

INTERNATIONAL NUCLEAR FUELS LIMITED

Registered No. 1144352

ANNUAL REPORT AND ACCOUNTS

31 March 1998



International Nuclear Fuels Limited

DIRECTORS

L N Chamberlain (Chairman)
G L Watts
C Loughlin
P H Readle
T Williams
J J R Rycroft

SECRETARY

A J Shuttleworth

AUDITORS

Ernst & Young
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
Spring Street
Manchester
M60 2DB

REGISTERED OFFICE

Risley
Warrington
Cheshire
WA3 6AS

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 1998

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £7,895,000.

The Directors recommend a final dividend of £2,500,000.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activity during the year was to be a holding company for subsidiaries and related companies, on behalf of its holding company British Nuclear Fuels plc. The Company also continues to be responsible for some residual fuels supply contracts.

In the future the Company will seek to win further International business and continue with its current contracts.

DIRECTORS

The Directors who served during the year were as follows:

L N Chamberlain (Chairman)
G L Watts
C Loughlin
P H Readle
T Williams
J J R Rycroft
J H S Laycock (resigned 31 August 1997)

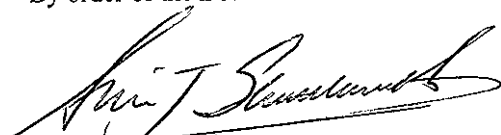
There are no Directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

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

As is well known, computer based systems may not work correctly when the date progresses towards, through and beyond the year 2000. The Company is part of a BNFL Group-wide project which has been running since 1996 to ensure that the safety, commercial, environmental and legal interests of the Group are fully protected from the impact of the Year 2000 problem. Further details of the project are included in the accounts of the ultimate holding company, British Nuclear Fuels Plc.

By order of the Board



A-J Shuttleworth
Company Secretary
30 November 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT 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 profit or loss of the Company 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 Company 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 Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of International Nuclear Fuels Limited

We have audited the accounts on pages 6 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 4 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 Audit Practices Board. An audit includes an 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 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 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 at 31 March 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Registered Auditor
Manchester

21 January 1999

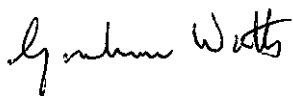
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1998

	<i>Notes</i>	1998 £000	1997 £000
TURNOVER	2	5,234	1,181
Net operating costs and expenses	3	(5,304)	(3,326)
OPERATING LOSS		(70)	(2,145)
Income from investments	5	8,725	13,792
Other interest receivable and similar income	6	123	334
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,778	11,981
Tax on profit on ordinary activities	7	(883)	(1,676)
PROFIT FOR THE FINANCIAL YEAR		7,895	10,305
Dividends	8	(2,500)	(2,500)
RETAINED PROFIT FOR THE YEAR		5,395	7,805

There are no recognised gains or losses other than the profit for the year.

BALANCE SHEET
at 31 March 1998

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Investments	9	166,387	166,387
CURRENT ASSETS			
Debtors	10	6,680	8,689
Cash at bank and in hand		2,629	753
		9,309	9,442
CREDITORS: Amounts falling due within one year	11	(124,238)	(132,266)
NET CURRENT LIABILITIES		(114,929)	(122,824)
TOTAL ASSETS LESS CURRENT LIABILITIES		51,458	43,563
CREDITORS: Amounts falling due after more than one year			
Convertible unsecured loan stock	12	(13,000)	(13,000)
NET LIABILITIES		38,458	30,563
CAPITAL AND RESERVES			
Called up share capital	13	1,994	1,994
Profit and loss account	14	36,464	28,569
SHAREHOLDERS' FUNDS - EQUITY		38,458	30,563



G L Watts
Director
30 November 1998

NOTES TO THE ACCOUNTS

at 31 March 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts

The company is a wholly owned subsidiary of a parent undertaking incorporated in the European Community and as such is exempt from preparing group accounts in accordance with section 228 of the Companies Act 1985. Accordingly the accounts present information about the company as an individual undertaking and not about its group.

Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value.

Long-term contracts

Profits on long-term contracts are taken as contract activity progresses when a profitable outcome to the contract can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the work carried out by recording turnover and related costs. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Deferred taxation

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

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 translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences are taken to the profit and loss account

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated financial statements.

NOTES TO THE ACCOUNTS (continued)
at 31 March 1998

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced.

Turnover is attributable to the continuing residual international fuel supply contracts. An analysis of turnover by geographical market is given below:

	1998 £000	1997 £000
Japan and Far East	5,234	1,181

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:

	1998 £000	1997 £000
Investment provisions	-	2,095
Auditors' remuneration - audit services	2	2
Operating lease rentals	-	122
- other	-	-
Other external and operating charges	5,302	1,262
Other operating income	-	(155)
	<u>5,304</u>	<u>3,326</u>

4. DIRECTORS' EMOLUMENTS

The Directors received no emoluments during the year.

5. INCOME FROM INVESTMENTS

	1998 £000	1997 £000
Dividends from Group Undertakings	-	938
Dividends from Associated Undertakings	6,009	10,138
Interest receivable from Associated Undertakings	2,716	2,716
	<u>8,725</u>	<u>13,792</u>

NOTES TO THE ACCOUNTS (continued)
at 31 March 1998

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £000	1997 £000
Bank interest	123	334

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
Corporation tax	212	42
Tax credits on dividends received	-	625
Group relief payable	671	1,221
Deferred taxation	-	(202)
	883	1,686
Adjustments in respect of prior years		
Corporation tax	(9)	(10)
Group relief payable	9	-
	883	1,676

The Company has an unrecognised deferred tax asset amounting to £61,000 relating to losses carried forward.

9. DIVIDENDS

	1998 £000	1997 £000
Dividends on equity shares		
Interim paid	2,500	2,500
Final proposed dividend	-	-
	2,500	2,500

NOTES TO THE ACCOUNTS (continued)
at 31 March 1998

9. INVESTMENTS

	Subsidiary Undertakings		Associated Undertakings		Other	Total
	Shares £000	Loans £000	Shares £000	Loans £000	£000	£000
Cost						
At 1 April 1997	21,251	12,000	103,896	39,088	2	176,237
and 31 March 1998						
Provisions						
At 1 April 1997	-	7,755	2,095	-	-	9,850
and 31 March 1998						
Net book value						
At 31 March 1998	<u>21,251</u>	<u>4,245</u>	<u>101,801</u>	<u>39,088</u>	<u>2</u>	<u>166,387</u>

The aggregate investments in Associated Undertakings on an equity accounting basis would be:

	1998 £000	1997 £000
Share of net assets	63,842	61,662
Premium/(discount)	37,959	40,139
	<u>101,801</u>	<u>101,801</u>

NOTES TO THE ACCOUNTS (continued) **at 31 March 1998**

9. INVESTMENTS (continued)

Details of the principal investments in which the Company holds more than a 10% participating interest are as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Subsidiary Undertakings				
BNFL Enrichment (Plant and Equipment) Ltd	Great Britain	Ordinary shares	100%	Non trading
Pacific Nuclear Transport Ltd	Great Britain	Ordinary shares	62.5%	Nuclear transport
Seabird KK	Japan	Ordinary shares	62.5%*	Nuclear transport
BNFL Uranium Asset Management Company Ltd	Great Britain	Ordinary shares	100%	Uranium contract management services
Associated Undertakings				
Urenco Ltd	Great Britain	Ordinary shares	33.3%	Marketing of enriched uranium
Nuclear Flask Hire Ltd	Great Britain	Ordinary shares	50%	Hire of nuclear flasks
Nuclear Transport Ltd	Great Britain	Ordinary shares	50%	Nuclear transport
NTL - Societe Nucleaire Pours les Transports Lourds SARL	France	Ordinary shares	50%	Nuclear transport

* held by subsidiary undertaking

10. DEBTORS

	1998	1997
	£000	£000
Amounts owed by Group Undertakings	-	938
Amounts owed by Associated Undertakings	6,679	7,679
Other debtors	1	72
	<hr/>	<hr/>
	6,680	8,689
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 1998

11. CREDITORS: amounts falling due within one year

	1998 £000	1997 £000
Amounts owed to Group Undertakings	124,030	129,152
Amounts owed to Associated Undertakings	-	3,107
Corporation tax	205	5
Accruals and deferred income	3	-
Other creditors	-	2
	<hr/> 124,238	<hr/> 132,266

12. CREDITORS: amounts falling due after more than one year

Convertible unsecured loan stock

At any time the convertible unsecured loan stock may be redeemed at par by the Company or converted by the shareholder, in whole or in part, into fully paid ordinary shares of £1 each. This loan stock bears no interest.

13. SHARE CAPITAL

	1998 £000	1997 £000
Authorised: 21,000,100 ordinary shares of £1 each	21,000	21,000
Allotted, called up and fully paid: 1,994,881 ordinary shares of £1 each	<hr/> 1,994	<hr/> 1,994

14. RESERVES

	Profit and loss account £000
At 1 April 1997	28,569
Retained profit for the year	5,395
At 31 March 1998	<hr/> 33,964

NOTES TO THE ACCOUNTS (continued)
at 31 March 1998

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £000	1997 £000
Profit for the financial year	7,895	10,305
Dividends paid and proposed	(2,500)	(2,500)
Net addition to shareholders' funds	5,395	7,805
Opening shareholders' funds	30,563	22,758
Closing shareholders' funds	35,958	30,563

16. RELATED PARTY TRANSACTIONS

The ultimate holding company is British Nuclear Fuels plc, which is incorporated in Great Britain. Copies of the Group accounts of British Nuclear Fuels plc may be obtained from its registered office at Risley, Warrington, WA3 6AS. The Company is not included in any other Group accounts.

In the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

The Company, being a wholly owned subsidiary of British Nuclear Fuels plc has taken advantage of the exemption from the disclosure requirements as available in para. 3(c) of FRS8.