

PACIFIC NUCLEAR TRANSPORT LIMITED

Registered No. 1228109

ANNUAL REPORT AND ACCOUNTS

31st March 2002



Pacific Nuclear Transport Limited

DIRECTORS

T Fujie (Chairman)
B Lenail
S M Price
A B Thomas
J J Rycroft
S Uemiyu
M L Miller

SECRETARY

A J Shuttleworth

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
Spring Gardens
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 2002.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £ 1,017,000 (2001 £1,061,000).

The Directors recommend a final dividend of £1,000,000 (2001 £1,000,000).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activities during the year continued to be the transport of nuclear materials between Japan and Europe.

The Group's trading income for 2001/2002 was derived mainly from the provision of transport services for MOX, HLW and Magnox spent fuel between Japan, accounting for 81 % of total turnover (2000/01 79%). Income from Flask hire, Decommissioning and miscellaneous transport services represented the remaining 19% (2000/01 21%).

PNTL vessels completed 4 voyages during the year, shipping 10 Magnox spent fuel flasks; 12 MTR spent fuel flasks; 3 HAW flasks and 2 European Castor flasks.

The Company's subsidiary undertaking, Seabird KK did not trade during the year.

FUTURE DEVELOPMENTS

A major capital expenditure programme for the conversion of existing spent fuel ships and flasks to MOX is continuing to be undertaken.

PENSION FUNDS

It has been previously reported that the Merchant Navy Ratings Pension Fund (MNRPF) was under funded by between £46M and £78M, dependent on the level of voluntary contributions from ex employers. The latest indication is that voluntary contributions are somewhat lower than previously anticipated and the deficit is now between £52M and £78M. PNTL's liability has been established as between £0.9M and £1.3M. This deficit is to be remedied over 6 years, 2001 to 2006 by discrete annual payments. Payments totalling £0.5M in respect of the first two years have already been charged in the Accounts.

It has been previously reported that the Merchant Navy Officers Pension Fund (MNOFF) New section was under funded by up to £55M. The latest actuarial report indicates that the deficit has been reduced to £8M due to an increase in the levels of contributions from both members and employers and an increase in the assumed level of investment income. The level of employer's contribution was increased from 7.9% to 11.9% of employee's salary in October 2000 and is expected to remain at this level until June 2005, the increase of cost for PNTL amounts to approximately £0.1M per year.

Discussions are ongoing with the Japanese Utilities, for the recovery of the additional pension costs under the Spent Fuel, MOX and HAW transport agreements.

DIRECTORS

The Directors who served during the year were as follows:

T Fujie
C Loughlin (resigned 31 May 2002)
B Lenail
S M Price
A B Thomas
J J Rycroft
S Uemiya
C Duncan (resigned 20 April 2001)
M L Miller (appointed 24 July 2001)

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

DONATIONS

There were no political donations made in the year. Charitable donations in the year amounted to £1,535 (2001 £1,849), relating to the company's community involvement.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company auditor will be put at the Forthcoming Annual General Meeting.

By order of the Board



A J Shuttleworth
Company Secretary
18 July 2002

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.

INDEPENDENT AUDITORS REPORT

to the members of Pacific Nuclear Transport Limited

We have audited the group's accounts for the year ended 31 March 2002 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Group Balance Sheet, Parent Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 23. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

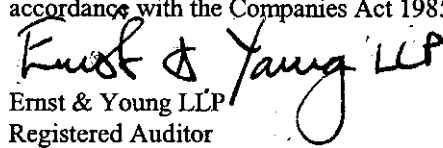
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2002 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 LLP
Registered Auditor
Manchester
Date:

12/11/02

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002


		2002	2001
	Notes	£000	£000
TURNOVER	2	17,831	20,012
Net operating costs and expenses	3	(17,601)	(19,829)
OPERATING PROFIT		230	183
Other interest receivable and similar income	6	757	921
Interest payable and similar charges	7	(3)	(6)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		984	1,098
Tax on profit on ordinary activities	8	33	(37)
PROFIT FOR THE FINANCIAL YEAR		1,017	1,061
Dividends paid and proposed	9	(1,000)	(1,000)
RETAINED PROFIT FOR THE YEAR	18 & 19	17	61

CONSOLIDATED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2002

	2002	2001
	£000	£000
Profit for the financial year	1,017	1,061
Currency translation differences on net investments	(5)	(5)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	1,012	1,056

BALANCE SHEETS at 31 March 2002

		Group		Parent	
		2002	2001	2002	2001
	Notes	£000	£000	£000	£000
FIXED ASSETS					
Intangible assets	10	-	-	-	-
Tangible assets	11	75,016	67,811	75,016	67,811
Investments	12	-	-	62	62
		<u>75,016</u>	<u>67,811</u>	<u>75,078</u>	<u>67,873</u>
CURRENT ASSETS					
Debtors	13	1,722	2,053	1,722	2,053
Investments (short term deposits)		16,900	22,400	16,900	22,400
Cash at bank and in hand		303	234	246	173
		<u>18,925</u>	<u>24,687</u>	<u>18,868</u>	<u>24,626</u>
CREDITORS: Amounts falling due within one year	14	<u>(15,266)</u>	<u>(18,801)</u>	<u>(15,266)</u>	<u>(18,801)</u>
NET CURRENT ASSETS		<u>3,659</u>	<u>5,886</u>	<u>3,602</u>	<u>5,825</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>78,675</u>	<u>73,697</u>	<u>78,680</u>	<u>73,698</u>
CREDITORS: Amounts falling due after more than one year	15	<u>(42,662)</u>	<u>(41,373)</u>	<u>(42,662)</u>	<u>(41,373)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(31,066)</u>	<u>(27,389)</u>	<u>(31,066)</u>	<u>(27,389)</u>
NET ASSETS		<u>4,947</u>	<u>4,935</u>	<u>4,952</u>	<u>4,936</u>
CAPITAL AND RESERVES					
Called up share capital	17	2,000	2,000	2,000	2,000
Profit and loss account	18	2,947	2,923	2,952	2,936
Other reserves	18	-	12	-	-
SHAREHOLDERS' FUNDS – EQUITY	19	<u>4,947</u>	<u>4,935</u>	<u>4,952</u>	<u>4,936</u>


 S M Price
 for and on behalf of the
 Board of Directors
 18 July 2002

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2002

	<i>Notes</i>	2001 £000	2001 £000
Net cash inflow from operating activities	20a	6,769	9,851
Returns on investment and servicing of finance	20b	761	921
Taxation	20b	-	79
Capital expenditure and financial investment	20b	(11,961)	(2,762)
Equity dividends paid	20b	(1,000)	(1,000)
Net cash (outflow) / inflow before use of liquid resources and financing		(5,431)	7,089
Management of liquid resources	20b	5,500	(7,380)
Increase/(Decrease) in cash in year	20d	69	(291)

NOTES TO THE ACCOUNTS

at 31 March 2002

1. ACCOUNTING POLICIES

Accounting convention

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

Group accounts

The consolidated accounts include the accounts of Pacific Nuclear Transport Limited and its subsidiary company Seabird KK, both of which are made up to 31 March. No profit and loss account is presented for Pacific Nuclear Transport Limited as permitted by section 230 of the Companies Act 1985.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost (including decontamination and disposal costs, where appropriate) less accumulated depreciation. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Accumulated depreciation includes additional charges made where necessary to reflect impairment in values. Assets in the course of construction are stated at cost and not depreciated until brought into commission. Depreciation is calculated to write off the historical cost less residual value of assets evenly over their useful lives of between 5 and 10 years.

Investments

Fixed asset investments are shown at cost less provision for impairment in value. Current asset investments are shown at the lower of cost and estimated net realisable value.

Deferred expenditure

a) Research and development

Research and development expenditure, in connection with the provision of services for which firm orders have been received, is held as deferred expenditure for recovery over the shorter of ten years or the life of the existing contracts for the transport of irradiated fuel from Japan. Speculative research and development is written off as incurred.

b) Flask handling facilities owned by third parties

Expenditure relating to flask handling facilities owned by third parties is held as deferred expenditure and written off over the shorter of ten years or the life of the existing contracts for the transport of irradiated fuel from Japan.

Deferred taxation

FRS19 'Deferred taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002. A prior year adjustment was not required to implement this change in accounting policy as there was no unprovided deferred taxation in 2001 before the implementation of FRS19.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE ACCOUNTS (continued)

at 31 March 2002

1. ACCOUNTING POLICIES (continued)

Flask decontamination and disposal provisions

Provisions are made for the costs of decontamination and disposal of flasks. Provisions are recognised in full and the costs are capitalised as part of the costs of the asset and depreciated accordingly. To the extent that costs are recoverable from third parties, they are treated as residual values of the assets concerned and depreciation is adjusted accordingly. Changes in estimates are treated as adjustments to the assets concerned. The provisions are stated in the balance sheet at current price levels discounted at an appropriate real rate of return to take into account the timing of the payments. Each year the financing charges in the profit and loss account include a 'top-up' charge to restate these provisions to current price levels. To the extent that this charge is recoverable from customers, it is capitalised.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. 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 profit and loss account.

Pensions

The Company participates in two industry wide defined benefit pension schemes, both of which require contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs, or by discrete annual payments as recommended by the Trustees. Differences between amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The Company also participates in two industry wide money purchase pension schemes which requires contributions to be made to a separately administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to one continuing activity, the transport of nuclear materials between Japan and Europe. Turnover and operating profit materially arises from sources and destinations in the UK.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:

	2002 £000	2001 £000
Employee costs (see note 4)	5,429	6,097
Depreciation – owned fixed assets	4,034	3,716
Provisions for liabilities and charges	-	(1)
Auditors' remuneration - audit services	6	6
Directors' emoluments (see note 5)	19	20
Other charges	8,113	9,991
	<u>17,601</u>	<u>19,829</u>

4. EMPLOYEE INFORMATION (including Executive Directors)

The average weekly number of employees during the year was as follows:

	2002 No.	2001 No.
Officers and crew	<u>193</u>	<u>201</u>

Employee costs during the year were as follows:

	2002 £000	2001 £000
Wages and salaries	4,530	5,105
Social security costs	410	441
Pension costs	489	551
	<u>5,429</u>	<u>6,097</u>

All executive and administrative functions are undertaken by employees of British Nuclear Fuels plc.

5. DIRECTORS' EMOLUMENTS

	2002 £000	2001 £000
Fees	<u>19</u>	<u>20</u>

No pension contributions were made on behalf of Directors.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£000	£000
Bank interest	757	921
	<hr/>	<hr/>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£000	£000
Gross top-up adjustment to opening provisions	964	1,354
Less: capitalised amounts recoverable from customers	(963)	(1,353)
	<hr/>	<hr/>
	1	1
Bank loans and overdrafts	2	5
	<hr/>	<hr/>
	3	6
	<hr/>	<hr/>

8. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£000	£000
Deferred tax	(37)	37
Corporation tax	4	-
	<hr/>	<hr/>
	(33)	37
	<hr/>	<hr/>

The Company has no deferred tax liability in 2002 (2001 Deferred liability £37,196). From 1 April 2001 onwards the company is taxable under Section 82 of the Finance Act 2000. This accounts for the difference between the tax at the UK standard rate and actual corporation tax charge for the year. Deferred taxation is not provided for on the basis that the company will continue to be taxed on the same basis for the foreseeable future.

9. DIVIDENDS PAID AND PROPOSED

	2002	2001
	£000	£000
Dividends on equity shares		
Final proposed	1,000	1,000
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NOTES TO THE ACCOUNTS (continued) at 31 March 2002

10. INTANGIBLE ASSETS

Group and Parent	Research and development £000	Flask handling facilities £000	Total £000
Cost at 31 March 2001	5,206	2,455	7,661
Elimination of fully amortised asset	(5,206)	(2,455)	(7,661)
Cost at 31 March 2002	-	-	-
Amortisation at 31 March 2001	5,206	2,455	7,661
Elimination of fully amortised asset	(5,206)	(2,455)	(7,661)
Amortisation at 31 March 2002	-	-	-
Net book value at 31 March 2001 and 31 March 2002	-	-	-

11. TANGIBLE FIXED ASSETS

Group and Parent	Equipment £000	Assets in course of construction £000	Total £000
Cost at 31 March 2001	186,704	11,025	197,729
Fixed Asset Additions	94	7,432	7,526
Top-up on Capitalised Decommissioning costs	963	-	963
Cost / programme changes to Capitalised Decommissioning Costs	4,811	-	4,811
Spend on Capitalised Decommissioning costs	(2,061)	-	(2,061)
Fixed Asset Transfers	2,536	(2,536)	-
Cost at 31 March 2002	193,047	15,921	208,968
Depreciation at 31 March 2001	129,918	-	129,918
Charge for year	4,034	-	4,034
Depreciation at 31 March 2002	133,952	-	133,952
Net book value at 31 March 2002	59,095	15,921	75,016
Net book value at 31 March 2001	56,786	11,025	67,811

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

11. TANGIBLE FIXED ASSETS *continued*

The equipment book values include the following figures for flask decontamination and disposal:

	£000
Cost	31,035
Depreciation	(10)
	<hr/>
Net book value at 31 March 2002	31,025
	<hr/>
Net book value at 31 March 2001	27,312
	<hr/>

12. INVESTMENTS

Investment in subsidiary undertaking:	Parent £000
Cost and net book value at 31 March 2001 and 31 March 2002	62
	<hr/>

Details of the investment are as follows:

<i>Name</i>	<i>Country of Incorporation</i>	<i>Holding</i>	<i>Proportion Held</i>	<i>Nature of Business</i>
Seabird KK	Japan	Ordinary shares	100%	Transport services

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

13. DEBTORS

	Group and Parent	
	2002	2001
	£000	£000
Amounts owed by Group Undertakings	1,660	1,777
Other debtors	62	276
	<hr/>	<hr/>
	1,722	2,053
	<hr/>	<hr/>

14. CREDITORS: amounts falling due within one year

	Group and Parent	
	2002	2001
	£000	£000
Trade creditors	8,322	12,930
Amounts owed to Group Undertakings	5,895	4,705
Proposed dividend	1,000	1,000
Corporation tax	4	-
Other taxes and social security costs	45	166
	<hr/>	<hr/>
	15,266	18,801
	<hr/>	<hr/>

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

	Group and Parent	
	2002	2001
	£000	£000
Amounts owed to Group Undertakings:		
Capital Advance payments	42,662	41,373
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation	Group and Parent Flask decontamination & disposal	Total
	£000	£000	£000
At 1 April 2001	37	27,352	27,389
Changes in price levels	-	964	964
Increase in the year:			
Capitalised	-	4,811	4,811
Utilised	(37)	(2,061)	(2,098)
At 31 March 2002	-	31,066	31,066
Analysed as follows:			
Amounts due within one year	-	1,604	1,604
Amounts due after one year	-	29,462	29,462
	-	31,066	31,066

The flask decontamination and disposal provisions are re assessed each year. The amounts can be subject to change, depending on latest cost estimates and timing of disposal. All costs associated with this decontamination except £41K is contractually recoverable from customers. The costs will be incurred over the next 10 years.

NOTES TO THE ACCOUNTS (continued) at 31 March 2002

17. SHARE CAPITAL

	2002 £000	2001 £000
Authorised: 2 million ordinary shares of £1 each	2,000	2,000
Allotted, called up and fully paid: 2 million ordinary shares of £1 each	2,000	2,000

18. RESERVES

	Group		Parent
	Other reserves	Profit and loss account	Profit and loss account
	£000	£000	£000
At 1 April 2001	12	2,923	2,936
Re-classification	(12)	12	-
Retained profit for the year	-	17	17
Exchange rate movements	-	(5)	(1)
At 31 March 2002	-	2,947	2,952

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

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Parent	
	2002 £000	2001 £000	2002 £000	2001 £000
Profit for the financial year	17	61	17	61
Other recognised gains and (losses)	(5)	(5)	(1)	1
Net addition to shareholders' funds	12	56	16	62
Opening shareholders' funds	4,935	4,879	4,936	4,874
Closing shareholders' funds	4,947	4,935	4,952	4,936

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

20. CASH FLOW STATEMENT

a. Reconciliation of operating profit to net cash inflow from operating activities

	2002	2001
	£000	£000
Operating profit	230	183
Depreciation charges	4,034	3,716
Decrease in debtors/accrued income	333	1,890
Decrease in creditors/accruals	(242)	(3,039)
Decrease in provisions	-	(1)
Increase in advance payments	2,414	7,102
	<hr/>	<hr/>
Net cash inflow from operating activities	6,769	9,851
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

20. CASH FLOW STATEMENT *continued*

b. Analysis of cash flows for headings netted in the cash flow statement

	2002 £000	2001 £000
Returns on investment and servicing of finance:		
Interest received	763	926
Interest paid	(2)	(5)
Net cash outflow for returns on investments and servicing of finance	<u>761</u>	<u>921</u>
Taxation:		
UK corporation tax received	-	79
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	<u>(11,961)</u>	<u>(2,762)</u>
Net cash outflow for capital expenditure and financial investment	<u>(11,961)</u>	<u>(2,762)</u>
Equity Dividends Paid:		
Dividends paid to Shareholders	<u>(1,000)</u>	<u>(1,000)</u>
Net Cash Outflow on Equity Dividends	<u>(1,000)</u>	<u>(1,000)</u>
Management of liquid resources:		
Net cash (deposited) / withdrawn from short term deposits	<u>(5,500)</u>	<u>(7,380)</u>
Net cash (outflow) / inflow from management of liquid resources	<u>(5,500)</u>	<u>(7,380)</u>

Liquid resources are short term deposits repayable after more than 24 hours but within one year.

c. Analysis of the changes in net funds

	At 1 April 2001	Cash flow	At 31 March 2002
	£000	£000	£000
Cash at bank and in hand	234	69	303
Deposits repayable after 24 hours	22,400	(5,500)	16,900
	<u>22,634</u>	<u>(5,431)</u>	<u>17,203</u>

NOTES TO THE ACCOUNTS (continued) at 31 March 2002

20. CASH FLOW STATEMENT *continued*

d. Reconciliation of net cash flow to movement in net funds

	2002 £000	2001 £000
(Decrease) / Increase in cash in the year	(5,500)	7,380
Net cash outflow/(inflow) from increase/(decrease) in liquid resources	69	(291)
Movement in net funds in the year	(5,431)	7,089
Opening net funds	22,634	15,545
Closing net funds	17,203	22,634

21. CAPITAL EXPENDITURE AUTHORISED

	2002 £000	2001 £000
Contracted for but not provided for	2,096	9,399

22. PENSIONS

The Company participates in two industry wide defined benefit pension schemes (The Merchant Navy Officers Pension Fund and the Merchant Navy Ratings Pension Fund), and two industry wide money purchase pension scheme (the Merchant Navy Officers Pension Plan and the Merchant Navy Ratings Pension Plan).

a) Defined benefit schemes

The Merchant Navy Officers Pension Fund Old section was closed in April 1978 and replaced by the New section which has subsequently been closed to new members from 1 November 1996. Benefits for Old section were capped in April 1978 and those for existing employees of the New section continue to accrue with increasing years in service.

The Merchant Navy Ratings Pension Fund was closed from 31 May 2001, the liabilities of the scheme have been capped at the level of benefits accrued to employees at the closure date, subject to adjustment for future actuarial valuations. Each scheme is funded by payments to trusts, which are independent of the participating employers.

22. PENSIONS *continued*

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The results of the most recent valuations for the MNOPF and the MNRPF which were conducted as at 31 March 2000 and 31 March 1999 respectively, were as follows:

Main assumptions:	MNOPF		MNRPF
	New	Old	
Date of valuation	31 March 00	31 March 00	31 March 99
Rate of increase in salaries (% per annum)	4.0	4.0	4.4
Rate of increase in pension payments (% p.a.)	Nil	Nil	Nil to 2.9
Discount rate (% p.a.)	5.75	5.0	5.47
Market value of scheme's assets (£million)	1,666	1,388	458

At 31 March 2000, the MNOPF, New and Old sections were 100% and 112% funded respectively. At the 31 March 1999, the MNRPF was 79% funded.

The latest indication from the administrators of the MNRPF is that the scheme is underfunded by between £52M and £78M and the deficit is to be remedied over six years. PNTL's share of the deficit is between £0.9M and £1.3M dependent on the level of contribution by ex employers. PNTL's payments in 2001 and 2002 amount to £0.5M, subsequent payments will be in 4 equal instalments of between £0.1M and £0.2M in each year, subject to the level of voluntary contributions.

The MNOPF is underfunded by £8M. To eliminate the deficit over a 6 year period there has been an increase in contributions from 7.9% to 11.9% from October 2000 to June 2005. This will result in an increased contribution from PNTL of approximately £0.1M p.a.

The pension cost, charged in the year for the MNRPF was £232K, including an accrual in respect of unpaid contributions £92K. The pension cost, charged in the year for the MNOPF was £230K, including an accrual in respect of unpaid contributions £1K. In the prior year the total pension charge for all schemes was £551K, including an accrual of £252K.

As the MNOPF and MNRPF are defined benefit industry wide schemes, PNTL is unable to identify its share of the underlying assets and liabilities on a regular and consistent basis and has therefore treated the schemes as defined contribution schemes in the accounts, in accordance with FRS17 Retirement Benefits.

b) Money purchase schemes

The Merchant Navy Officers Pension Plan is a defined contribution scheme and is available to officers who are not eligible for the MNOPF but wish to participate in an industry scheme. The pension cost charged in the year was £16K and there were no outstanding contributions at the balance sheet date.

The Merchant Navy Ratings Pension Plan is a defined contribution scheme, which was set up on closure of the MNRPF, and is available to all ratings who wish to participate in an industry scheme. The pension cost charged in the year was £11K and there were no outstanding contributions at the balance sheet date.

23. RELATED PARTY TRANSACTIONS

The following table summarises the disclosures required by FRS8 regarding transactions with British Nuclear Fuels plc, the immediate parent undertaking

2001/02

	Turnover £000	Purchases £000	Interest £000	Due from RP	Due to RP	
				Trading £000	Trading £000	Advance Payments £000
Parent Undertaking	17,831	1,879	-	1,660	93	48,464

2000/01

	Turnover £000	Purchases £000	Interest £000	Due from RP	Due to RP	
				Trading £000	Trading £000	Advance Payments £000
Parent Undertaking	20,012	2,337	-	1,777	21	46,050

The immediate holding company is International Nuclear Fuels Limited, a company incorporated in England and Wales. 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.