

PACIFIC NUCLEAR TRANSPORT LIMITED

Registered No. 1228109

ANNUAL REPORT AND ACCOUNTS

31 March 1999



Pacific Nuclear Transport Limited

DIRECTORS

K Tomono (Chairman)
L N Chamberlain
B Lenail
C Loughlin
S M Price
A B Thomas
N Tsusi

SECRETARY

A J Shuttleworth

AUDITORS

Ernst & Young
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 1999.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £650,000 (1998 £1,218,000).

The Directors do not recommend a final dividend (1998 £nil).

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 1998/99 was derived mainly from the provision of transport services for irradiated fuel from Japan, accounting for 81% of total turnover (1997/98 97%). Income from MOX, flask hire, HLW and miscellaneous transport services represented the remaining 19% (1997/98 3%).

PNTL vessels completed 3 voyages during the year and transported 61.5 tes of fuel to the UK and France (1997/98 114.4 tes).

No deliveries of HAW were completed in the year although the 4th consignment was on route for Japan at the year-end.

FUTURE DEVELOPMENTS

The existing business for transport of Tranche II irradiated fuel was completed during 1998, with the final deliveries from Shika in August 1998. During the year there were extensive negotiations with the Japanese Utilities for the return from Europe to Japan of products derived from reprocessing. Final agreement is expected in mid 1999 and this will secure transport business for PNTL for the next ten years. A major capital investment programme for conversion of ships and flasks to this purpose will be undertaken during the coming years.

DIRECTORS

The Directors who served during the year were as follows:

K Tomono (appointed 23 July 1998)

L N Chamberlain

T Fujie (resigned 23 July 1998)

B Lenail

C Loughlin

S M Price

A B Thomas

G L Watts

N Tsuji

Pacific Nuclear Transport Limited

There are no Directors' interests requiring disclosure under the Companies Act 1985 although Mr L N Chamberlain, Mr G L Watts and Mr C Loughlin were, during the year ended 31 March 1999, members of the Board of International Nuclear Fuels Limited (INFL), the majority shareholder of the Company. In addition Mr L N Chamberlain and Mr G L Watts were, during the year ended 31 March 1999, members of the Board of British Nuclear Fuels plc (BNFL) which in addition to being the ultimate holding company of Pacific Nuclear Transport Limited, has substantial contracts with the Company.

DONATIONS

There were no political donations made in the year. Charitable donations in the year amounted to £341 (1998 £1,704).

YEAR 2000

As is well known, computer based systems may not work correctly when the date progresses toward, 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 and legal interests of the Group are fully protected from the impact of the Year 2000 problems. Further details of the project are included in the accounts of the ultimate holding company, British Nuclear Fuels plc. The expected costs are not material.

AUDITORS

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

By order of the Board



A J Shuttleworth
Company Secretary
28 July 1999

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 Pacific Nuclear Transport Limited

We have audited the accounts on pages 7 to 22, which have been prepared under the historical cost convention and on the basis of the accounting policies, set out on pages 10 to 11.

Respective responsibilities of Directors and Auditors

As described on page 5 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.

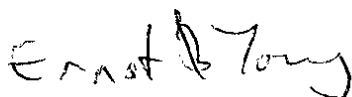
Basis of opinion

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 and the Group at 31 March 1999 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
28 July 1999

Pacific Nuclear Transport Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1999

		1999	1998
	Notes	£000	£000
TURNOVER	2	17,694	20,193
Net operating costs and expenses	3	(16,210)	(19,250)
OPERATING PROFIT		<u>1,484</u>	<u>943</u>
Other interest receivable and similar income	6	174	219
Interest payable and similar charges	7	(1,008)	(115)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>650</u>	<u>1,047</u>
Tax on profit on ordinary activities	8	-	171
PROFIT FOR THE FINANCIAL YEAR		<u>650</u>	<u>1,218</u>
Dividends paid and proposed	9	-	-
RETAINED PROFIT FOR THE YEAR		<u>650</u>	<u>1,218</u>


STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 1999

	1999	1998
	£000	£000
Profit for the financial year	650	1,218
Currency translation differences on net investments	7	(5)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>657</u>	<u>1,213</u>

Pacific Nuclear Transport Limited

BALANCE SHEETS
at 31 March 1999

	<i>Notes</i>	Group		Parent	
		1999	1998	1999	1998
		£000	Restated £000	£000	Restated £000
FIXED ASSETS					
Intangible assets	10	-	-	-	-
Tangible assets	11	63,353	46,002	63,353	46,002
Investments	12	-	-	62	62
		<hr/>	<hr/>	<hr/>	<hr/>
		63,353	46,002	63,415	46,064
		<hr/>	<hr/>	<hr/>	<hr/>
CURRENT ASSETS					
Voyages in progress	13	630	705	630	705
Debtors	14	4,243	4,681	4,243	4,681
Investments (short term deposits)		-	2,200	-	2,200
Cash at bank and in hand		1,534	667	1,477	617
		<hr/>	<hr/>	<hr/>	<hr/>
		6,407	8,253	6,350	8,203
		<hr/>	<hr/>	<hr/>	<hr/>
CREDITORS: Amounts falling due within one year	15	(30,844)	(13,623)	(30,844)	(13,623)
		<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS		(24,437)	(5,370)	(24,494)	(5,420)
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		38,916	40,632	38,921	40,644
		<hr/>	<hr/>	<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES	16	(34,288)	(36,661)	(34,288)	(36,661)
		<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS		4,628	3,971	4,633	3,983
		<hr/>	<hr/>	<hr/>	<hr/>
CAPITAL AND RESERVES					
Called up share capital	17	2,000	2,000	2,000	2,000
Profit and loss account	18	2,621	1,971	2,633	1,983
Other reserves	19	7	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
SHAREHOLDERS' FUNDS - EQUITY		4,628	3,971	4,633	3,983
		<hr/>	<hr/>	<hr/>	<hr/>


S M Price
for and on behalf of the
Board of Directors
28 July 1999

Pacific Nuclear Transport Limited

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 1999

	<i>Notes</i>	1999 £000	1998 £000
Net cash inflow/(outflow) from operating activities	21a	1,294	(1,636)
Returns on investment and servicing of finance	21b	(680)	189
Taxation	21b	(21)	(92)
Capital expenditure and financial investment	21b	(18,933)	(5,093)
Equity dividends paid		-	(1,500)
Net cash outflow before use of liquid resources and financing		(18,340)	(8,132)
Management of liquid resources	21b	1300	2,537
Financing	21b	17000	6,000
Increase/(decrease) in cash in year	21d	(40)	405

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. With the exception of the following change, due to the publication of a new accounting standard, the same policies have been applied as in the previous year.

Provisions

The Company has changed its accounting policies with regard to provisions in order to comply with the requirements of FRS 12 'Provisions and Contingencies'. The main changes are in relation to flask decontamination and disposal liabilities. Further details are included in the flask decontamination and disposal provision policy below and note 20.

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 (other than assets in the course of construction) 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.

Investments

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

Voyages in progress

Costs related to uncompleted voyages are carried forward. Provision is made for any loss expected to arise on such voyages.

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

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.

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

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. 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. 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. 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 an industry wide money purchase pension scheme 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 1999

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:

	1999	1998
	£000	Restated £000
Employee costs (see note 4)	4,099	4,085
Depreciation - owned fixed assets	188	100
Provisions for liabilities and charges	240	-
Write off of deferred expenditure	14	49
Auditors' remuneration - audit services	7	7
Decrease/(increase) in voyages in progress costs	75	(97)
Other external and operating charges	11,587	15,107
Other operating income	-	(1)
	16,210	19,250

4. EMPLOYEE INFORMATION (including Executive Directors)

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

	1999	1998
	No.	No.
Officers and crew	147	166

Employee costs during the year were as follows:

	1999	1998
	£000	£000
Wages and salaries	3,675	3,625
Social security costs	275	277
Pension costs	149	183
	4,099	4,085

All executive and administrative functions are undertaken by employees of British Nuclear Fuels plc and as such the costs are included in 'Other external and operating charges' above (see note 3).

5. DIRECTORS' EMOLUMENTS

	1999	1998
	£000	£000
Fees	20	23

No pension contributions were made on behalf of Directors.

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £000	1998 £000
Bank interest	174	219

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £000	1998 Restated £000
Gross top-up adjustment to opening provisions	1,096	1,249
Less: capitalised amounts recoverable from customers	(1,094)	(1,247)
	2	2
Interest payable to Group Undertakings	1,006	107
Bank loans and overdrafts	-	6
	1,008	115

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
Corporation tax	-	-
Advance Corporation Tax written off/(recovered)	-	(229)
	-	(229)
Adjustments in respect of prior years		
Corporation tax	-	58
	-	(171)

The Company has an unrecognised deferred tax asset amounting to £907,122 (1998 £1,105,307). This comprises of fixed asset timing differences of £1,768,138 (1998 £424,662), other timing differences of £132,771 (1998 £60,153) and tax losses carried forward of £2,542,489 (1998 £620,492).

9. DIVIDENDS PAID AND PROPOSED

	1999 £000	1998 £000
Dividends on equity shares		
Final proposed	-	-

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

10. INTANGIBLE ASSETS

Group and Parent	Research and development £000	Flask handling facilities £000	Total £000
Cost at 1 April 1998	5,192	2,455	7,647
Additions	14	-	14
Disposals	-	-	-
Cost at 31 March 1999	5,206	2,455	7,661
Amortisation at 1 April 1998	5,192	2,455	7,647
Charge for the year	14	-	14
Disposals	-	-	-
Amortisation at 31 March 1999	5,206	2,455	7,661
Net book value at 31 March 1999	-	-	-
Net book value at 31 March 1998	-	-	-

11. TANGIBLE FIXED ASSETS

Group and Parent	Equipment £000	Assets in course of construction £000	Total £000
Cost at 1 April 1998	124,903	8,431	133,334
Change in accounting policy (note 20)	36,474	-	36,474
Cost at 1 April 1998 (restated)	161,377	8,431	169,808
Additions	1,442	20,154	21,596
Disposals	(4,057)	-	(4,057)
Transfers	27	(27)	-
Cost at 31 March 1999	158,789	28,558	187,347
Depreciation at 1 April 1998	123,796	-	123,796
Change in accounting policy (note 20)	10	-	10
Depreciation at 1 April 1998 (restated)	123,806	-	123,806
Charge for year	188	-	188
Disposals	-	-	-
Depreciation at 31 March 1999	123,994	-	123,994
Net book value at 31 March 1999	34,795	28,558	63,353
Net book value at 31 March 1998 (restated)	37,571	8,431	46,002

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

11. TANGIBLE FIXED ASSETS *continued*

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

	£000
Cost	33,859
Depreciation	(10)
Net book value at 31 March 1999	33,849
Net book value at 31 March 1998 (restated)	36,464

12. INVESTMENTS

Investment in subsidiary undertaking:	Parent £000
Cost and net book value at 1 April 1998 and 31 March 1999	62

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

13. VOYAGES IN PROGRESS

	Group and Parent	
	1999	1998
	£000	£000
Uncompleted voyage costs	630	705

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

14. DEBTORS

	Group and Parent	
	1999	1998
		Restated
	£000	£000
Amounts owed by Group Undertakings	3,933	3,825
Other debtors	310	856
	<hr/>	<hr/>
	4,243	4,681
	<hr/>	<hr/>

15. CREDITORS: amounts falling due within one year

	Group and Parent	
	1999	1998
		Restated
	£000	£000
Trade creditors	5,319	5,244
Amounts owed to Group Undertakings	25,465	8,236
Corporation tax	-	53
Other taxes and social security costs	6	2
Accruals and deferred income	54	88
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	30,844	13,623
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Amounts owed to Group Undertakings include a loan from BNFL of £23 million (1998 £6 million) repayable within 12 months.

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Pension (note 23)	Group and Parent Flask decontamination & disposal	Total
	£000	£000	£000
At 1 April 1998	160	37	197
Change in accounting policy (note 20)	-	36,464	36,464
At 1 April 1998 (restated)	160	36,501	36,661
Changes in price levels	-	1,096	1,096
Increase in the year:			
Charge to profit and loss account	240	-	240
Capitalised	-	348	348
Utilised	-	(4,057)	(4,057)
At 31 March 1999	400	33,888	34,288
Analysed as follows:			
Amounts due within one year	-	4,481	4,481
Amounts due after one year	400	29,407	29,807
	400	33,888	34,288

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 £39K is contractually recoverable from customers. The costs will be incurred over the next 10 years.

17. SHARE CAPITAL

	1999 £000	1998 £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

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

18. RESERVES

	Group		Parent	
	Other reserves	Profit and loss account	Other reserves	Profit and loss account
	£000	£000	£000	£000
At 1 April 1998	-	1,971	-	1,983
Retained profit for the year	-	650	-	650
Exchange rate movements	7	-	-	-
At 31 March 1999	7	2,621	-	2,633

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	
	1999 £000	1998 £000	1999 £000	1998 £000
Profit for the financial year	650	1,218	650	1,218
Other recognised gains and losses (net)	7	(5)	-	-
Net addition to shareholders' funds	657	1,213	650	1,218
Opening shareholders' funds	3,971	2,758	3,983	2,765
Closing shareholders' funds	4,628	3,971	4,633	3,983

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

20. CHANGE IN ACCOUNTING POLICY

The Company has changed its accounting policy with regard to flask decontamination and disposal provisions in order to comply with FRS 12 'Provisions and Contingencies'. Full provision is now made and the costs are capitalised as part of the costs of the assets concerned. The effect of these changes is as follows:

	Group		Parent	
	1999	1998	1999	1998
	£000	£000	£000	£000
Balance sheet				
Tangible fixed assets – cost	33,912	36,474	33,912	36,474
- depreciation	(10)	(10)	(10)	(10)
Increase in net book value	33,902	36,464	33,902	36,464
Provisions	(33,902)	(36,464)	(33,902)	(36,464)
	-	-	-	-

21. CASH FLOW STATEMENT

a. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1999	1998
	£000	£000
Operating profit	1,484	943
Depreciation charges	188	100
(Increase)/decrease in debtors/accrued income	325	(1,045)
(Increase)/decrease in voyages in progress	75	(97)
Decrease in creditors/accruals	(1,032)	(1,586)
Increase in provisions	240	-
Increase/(decrease) in advance payments	-	-
Deferred expenditure written off	14	49
Net cash inflow/(outflow) from operating activities	1,294	(1,636)

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

21. CASH FLOW STATEMENT *continued*

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

	1999	1998
	£000	£000
Returns on investment and servicing of finance:		
Interest received	174	239
Interest paid	(854)	(50)
Net cash inflow/(outflow) for returns on investments and servicing of finance	(680)	189
Taxation:		
UK corporation tax paid	(21)	(92)
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(18,919)	(5,044)
Increase in deferred expenditure	(14)	(49)
Net cash outflow for capital expenditure and financial investment	(18,933)	(5,093)
Management of liquid resources:		
Net cash withdrawn from short term deposits	1,300	2,537
Net cash inflow from management of liquid resources	1,300	2,537
Liquid resources are short term deposits repayable after more than 24 hours but within one year		
Financing:		
New borrowings	17,000	6,000
Net cash inflow from financing	17,000	6,000

c. Analysis of the changes in net (debt)/funds

	At 1 April	Cashflow	Other	At 31
	1998		non-cash	March
	£000	£000	changes	1999
			£000	£000
Cash at bank and in hand	667	860	7	1,534
Deposits repayable within 24 hours	900	(900)	-	-
Loans due within 1 year	(6,000)	(17,000)	-	(23,000)
Deposits repayable after 24 hours	1,300	(1,300)	-	-
	(3,133)	(18,340)	7	(21,466)

NOTES TO THE ACCOUNTS (continued)
at 31 March 1999

21. CASH FLOW STATEMENT *continued*

d. Reconciliation of net cash flow to movement in net (debt)/funds

	1999 £000	1998 £000
Increase/(decrease) in cash in the year	(1,300)	405
Cash inflow from increase in debt financing	(17,000)	(6,000)
Cash inflow from increase/decrease in liquid resources	(40)	(2,537)
Foreign exchange translation differences	7	-
	<hr/>	<hr/>
Movement in net funds in the year	(18,333)	(8,132)
Opening net (debt)/funds	(3,133)	4,999
	<hr/>	<hr/>
Closing net debt	(21,466)	(3,133)

22. CAPITAL EXPENDITURE AUTHORISED

	1999 £000	1998 £000
Contracted for but not provided for	6,381	4,590

23. 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 an industry wide money purchase pension scheme (the Merchant Navy Officers Pension Plan).

a) Defined benefit schemes

The Merchant Navy Officers Pension Fund has been closed to new members from 1 April 1997. Additionally, the Merchant Navy Ratings Pension Fund is to be closed to new members, the effective date of which is yet to be decided. Each scheme is funded by payments to trusts which are independent of the participating employers.

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 MNOFF and the MNRPF (the new fund has not yet been subject to its first valuation), which were conducted as at 31 March 1996 and 31 March 1998 respectively, were as follows:

Main assumptions:	<u>MNOFF</u>	<u>MNRPF</u>
Date of valuation	31 March 96	31 March 98
Valuation rate of interest (% per annum)	9.0	7.25
Rate of general pay escalation (% per annum)	6.5	4.5
Rate of future pension increases (% per annum)	Nil to 2.5	Nil to 3.0
Rate of future dividend growth (% per annum)	5.0	4.3
Market value of scheme's assets (£million)	2,228	438

NOTES TO THE ACCOUNTS (continued)

at 31 March 1999

23. PENSIONS *continued*

At 31 March 1996, the MNOFF, Old and New sections were 100% and 116% funded respectively. At the 31 March 1998, the MNRPF was 89% funded. Future contributions, in addition to the employer's contribution of 8% of pensionable earnings, will be made over a 7 year period from the year 2000 in order to eliminate the deficiency in the MNRPF scheme. PNTL's share of the deficiency has been provided in full. The surplus in the MNOFF scheme is being recognised as a variation from regular cost over 10 years, the average expected remaining service lives of employees.

The pension cost charge for these defined benefit pension schemes was £148,935 (1998 £183,046).

b) Money purchase schemes

The Merchant Navy Officers Pension Plan is available to officers who wish to participate in an industry scheme and are not eligible for the MNOFF. There are no unpaid contributions outstanding at the year end, included in accruals and deferred income (1998 £3,560).

The Merchant Navy Ratings Pension Plan, which will be set up on closure of the MNRPF, will be available to all new rating entrants/re-entrants.

24. RELATED PARTY TRANSACTIONS

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

1998/99

	Turnover £000	Purchases £000	Interest £000	Due from RP	Due to RP	
				Trading £000	Trading £000	Loans £000
Parent Undertaking	17,694	8,353	1,006	3,933	2,214	23,250

1997/98

	Turnover £000	Purchases £000	Interest £000	Due from RP	Due to RP	
				Trading £000	Trading £000	Loans £000
Parent Undertaking	20,193	10,671	107	3,825	2,236	6,000

The immediate holding company is International Nuclear Fuels Limited, a company registered 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.