

**FAIREY NUCLEAR LIMITED**  
**REGISTRATION NUMBER 1005071**  
**REGISTERED IN ENGLAND**

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31st DECEMBER 1998**



**FAIREY NUCLEAR LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31st DECEMBER 1998**

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## **FAIREY NUCLEAR LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their report and the financial statements for the year ended 31st December 1998.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company are the manufacture and sale of components for nuclear reactors.

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The results for the year were satisfactory. The Company plans further development and capital investment in order to improve efficiency, product quality and service.

### **RESULTS AND DIVIDENDS**

The profit for the year after taxation amounts to £846000 (1997 - Profit £1175000).

An interim dividend of £1000000 (1997 - £425000) was paid during the year and the directors recommend a final dividend of £844000 (1997 - £750000). The retained loss of £998000 (1997 Nil) has been transferred from reserves.

### **SIGNIFICANT CHANGES IN FIXED ASSETS**

Movements in fixed assets are set out in note 8 to the financial statements.

### **DIRECTORS**

Directors during the year are listed below:-

J. Poulter (Chairman)	resigned 6 <sup>th</sup> March 1998
J. J. Miller	
J. C. Webster	appointed 19 <sup>th</sup> February 1998

Except as shown no directors, who were not also directors of the holding company, had any interest directly or indirectly in the shares of the group companies.

### **DIRECTOR'S INTERESTS**

The directors had no beneficial interests in the share capital of the company at the year end as it is a wholly owned subsidiary of

# FAIREY NUCLEAR LIMITED

## REPORT OF THE DIRECTORS (CONTD.)

Fairey Group plc. The directors' interests in the share capital of Fairey Group plc are set out below:

		Ordinary Shares	1988 & 1987 Executive Options	Savings Related Options
J. J. MILLER	31.12.98	13160	20000	3500
	01.01.98	15676	20000	3540

The Directors held the following options in the shares of Fairey Group plc:

	Options at	Options	Options	Options at	Exercise Price	Exercise Dates
	1 January 1998	Granted	Lapsed	31 December		
	Number	Number	Number	Number		
J J Miller	10000			10000	189.25p	6 4 1995- 6 4 2002
	5000			5000	379.25p	15 3 1994- 15 3 2004
	5000		5000		613p	11 3 1999- 11 3 1999
		5000		5000	245p	15 9 2001- 14 9 2008
SAYE	1174		1174		617.5P	1 6 1999- 1 12 1999
	1280		1280		539P	1 12 2000- 1 6 2001
	1086		1086		635P	1 12 2002- 1 6 2003
		3500		3500	245P	1 12 2003- 30 5 2004

No options were exercised during the year.

The market price of Fairey Group plc shares at 31.12.98 was 256.5p and the range during the 1998 was 589.5p to 240p.

Except where shown as SAYE above, the above relates to the Group's Executive Share Option Schemes.

Entitlement to exercise options granted under the Fairey Group 1996 Executive Share Plan is conditional upon the achievement of growth in normalised earnings per share (EPS) over three consecutive financial years between grant and exercise of at least 2% per annum in excess of growth in the retail price index.

## **FAIREY NUCLEAR LIMITED**

### **REPORT OF THE DIRECTORS (CONTD.)**

In addition, at 31 December 1998 Mr. Miller was deemed to have a non-beneficial interest in 1,109,950 ordinary shares in the share capital of Fairey Group plc, the company's holding company, held by the trustee of the Fairey Group plc Employee Benefit Trust and 32,000 ordinary shares held by the Trustee of the Fairey Group plc Qualifying Share Ownership Trust of which he is among the class of discretionary beneficiaries.

### **EMPLOYEE INFORMATION**

The Company is able, to operate closely with its employees. It has developed communication and consultative meetings which cover matters of interest and concern to all its employees.

"Fairey in Focus", the in-house magazine of Fairey Group plc, our ultimate holding company, is made available to all employees.

### **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, 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 financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

FAIREY NUCLEAR LIMITED

REPORT OF THE DIRECTORS (CONTD)

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

The existing Auditors will continue in office.

BY ORDER OF THE BOARD

James J. Miller

J. J. MILLER  
SECRETARY

18/2/1999



KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

## Auditors' report to the members of Fairey Nuclear Limited

We have audited the financial statements on pages 6 to 16.

### Respective responsibilities of trustees and auditors

As described on pages 3 and 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 financial statements 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 financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

18 February 1999

KPMG Audit Plc  
Chartered Accountants  
Registered Auditors

# FAIREY NUCLEAR LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1998

	<u>Notes</u>	<u>1998</u> £'000	<u>1997</u> £'000
TURNOVER	2	2893	3550
Cost of Sales		<u>(1609)</u>	<u>(1807)</u>
GROSS PROFIT		1284	1743
Other operating expenses	4	<u>(229)</u>	<u>(242)</u>
OPERATING PROFIT		1055	1501
Interest receivable	6	<u>171</u>	<u>187</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1226	1688
Taxation	5	<u>(380)</u>	<u>(513)</u>
PROFIT FOR THE FINANCIAL YEAR		846	1175
DIVIDENDS	7	<u>(1844)</u>	<u>(1175)</u>
RETAINED LOSS	16	<u>(998)</u>	<u>-</u>

All operations in the period were continuing operations.

The company has no recognised gains or losses other than those included in the profits above, and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

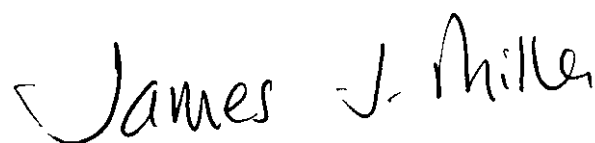


**FAIREY NUCLEAR LIMITED**

**BALANCE SHEET AT 31ST DECEMBER 1998**

	<u>Notes</u>	<u>1998</u> £'000	<u>1997</u> £'000
TANGIBLE FIXED ASSETS	8	<u>177</u>	<u>217</u>
CURRENT ASSETS			
Stocks	9	149	137
Debtors	10	1528	2646
Cash at bank and in hand		<u>109</u>	<u>143</u>
		<u>1786</u>	<u>2926</u>
CREDITORS			
Amounts falling due within one year	11	<u>(1458)</u>	<u>(1590)</u>
NET CURRENT ASSETS		<u>328</u>	<u>1336</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		505	1553
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(133)</u>	<u>(183)</u>
NET ASSETS		<u>372</u>	<u>1370</u>
CAPITAL AND RESERVES			
Called-up share capital	15	100	100
Profit and loss account	16	<u>272</u>	<u>1270</u>
EQUITY SHAREHOLDERS' FUNDS	17	<u>372</u>	<u>1370</u>

The financial statements on pages 6 to 16 were approved by the Board of Directors on 18th February 1999 and were signed on its behalf by:-



Director

## **FAIREY NUCLEAR LIMITED**

### **STATEMENT OF ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **BASIS OF ACCOUNTING**

The financial statements are prepared on the historical cost convention.

#### **TURNOVER**

The turnover for the year comprises the value of invoiced sales, excluding Value Added Tax.

#### **DEPRECIATION**

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight line basis at the following rates per annum:

Plant, machinery and equipment	-	5 - 33 $\frac{1}{3}$ %
Motor Vehicles	-	25%
Computer Software	-	33 $\frac{1}{3}$ %

#### **STOCK**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of factory and production related overheads, incurred in bringing the stocks and work-in-progress to their present location and condition.

#### **RESEARCH AND DEVELOPMENT**

Research and development expenditure is written off as it is incurred.

#### **DEFERRED TAXATION**

Provision is made, using the liability method, at expected applicable rates for taxation deferred in respect of all timing differences between accounting and taxation treatment except when it

## **FAIREY NUCLEAR LIMITED**

### **STATEMENT OF ACCOUNTING POLICIES (CONTD)**

is thought reasonably probable that the taxation effects of such deferrals will continue for the foreseeable future.

#### **CONTRIBUTIONS TO PENSION FUNDS**

In respect of the defined benefit pension plan, pension fund contributions are based on percentages of employees' wages and salaries in accordance with recommendations of the actuaries and are charged to the profit and loss account with variations due to a fund valuation surplus or deficiency apportioned over the average future service lives of the membership.

In the case of the defined contribution plan, contributions are proportional to those of the employees and are charged to the profit and loss account as incurred.

#### **CASH FLOW**

The Company is a wholly owned subsidiary of Fairey Group plc and its cash flows are included in the consolidation group cash flow statement of Fairey Group plc. Consequently the Company is exempt under the terms of Financial Reporting Standard No.1 (revised) from publishing a cash flow statement.

#### **OPERATING LEASES**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

# FAIREY NUCLEAR LIMITED

## NOTES OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31st DECEMBER 1998

### 1: ACCOUNTING POLICIES

The statement concerning accounting policies on pages 8 and 9 forms part of the notes to these financial statements.

### 2: TURNOVER AND OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover comprises sales made in the UK only and the Company carries out one class of business being the manufacture and sale of components for nuclear reactors.

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Depreciation on tangible fixed assets	94	88
Loss/(profit) on disposal of tangible fixed assets	1	(13)
Auditors' remuneration:		
Audit	4	5
Other services	-	-
Directors' emoluments (including pension contributions)	72	68
Hire of motor vehicles operating leases	6	6
Research and development	<u>23</u>	<u>10</u>

### 3: DIRECTORS AND EMPLOYEES

(a) The average weekly number of persons (including directors) employed by the Company during the year was:

	<u>1998</u>	<u>1997</u>
	<u>Number</u>	<u>Number</u>
Production and distribution	27	29
Administration	<u>3</u>	<u>3</u>
	<u>30</u>	<u>32</u>

(b) Staff costs (for above persons)

	£'000	£'000
Wages and salaries	548	553
Social security costs	45	44
Pension defined benefit costs	2	2
Pension defined contribution	<u>40</u>	<u>42</u>
	<u>635</u>	<u>641</u>

**FAIREY NUCLEAR LIMITED**

**NOTES OF THE FINANCIAL STATEMENTS**  
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	<u>1998</u>	<u>1997</u>
(c) Directors' remuneration	£'000	£'000
Aggregate emoluments	<u>72</u>	<u>68</u>
Retirement benefits are accruing to one (1997: one) of the directors under the company's defined benefit scheme.		
(d) Directors' interests		
No director had, either directly or indirectly any material interest in contracts with the Company at any time during the year or at the end of the year.		
4: <b>OTHER OPERATING EXPENSES</b>	<u>1998</u>	<u>1997</u>
	£'000	£'000
Distribution costs	6	9
Administration expenses	<u>223</u>	<u>233</u>
	<u>229</u>	<u>242</u>
5: <b>TAXATION</b>	<u>1998</u>	<u>1997</u>
	£'000	£'000
UK Corporation Tax Group Payable at:		
Financial year 1998 31% (1997: 31%)		
Current	<u>380</u>	<u>513</u>
	<u>1998</u>	<u>1997</u>
	£'000	£'000
6: <b>INTEREST RECEIVABLE</b>		
Receivable from group companies	160	175
Bank interest receivable	<u>11</u>	<u>12</u>
	<u>171</u>	<u>187</u>

**FAIREY NUCLEAR LIMITED**

**NOTES OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31st DECEMBER 1998 (CONTD)**

<b>7: DIVIDENDS</b>	<u>1998</u> £'000	<u>1997</u> £'000
Ordinary:		
Interim paid of £10.00 per share (1997: £4.25)	1000	425
Final proposed of £8.44 per share (1997: £7.50)	<u>844</u>	<u>750</u>
	<u>1844</u>	<u>1175</u>
 <b>8: TANGIBLE FIXED ASSETS</b>		
Vehicle, plant and machinery and equipment		
	<u>1998</u> £'000	
<b>COST</b>		
At 1st January 1998	887	
Additions	55	
Disposals	<u>(44)</u>	
At 31st December 1998	<u>898</u>	
 <b>DEPRECIATION</b>		
At 1st January 1998	670	
Charge for the year	94	
Disposals	<u>(43)</u>	
At 31st December 1998	<u>721</u>	
 NET BOOK VALUE AT 31ST DECEMBER 1998	 <u>177</u>	
 NET BOOK VALUE AT 31ST DECEMBER 1997	 <u>217</u>	

The Company had capital commitments contracted for of £30k (1997 - £19k) at 31st December 1998.

**FAIREY NUCLEAR LIMITED**

**NOTES OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31st DECEMBER 1998 (CONTD)**

**9: STOCKS**

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Raw materials	10	11
Work-in-progress	<u>139</u>	<u>126</u>
	<u>149</u>	<u>137</u>

**10: DEBTORS**

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	297	168
Amounts owed by parent company	1209	2470
Prepayments and accrued income	<u>22</u>	<u>8</u>
	<u>1528</u>	<u>2646</u>

**11: CREDITORS**

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	136	123
Corporation tax	20	407
Other taxation and social security	92	108
Accruals	366	202
Dividend payable	<u>844</u>	<u>750</u>
	<u>1458</u>	<u>1590</u>

**12: PROVISIONS FOR LIABILITIES AND CHARGES**

	Warranty	Deferred	Total
		Tax	
	£'000	£'000	£'000
At 1st January 1998	150	33	183
Profit and loss account	(50)	-	(50)
At 31st December 1998	<u>100</u>	<u>33</u>	<u>133</u>

# FAIREY NUCLEAR LIMITED

## NOTES OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31st DECEMBER 1998 (CONTD)

### 13: DEFERRED TAXATION

Deferred taxation provided in the financial statements and the total potential liability, including the amounts for which provision has been made, are as follows:-

	Amount Provided		Total Potential Liability	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£'000	£'000	£'000	£'000
Short term timing difference	33	33	33	(16)
	<u>33</u>	<u>33</u>	<u>33</u>	<u>(16)</u>

### 14: CONTINGENT LIABILITIES

With others members of the Group, the company has guaranteed facilities made available to Fairey Group plc, in respect of which the following amounts were outstanding at 31<sup>st</sup> December 1998.

Senior Loan Notes	\$100,000,000	(1997:\$100,000,000)
Lloyds Bank plc	Nil	(1997:£15,000,000)
National Westminster Bank plc	£12,862,000	(1997:£27,079,000)
National Westminster Bank plc	£1,498,977	(1997:£1,846,000)

### 15: CALLED-UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>



# FAIREY NUCLEAR LIMITED

## NOTES OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31st DECEMBER 1998 (CONTD)

16: PROFIT AND LOSS ACCOUNT	£'000
Balance 1st January 1998	1270
Retained loss for the year	<u>(998)</u>
Balance 31st December 1998	<u>272</u>

## 17: RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1998</u> £'000	<u>1997</u> £'000
Profit for the financial year	846	1175
Dividends	<u>(1844)</u>	<u>(1175)</u>
	(998)	-
Opening shareholders' funds	<u>1370</u>	<u>1370</u>
Closing shareholders' funds	<u>372</u>	<u>1370</u>

## 18: PENSION COMMITMENTS

Fairey Group plc operates a defined benefit pension plan in which the company participates. Pension contributions are invested through an independent trust fund. The plan is reviewed regularly by actuaries and is funded in accordance with their advice.

When last valued at 1 January 1997, the fund showed a valuation surplus. The valuation was based on estimates of expenditure on benefits in future years and of the funding rate necessary to meet that expenditure.

The Fairey Group plc defined benefit pension plan was closed to new members from 1st January 1996. The pension cost for the year was £2000 (1997: £2000).

On the 1st May 1996 Fairey Group plc established a defined contribution pension plan, membership of which is available to the qualifying UK employees of group companies. The pension cost for the year was £40000 (1997: £42000).

# FAIREY NUCLEAR LIMITED

## NOTES OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31st DECEMBER 1998 (CONTD)

### 19: FINANCIAL COMMITMENTS

At 31st December 1998 the company had annual commitment under non cancellable operating leases as follows:

	<u>1998</u>	<u>1997</u>
	Motor	Motor
	Vehicles	Vehicles
	£'000	£'000
Expiring between two and five years	<u>6</u>	<u>6</u>

### 20: ULTIMATE HOLDING COMPANY AND PARENT UNDERTAKING

The ultimate holding company and parent undertaking is Fairey Group plc which is incorporated in Great Britain and registered in England. Copies of their accounts are available from Station Road, Egham, Surrey TW20 9NP.