



STUDIECENTRUM VOOR KERNENERGIE
CENTRE D'ÉTUDE DE L'ÉNERGIE NUCLÉAIRE

1999 Annual Report

Annual Report 1999

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1999 in brief and outlook

The 1999 financial year turned out very much in line with the objectives stated in our strategic plan, both in terms of funding and earnings, and also of the provisions to be set up to finance new installations.

Our own earnings rose by 7.4%, while external costs, excluding investments and financial charges, fell by 1.9%.

The financial year ended showing a deficit of BEF 6.5 million on the extraordinary budget, which was offset by an ordinary budget profit of BEF 8.7 million, resulting in a surplus of BEF 2.2 million.

Scientific activities and infrastructures

Scientific activities saw a continuation of existing programmes, with the accent on starting up the new activities outlined in our strategic plan.

The latter can be summarised as follows.

In terms of ongoing development, through its research and development programme, training, communication and services, CEN•SCK is contributing to:

- nuclear safety and radioprotection,
- medical and industrial applications of radiation,
- the end of the nuclear fuel cycle.

This mission implies an extension of our conventional activities in two main areas :

- Non-energy applications of nuclear power, in particular in the medical sector.
- Consideration of non-technical aspects such as social and economic factors linked with the cycle of nuclear activity as a whole.

The following successes are certainly worthy of special mention.

Thanks to a sustained effort, 75 research proposals have been launched for the European Union's fifth framework programme.

BR2 has carried out its irradiation programme without any problems, and there has been a marked increase of earnings, both in internal (research programme, etc.) and external (principally the production of radioisotopes for medical applications).

BR3 is keeping well up with the field in global terms by successfully moving the reactor vessel as part of its dismantling programme; a major first was the direct display of operations on the Internet.

Within GIE Praclay, the ONDRAF-CEN•SCK joint venture, work has been completed on schedule on the drilling and strengthening of the second access shaft to the underground laboratory.

The Myrrha project now has the necessary manpower, and is seeking partners in the European field to carry out research on hybrid systems.

The objective of this project, it should be remembered, is to perfect a system coupling a proton accelerator to a subcritical reactor in order to respond to a variety of needs, not only in the nuclear sector (neutron source, transmutation of waste, etc.) but also within the medical and scientific world (production of medical radioisotopes for the diagnosis and treatment of cancer, protons and neutrons beams).

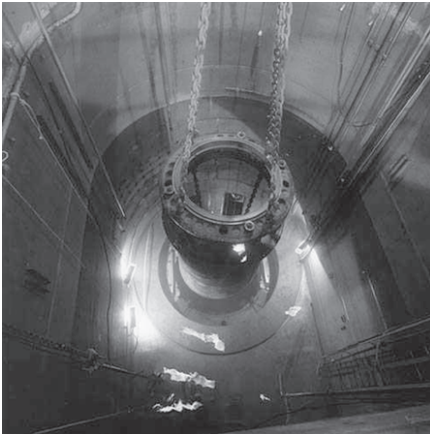
The human sciences programme is progressing with the participation of outside experts in a number of different disciplines (economics, philosophy, sociology, etc.)

Major efforts have been got under way to train our employees.

The new Club-house auditorium has been the location for some intensive activity.

Twenty or so scientific seminars and 20 Lunch Talks were organised on the initiative of our young team of researchers.

The changeover to the year 2000 passed without any problems.



The social context

The first few months of 1999 saw the final departures of personnel resulting from the restructuring plan.

The excellent results of our recruitment drive, and effective reorganisation measures, have meant that we were well able to deal with the consequences which the departure of 84 employees had on our operations.

In 1999, 35 members of staff left CEN•SCK and 36 new employees were recruited.

A 3-year collective agreement, due to end on 31 December 2001 was signed in December. This agreement allows for 2 scale increments of 1%, the first on 1 January 2000 and the second on 1 January 2001, plus a one-off bonus of BEF 15,000, the right of each employee to 15 training days per year, an early retirement scheme starting at the age of 58, with similar financial terms to the previous scheme, substantial salary guarantees in the event of career disruption, and the right of each employee to convert the 13th month into leave days.

Finally, the agreement allows for the setting up of 2 working groups, the first with the task of reviewing the classification system and the second of establishing a mobility scheme.

Fuel

Following administrative problems relating to the suitability of the new container, it has only been possible to organise one shipment of irradiated fuel from BR2 to La Hague (out of 6 scheduled).

The scheduled supply of fuel elements using reprocessed uranium did not take place following the cessation of operations at UKAEA .

Safety and the environment

In the safety and environmental protection field, 1999 once again produced some superb results. Exposure of personnel and of the population has been held at a low level for several years, and no serious incidents have occurred.

Y2K and the Euro

The procedures set up to inventory and correct or replace equipment and applications liable to malfunction with the changeover to the year 2000 meant that we were able to surmount this hurdle without incident.

At the request of our clients in the medical sector, our BR2 reactor also continued to function with no problems during the changeover to the year 2000.

Having carried out an analysis, we have decided to postpone the conversion of our administrative applications into euros and to re-evaluate the issue over the course of the year 2000.

Investments

The total value of investments was BEF 144 million. Nevertheless, this figure is only 50 % of the amount budgeted. The difference arises primarily because a certain number of investments not undertaken were covered by the allocation from the Technical Liabilities and a delay in scheduled investments in the laboratories for medium- and large-scale operations.

A provision of BEF 50 million chargeable to the financial year was set up to finance the latter during the following financial year.

Finance

Own earnings, including outstanding amounts, rose in net terms by 7.4%, with a 0.9% increase in the ordinary grant from the State.

This rise is connected to the earnings from technical support.

Own earnings were BEF 300 million down on budget.

Essentially, this difference relates to the "technical liabilities" project (installation dismantling programme) and may be attributed to the delays in transporting BR2 fuel elements to La Hague for reprocessing and a delay in the supply of containers for BR3 fuel.

This difference is therefore offset by a reduction in the corresponding external expenses.

The provisions for the Technical Neo-Liabilities (waste and dismantling post-1989) were set up to ensure continued compliance with the evaluation regulations.

We have set up provisions for BEF 285 million for investments and new infrastructures.

The financial year was in line with our strategic plan forecasts.

The revised forecasts for the next 3 years are in line with the plan, and anticipate financial equilibrium.

Paul Govaerts
General Manager

Frank Deconinck
Chairman of the Board of Directors

Financial information

Budget implementation

The result of the implementation of the extraordinary budget was a deficit of BEF 6.5 million, offset against a BEF 8.7 million profit on the ordinary budget, giving a positive result of BEF 2.2 million.

As at the end of 1999, the cumulative positive result amounted to BEF 18.5 million.

Implementation of the ordinary budget

EARNINGS

Taking into consideration variations in the "work in progress" (+BEF 9.3 million), own earnings were BEF 1,328.3 million, against BEF 1,236.6 million in 1998, an increase of BEF 91.7 million (+7.4%). The increase was attributable primarily to the level of income from technical support.

Own earnings represent 47.3% of total earnings, compared to 45.7% in 1998.

The remaining earnings are comprised of federal grants.

The substantial difference between realised and budgeted earnings (-BEF 299 million) is the result of the delay in the supply of fuel elements for reprocessing. The corresponding expenditure has not been committed.

EXPENDITURE

Total expenditure amounted to BEF 2,801.4 million, compared to BEF 2,699.1 million in 1998, a rise of 3.8%.

The figure is 6.8% lower than the BEF 3,004.4 million budgeted.

Personnel costs amounted to BEF 1,434.1 million, 5.1% down on 1998. This decrease was wholly due to the reduction in staff numbers following implementation of the restructuring plan, under the terms of which 11 employees left CEN•SCK in 1999.

A total of 595 persons were employed at the end of the year, compared to 594 at the end of 1998.

The costs of the early retirement and flexible pension scheme, known as Social Security Neo-Liabilities (BEF 70.5 million) was still BEF 14.5 million short of Budget (BEF 85.0 million), because of the early payment of a group insurance premium, initially scheduled for 1999, and paid at the end of December 1998.

At this stage, it is not expected that the global budget for the social security scheme will be exceeded, and adequate provisions have been created for that purpose.

External expenditure fell by BEF 17.9 million by comparison with 1998, but were still BEF 16.6 million higher than in 1997.

■ *Fuel cycle* The difference from the budget figure (BEF 40.0 million) was due essentially to the cessation of reprocessing by the UKAEA (Dounreay plant).

■ *Fuel transportation and reprocessing* These were the costs of transportation and reprocessing of irradiated fuel from our BR2 reactor.

Only 36 fuel elements were supplied instead of the budgeted figure of 272 elements.

■ *Rental costs* The increase of BEF 3.2 million compared to 1998 was principally the result of a regularisation of the property tax at head office in Brussels and the increase in the cost of renting mobile purification plants for the operation of the BR2 reactor.

■ *Maintenance* The reduction in maintenance costs (-21%) was attributable to significant reductions in the level of technical services and the refurbishment programme for BR2 and BR3.

There were, however, costs totalling BEF 9 million for the Residential Quarters initially included in the investment budget for 1999.

■ *Energy* The reduction in costs compared to 1998 was due to a fall in electricity consumption for the Praclay project (drilling of the new shaft) and a reduction of the expenditure cross-charged to neighbouring enterprises.

■ *Laboratory and supply costs* This item is comprised partly of purchases of

BUDGET	(in MBEF)		1999	1998
		Ordinary budget : 5.5		
Income	2 810.1	Own income	1 319.0	1 179.0
		Variations of works in progress (+/-)		
		Works in progress	19.5	-19.4
		Nuclear liabilities	-10.2	77.0
		Transfer to the extraordinary budget	0.0	0.0
		Subsidies	1 481.8	1 467.9
Expenses	2 801.4	Personnel expenses	1 434.1	1 510.7
		Additions to social liabilities	0.0	0.0
		Early-retired personnel - Neo Social Liabilities	70.5	200.4
		External expenses		
		Purchases	26.1	26.5
		Nuclear fuel cycle	21.1	29.1
		Reprocessing of fuel elements	26.9	50.2
		Rental costs	40.9	37.7
		Maintenance	129.3	163.6
		Energy	79.6	91.3
		Communication	9.6	8.9
		Documentation	13.0	13.4
		Laboratory costs and supplies	297.6	256.8
		Insurances	14.8	18.0
		Fees and remunerations	42.6	35.6
		Travel and training	46.8	39.2
		Costs for external relations	6.4	4.6
		Radioactive waste processing	178.8	174.5
		Other remunerations	9.3	11.3
		Financial and tax expenses	43.0	45.7
		Additions to and uses of provisions	312.2	-18.6
		Additions to and write-backs of write-downs	-1.2	0.2
		Extraordinary budget : -12.5		
Income	137.6	Subsidies	137.6	136.4
		Transfer from the ordinary budget	0.0	100.0
		Income for investments	0.0	0.0
Expenses	144.1	Investments	144.1	148.9
Total balance			2.2	-7.0



supplies and various goods, and partly of third-party scientific and technical services. The increase in costs was largely attributable to the "Radioactive waste and site restoration" Division.

■ *Insurance* The reduction in this item was wholly attributable to a BEF 3.6 million cut in the third-party nuclear risk liability premiums.

■ *Fees and allowances* The 19.7% increase was due principally to the fees paid to our insurance brokers, and to expenditure relating to an agreement with the Russian National Centre for Biotechnology for Nuclear and Industrial Power.

■ *Travelling and subsistence expenses and training costs* In overall terms, these costs rose by BEF 7.4 million by comparison with 1998 and by BEF 2.8 million compared to 1997, and 25% of these costs are exclusively training expenses. They include a BEF 1.4 million participation in an international programme run by the Massachusetts Institute of Technology.

■ *Processing of radioactive waste* From BEF 174.5 million in 1998, the figure reached BEF 178.8 million in 1999, an increase of BEF 4.3 million. This slight increase was the combined effect of a BEF 8.7 million decrease in the "current waste" figure, a BEF 19.2 million increase in the processing costs covered by the Technical Liabilities figure, and the absence of reprocessing costs for Transnuklear (BEF 6.2 million in 1998).

■ *Financial, fiscal and exceptional charges* The cause of the decrease in this item was essentially the exemption from property tax because of the investments in financial instruments issued by the authorities and the disappearance of exchange rate differences inherent in the transition to the euro.

■ *Subsidies and application of provisions* This item has increased from BEF 2,410.5 million at the end of 1998 to BEF 2,722.7 million at the end of 1999, a rise of BEF 312.2 million.

The provisions do not include social security liabilities (previous restructuring plan) not recovered in the Budget implementation.

This amount was the result of the combined effect of subsidies totalling BEF 414.4 million and utilisations and recoveries of BEF 102.2 million.

The changes in the subsidies were as follows:

- an increase in the statutory storage provision: 60.7
- a provision for the Technical Neo-Liabilities (waste and dismantling post-1989): 37.1
- a provision intended to finance the consequences of the Law Colla on our group insurance plan: 29.0
- a provision for new infrastructures: 285.0.
- an adjustment to the social security neo-liabilities provision (last restructuring plan 98-99): 2.6

Of the utilisations and recoveries, mention should be made of:

- provision for waste and dismantling (Technical Neo-Liabilities): 7.7
- provision for risks and charges: 15
- gross maintenance: 9
- provision for Social Security Neo-Liabilities: BEF 70.5 million; this utilisation exactly offsets the amount of expenditure found under the heading "Cost of staff taking early retirement - Social Security Neo-Liabilities".

In overall terms, it can therefore be seen that within the total expenditure, personnel costs constituted 53.7%, external expenditure 33.6%, changes in provisions 11.2%, financial costs 1.5%.

Implementation of the extraordinary budget

Investments covered by the extraordinary budget amounted to BEF 144.1 million, compared to BEF 148.9 million for 1998. They include BEF 121.8 million for scientific and technical equipment and BEF 9.1 million for buildings.

Comparative balance sheets

ASSETS

Intangible assets		Patents and licences have been valued at 1 franc.
Tangible assets	- 30.0	<p>Depreciation calculated in accordance with the usual rules was greater than acquisitions. The acquisitions for the financial year were as follows:</p> <ul style="list-style-type: none"> • scientific and technical equipment: BEF 121.8 million • buildings and installations: BEF 7 million, • improvements to buildings: BEF 2.1 million • furniture and non-scientific equipment: BEF 8 million • rolling stock: BEF 5.2 million. <p>In view of the fact that CEN•SCK receives finance for its investments also via an extraordinary grant, no depreciation has been included in the implementation of the budget. Balance sheet equilibrium was achieved by adjusting the value of the equity capital of CEN•SCK referred to as the net worth.</p>
Financial assets		No change.
Current assets :		The most significant variations in the current assets are as follows:
Receivables due in more than one year	- 25.0	receivables due in more than one year as at 31 December 1998 were comprised exclusively of a claim held by CEN•SCK on the State relating to Social Security Liabilities. This amount is included in the figure for receivables due in less than one year.
Stocks and orders in progress	- 22.8	<p>out of a total of BEF 194.5 million for stocks, BEF 181.7 million was comprised of fresh uranium for BR2. The method used to value uranium stocks is based on market prices as at the end of 1998. The stock of articles in store amounted to BEF 12.8 million, compared to BEF 16.4 million the previous year.</p> <p>For the orders in progress, out of the total variation of BEF 9.3 million, a fall of BEF 10.2 million related to the programme covered by the Technical Liabilities, against an increase of BEF 19.5 million for the other programmes.</p> <p>As at 31.12.1999, orders in progress represented BEF 371.1 million, of which BEF 204.5 million was derived from all of the research programmes and BEF 166.6 million from programmes covered by the Technical Liabilities.</p> <p>Work in progress is valued at the direct cost shown in the books plus indirect chargeable costs. Products are recorded prorata with the level of completion in accordance with constant and objective criteria, observing the rules of prudent management.</p>
Receivables due in more than one year	- 145.6	<p>Trade receivables amounted to 290.6, compared to BEF 349 million at the end of 1998. This difference is due solely to the issue of large invoices in the last few days of 1998. Other receivables (BEF 146.8 million, compared to BEF 234.1 in 1998) are principally comprised of:</p> <ul style="list-style-type: none"> • subsidy due for Social Security Liabilities (grant from the State): 25.0 • extraordinary subsidy from the Ministry of Economic Affairs for 1999: 108.1 • VAT and recoverable taxes: 5.5 • Funds for financing group insurance: 4.3 • Others: 3.9
Liquid funds	+ 308	Liquid funds, comprising investments and liquid assets, rose by BEF 308 million, due principally to an allocation to contingency reserves (BEF 264 million) and a reduction in receivables due in less than one year (BEF 146 million), and also to payments received on account for orders (BEF 82 million) and trade creditors (BEF 17 million).
Prepayments and accrued income	+ 3.5	These items are comprised principally of accrued interest earned (BEF 69.5 million) and deferred charges (BEF 8.7 million).

LIABILITIES

Equity	- 59.8	The equity amounted to BEF 1,270.2, compared to BEF 1,330 million as at the end of 1998.
Contingent liabilities	+ 264.3	<p>Increased from BEF 2,551.2 to BEF 2,815.5 million. These provisions are comprised of 3 items:</p> <p>1. Provisions for Social Security Liabilities and Social Security Neo-Liabilities: BEF 324.2 million. <i>Provisions for Welfare Liabilities (BEF 92.7 million)</i></p> <p>These provisions are reduced from year to year in the light of changes in the early retirement benefits payable under earlier schemes.</p>

ASSETS	(in MBEF)		1999	1998
		Fixed assets : 1 022.0		
Formation expenses	0.0		0.0	0.0
Intangible fixed assets	0.0		0.0	0.0
Tangible fixed assets	821.7		821.7	851.7
Financial assets	200.3	A Affiliated companies	0.0	0.0
		B Participations	200.0	200.0
		C Other financial assets	0.3	0.3
		Current assets : 4 243.6		
Receivables at more than one year	0.0		0.0	25.0
Stocks and orders in progress	565.6	A Stocks	194.5	226.6
		B Orders in progress	371.1	361.8
Receivables at one year or less	437.5	A Trade accounts receivable	290.6	349.0
		B Other receivables	146.8	234.0
Deposits	3 109.4		3 109.4	2 814.4
Liquid assets	52.5		52.5	39.0
Accruals	78.2		78.2	74.8
Total assets	5 265.2		5 265.2	5 176.7
LIABILITIES	(in MBEF)		1999	1998
		Equity : 1 270.2		
Equity	1 270.2		1 270.2	1 330.0
		Provisions and deferred taxes : 2 815.5		
Provisions and deferred taxes	2 815.5	A Provisions for risks and charges		
		1 Pensions and similar obligations	324.2	440.0
		2 Taxes charges	0.0	0.0
		3 Major repair and maintenance work, etc.	385.0	109.0
		4 Other risks and charges	2 106.3	2 002.2
		B Deferred taxes	0.0	0.0
		Liabilities : 1 179.5		
Liabilities at more than one year	0.0		0.0	0.0
Liabilities at one year or less	924.6	C Trade accounts payable	243.6	261.0
		D Down payments on orders received	309.4	391.3
		E Liabilities in relation to taxes, wages and social security	327.8	333.9
		F Other liabilities	43.8	48.8
Accruals	254.9		254.9	260.5
Total liabilities	5 265.2		5 265.2	5 176.7

Provisions for Social Security Neo-Liabilities:

In total, the provisions set up amounted to BEF 231.5 million in order to cover total future expenditure for persons participating in the restructuring plan signed in October 1997.

2. Major repairs and new infrastructures

In view of the fact that the credits recorded in the budget of the Ministry of Economic Affairs are insufficient to guarantee the financing of future infrastructures, an amount of BEF 385 million has been funded from the ordinary budget of CEN•SCK.

3. Other risks and charges: BEF 2,106.3 million.

This provision is distributed as follows:

- Statutory provision for final storage: 188.9
- Other provisions for waste processing and dismantling (Technical Neo-Liabilities): 1,732
- Contingent liabilities: 185.4

Debts payable in one year or less - 110.3

1. Trade creditors: -BEF 17.4 million

Overall, trade creditors fell significantly compared to 1998: from BEF 261 million to BEF 243.6 million.

2. Payments received on account for orders: - BEF 81.8 million.

3. Tax payable, social security and wages and salaries: - BEF 6.1 million.

The most important items were:

- income tax deducted at source payable: 33.1
- due to Social Security Office: 58.6
- provisions for holiday pay: 181.3
- group insurance and luncheon vouchers: 12.4
- provision for Social Security Office: 41.7

4. Other liabilities: - BEF 5 million

Other liabilities principally comprise the provisional balance on the Social Security Liabilities, amounting to BEF 41.5 million

Accruals and deferred income - 5.6

BEF 254.9 million compared to BEF 260.5 million.

Accruals and deferred income principally comprise deferred revenue (BEF 253.7 million), discount on Social Security Liabilities (BEF 0.9 million), and sundry items (BEF 0.3 million).

SOCIAL SECURITY LIABILITIES

Social Security Liabilities relate to the CEN•SCK early retirement scheme and to the expenditure incurred on it since 1 January 1989. It is financed by an independent fund. While the individual income and expenditure items are not included in the implementation of the CEN•SCK budget, the assets and liabilities relating to Social Security Liabilities are nevertheless incorporated into its balance sheet and may be summarised as follows (in BEF million)

ASSETS	<i>1999</i>	<i>1998</i>	LIABILITIES	<i>1999</i>	<i>1998</i>
Receivables due in more than one year	0	25	Provision for early retirements	93	141
Receivables due in one year or less	29	107	Liabilities payable in one year or less	4	11
Liquid assets	110	70	Financial liabilities	0	0
Prepayments and accrued income	0	0	Accruals and deferred income	42	50
Total :	139	202	Total :	139	202

It should be borne in mind that:

- during the 4th quarter of 1996, the Board of Directors of CEN•SCK decided to propose to the early retirees that they cash in their life capital early. Of the 333 early retirees concerned, 312 accepted the proposal;
- after adjustment of the early retirement provision and updating of the amount due from the State, the positive provisional balance as at the end of 1999 amounted to BEF 41.5 million, compared to a provisional balance at the end of 1998 of BEF 43.4 million;
- there are sufficient funds available to cover all budgeted future expenditure.