pleased with the continuing high level of performance from our Magnox power stations which are now approaching their fortieth birthdays. This is not exceptional performance - it is simply what we have come to expect from these well-engineered workhorses. We are planning to justify to the regulatory authorities continued generation from these stations well beyond their 40 years and the Nuclear Review presents us with the opportunity to put our Magnox operational skills to wider use.

Other new facilities have also been brought on stream at Sellafield. The Low Active Effluent Treatment plants are now fully commissioned and further reducing the already low radioactive discharges to the Irish Sea. In support of Thorp, the new Waste Encapsulation Plant is now treating fuel cladding hulls from the Thorp process. Low-level waste compaction facilities at Sellafield are also now on stream to lengthen the operational life of our Drigg disposal site. At Springfields, the New Oxide Fuel Complex is undergoing active commissioning and all AGR and Light Water Reactor (LWR) fuel fabrication will be gradually transferred to these new facilities. A further

key feature of the year was the delivery of Mixed Oxide (MOX) fuel to the Beznau reactor in Switzerland, in which it is now operating successfully.

The opening of the Line 4 Uranium Hexafluoride (Hex) Plant at Springfields in September 1994 was another important development in our ability to offer the best and most cost-effective fuel cycle services.

The Company reviews annually the overall future cost of managing the waste and decommissioning of facilities on its sites. I am pleased to say that this year's review has led to a reduction of over 12% or £2.4 billion in the undiscounted cost of this work (£0.9 billion discounted). The share of the discounted cost borne by BNFL itself has gone down by £150M. This means that BNFL has now provided in its accounts for in excess of 70% of its own estimated liabilities, compared with 65% last year.

February saw the departure from Cherbourg in France of the first shipment of high-level vitrified waste to Japan. The material was from the COGEMA La Hague facility and was transported by the Pacific Nuclear Transport Limited (PNTL) ship Pacific Pintail. The voyage attracted considerable publicity generated by anti-nuclear groups; however, I am delighted that the vessel has successfully delivered the cargo to the Rokkasho facility in Japan. More shipments will follow in the years ahead.

Efficiency and Effectiveness

Our drive for quality in all that we do continues unabated. During 1994, the Company Quality Council adopted the European Quality Award as a standard throughout the Company. This will provide a focus for improving further upon the quality of the products and services we supply to customers.

Two key steps in our commitment to develop employees were realised. The THORP Division became the first operating unit in the Company to attain Investors in People accreditation. Processes were also agreed with employee representatives enabling us to arrange the introduction of personal development plans for every employee. Our aim is to ensure that every employee will have a personal development plan within the next two years.

Reductions in numbers have continued as a regrettable but necessary step to improve competitiveness. Company numbers reduced during the year and an average of 14,221 were employed compared with 15,476 in the previous year. We remain committed to dealing with these issues in a clear but responsible manner, using all voluntary means available and providing support and help to those who do leave the Company.

I believe that we have realised our vision of a company structure which embraces high technology development activities alongside our core businesses. This is evidenced by the programmes we have established at the independent Westlakes Institute in Cumbria and the Company Research laboratory at Springfields. These are aimed at developing the technologies for our future and to that end we have established a world beating team of top-class scientists. To complete the portfolio of development for our future, a new Product Development Centre is being established at our Capenhurst site. This will provide a valuable and much needed resource aimed at converting innovative ideas, and the results of research, into marketable and profitable products, both for our core business and new markets. It also marks a commitment to the long-term future of our Capenhurst site.

In the area of technology development, we are also committed to working in partnership with universities in order to leverage the best results from our rich base of technology and experience. In 1994, 5% of our turnover was spent on R&D. We continue to pursue opportunities to expand our business by utilising our unrivalled skills to enter new market areas.

The efficiency improvement programmes which we embarked upon some two years ago have continued and are now delivering real savings across the Company. The continuation of this cost-reduction process is essential if we are to achieve our vision. Of course, I also acknowledge the stressful times that many people have had to cope with and I would like to thank all employees for their important contribution to our improving efficiency and effectiveness.

One area where improved efficiency shone through in the past year has been the rapid maintenance shutdowns for both the Magnox reactors and the Sellafield Magnox reprocessing plant.

Safety and the Environment

We have for many years achieved tremendous improvements in our safety performance, particularly in reducing radiation doses to our workforce. In 1994, the average dose received by our radiation workers (2.0 millisieverts) was again less than the average UK exposure to naturally occurring background radiation (2.2 millisieverts per year).

The average and collective doses received by employees based at Capenhurst continue to be very low. At Chapelcross, the collective dose was the lowest ever and for the first time, no single employee exceeded 10 millisieverts over the year. At Springfields, there was a significant reduction in the collective dose and, as with Chapelcross, no employee received more than 10 millisieverts. Average and collective doses at Sellafield increased slightly in 1994 as a result of an increased number of decommissioning projects, the introduction of a number of new facilities and a major shutdown of the Magnox reprocessing facilities for planned maintenance. The number of employees in the Company who received greater than 15 millisieverts was only four in 1994, compared to over 1000 in the mid-1980s.

Our performance in conventional industrial safety, expressed in terms of the frequency rate of reportable accidents, has similarly improved over a number of years and in 1994 our performance remained similar to that of 1993. Whilst now comparable with average rates across the whole of the chemical industry, the Company's Board of Directors has endorsed a set of initiatives aimed at further improving performance in this area, making us comparable with other leading UK companies.

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 millisievert.

BNFL is given independent guidance on environmental matters by a top level Environmental Council. Last year I 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 Environmental Management Standard BS 7750 by the end of 1996. During 1994, we continued to build on these environmental management systems and we are now in the process of reviewing our current environmental policy, together with our associated objectives and targets.

International

In recent years, BNFL has worked hard at establishing a presence in new markets around the world as well as seeking to supply further products and services in established markets. We have achieved a high standing internationally. With our home base now on a more certain footing, we must continue to build and establish international relationships, such that our undoubtedly world-class technologies can be exploited to the full. We must employ innovative strategies in order to enter new markets. The recent award to a team involving our US subsidiary, BNFL Inc., of the site management clean-up contract for the Rocky Flats nuclear facility in the US, is a good example of a new market entry through a teaming arrangement with local US partners. It is vitally important to choose the right people to work with in each market.

In order to increase our presence in the enormous Asian markets, BNFL is opening new offices in Tokyo and Beijing. These new offices will be in addition to our existing Seoul office and will position the Company for expansion into this important and developing area.

Urenco, in which BNFL, along with our German and Dutch partners, is a one-third shareholder, is also an important part of our international portfolio of business, ensuring that our customers have a full fuel cycle service available to them. We will continue to support them in their goal of increasing their share of the world enrichment market.

BNFL in the North West

BNFL is proud to be based in the North West of England and is committed to playing its full part in contributing to the economic and social well-being of the region. There are many examples of schemes and projects in which BNFL has had a role, either leading or supporting - too many to list here. Of particular note is the Granada Community Challenge, where we have accepted a challenge to bring about tangible and lasting benefits for the young people of the inner-city Medlock District of Manchester. In partnership with the community and local agencies, our intention is to develop sports and community facilities in a Salvation Army building. We are determined to continue in this role by working together with elected local authority members and local business for the benefit of the community.

During the year we were also able to share in the excitement of the individual successes of some of our employees past and present who received honours. My congratulations go to Maurice Pritt, MBE; Jack Abernethy, OBE; Anne Bell, MBE and David Kilfoyle, MBE.

Finally, I recognise that none of this past year's successes would have been possible without the tremendous loyalty and commitment of the BNFL workforce, together with the support of their families. To them I offer my warmest thanks for their contribution in a year which has seen our overall business performance back on track.

FINANCIAL REVIEW

BNFL has had a very active year reflecting strong underlying growth and substantial progress being made towards achieving many of our strategic objectives.

Pre-tax profit is £74 million (compared to £81 million in 1993/94) and profit for the financial year is £45 million (£75 million in 1993/94). However, these figures do not accurately reflect the underlying growth of our business as the profits for both years have been affected by a number of 'unusual' factors.

The most significant factor for 1994/95 was the conclusion of negotiations with Nuclear Electric plc and Scottish Nuclear Ltd. Contract restructuring and price concessions backdated to 1 April 1989 have resulted in turnover and hence profits being reduced by approximately £180 million in the year, of which £142 million relates to the period 1 April 1989 to 31 March 1994 and is disclosed as an exceptional item. The accounts also reflect a further £38 million cost of our continuing funding of UK Nirex Ltd.

The most significant factors for 1993/94 were the impact of the delay in the start-up of Thorp and an exceptional provision made against loans to UK Nirex Ltd due to potential changes in the financial structure of that company. These factors resulted in profits for 1993/94 being reduced by £191 million.

Pre-tax profits, after adjusting for the above factors, were £272 million for 1993/94 and £292 million for 1994/95, an underlying increase of just over 7%.

Other factors having a significant effect on profit in 1994/95 have been the requirement for a provision for bad debt against a major uranium supplier offset by the sale of plant at the Capenhurst site and the settlement of certain claims arising from liabilities at Hunterston A power station in Scotland.

Financial Charges

Financial charges for the year have reduced from £35 million to £23 million, due principally to a £20 million increase in income from current asset investments and short-term deposits. The top up of our nuclear provisions is included in this line at £43 million (£34 million in 1993/94) and this represents price level changes together with the reversal of one year of discounting.

Taxation

The tax charge for the year has increased from £5 million to £29 million with the effective rate increasing from 6% to 39%. This increase is primarily due to an increase in Advance Corporation Tax (ACT) not deemed recoverable within 12 months and the fact that tax losses have now been fully utilised.

Dividend

The Board has decided to pay a dividend that in effect disregards the exceptional charge of £142 million relating to contract restructuring and price concessions given to Nuclear Electric and Scottish Nuclear. This higher than expected dividend for the Shareholder reflects the Board's confidence that profits will continue to grow in the light of our improved trading performance.

Cash Flow

The Company's net cash inflow, as shown on the statutory cash flow statement, was £392 million (£105 million in 1993/94). This is after investing £111 million in short-term deposits and other current asset investments with a maturity of longer than three months and after repaying £85 million of our borrowings from the European Investment Bank. Other cash outflows reflected in this figure include capital expenditure of £333 million and the £38 million funding of UK Nirex Limited mentioned earlier. Our capital expenditure represents our continued investment for the future growth of the Company and our commitment to safety and improving our environmental performance.

Large cash flows will be required in the future to fund BNFL's long-term waste and decommissioning liabilities and further capital investments which will secure the Company's position in the expanding world nuclear market. This further investment was recognised in the recent Government Nuclear Review and it is pleasing to report that we have, and plan to have, the cash available to finance our expansion prospects, particularly overseas, without the need to have any recourse to the markets in the foreseeable future.

Shareholder's Funds

Total Shareholder's funds are the same as last year at £684 million, reflecting the full distribution policy adopted this year. We are confident of continuing to expand our return to the Shareholder over the forthcoming years. Before the exceptional charge to profit this year, our return on investment to HMG was in excess of 20% and we will be working hard to improve this figure in the years to come, with the positive backing of our shareholder.

Ross Chiese
Group Finance Director

OPERATIONAL REVIEW

UK GROUP

All targets met

The first year of operating within the new UK Group structure introduced in April 1994 has been a very successful one. All production, efficiency improvement and cost reduction targets have been met or exceeded across the Group.

The UK programme of reducing operating costs by 20% and manpower levels to 5,000 within five years, is on course with manpower reducing from around 7,300 at the end of 1993/94 to 6,600 by March 1995. During 1994/95 controllable costs were reduced by around 6%. This efficiency improvement will continue in the years ahead as we seek to further drive down the costs to our customers.

The UK Group's external sales are dominated by the provision of Magnox reprocessing and waste management services to the UK nuclear utilities (some two thirds of total sales). The conclusion, in March 1995, of the new contractual arrangements with Nuclear Electric and Scottish Nuclear was a major milestone, providing a long-term framework for the Group's major business activity. Both of these contracts provided competitive prices to our UK customers, adding further to the impetus of cost reduction within UK Group.

It is clearly in the interests of the UK as a whole that the Magnox stations continue to generate electricity for as long as is economically possible. BNFL remains committed to this objective. Indeed, our own Magnox stations at Calder Hall and Chapelcross have been generating electricity for 38 and 35 years respectively - providing valuable experience which can be used on the rest of the UK's Magnox stations when they eventually transfer to BNFL as a result of the Nuclear Review.

Apart from Magnox reprocessing and power generation, the Group's other significant business is the retrieval of waste and the decommissioning of redundant nuclear plant on behalf of the UK Ministry of Defence (MOD) and UKAEA.

In 1994 commercial arrangements were concluded, under which the MoD contribute their share of funding to these programmes. Negotiations on these agreements began more than three years ago and the work they cover will continue well into the next century. They are expected to provide significant income over the next ten years and represent both an opportunity and a challenge for BNFL, who will be working hard to ensure that customers obtain value for money.

The Group is also providing experienced Senior Managers to take a major role in BNFL Inc.'s Rocky Flats Management and Operations proposals to the US Department of Energy. This contract was recently awarded to BNFL Inc. Elsewhere, the Group continues to work in partnership with the Engineering Group to further exploit our practical experience in decommissioning and waste management. There are many business opportunities being actively pursued in this area to provide a service to other nuclear sites in the UK.

Magnox Reprocessing

Magnox reprocessing continues to make a significant contribution to the Company's profitability, and 1994 has been another successful year with all production targets met or substantially exceeded. During the year, a planned engineering shutdown of the reprocessing plant was completed two weeks ahead of programme with a 40 % reduction in minor accident rates compared to previous similar shutdowns.

Following detailed inspection, there is now increased confidence in the integrity of the plant and its ability to continue operating until a planned major refurbishment early in 1997. This refurbishment will support the continuing operation of UK and overseas Magnox stations well into the next century.

BNFL's commitment to customers has been demonstrated yet again by establishing record achievements for routine fuel deliveries from power stations. In particular this led to an accelerated defuelling of the Scottish Nuclear Hunterston 'A' power station, which was shutdown in 1990. This will contribute to an overall reduction in the cost of decommissioning the station. Similar commitment has been demonstrated to overseas customers with the continuing reprocessing of fuel from Japan's Tokai Mura reactor and in conjunction with BNFL Inc., successfully winning an acid recycling contract with the Hanford site in the USA.

Electricity Generation

The BNFL Magnox Reactors - at Calder Hall on the Sellafield site and at Chapelcross in Southern Scotland - have broken generating records.

Their combined output, of 3155.5 gigawatt hours (including steam exported to the Sellafield site) is a modern times record. Some 2778.6 gigawatt hours were exported to the National Grid - enough to meet the annual needs of a city the size of Leeds.

It is this reliability and robustness that has led to the Company making submissions to the Nuclear Installations Inspectorate for extending the Operating Licences of the 40 year-old reactors to allow the continued generation of electricity for at least another 10 years. It is our aim to operate them for as long as they are safe and economically viable.

The Combined Heat and Power Plant at Sellafield has been commissioned and ownership transferred to Fellside Heat and Power Ltd, a joint venture between BNFL and Scottish Hydro Electric plc. The 168 megawatt gas-fired plant will supply electricity and steam to Sellafield as well as approximately 100 megawatts of electricity for Hydro-Electric to sell to customers in England and Wales.

Waste Retrieval and Decommissioning

The decommissioning programme throughout the Company has continued to confirm and enhance the techniques and skills which will enable BNFL to win high technology business in a global market. Marketing of this proven experience and technology, both in the UK and overseas, is being rigorously pursued.

Good progress has continued in the retrieval and treatment of waste from historic operations. Difficult targets have been achieved for the recovery and treatment of residual fuel and wastes from the old Magnox fuel storage and decanning plants. The emptying and treatment of the first compartment of historic Magnox waste, which is currently stored in water-filled silos at Sellafield, was also completed ahead of programme and progress on the second compartment is now well underway.

Decommissioning across a wide range of areas has continued with 22 projects completed within cost and a further 29 projects well underway. Decommissioning of the Manchester Universities reactor at Risley was completed to time and cost and BNFL has now been asked to undertake the de-licencing of the site - the first in the UK.

Waste and Effluent Treatment

The Low Active Effluent Treatment Plant is now operational. This is the latest stage in a ten year, £750 million investment programme to reduce the already low levels of radioactivity in the water discharged by Sellafield into the Irish Sea. Current radiologically significant discharges are less than 1% of their peak in the 1970s.

In addition to further reducing the discharges from current operations these plants also started to treat the liquid waste stored from previous years to allow their disposal in a safe and controlled manner and to minimise the environmental impact.

Throughput was once again increased at the Sellafield Vitrification Plant, which converts liquid high-level waste into a stable, solid block. The year's total reached 332 containers as a result of systematic plant improvements being introduced. The medium-term target of 400 containers is now in sight. The Board of Directors sanctioned construction of a third line to be available by the end of the decade to provide further vitrification capacity.

All of the pieces of fuel containment can, known as swarf, which result from current ongoing Magnox decanning operations was encapsulated in the Magnox Encapsulation Plant. About 30% of the plant capacity was also used to treat swarf which had been temporarily stored from previous years.

The Waste Monitoring and Compaction Plant was brought into use at Sellafield and is now successfully compacting low-level solid waste to minimise its volume prior to disposal. The compacted waste is being sent to the new Drigg Grouting Facility for final conditioning before disposal in the Drigg vaults.

INTERNATIONAL GROUP

Unparalleled expertise for customers worldwide

In recent years, BNFL has been working hard to grow its international business, particularly in developing markets where nuclear power is expanding to meet the energy needs of industrialisation.

This financial year, BNFL achieved international sales totalling £425 million - some 33% of total group sales. The Company carries out business in 14 countries in Europe, Asia, and North America. The international sales portfolio is broadly based, covering reprocessing, waste management, used fuel transport and fuel products amongst others. For example, BNFL has supplied fuel products to some 140 reactors worldwide, which is around one third of the world's total.

For the future, BNFL's International Group will continue to seek fresh opportunities in new geographic and product markets. BNFL's expertise is recognised worldwide and the Company's ability to offer a complete fuel cycle service puts it in a strong position to expand further in a worldwide market which has been estimated to be worth more than \$35 billion by the year 2010.

Marketing

A review of marketing was undertaken during 1994/95 and this identified the need to place greater emphasis on using overseas offices and non-UK nationals to help to pursue overseas business opportunities. In addition, the need for an effective information strategy enabling staff around the world to communicate with each other has resulted in the development of a market intelligence database and the establishment of an on-line product portfolio database.

USA

The end of the Cold War has led to the USA dismantling many of its nuclear weapons. BNFL is continuing to pursue involvement in weapons plutonium disposition with the emphasis on mixing the former weapons plutonium with uranium to form Mixed Oxide (MOX) fuel for burning in Light Water Reactors. This would be a true 'swords into ploughshares' initiative.

Asia

A major review of strategy in Asia has been completed. The main findings point to significant additional used fuel, MOX, engineering and fuel fabrication opportunities in Japan and future investment opportunities arising in China. As a result, the Company announced its intention to open offices in Tokyo and Beijing during 1995 in order to complement the existing office in Seoul. Both of these new offices are now operational.

Europe and CIS

The BNFL/Minatom Agreement, covering collaboration across the whole of the fuel cycle, was extended for a further two years in March 1995.

The original agreement was redrafted to give more focus on commercial opportunities, including the clean-up of Russian nuclear submarines and icebreakers, which at present lie idle in ports all around the former Soviet Union. These ships, redundant since the end of the cold war, present a formidable decommissioning challenge.

The European Fuel Cycle Consortium, founded by BNFL and other European fuel companies, has received a number of invitations to tender from the European Commission for studies into fuel cycle safety improvements in Eastern Europe.

Thorp

It has been a significant year for the Division with both the Thorp plants and the Waste Encapsulation Plant (WEP) moving successfully from inactive safety commissioning to fully active commissioning.

Thorp is designed to separate recyclable uranium and plutonium from used oxide fuel. During the process about 3% of waste material is isolated from the reusable materials and this is then treated for safe storage. Since the first shear of used fuel in March 1994 over 60 tonnes of fuel previously held in the storage pond has been sheared and dissolved during the financial year. The first shear was followed by the start of operations, in June 1994, of the Waste Encapsulation Plant. This plant, which treats intermediate-level waste from Thorp, also performed well. The active wastes which the plant receives have been sorted, encapsulated and transferred to the adjacent Encapsulated Product Store. The Chemical Separation Plant within Thorp began operation at the end of January 1995.

Thorp Division has also made a significant contribution by providing Mixed Oxide (MOX) fuel manufacturing facilities. The MOX Demonstration Facility has manufactured and delivered its first consignment of MOX fuel assemblies to a Swiss customer. The assemblies have subsequently been loaded in the Beznau reactor and are now generating electricity. The limited production capacity of the Demonstration Facility is now largely committed and a major production facility, the Sellafield MOX Plant with a capability of 120 tonnes a year, is currently under construction adjacent to Thorp. The main building structural concrete and steelwork has been successfully completed with the internal services and equipment installation now underway in preparation for the planned start of operations by the end of 1997.

It has also been a significant year commercially for Thorp, with the conclusion of major contracts with Nuclear Electric and Scottish Nuclear. Unfortunately, prior to the signature of these contracts, two German utility customers chose to exercise their option to cancel 550 tonnes of their post-baseload Thorp contracts as a consequence of changes to national Atomic Law.

The post-baseload period of Thorp represents its second ten years of operation. Thorp is already fully committed for its first ten years. However, the new domestic contracts with Nuclear Electric and Scottish Nuclear do secure some 4750 tonnes of used fuel for reprocessing over the baseload and post-baseload periods for reprocessing with a further 1044 tonnes of Scottish Nuclear fuel to be held at Sellafield as an interim measure. This represents new business from Scottish Nuclear of an extra 550 tonnes for reprocessing with a formal commitment to a previous option of 200 tonnes post-baseload reprocessing. Taking into account these new developments, the overall committed business for Thorp remains broadly the same for the post-baseload period.

Fuel Division

1994/95 has been an exciting year in terms of the UK market, international development and investment for the future. The highlight of the year was the opening of the new Hex plant, which converts uranium powder into hexafluoride gas as part of the fuel manufacturing process.

In the UK, contracts were signed with Nuclear Electric and Scottish Nuclear for the supply of AGR and Magnox fuel. The contracts secure existing jobs well into the next century whilst offering our customers competitive and flexible packages. BNFL has supplied both the initial and first re-load fuel for Britain's first Pressurised Water Reactor at Sizewell B which came into operation in January this year.

There has also been significant business development activity in international markets. Many orders have been placed for uranium hexafluoride in the new production facility. In the emerging market for fuel manufactured from recycled uranium, an important milestone was reached when a trial was successfully completed for our Japanese customers.

In the US, Fuel Division's links with the Manufacturing Science Corporation is resulting in new business, whilst the Transport Business Centre is developing into a world-class carrier of specialised materials.

The Company's long-term commitment to the nuclear industry is signified by the completion of the New Oxide Fuels Complex, one of the world's most advanced fuel production facilities. Further commitment is highlighted by the investment in new Research and Development facilities to enhance BNFL's capability to develop new products and processes. Both have been designed to the highest standards of radiological protection, so as to maintain our top class nuclear safety record.

Transport

BNFL continues to supply a safe and efficient transport service to customers worldwide.

Through our subsidiary company, Pacific Nuclear Transport Limited (PNTL) and our associate company, Nuclear Transport Limited (NTL), BNFL has safely carried over 2334 tonnes of nuclear material from Japan and mainland Europe since 1969.

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

PNTL currently has contracts with all 10 Japanese utilities and, to date, has transported used fuel from 33 of the 46 operational reactors in Japan. During the year, more than 201 tonnes of fuel were shipped on board PNTL ships.

The year also saw the transportation by NTL of more than 133 tonnes of used fuel from European reactor sites to Sellafield.

The BNFL/PNTL fleet totals six purpose-built ships which comply fully with the recently introduced International Maritime Organisation (IMO) standards. This is the only fleet of ships in the world which meets the IMO 'INF 3' standard. They encompass the highest safety standards, coupled with the duplication and segregation of power supplies. This fleet secures the Company's position at the forefront of worldwide nuclear fuel transportation.

The successful voyage of a shipment of vitrified residue was completed from Cap La Hague in France to Japan. A further key feature of the year was the introduction of the purpose-built ship European Shearwater to transport used fuel from European reactors to Sellafield via BNFL's purpose-built port at Barrow-in-Furness.

The ship, which formerly transported used fuel from reactors in Italy to Sellafield, now operates from Dunkirk and has been brought back into service to counter the possible loss of the established Dover-Dunkirk train-ferry link across the English Channel.

BNFL Inc.

Expansion in North America

The close of the 1994/95 financial year saw BNFL Inc. complete its fifth year of operations in North America. New offices have been opened in Oak Ridge, Tennessee; Idaho Falls, Idaho and Aiken, South Carolina.

The Corporation has grown from an initial staff of two and first year revenues of \$234,000 to over 175 employees (including wholly-owned subsidiaries) and fifth year revenue of over \$15 million.

The subsidiary has successfully completed many projects which have established it as a leader in radioactive waste management and decommissioning.

BNFL Inc.'s success rate on proposals is impressive, having been awarded 16 out of the 20 contracts bid for in 1994. This has allowed total revenue to more than double over the previous year but cutbacks in US Department of Energy (DoE) on both current contracts and expected awards have had a major impact in the current year. This, if it continues, will adversely affect the planned business development in the areas of waste management, decontamination and decommissioning in the US DoE market. BNFL Inc. is responding vigorously to restore lost business and profitability.

In January, BNFL Inc. completed the acquisition of Pajarito Scientific Corporation (PSC), the world leader in non-destructive plutonium detection instrumentation. PSC will enhance BNFL Inc.'s capabilities in nuclear waste management.

In February, BNFL Inc. entered into a joint venture to construct a metal recycling facility in Oak Ridge, Tennessee. This facility, which will clean up contaminated metals from the US DoE and commercial nuclear facilities, will employ around 80 highly skilled workers and should begin operations by Spring next year. It will have the capacity to handle 10,000 tons of metal per year.

It was at the end of the financial year that BNFL Inc. was awarded its biggest contract to date when the team of which it is a member was named the managing operator of the Rocky Flats Environmental Technology Site near Denver, Colorado. This is the first Management and Operations type contract which the Corporation has received from the US DoE and revenue from this contract is expected to be around \$65 million per year.

CAPENHURST

Creating Opportunities

The dominant issue in 1994/95 was the manpower rundown which reflected the diminishing overall business activity.

Since the dividing of the former Enrichment Division between Urenco and BNFL Capenhurst in 1993, the BNFL Capenhurst workforce has reduced from 570 to 310 as at March 31, 1995. This figure, achieved through purely voluntary means, matches the current business demand although further reductions will be required later in 1995/6 and beyond.

The remaining BNFL centrifuge plant has now been sold to Urenco, thereby ensuring its continued operation and ongoing work for its personnel.

Through this difficult year, the decommissioning of outdated enrichment facilities has proceeded to programme and, in line with the BNFL environmental policy, much of the material reclaimed has been recycled. Opportunities for recycle have been further enhanced with a new metals melting facility, brought into operation during the year.

Short-term business has been obtained via the wholly-owned subsidiary Deva Manufacturing Services, responsible for manufacturing stainless steel storage drums and other metal products for the nuclear industry. The transfer of personnel to Deva has further helped mitigate the severity of the site rundown.

Both locally and corporately, BNFL continues its efforts to obtain new and commercially viable business for the Capenhurst site, but the challenge remains that of a reducing workload and thus a reducing manpower requirement.

ENGINEERING GROUP

Pursuing business opportunities

Engineering Group provides the full range of in-house engineering and technical services required by BNFL to support its capital investment in nuclear facilities

During the past year, there has been a complete restructuring of the Group designed to fully exploit external business opportunities as well as continue to make a success of BNFL'S capital projects.

The Engineering Group now comprises four parts:

BNFL Engineering Ltd is competing vigorously for new business both externally and, where appropriate, within BNFL. With its headquarters at Salford Quays, near Manchester, the new company has a large order book and is responsible for about half of BNFL's future new capital programme. BNFL Engineering Ltd employs about 700 designers and engineers, made up of 200 who have joined the company and are supported by staff from elsewhere in the Group and personnel hired for specific projects.

The flagship project of BNFL Engineering Ltd is the Sellafield MOX plant, but there are many other 'first of a kind' facilities in the order book, including a wide range of projects for overseas clients;

Consultancy Services, is focused on continuing to provide a high quality and competitive safety and technical consultancy to BNFL and external customers whilst at the same time operating as a profitable, growing business;

Engineering Division is focussed on continuing to provide quality engineering and supporting services to BNFL's Divisions and Business Units. The Division is managing a series of major projects, the largest of which is an additional line for the high-level waste Vitrification Plant at Sellafield;

BNFL Instruments Ltd joined the Group on 1 April 1995. The headquarters of the new subsidiary are at Pelham House in Calder Bridge, close to the Sellafield site. The Company employs around 80 highly qualified physicists and software engineers who have provided research, development, consultancy, design, plant support and

commissioning services to Sellafield for many years. These services will continue whilst BNFL Instruments expands into providing similar services to external markets.

HEALTH, SAFETY AND THE ENVIRONMENT

A fully committed approach

BNFL is committed to promoting the highest standards of health and safety to protect a key asset - our team of dedicated and loyal employees and the communities around our operating sites.

In the field of health and safety, the year's average total whole body radiation dose received by BNFL classified employees was once again below the average exposure that UK residents receive from natural background radiation.

A full account of the Company's annual health and safety activities appears in the comprehensive Health and Safety Report 1994 which is available on request.

Scientific evidence continues to point away from a link between childhood leukaemia clusters around certain nuclear sites and exposure to radiation. An explanation for these clusters, based upon an infective cause not associated with the nuclear industry has been put forward by Dr Leo Kinlen. His findings have been supported by a series of further studies. The latest of these studies found raised levels of childhood leukaemia around large, rural, non-nuclear construction projects.

The United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR) in its 1994 report has itself concluded that such clusters arise for reasons other than radiation exposure.

Open dissemination of information is at the heart of the BNFL 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 1994 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 environmental experts. A second annual report, entitled 'Radioactive Discharges and Monitoring of the Environment', which gives a deeper and more technical insight into our environmental performance, will be published later in the year.

Radioactive discharges from our operating sites continued to be within all authorised limits. Even for the most exposed members of the public living close to the Sellafield site, the radiation dose they could receive due to discharges from the site during 1994 was equivalent to the dose received by taking a return flight to the Far East - when flying at altitude people are exposed to an increase in naturally-occurring cosmic radiation.

The additional annual dose from Thorp's discharges to the most exposed members of the public living around the Sellafield complex will be equivalent to that received during a return flight to Tenerife.

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

The Company Environmental Council, which brings together key BNFL people and eminent individuals from outside the Company, continued to provide an authoritative and independent overview of the Company's approach to environmental protection. During the year, the Council met at Warrington and the Company's marine transport terminal at Barrow-in-Furness.

COMPANY DEVELOPMENT

Building on technologies and skills

By building upon the technologies and skills which are at the heart of our plants and processes, BNFL is establishing a strong international presence.

Technology Development

New market opportunities such as decommissioning and waste treatment are opening up and BNFL is actively participating in European collaborative research, technology and development programmes.

The Company has established joint research programmes with many countries including the USA, Canada, Japan, Russia and China and we are actively building links with other countries in the Far East.

BNFL is one of the leading sponsors of the UK academic community, with around 300 university contracts totalling some £5 million per year. BNFL has an active policy of recruiting young, innovative researchers and attracting top quality graduates from UK universities. BNFL played a leading role in the establishment of the Westlakes Research Institute in West Cumbria which has been set up as a Centre for Excellence in environmental research.

BNFL's Research and Development programmes are focused on:-

- * Improving the efficiency, safety and effectiveness of current operations,
- * developing technologies for the next generation of integrated nuclear fuel cycle processes and plants,
- * creating new business opportunities both inside and outside the nuclear fuel cycle,

* maintaining a science base that will provide the seedcorn for future developments in technology.

Particular emphasis is being given to developing international partnerships in the fields of fuel development and reprocessing technology. BNFL is at the forefront of developing such technologies for the next generation of reprocessing plants with the aim of significantly reducing the cost and the already low environmental impact of reprocessing.

Emphasis at the scientific level is being put on clean technologies such as biotechnology and on surface science, leading to improved methods both for decontamination and the containment of nuclear materials.

New Business Ventures

BNFL continues to commercialise and exploit the world class-skills it has developed for the core nuclear operations by creating valuable new business opportunities in the fields of Environmental Services, Speciality Materials and Chemicals, Energy Systems and Advanced Engineering.

These new business ventures reflect the importance the Company places on breaking into new markets outside the nuclear industry.

The Company is increasingly finding that its strong technical competences provide a firm base to develop and produce new products and cost-effective solutions for use in both our core business and other markets. To ensure that these opportunities are exploited to the full, the Company is establishing a Product Development Centre at Capenhurst. The aim of this Centre will be to develop new products using BNFL's core technological know-how and to prepare these products for both nuclear and non-nuclear markets.

SERVING OUR COMMUNITIES

Putting something back

We owe much of our success to the local communities in which we are based and BNFL has always acknowledged that we should put something back.

BNFL is a highly successful company, and our operation creates wealth that has a major beneficial effect on the economy - at local, regional and national level.

The Company directly employs some 14,000 people in the North West and company activities help to sustain a further 50,000 jobs in the UK. We are also fully aware of our duties as a good corporate citizen and neighbour and we are more than willing to fulfil them.

For many years, BNFL has been committed to a continuing programme of involvement and investment in the community. The nature of this has been wide-ranging, but our priorities have always been around our operational sites, with support being focused in the North West.

We owe much of our success to the local communities in which we are based and BNFL has always acknowledged that we should put something back. We are currently devoting almost £6 million to funding a great many initiatives. These include; nationally £1M allocated to primary and secondary education resource materials and £2m to R&D related University-linked activities. Over £1.5M supports the West Cumbria Partnership and other enterprise initiatives and £1,000,000 supports many charities and organisations, both locally and nationally.

Economic Regeneration

This is a critically important task and one which BNFL is tackling on several fronts.

For example, we are part of the West Cumbria Partnership, which was 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 upon our Sellafield site. To date, this initiative has helped to create and safeguard over 3,000 jobs, with a further 1,000 people trained up to start their own businesses.

In Cheshire, where BNFL has both its headquarters and the Capenhurst site, the Company is a founding sponsor of the Warrington Business Venture. This counsels some 2,000 people a year on setting up their own business, and in five years of operation has helped establish no fewer than 1000 business endeavours.

In Lancashire, the home of our fuel fabrication plant at Springfields, BNFL is supporting the Preston Business Venture and the Blackpool and Fylde Business Agency which advise on both the setting up and running of new businesses in the region.

BNFL Enterprise Ltd, a Company limited by guarantee, continues to stimulate new start-ups in the region, and to help existing firms expand. Active support is also provided to BNFLs employees leaving to establish their own enterprises.

Community Involvement and Sponsorship

Under the banner 'Energetic Support in the Community', BNFL is working to improve the quality of life in many areas of the North West. This is being achieved through a programme of support and funding for various organisations and charities.

With this programme, BNFL becomes actively involved with the community at all levels, but especially in youth-related charities. In particular we are focusing on some of today's more pressing social issues. They are rarely popular or glamorous but the

Company believes it can help by doing something positive for the community with an integrated strategy that addresses the causes as well as the effects of these problems.

Some of the initiatives already underway include the Granada Community Challenge, with BNFL helping to provide sports facilities for the young people of Medlock, an inner-city housing estate in Manchester.

In Liverpool and Manchester, we are supporting 'Crisis' with their 'Furnished Homes' project. This project is making use of empty but available properties throughout the region by furnishing them to provide much needed accommodation for the homeless.

BNFL also supports the employment of a Special Needs Housing Officer, who helps homeless young people to take the step from the YMCA to more suitable accommodation. In synergy with these community activities, our policy on sponsorship is to concentrate on cultural and sporting activities that bring the widest benefits to both participants and audiences. This can be seen in our sponsorship of the 1994 BNFL Greater Manchester Youth Games, where some 4,000 schoolchildren came together over three days to compete in a range of sports.

Our sponsorship also extends into many other areas of artistic and active endeavour - from the Warrington Male Voice Choir and BNFL Band, one of the premier brass bands in the country, to grass roots support of Rugby League through the BARLA National Cup.

Education

BNFL has worked with schools for many years and makes an important contribution to what is taught in today's primary and secondary classrooms. This is not only in relation to science and technology, but in history, maths, English and environmental studies - providing resource materials relevant to many areas of the National Curriculum.

Devised by teachers for teachers, these materials include posters, books, computer programmes and videos. The aim of these materials is to help young people understand the world in which they live, putting forward different points of view but allowing the children to arrive at their own ideas and conclusions.

University Links

The Company is also a leading sponsor of academia funding university posts, contract research and studentships.

Through its network of Company Technologists, hundreds of academics and students become closely involved in BNFL's Research and Development programme. The work is academically challenging, demanding the highest standards, and has created many new research and career opportunities within academia. It offers the Company access to leading experts and new technological developments in fields as diverse as optics, biotechnology and information technology.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 1995

1. The Directors of British Nuclear Fuels plc have pleasure in submitting to the Shareholders their twenty fourth Annual Report together with the audited accounts for the year ended 31 March 1995.

REVIEW OF THE YEAR

2. **GROUP RESULTS**

Information on the Group's results is contained in the Financial Review on pages 11 and 12.

3. **BASIS OF TRADING**

On March 31 1995 the Company concluded its negotiations with Nuclear Electric plc and Scottish Nuclear Limited and contracts have now been signed for an £18 billion package of nuclear fuel cycle services, the terms of which apply from 1 April 1989. In order to overcome the problems reported last year, relating to sharing the risks in respect of certain unexpected cost increases relating to historic areas and regulatory change, the contracts have been restructured to include a new formula for risk sharing between the 3 parties for fuel cycle services relating to activities prior to 31 March 1989. As a result, the need for direct underwriting by HM Government has been obviated.

From the outset these nuclear fuel cycle service contracts have been accounted for in accordance with generally accepted accounting practice, which seeks to match costs with related income over the life of the contract. As part of the contract restructuring referred to above, the Company has agreed to give further price concessions to its customers covering the whole of the contract period. The accounts reflect an adjustment of £142M attributable to the retrospective effect of these price concessions for the period 1 April 1989 to 31 March 1994, which is shown as an exceptional item.

4. **DIVIDEND**

The Directors recommend that a final dividend of £18M should be paid making a total of £45M for the year.

5. FINANCE

a. Group capital expenditure of £327M (Parent £320M) 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 £88M of long-term loans and credit were repaid.

6. 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 13 to 26.

7. FUTURE DEVELOPMENTS

The Group's principal areas of activity are expected to continue largely unchanged. Capital expenditure authorised at the end of the year was £846M of which contracts have been placed for £109M. The expenditure is part of an on-going major investment programme. It is anticipated that the majority of its financing will be met from internally generated funds and advances from customers.

8. RESEARCH AND DEVELOPMENT

The Group has a significant research and development programme and this will continue. During the year expenditure amounted to some £66M (1994 £75M) which includes expenditure of £42M (1994 £49M) not specifically recoverable directly from customers and as such charged against profits. The principal areas are referred to in the Operational Review on pages 23 and 24.

9. 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.

10. PERSONNEL

The average number of persons employed by the Group during the year was 14221 (1994 15476). Further information is given in the Notes on the Accounts on page 42.

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.

11. THE BOARD OF DIRECTORS

The names of the Directors of the Company during the year were, Mr J R S Guinness, Mr L N Chamberlain, Sir Norman Wooding, Mr D J S Roques, Dr W L Wilkinson (resigned 1 May 1994), Dr G G Butler, Mr K G Jackson, Mr P S Phillips (resigned 12 August 1994), Mr G L Watts, Miss K M H Mortimer, Mr R R Knowland, Mr R A N Chiese (appointed 26 August 1994) and Prof A G J MacFarlane (appointed 15 July 1994).

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

The Group maintains indemnity insurance to cover Directors and Officers.

12. CORPORATE GOVERNANCE

The Company has complied with those paragraphs of the Cadbury Code of Best Practice which have come into effect. Furthermore, the Directors report in connection with paragraph 4.6 of the Code that, 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. The guidance for Directors on statements relating to the effectiveness of internal control has standard application for accounting periods beginning on or after 1 January 1995. Accordingly, the Directors do not yet report in relation to paragraph 4.5 of the Code.

The company's auditors Ernst & Young have confirmed that, in their opinion; with respect to the Directors' statements on going concern set out above the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the accounts; and the Directors' other statements set out above appropriately reflect the Company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of the Company's corporate governance procedures nor the ability of the company to continue in operational existence.

13. DIRECTORS' SHAREHOLDINGS AND INTERESTS

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

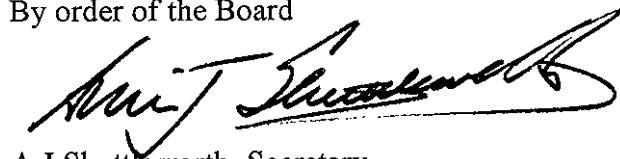
14. CONTRIBUTIONS FOR POLITICAL OR CHARITABLE PURPOSES

No contributions were made for political purposes. Contributions to charities during the year amounted to £1.8M.

15. 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
28 July 1995

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 33 to 58. The accounts have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 33 to 36.

Respective responsibilities of Directors and Auditors

As described on page 31 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.

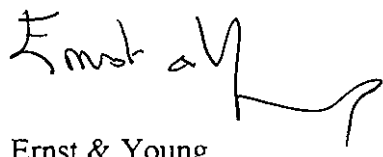
Basis of opinion

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 1995 and of the profit 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

28 July 1995

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 1995.
- 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.

7. STOCKS AND WORK IN PROGRESS

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

8. PENSIONS

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

9. DEFERRED TAXATION

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

10. FOREIGN CURRENCIES

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 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	1995 £M	1994 £M
Turnover	1		
Continuing operations		1446	1098
- normal	2	(142)	-
- exceptional			
Discontinued operations	3	-	35
		<u>1304</u>	<u>1133</u>
Less net operating costs and expenses	4	1218	1029
Operating Profit	1		
Continuing operations		86	103
Discontinued operations		-	1
		<u>86</u>	<u>104</u>
Income from associated undertakings		11	12
		<u>97</u>	<u>116</u>
Less financial charges	7	23	35
Profit on Ordinary Activities before Tax		<u>74</u>	<u>81</u>
Tax on profit on ordinary activities	8	29	5
Profit on Ordinary Activities after Tax		<u>45</u>	<u>76</u>
Profit attributable to minority interests		-	1
Profit for the Financial Year		<u>45</u>	<u>75</u>
Dividends	9	45	26
Retained Profit for the Year		<u>-</u>	<u>49</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March

	1995 £M	1994 £M
Profit for the financial year	45	75
Currency translation differences on foreign currency net investments	<u>2</u>	<u>(3)</u>
Total recognised gains and losses relating to the year	<u>47</u>	<u>72</u>

BALANCE SHEETS

As at 31 March

	Note	GROUP		PARENT	
		1995 £M	1994 £M	1995 £M	1994 £M
ASSETS EMPLOYED					
Fixed Assets:					
Tangible Assets	10	4298	4412	4281	4395
Investments	11	204	115	276	145
		<u>4502</u>	<u>4527</u>	<u>4557</u>	<u>4540</u>
Current Assets:					
Stocks	12	121	120	115	116
Debtors	13	254	147	388	336
Investments and short-term deposits	14	2050	1559	1876	1433
Cash at bank and in hand		1	4	-	1
		<u>2426</u>	<u>1830</u>	<u>2379</u>	<u>1886</u>
Less Creditors: amounts falling due within one year	15	<u>1468</u>	<u>1512</u>	<u>1465</u>	<u>1558</u>
Net Current Assets		<u>958</u>	<u>318</u>	<u>914</u>	<u>328</u>
Total assets less current liabilities		<u>5460</u>	<u>4845</u>	<u>5471</u>	<u>4868</u>
FINANCED BY					
Creditors: amounts falling due after more than one year	16	3428	2972	3412	2961
Provisions for liabilities and charges	17	1317	1139	1311	1139
Accruals and deferred income	18	30	47	30	42
Capital and Reserves:					
Called up share capital	19	33	33	33	33
Exchange differences		2	-	-	-
Profit and loss account	20	649	651	685	693
		<u>684</u>	<u>684</u>	<u>718</u>	<u>726</u>
Shareholder's funds - equity interests		684	684	718	726
Minority interests - equity interests		1	3	-	-
		<u>5460</u>	<u>4845</u>	<u>5471</u>	<u>4868</u>

John R S Guinness)



) Directors

Ross Chiese
28 July 1995



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March

		1995		1994	
	Note	£M	£M	As adjusted (Note 25) £M	£M
Net cash inflow from operating activities	25a		998		987
Returns on investments and servicing of finance:					
Dividends received		4	-	-	-
Interest received		57	51	51	51
Interest paid		(44)	(35)	(35)	(35)
Bank commissions		(14)	(22)	(22)	(22)
Dividends paid to shareholder		(47)	(18)	(18)	(18)
Dividends paid by subsidiary undertakings to minority interests		(2)	(2)	(2)	(2)
Net cash outflow from returns on investments and servicing of finance			(46)		(26)
Taxation:					
UK Corporation tax paid		(23)	(4)	(4)	(4)
Net cash outflow on taxation			(23)		(4)
Investing activities:					
Payments to acquire tangible fixed assets		(333)	(343)	(343)	(343)
Proceeds from disposal of fixed assets		39	2	2	2
Disposal of subsidiary undertaking		-	22	22	22
Acquisition of subsidiary undertaking		(3)	-	-	-
Net investment of short term deposits and current investments		(111)	(481)	(481)	(481)
Net payment of loans and advances to associated undertakings		(44)	(27)	(27)	(27)
Net cash outflow from investing activities			(452)		(827)
Net cash inflow before financing			477		130
Financing:					
Receipt of new loan		3	3	3	3
Repayment of loans and long term credit		(88)	(28)	(28)	(28)
Net cash outflow from financing	16c		(85)		(25)
Increase in cash and cash equivalents	25b		(392)		(105)
			(477)		(130)

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	
	1995	1994	1995	1994	1995	1994
	£M	£M	£M	£M	£M	£M
Nuclear Fuel Services	3307	3232	1197	1022	59	84
Electricity	147	175	107	111	27	20
			<u>1304</u>	<u>1133</u>	<u>86</u>	<u>104</u>
Net Operating Assets	3454	3407				
Unallocated Net Assets	2006	1438				
	<u>5460</u>	<u>4845</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				HOME	TOTAL
	Europe EEC	Other	Japan & Far East	North & South America	Total Exports	
	£M	£M	£M	£M	£M	£M
<u>1994/95</u>						
Fuel	11	1	7	5	24	232
Enrichment	-	-	-	-	-	14
Engineering	-	-	2	-	2	3
Transport	6	3	41	-	50	1
Waste Disposal	-	-	-	-	-	7
Waste Management & Decommissioning	2	-	4	9	15	184
Magnox Reprocessing	-	-	42	-	42	155
Thorp	76	31	180	-	287	197
Electricity	-	-	-	-	-	107
Other	4	-	-	1	5	3
	<u>99</u>	<u>35</u>	<u>276</u>	<u>15</u>	<u>425</u>	<u>879</u>
						<u>1304</u>
<u>1993/94</u>						
Fuel	12	3	5	11	31	191
Enrichment	-	-	-	-	-	47
Engineering	-	-	2	-	2	4
Transport	9	1	44	-	54	1
Waste Disposal	-	-	-	-	-	5
Waste Management & Decommissioning	3	-	2	5	10	218
Magnox Reprocessing	-	-	9	-	9	299
Thorp	16	-	28	-	44	103
Electricity	-	-	-	-	-	111
Other	-	-	-	-	-	4
	<u>40</u>	<u>4</u>	<u>90</u>	<u>16</u>	<u>150</u>	<u>983</u>
						<u>1133</u>

2. Exceptional items

As described in the Directors' Report, the Company has completed its contractual negotiations with Nuclear Electric plc and Scottish Nuclear Limited and contracts have now been signed.

In finalising the contracts the Company has agreed certain additional price concessions covering the whole of the contract period from 1 April 1989. The amount attributable to the period 1 April 1989 to 31 March 1994, £142M, which constitutes retrospective price concessions, has been deducted from turnover and hence pre tax profits for the year.

3. Discontinued Operations

Discontinued operations in the prior year related to the transfer of uranium enrichment interests to Urenco Limited.

4. Net operating costs and expenses

	1995			1994		
	Continuing £M	Discontinued £M	Total £M	Continuing £M	Discontinued £M	Total £M
Net operating costs and expenses are made up as follows:						
Raw materials and consumables	186	-	186	169	1	170
Employee Costs	417	-	417	399	6	405
Depreciation	314	-	314	205	35	240
Provisions for liabilities and charges (note 17)	222	-	222	122	(19)	103
Exceptional investment provision	-	-	-	111	-	111
Research and development not specifically recoverable directly from customers	42	-	42	49	-	49
Hire of plant and machinery	3	-	3	3	-	3
Amortisation of intangible assets	-	-	-	-	1	1
Other external and operating charges (a)	186	-	186	237	8	245
Operating costs and expenses	1370	-	1370	1295	32	1327
Less:						
Changes in stocks of finished goods and Work in progress	(33)	-	(33)	14	(3)	11
Own work capitalised	110	-	110	238	-	238
Own work on manufacture of components	20	-	20	21	-	21
Regional Development grants released	14	-	14	11	1	12
Other operating income	41	-	41	16	-	16
	1218	-	1218	995	34	1029

- a. Other external and operating charges include Auditors' remuneration of £272,000 (1994 £178,000) of which £218,000 (1994 £152,000) relates to the Parent Company. Amounts paid to Ernst & Young, the Group's Auditors, in respect of non-audit services to the Company and its subsidiaries amounted to £518,000 (1994 £881,500).

5. Employee information

1995 1994
Number 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	7009	7687
Industrial	7016	7579
Officers and ratings of transport ships	196	210
	<u>14221</u>	<u>15476</u>

1995 1994
£M £M

- b. Employee costs:

Wages and salaries	336	337
Social security costs	28	28
Other pension costs (note 23)	20	21
Other employee costs (early retirement etc)	33	19
	<u>417</u>	<u>405</u>

6. Directors' emoluments and other statutory information

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

	1995 £	1994 £
Non Executive Directors' Fees	<u>46793</u>	<u>40000</u>
Executive Directors (including the Chairman)		
Remuneration, excluding bonuses	730100	768800
Bonuses (a)	133156	184500
Benefits	68610	69644
Pension contributions	74512	78853
	<u>1006378</u>	<u>1101797</u>
Compensation for loss of office paid by the Company	188200	-
	<u>1241371</u>	<u>1141797</u>

- a. Bonuses are related to corporate performance targets.

- b. The emoluments of the Chairman, inclusive of pension contributions of £8,603 (1994 £8,400) and bonuses of £16,967 (1994 £23,000), were £113,440 (1994 £117,480).

The emoluments of the highest paid Director, inclusive of pension contributions of £16,563 (1994 £16,240) and bonuses of £28,840 (1994 £39,000) were £211,217 (1994 £215,757).

6. Directors' emoluments and other statutory information *continued*

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

Range	1995 Number	1994 Number
£Nil to £5,000	1	1
£5,001 to £10,000	4	4
£10,001 to £15,000	1	-
£70,001 to £75,000	1	-
£100,001 to £105,000	1	1
£105,001 to £110,000	-	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	1
£180,001 to £185,000	-	1
£190,001 to £195,000	1	-
£195,001 to £200,000	-	1

Pensions paid to former Directors amounted to £107,851 (1994 £95,272). Included in debtors is an interest free loan of £2,250 (1994 £4,500) to Mr K G Jackson. This loan was made prior to his joining the Board in accordance with the Company's policy of providing housing assistance to staff who have been relocated.

7. Financial charges

	1995 £M	1994 £M
Interest on loans: repayable within 5 years	37	32
repayable after 5 years	1	2
	<u>38</u>	<u>34</u>
Other financial charges:		
Bank commissions etc.	14	22
Adjustments to opening provisions arising from changes in price levels (see note 17)	43	34
Interest payable and similar charges	<u>95</u>	<u>90</u>
Less: income from investments and short-term deposits	70	50
realised exchange gains (losses)	(1)	3
interest on loans to associated undertakings	3	2
Net financial charges	<u>23</u>	<u>35</u>

Included in the above is income from listed investments of £6M (1994 £6M).

8. Tax on profit on ordinary activities

	1995 £M	1994 £M
Corporation tax at 33%		
Current year	8	1
Adjustment in respect of prior year	6	-
Associated undertakings' taxation	4	2
Advance corporation tax:		
Current year	11	7
Adjustment in respect of prior year	-	(5)
	<u>29</u>	<u>5</u>

The charge for Corporation Tax is stated after utilisation of losses brought forward. The benefit of these amounted in the year to £53M.

If full provision had been made for deferred tax for the year, the tax charge would have increased by £24M (1994 £58M).

	1995 £M	1994 £M
Capital allowances in advance of depreciation	13	21
Other timing differences	(39)	(30)
Benefit of tax losses brought forward	46	66
Recoverable advance corporation tax	4	1
	<u>24</u>	<u>58</u>

9. Dividends

	1995 £M	1994 £M
Interim dividend paid	27	6
Dividend payable	18	20
	<u>45</u>	<u>26</u>

10. Fixed Assets - Tangible Assets

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

	<u>Land and Buildings</u>		<u>Plant and</u>	<u>Fixtures</u>	<u>Assets in</u>	<u>Total</u>
	<u>Long</u>	<u>Freehold</u>	<u>Machinery</u>	<u>Fittings</u>	<u>Course of</u>	
	<u>Leasehold</u>			<u>Tools and</u>	<u>Construction</u>	
	£M	£M	£M	£M	£M	£M
Cost at 1 April 1994	2	2583	2457	44	988	6074
Additions	1	-	-	-	326	327
Disposals	-	-	(213)	(6)	-	(219)
Reclassifications	-	9	(9)	-	-	-
Transfers	-	326	288	9	(623)	-
Cost at 31 March 1995	3	2918	2523	47	691	6182
Depreciation at 1 April 1994	-	334	1292	36	-	1662
Charge for Year	-	155	155	4	-	314
Disposals	-	-	(86)	(6)	-	(92)
Reclassifications	-	6	(6)	-	-	-
Depreciation at 31 March 1995	-	495	1355	34	-	1884
Net book value at 31 March 1995	3	2423	1168	13	691	4298

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

	<u>Land and Buildings</u>		<u>Plant and</u>	<u>Fixtures</u>	<u>Assets in</u>	<u>Total</u>
	<u>Long</u>	<u>Freehold</u>	<u>Machinery</u>	<u>Fittings</u>	<u>Course of</u>	
	<u>Leasehold</u>			<u>Tools and</u>	<u>Construction</u>	
	£M	£M	£M	<u>Equipment</u>	£M	£M
Cost at 1 April 1994	2	2583	2332	43	983	5943
Additions	-	-	-	-	320	320
Disposals	-	-	(212)	(6)	-	(218)
Reclassifications	-	8	(8)	-	-	-
Transfers	-	326	284	9	(619)	-
Cost at 31 March 1995	2	2917	2396	46	684	6045
Depreciation at 1 April 1994	-	333	1179	36	-	1548
Charge for Year	-	156	149	3	-	308
Disposals	-	-	(86)	(6)	-	(92)
Reclassifications	-	6	(6)	-	-	-
Depreciation at 31 March 1995	-	495	1236	33	-	1764
Net book value at 31 March 1995	2	2422	1160	13	684	4281

11. Fixed assets - investments

Subsidiary undertakings

	Unquoted shares	PARENT Convertible unsecured loan stock	Unsecured loan stock	Total
	£M	£M	£M	£M
Balance at 1 April 1994	130	13	1	144
New investments during year	32	-	19	51
Balance at 31 March 1995	<u>162</u>	<u>13</u>	<u>20</u>	<u>195</u>

Associated undertakings

	GROUP			PARENT		
	Share of net assets	Loans and advances	Total	Un-quoted shares	Loans and advances	Total
	£M	£M	£M	£M	£M	£M
Balance at 1 April 1994	59	56	115	1	-	1
New investment during year	20	116	136	20	99	119
Investment repaid/ transferred	-	(12)	(12)	(1)	-	(1)
	<u>79</u>	<u>160</u>	<u>239</u>	<u>20</u>	<u>99</u>	<u>119</u>
Less New Amounts provided	-	38	38	-	38	38
	<u>79</u>	<u>122</u>	<u>201</u>	<u>20</u>	<u>61</u>	<u>81</u>
Share of Retained Profit	3	-	3	-	-	-
Balance at 31 March 1995	<u>82</u>	<u>122</u>	<u>204</u>	<u>20</u>	<u>61</u>	<u>81</u>
Total Fixed Asset Investment			<u>204</u>			<u>276</u>

The Group's share of retained profits of associated undertakings at 31 March 1995 is £5M (1994 £2M).

- Dividends from Associated undertakings amounting to £3,815,000 (1994 £639,397) have been received during the year.
- On 1 March 1995 the Company acquired 20M £1 ordinary shares in Fellside Heat and Power Limited, being 50% of a new share issue. The shares were acquired at par. In addition the Company loaned Fellside Heat and Power Limited £60,500,000.
- On 1 September 1994 the Company acquired 5M £1 ordinary shares in BNFL Engineering Limited, being 100% of a new share issue. The shares were acquired at par.
- On 16 March 1995 the Company acquired a further 25M £1 ordinary shares in Hinton Insurance Limited, being 100% of a new share issue. The shares were acquired at par.
- On 27 January 1995 the Group acquired the entire issued share capital of Pajarito Scientific Corporation for initial cash consideration of £3M (\$5M). An additional payment which is dependent on operating profits and capped at \$2.7M may be due in 1999. The fair value and book value of net assets acquired was £1M. Resulting goodwill of £2M has been written off against reserves.

	GROUP		PARENT	
	1995	1994	1995	1994
	£M	£M	£M	£M
12. Stocks				
Raw materials and consumables	89	72	88	72
Work in progress	15	38	13	37
Finished goods	17	10	14	7
	<u>121</u>	<u>120</u>	<u>115</u>	<u>116</u>

Work in progress is stated after deducting progress payments of £170M (1994 £158M).

	GROUP		PARENT	
	1995	1994	1995	1994
	£M	£M	£M	£M
13. Debtors				
Trade Debtors	161	75	153	68
Amounts owed by Group undertakings	-	-	149	200
Amounts owed by Associated undertakings	10	7	4	2
Prepayments and Accrued Income	83	65	82	66
	<u>254</u>	<u>147</u>	<u>388</u>	<u>336</u>

Trade debtors include £3M (1994 £4M) not due for more than one year.

At the end of the year there were 99 loans amounting to £655,000 outstanding with non-Director employees (1994 109 loans amounting to £808,000).

	GROUP		PARENT	
	1995	1994	1995	1994
	£M	£M	£M	£M
14. Current asset investments and short term deposits				
Securities listed on the London Stock Exchange	89	90	-	-
Other listed investments	10	8	-	-
	<u>99</u>	<u>98</u>	<u>-</u>	<u>-</u>
Unlisted investments	28	2	-	-
	<u>127</u>	<u>100</u>	<u>-</u>	<u>-</u>
	(a)			
Short-term deposits	1923	1459	1876	1433
	<u>2050</u>	<u>1559</u>	<u>1876</u>	<u>1433</u>

- a. The historic cost of Investments at 31 March 1995 was £127M (1994 £102M).

15. Creditors: Amounts falling due within one year

Current portion of long-term loans (note 16)
Bank loans and overdraft
Payments received on account
Trade creditors
Amounts owed to Group undertakings
Taxation
Social Security
Dividends
Accruals and deferred income
Current portion of provisions and long-term commitments (note 17)

GROUP		PARENT	
1995	1994	1995	1994
£M	£M	£M	£M
114	88	114	87
9	25	9	25
790	929	790	926
87	71	84	67
-	-	11	62
176	116	174	113
5	5	5	5
18	20	18	20
160	142	152	137
109	116	108	116
<u>1468</u>	<u>1512</u>	<u>1465</u>	<u>1558</u>

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

Loans
Long-term credit
Obligations under finance leases
Payments received on account

GROUP		PARENT	
1995	1994	1995	1994
£M	£M	£M	£M
244	355	232	345
-	1	-	-
4	-	-	-
3180	2616	3180	2616
<u>3428</u>	<u>2972</u>	<u>3412</u>	<u>2961</u>

a. Loans

Amounts repayable by instalments:

Within one year
Between one and two years
Between two and five years
After five years

GROUP		PARENT	
1995	1994	1995	1994
£M	£M	£M	£M
114	88	114	87
110	113	100	113
120	217	118	216
14	25	14	16
<u>358</u>	<u>443</u>	<u>346</u>	<u>432</u>

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

		GROUP		PARENT	
		1995	1994	1995	1994
		£M	£M	£M	£M
<u>Loans wholly repayable within five years</u>	<u>Period of Repayment</u>				
Unsecured convertible loans					
5%	1995-2000	1	1	-	-
Unsecured loans					
London Inter-Bank plus 25 basis points	revolving credit	10	8	-	-
2% below London Inter-Bank	1995-1997	1	1	-	-
Bank loans - guaranteed under Nuclear Industry Finance Acts					
9% - 12 ¹³ / ₃₂ %	1995-1998	231	317	231	317
1 ¹ / ₈ % below London Inter-Bank	1997	95	95	95	95
Secretary of State for Industry					
7 ¹ / ₂ %	1995	-	1	-	-
<u>Loans not wholly repayable within five years</u>					
Variable rate (related to lender's cost of funds)					
bank loans guaranteed under the Nuclear Industry Finance Acts	1997-2006	20	20	20	20
		<u>358</u>	<u>443</u>	<u>346</u>	<u>432</u>
		GROUP		PARENT	
		1995	1994	1995	1994
		£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	1562	873	1562	873
	Over five years	1618	1743	1618	1743
		<u>3180</u>	<u>2616</u>	<u>3180</u>	<u>2616</u>

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

	1995		1994	
	£M	£M	As adjusted (Note 25) £M	£M
c. Analysis of changes in financing during the year				
Total at 1 April		444		469
Cash flow from financing:				
Loans acquired	3		3	
Repayments	(88)		(28)	
		(85)		(25)
New finance leases		4		-
Exchange adjustments		(1)		-
Total at 31 March		<u>362</u>		<u>444</u>
Proportion falling due:				
Within one year				
Loans and long-term credit		114		88
After more than one year		<u>248</u>		<u>356</u>
		<u>362</u>		<u>444</u>
d. Obligations under finance leases and hire purchase contracts				
Amounts payable:				
Within one year	-	-	-	-
Within two to five years	2	-	-	-
After five years	2	-	-	-
	<u>4</u>	<u>-</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 1994	280	28	541	151	-	255	1255
Adjustment arising from changes in price levels and interest credited	14	1	22	2	-	4	43
Charge in the year	34	2	(24)	2	-	208	222
Expenditure in the year	(1)	-	(10)	(11)	-	(79)	(101)
Reclassifications	(5)	-	(12)	-	-	23	6
Acquisitions	-	-	-	-	1	-	1
Balance at 31 March 1995	322	31	517	144	1	411	1426
Analysed as follows:							
Amounts due within one year	3	-	24	14	-	68	109
Amounts due after one year	319	31	493	130	1	343	1317
	322	31	517	144	1	411	1426
 PARENT							
Balance at 1 April 1994	280	28	541	151	-	255	1255
Adjustment arising from changes in price levels and interest credited	14	1	22	2	-	4	43
Charge in the year	34	2	(24)	2	-	207	221
Expenditure in the year	(1)	-	(10)	(11)	-	(79)	(101)
Reclassifications	(5)	-	(12)	-	-	18	1
Balance at 31 March 1995	322	31	517	144	-	405	1419
Analysed as follows:							
Amounts due within one year	3	-	24	14	-	67	108
Amounts due after one year	319	31	493	130	-	338	1311
	322	31	517	144	-	405	1419

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	
Decommissioning	5821	2763	1193	611	322
Waste Management and other costs	11050	7894	1060	791	692
At 31 March 1995	<u>16871</u>	<u>10657</u>	<u>2253</u>	<u>1402</u>	<u>1014</u>
At 31 March 1994	<u>19240</u>	<u>11554</u>	<u>2586</u>	<u>1549</u>	<u>1000</u>

The difference between total discounted costs of £10657M and £1014M provided to date represents costs of £9255M which are to the charge of customers and costs of £388M which will be provided over remaining plant lives in accordance with the Group's accounting policy.

	1995		1994	
	Not provided £M	Provided £M	Not provided £M	Provided £M
b. Deferred tax				
Capital allowances in advance of depreciation:				
Parent Company	809	-	796	-
Subsidiary undertakings	-	1	-	1
Group	<u>809</u>	<u>1</u>	<u>796</u>	<u>1</u>
The benefit of taxation losses carried forward:				
Parent Company	-	-	(46)	-
Subsidiary undertakings	-	-	-	-
Group	<u>-</u>	<u>-</u>	<u>(46)</u>	<u>-</u>
Other timing differences:				
Parent Company	(444)	-	(405)	-
Subsidiary undertakings	-	-	-	-
Group	<u>(444)</u>	<u>-</u>	<u>(405)</u>	<u>-</u>
Recoverable advance corporation tax:				
Parent Company	(105)	-	(109)	-
Subsidiary undertakings	-	-	-	(1)
Group	<u>(105)</u>	<u>-</u>	<u>(109)</u>	<u>(1)</u>
Total:				
Parent Company	260	-	236	-
Subsidiary undertakings	-	1	-	-
Group	<u>260</u>	<u>1</u>	<u>236</u>	<u>-</u>

The full liability for deferred taxation has been provided in respect of Pacific Nuclear Transport Limited, Pajarito Scientific Corporation and BNFL Engineering Limited. No provision for deferred taxation is made in the Parent Company and other Group undertakings because no liability is expected to arise in the foreseeable future. These undertakings' plans, over the next few years, provide for an investment in fixed assets in respect of which the taxation capital allowances will be substantially in excess of the expected charge for depreciation.

17. Provisions for liabilities and charges *continued*

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

	GROUP		PARENT	
	1995	1994	1995	1994
	£M	£M	£M	£M

18. Accruals and deferred income

This comprises capital grants held as a deferred credit

	30	47	30	42
--	----	----	----	----

19. Called up share capital

Ordinary Shares of £1 each Authorised

1995 1994
£M £M

	43	43
--	----	----

Allotted, called up and fully paid

	33	33
--	----	----

20. Profit and loss account

Balance at 1 April 1994

Profit Retained

Goodwill written off

Balance at 31 March 1995

	GROUP	PARENT
	£M	£M
	651	693
	-	(8)
	(2)	-
	649	685

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 shareholder's funds

	GROUP		PARENT	
	1995	1994	1995	1994
	£M	£M	£M	£M
Profit for the financial year	45	75	37	78
Dividends	(45)	(26)	(45)	(26)
Goodwill written off	(2)	(42)	-	-
Exchange gains/(losses)	2	(3)	-	-
	-	4	(8)	52
Opening shareholder's funds	684	680	726	674
Closing shareholder's funds	684	684	718	726

Cumulative goodwill written off to reserves amounts to £45M (1994 £43M).

22. Capital expenditure authorised

	GROUP		PARENT	
	1995	1994	1995	1994
	£M	£M	£M	£M
Contracted for but not provided for	109	139	109	134
Authorised but not contracted for	737	337	737	335
	846	476	846	469

23. Pensions

- a. The majority of the employees of the Group are covered by three defined benefit (final salary) schemes which are the Principal Non-Industrial Superannuation Scheme (PNISS), the Industrial Superannuation Scheme (ISS) and the Protected Persons Superannuation Scheme (PPSS) which is now closed to new employees of the Company. The Company's contributions were as follows:

	1995	1994
	£M	£M
Principal non-industrial scheme	16	16
Industrial scheme	4	5
Protected persons scheme	-	-
Total UKAEA schemes	<u>20</u>	<u>21</u>

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

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

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

	PNISS	ISS	PPSS
i) Actuarial report data			
Next investigation report date (31 March)	1994	1995	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.

24. Contingent Liabilities

At 31 March 1995 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 US \$10.8M in respect of a bank guarantee provided to an overseas customer.
- d. Warranty given to Urenco Limited in respect of unexpected higher cost obligations of the future disposal of tails. The maximum contingent liability is £18M.

25. Consolidated cash flow statement

In prior years, advance payments have been classified as financing for cash flow statement purposes. In the Directors' opinion advance payment cash flows are more appropriately classified within operating cash flows. Prior year cash flows have been reclassified accordingly.

	1995	1994
	£M	As adjusted £M
a. Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	86	104
Loss on disposal of fixed assets	8	-
Depreciation charges	314	240
Amortisation of intangible asset	-	1
(Increase)/decrease in debtors	(53)	(29)
Increase/(decrease) in creditors	107	26
(Increase)/decrease in stock and work in progress	(12)	66
Grants released	(14)	(12)
Increase in provisions	121	131
Increase in advance payments	403	393
Investment provision	38	111
Other non cash movements	-	(44)
	<u>998</u>	<u>987</u>

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

	1995	1994
	£M	£M
Balance at start of year	905	800
Net cash inflow	392	105
Balance at end of year	<u>1297</u>	<u>905</u>

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

	1995	1994	Change in Year
	£M	£M	£M
Cash at bank and in hand	1	4	(3)
Portion of short-term bank deposits maturing in under 3 months	1305	926	379
Bank overdrafts	(9)	(25)	16
	<u>1297</u>	<u>905</u>	<u>392</u>
	1994	1993	Change in Year
	£M	£M	£M
Cash at bank and in hand	4	18	(14)
Portion of short-term bank deposits maturity in under 3 months	926	792	134
Bank overdrafts	(25)	(10)	(15)
	<u>905</u>	<u>800</u>	<u>105</u>

d. On 1 March 1995 fixed assets with a net book value of £100M were sold to Fellside Heat and Power Limited in exchange for an investment of £81M in that company and cash of £19M.

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)

Registered in England and Wales. 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, registered in England and Wales, whose main purpose is the transport of irradiated fuel.

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

Registered in England and Wales. 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

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

Hinton Insurance Limited (formerly BNFL 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 (formerly BNFL Indemnity Limited)

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

The following subsidiaries commenced formal trading in April 1995:

BNFL Engineering Limited

Registered in England and Wales. It is wholly owned by BNFL and its purpose is to provide worldwide engineering services.

Nuclear Liabilities Management Company Limited

Registered in England and Wales. 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

Registered in England and Wales. 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*

ASSOCIATED UNDERTAKINGS

Urenco Limited

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

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

United Kingdom Nirex Limited

Registered in England and Wales 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

Registered in England and Wales 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

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

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

	1995 £M	1994 £M	1993 £M	1992 £M	1991 £M
ASSETS EMPLOYED					
Fixed assets	4502	4527	4619	4310	3923
Net current assets	958	318	60	37	186
	<u>5460</u>	<u>4845</u>	<u>4679</u>	<u>4347</u>	<u>4109</u>
FINANCED BY					
Loans and Advance Payments	3428	2972	2865	2612	2564
Provisions for liabilities and charges	1317	1139	1054	992	874
Government Grants	30	47	68	83	99
Share Capital	33	33	33	33	33
Profit and Loss Accounts and Reserves	651	651	647	614	523
SHAREHOLDER'S FUNDS	<u>684</u>	<u>684</u>	<u>680</u>	<u>647</u>	<u>556</u>
Minority Interests	1	3	12	13	16
	<u>5460</u>	<u>4845</u>	<u>4679</u>	<u>4347</u>	<u>4109</u>
TURNOVER AND PROFITS					
TURNOVER:					
Nuclear Fuel Services - Home	772	872	756	711	769
- Export	425	150	186	268	179
Electricity	107	111	107	103	94
	<u>1304</u>	<u>1133</u>	<u>1049</u>	<u>1082</u>	<u>1042</u>
OPERATING PROFITS	86	104	149	278	305
FINANCIAL CHARGES	(23)	(35)	(76)	(119)	(151)
PROFIT BEFORE TAX	74	81	76	161	156
PROFIT FOR THE FINANCIAL YEAR	45	75	59	143	136
DIVIDENDS	45	26	26	52	50
PROFIT RETAINED	<u>-</u>	<u>49</u>	<u>33</u>	<u>91</u>	<u>86</u>
PROFIT BEFORE TAX AS A PERCENTAGE OF AVERAGE SHAREHOLDER'S INTEREST	<u>11%</u>	<u>12%</u>	<u>11%</u>	<u>27%</u>	<u>30%</u>