

MAGNOX ELECTRIC PLC

Registered No. 2264251

ANNUAL REPORT AND ACCOUNTS

31 March 2001



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COMPANIES HOUSE 03/10/01

Magnox Electric plc

DIRECTORS

Dr C Smitton
C Loughlin
Dr C Marchese
T Joyce
Dr S Brosnan
J Edwards

SECRETARY

A J Shuttleworth

AUDITORS

Ernst and Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
Spring Gardens
Manchester
M60 2DB

REGISTERED OFFICE

Risley
Warrington
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WA3 6AS

Magnox Electric plc

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2001.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £140M (2000: loss of £573M).

The Directors are unable to recommend a dividend (2000: £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activity during the year continued to be the generation and supply of electricity.

Safety

Safety is at the centre of Magnox's business, and significant amounts of management time and effort are devoted to it. For the seventh successive year there were no incidents above Level 1 on the internationally agreed scale for rating nuclear events (this scale indicates the severity of nuclear events on a scale of 0 (no safety significance) to 7 (a major accident)).

There has been a substantial reduction in the number of lost time accidents compared to the previous year. The continuing commitment to a behavioral safety programme at all sites is expected to maintain this improving trend. There were no work related deaths or serious disabling injuries to Magnox staff during the year.

The collective radiation dose to employees and contractors continues to be at a historically low value. No employees or contractors received a dose in excess of 10mSv.

Electricity Generation

During the year Magnox supplied 10.8TWh of electricity to the grid system (2000: 16.6TWh). This poor output was due to negligible output from the Company's largest power station, Wylfa, following the requirement to shutdown both reactors until a solution was found to superheater restraint issues; and Bradwell where concrete beam reinforcement work has continued. Bradwell is now operational and Wylfa is expected to return to service shortly. This poor performance was, to a certain extent, offset by record outputs for both Oldbury and Maentwrog, and the best output recorded for 20 years at Sizewell A.

New Electricity Trading Arrangements

Prior to 27 March 2001, the Company sold all electricity to the "Pool". On 27 March 2001, new electricity trading arrangements (NETA) were introduced for England and Wales and the Company now has to contract with a buyer for each unit of electricity which it generates. Systems and procedures have been put in place to allow the Company to trade in the new market place which it has successfully done since NETA go live.

Magnox Electric plc

DIRECTORS' REPORT (continued)

Future Developments

The main issue facing the Company at the current time is to return Wylfa to service as soon as possible, and all available steps are being taken to make this happen. In the meantime the remaining sites will be operated as efficiently as possible so as to maximise the available revenue over their remaining lives.

Research and Development

Research and development is a key area in maintaining and improving the safety, reliability and performance of the Magnox stations, and therefore the Company continues to invest accordingly. Magnox also takes part in a programme of work to address the needs of the Health and Safety Executive (HSE).

DIRECTORS

The Directors who served during the year were as follows:

C Loughlin (Chairman)

Dr C Smitton

S Price (resigned 8 May 2000)

Dr C Marchese

T Joyce (appointed 11 May 2000)

Dr S Brosnan (appointed 31 July 2000)

J Edwards (appointed 31 July 2000)

There were no Directors' shareholdings or interests requiring disclosure under the Companies Act 1985.

PERSONNEL

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees, and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, team briefings and the BNFL Group newsletter. Employee representatives are consulted regularly on a wide range of matters affecting the current and future interests of employees.

The Company is committed to a policy of equal opportunities for all employees. Great care is exercised in our recruitment and selection procedures to ensure that there is no discrimination and that training is given to meet individual needs. Applications by persons with disabilities are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria for training and promotion applies to persons with disabilities as to any other employee. If employees become disabled, every effort is made to ensure their continued employment.

CREDITOR PAYMENT POLICY

It is the policy of the Company to pay suppliers' invoices promptly in accordance with the relevant contract terms and to abide by the Prompt Payers Code of Practice drawn up by the CBI. Further information and copies of the Code can be obtained from The Group Finance Manager, Magnox Electric plc, Berkeley Centre, Berkeley, Gloucestershire GL13 9PB. Terms of payment are agreed with each supplier when agreeing the terms of each transaction. At the balance sheet date, trade creditors represent 18 days purchases (2000: 24 days).

Magnox Electric plc

DIRECTORS' REPORT (continued)

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



A J Shuttleworth
Company Secretary
12 September 2001

Magnox Electric plc

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.

Magnox Electric plc
REPORT OF THE AUDITORS
to the members of Magnox Electric plc

We have audited the accounts on pages 7 to 25 which have been prepared under the historical cost convention, and on the basis of the accounting policies set out on pages 9 to 12.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our professions' ethical guidance.

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. 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 the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. We are not required to form an opinion on the effectiveness of the Company's internal controls.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing 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.

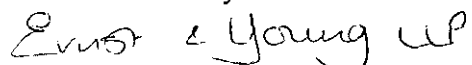
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Uncertainties

In forming our opinion we have taken note of the fundamental uncertainties inherent in the estimation of nuclear liabilities which are described in note 18. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 March 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst and Young LLP, Registered Auditor
Manchester

28 September 2001

Magnox Electric plc
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2001

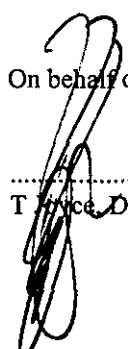
	<i>Notes</i>	2001 £M	2000 £M
TURNOVER		304	494
Net operating costs and expenses	3	(493)	(1,107)
OPERATING LOSS		(189)	(613)
(Loss)/Profit on disposal of fixed assets	6	(44)	5
LOSS ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME, INTEREST AND TAXATION		(233)	(608)
Investment income	7	-	17
Other interest receivable and similar income	8	509	466
Interest payable and similar charges	9	(445)	(448)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(169)	(573)
Tax on loss on ordinary activities	10	29	-
LOSS FOR THE FINANCIAL YEAR	20	(140)	(573)

All operations of the Company continued throughout both periods and no operations were acquired or discontinued. There were no material recognised gains or losses in 2001 or 2000 other than the loss for the year, and no statement of recognised gains or losses is presented. Movements in the Company's reserves and shareholders' funds are set out in note 20 to the accounts.

Magnox Electric plc
BALANCE SHEET
at 31 March 2001

	Notes	2001 £M	2000 £M
FIXED ASSETS			
Tangible assets	11	5	6
Investments	12	-	215
		<u>5</u>	<u>221</u>
CURRENT ASSETS			
Stocks	13	33	33
Secretary of States Undertaking due after more than one year	14	4,531	4,222
Debtors	15	2,852	3,013
Cash at bank and in hand		16	49
		<u>7,432</u>	<u>7,317</u>
CREDITORS: Amounts falling due within one year	16	<u>(620)</u>	<u>(556)</u>
NET CURRENT ASSETS		<u>6,812</u>	<u>6,761</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,817</u>	<u>6,982</u>
Represented by:			
CREDITORS: Amounts falling due after more than one year	17	1,652	1,699
PROVISIONS FOR LIABILITIES AND CHARGES	18	7,244	7,222
CAPITAL AND RESERVES			
Called up share capital	19	-	-
Profit and loss account	20	(2,079)	(1,939)
SHAREHOLDERS' FUNDS – EQUITY		<u>(2,079)</u>	<u>(1,939)</u>
		<u>6,817</u>	<u>6,982</u>

On behalf of the Board of Directors

 12.9.01.
T Joyce, Director,

Magnox Electric plc
NOTES TO THE ACCOUNTS
at 31 March 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards, applying the same accounting policies as in the previous year.

Group accounts

The Company is a wholly owned subsidiary of a parent undertaking incorporated in the European Union 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.

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 accounts.

Turnover

Turnover represents amounts receivable for sales of electricity including fees under contracts for differences and revenue from the related goods and services. The Directors consider there to be one class of business and one geographical market, that of England and Wales.

Tangible fixed assets

Tangible fixed assets are stated at the lesser of cost, net of depreciation, and economic value. The carrying values of tangible fixed assets are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Depreciation is provided on all tangible fixed assets, other than assets in the course of construction and freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Magnox power stations	-	38-40 years
Non-operational buildings	-	40 years
Short term assets	-	3 years

Accumulated depreciation includes additional charges made where necessary to reflect impairments in value.

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

1. ACCOUNTING POLICIES *(continued)*

Investments

Fixed asset investments comprise investments in and loans to subsidiaries and joint ventures and are stated at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product/service to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is written off as incurred.

Fuel costs - Front End

Front end fuel costs consist of costs of procurement of uranium ore and fuel element fabrication. Fabrication costs consist of fixed and variable elements. The fixed element is charged to the profit and loss account over the contract term. The variable element is included in the cost of fuel stocks, being charged to the profit and loss account in proportion to the amount of fuel burnt.

Fuel costs - Back End

Fuel elements extracted from the reactors are sent for reprocessing and/or long term storage with eventual disposal of resulting waste products. Back end fuel costs comprise the estimated cost of this process at prices discounted back to current price levels in respect of both the amount of irradiated fuel burnt during the year and an appropriate proportion of unburnt fuel which will remain in the reactors at the end of their lives. All back end costs, other than for unburnt fuel at shutdown, are charged to the profit and loss account in proportion to the amount of fuel burnt. Due to the nature of the fuel process, there will be some unburnt fuel in the reactors at station closure. The cost of this fuel is provided for over the estimated useful life of each station on a straight line basis.

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

1. ACCOUNTING POLICIES (continued)

Nuclear liabilities

In matching the costs of generating electricity against the income from sales, accruals and provisions are made in respect of the following:

a) **Fuel costs**

Accruals and provisions for fuel costs cover the reprocessing and storage of spent nuclear fuel and long term storage, treatment and eventual disposal of nuclear waste. They are based, as appropriate, on contractual arrangements and the latest technical assessments of the processes and methods likely to be used to deal with these obligations under the current regulatory regime. Accruals based on contracted fixed price arrangements are stated in the balance sheet at current price levels and included within creditors. Provisions are based on long term cost forecasts which are reviewed regularly and adjusted where necessary, and included within provisions for liabilities and charges. These accruals and provisions are discounted and revalorised as detailed in c) below.

b) **Decommissioning of nuclear power stations**

Full provision for decommissioning the nuclear power stations is made at the date of commissioning and an equivalent amount is capitalised and depreciated over the reactor lifetime. Provisions are made based on latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. The technical assessments are reviewed regularly and the estimates of decommissioning costs are updated accordingly. Provisions are discounted and topped up as detailed in c) below. Changes in estimates are treated as adjustments to the assets concerned.

c) **Discounting and top-up**

Liabilities in respect of fuel and decommissioning costs are stated in the balance sheet at current price levels, discounted at a long term real rate of interest to take account of the timing of payments. Each year the financing charges in the profit and loss account include a 'top-up' charge to remove one year's discount from liabilities made in prior years and to restate those liabilities to current price levels.

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.

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

1. ACCOUNTING POLICIES *(continued)*

Pensions

The Company operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. The contributions to this fund are based on independent actuarial valuations designed to secure the benefits as set out in the rules. Contributions are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company. The regular cost is attributed to individual years using a projected unit method. The capital cost of ex-gratia and supplementary pensions, to the extent not covered by the scheme, is charged to the profit and loss account in the accounting period in which they are granted. 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.

2. GOING CONCERN BASIS OF ACCOUNTING

The accounts are drawn up on the going concern basis, on the grounds that the Company is, and will remain, able to meet its liabilities as they fall due. In drawing up the accounts on this basis, the Directors have taken into account that:

- a) a major part of the Company's liabilities are in respect of long term liabilities for nuclear fuel reprocessing, waste management and decommissioning costs, most of which will not fall due for payment for a considerable number of years; and
- b) the Company has received confirmation from British Nuclear Fuels plc that it will provide financial support to enable Magnox Electric plc to continue to operate safely, and to meet its liabilities as they fall due, for the foreseeable future.

In light of the foregoing considerations, the Directors consider the preparation of the accounts on the going concern basis to be appropriate.

Magnox Electric plc

NOTES TO THE ACCOUNTS (continued)

at 31 March 2001

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:

	2001	2000
	£M	£M
Raw materials and consumables	99	107
Employee costs (see note 4)	141	143
Depreciation	32	425
Provisions for liabilities and charges	68	288
Research and development expenditure	3	6
Other external and operating charges	165	159
Own work capitalised	(5)	(5)
Other operating income	(10)	(16)
	<hr/>	<hr/>
	493	1,107
	<hr/>	<hr/>

Auditors remuneration was £150,000 (2000: £125,000). Fees paid to the auditors for services other than statutory audit during the year totalled £9,000 (2000: £250,000).

The depreciation charge for the year includes an impairment charge of £32M (2000: £395M). The underlying depreciation charge for the year was £nil (2000: £30M).

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

4. EMPLOYEE INFORMATION (including Executive Directors)

Employee costs during the year were as follows:

	2001 £M	2000 £M
Wages and salaries	115	111
Social security costs	10	10
Pension costs	8	8
Other employee costs	8	14
	<hr/> 141	<hr/> 143

The average monthly number of employees during the year was 3,273 (2000: 3,294).

5. DIRECTORS' EMOLUMENTS

	2001 £000	2000 £000
Aggregate emoluments	460	219
Retirement benefits are accruing to 4 Directors (2000, 2) under a defined benefit scheme.		
Aggregate emoluments for the highest paid director	178	170
Defined benefit pension scheme for highest paid Director:		
Accrued pension at end of year	51	39

6. DISPOSAL OF FIXED ASSETS

The loss on disposal of fixed assets relates to the sale during the year of Electricity Producers Insurance Company (Bermuda) Limited and Electricity Producers Insurance Company Limited to the parent undertaking British Nuclear Fuels Plc. These investments were previously carried at a book value of £215M and were sold for £193M. The sale was cum dividend requiring the further write down of a £22M dividend debtor no longer recoverable by the Company. This transaction gave rise to no tax charge/credit.

7. INVESTMENT INCOME

	2001 £M	2000 £M
Dividends from Group Undertakings	-	17
	<hr/> -	<hr/> 17

NOTES TO THE ACCOUNTS (continued)

at 31 March 2001

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £M	2000 £M
Interest receivable from Group Undertakings	200	193
Escalation of Secretary of State's Undertaking	309	273
	<hr/> 509	<hr/> 466

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £M	2000 £M
Adjustments to opening provisions arising from:		
Changes in price levels	214	230
Removal of one year's discounting	228	217
Other	3	1
	<hr/> 445	<hr/> 448

10. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2001 £M	2000 £M
Corporation tax	(29)	-
	<hr/> (29)	<hr/> -

The tax charge differs from that which would be expected based on the UK Corporation Tax rate at 30% because it has not been possible to recognise all of the loss made in the year for either corporate or deferred tax purposes.

The Company has an unrecognised deferred tax asset amounting to £789M (2000: £847M). This comprises fixed asset timing differences of £131M (2000: £79M) and other timing differences of £658M (2000: £768M).

NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

11. TANGIBLE FIXED ASSETS

	Nuclear power stations £M	Other land and buildings £M	Other plant and equipment £M	Total £M
Cost				
At 1 April 2000	1,533	33	47	1,613
Additions	20	-	11	31
Disposals				
Capitalised decommissioning costs	(115)	-	-	(115)
Other	(186)	-	-	(186)
At 31 March 2001	1,252	33	58	1,343
Depreciation				
At 1 April 2000	1,527	33	47	1,607
Charge for year				
Provisions for diminution in value	21	-	11	32
Disposals				
Capitalised decommissioning costs	(115)	-	-	(115)
Other	(186)	-	-	(186)
At 31 March 2001	1,247	33	58	1,338
Net book value				
At 31 March 2001	5	-	-	5
At 31 March 2000	6	-	-	6

Magnox Electric plc

NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

11. TANGIBLE FIXED ASSETS (continued)

Decommissioning costs included in tangible fixed assets:

	Nuclear Power Stations £M
Cost	497
Depreciation	(497)
	<hr/>
Net book value at 31 March 2001	-
	<hr/>
At 31 March 2000	-
	<hr/>

The net book value of tangible fixed assets includes the following amounts in respect of land and buildings:

	2001 £M	2000 £M
Freehold	2	2
	<hr/>	<hr/>

The cost of freehold land included in the above is £2M (2000: £2M).

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

12. INVESTMENTS

	Shares in Subsidiary undertakings	Loans to joint venture	Total
	£M	£M	£M
Cost			
At 1 April 2000	215	183	398
Additions	-	4	4
Disposals	(215)	-	(215)
At 31 March 2001	-	187	187
Provisions			
At 1 April 2000	-	183	183
New provisions	-	4	4
At 31 March 2001	-	187	187
Net book value			
At 31 March 2001	-	-	-
At 31 March 2000	215	-	215

Magnox Electric plc

NOTES TO THE ACCOUNTS (continued)

at 31 March 2001

12. INVESTMENTS (continued)

Details of the principal investments in which the Company holds more than a 20% participating interest are as follows:

Name	Country of Incorporation	Holding	Proportion Held	Nature of Business
Joint Venture				
United Kingdom Nirex Limited	England and Wales	Ordinary shares	35%	Disposal of low and intermediate level waste

During the year the Company disposed of its shareholdings in Electricity Producers Insurance Company Limited and Electricity Producers Insurance Company (Bermuda) Limited as disclosed in note 6.

13. STOCKS

	2001 £M	2000 £M
Nuclear fuel	20	20
Other raw materials and consumables	13	13
	<hr/>	<hr/>
	33	33
	<hr/>	<hr/>

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

14. SECRETARY OF STATE'S UNDERTAKING DUE AFTER MORE THAN ONE YEAR

	£M
At 1 April 2000	4,222
Interest accrued during the year	309
	<hr/>
At 31 March 2001	4,531
	<hr/>

The Secretary of State's undertaking is an agreement between Her Majesty's Secretary of State for Trade and Industry and Magnox Electric plc. The Secretary of State has undertaken to pay Magnox Electric plc £3,700 million (March 1998 money values) together with interest at a rate of 4.5% above inflation on the outstanding amount. Payments commence in the year ending 31 March 2008 and cease in the year ending 31 March 2116. The terms of the undertaking provide for potential adjustments to the outstanding amount in two circumstances:

- a) Where actions taken by persons or bodies external to the BNFL Group cause or may cause a reassessment of the nuclear related liabilities of the Group attributable to the Magnox fuel cycle (Magnox liabilities). Magnox liabilities account for over 90% of the Group's nuclear liabilities.
- b) Where there is an adjustment to provisions as a result of downward revisions in the estimate of the cost of Magnox liabilities for reasons other than those covered by a) above.

The next review by Her Majesty's Government (HMG) in relation to a) above will take place at 1 April 2003 and every five years thereafter with special reviews taking place at any time if the financial impact of events between general review dates is known to be significant. Reductions in provisions falling within b) above are to be shared between the Group and the Secretary of State (via adjustment of the outstanding amount of the undertaking) on a sliding scale with the maximum reduction in the undertaking being £800 million escalated by 2.5% above inflation from 1 April 1998. The Directors have not yet felt it appropriate to assume any revisions to the undertaking.

15. DEBTORS

	2001 £M	2000 £M
Trade debtors	31	50
Amounts owed by parent undertaking	2,816	2,897
Prepayments and accrued income	1	1
Other debtors	4	65
	<hr/>	<hr/>
	2,852	3,013
	<hr/>	<hr/>

Amounts falling due after more than one year included in the above are £5M (2000: £nil).

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

16. CREDITORS: amounts falling due within one year

	2001 £M	2000 £M
Trade creditors	16	19
Amounts owed to parent undertaking	150	143
Amounts owed to other group subsidiaries	2	1
Corporation tax	85	74
Other taxes and social security costs	4	4
Accruals and deferred income	67	80
Fuel reprocessing and waste management creditors (note 18)	290	219
Other creditors	6	16
	<hr/> 620	<hr/> 556

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

	2001 £M	2000 £M
Fuel reprocessing and waste management creditors (note 18)	1,645	1,694
Other creditors	7	5
	<hr/> 1,652	<hr/> 1,699

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

18. PROVISIONS AND NUCLEAR LIABILITIES

	Provisions Fuel reprocessing & waste management £M	Decomm- issioning £M	Other (note b) £M	Total £M	Creditors Fuel reprocessing & waste management (note a) £M	Total £M
At 1 April 2000	2,762	4,395	65	7,222	1,913	9,135
Adjustment arising from changes in price levels and removal of one year's discounting	134	213	2	349	93	442
Charge/(release) in the year						
Profit and loss	(186)	87	7	(92)	160	68
Expenditure in the year	(149)	(70)	(16)	(235)	(231)	(466)
At 31 March 2001	2,561	4,625	58	7,244	1,935	9,179
Analysed as follows:						
Due within one year	83	84	11	178	290	468
Due after more than one year	2,478	4,541	47	7,066	1,645	8,711
	2,561	4,625	58	7,244	1,935	9,179

(a) Nuclear liabilities that are based on contracted fixed price arrangements have been classified as creditors.

The Company has estimated the cost of meeting its obligations to decommission nuclear reactors and has provided for these and for its share of the costs of decommissioning BNFL's sites and facilities. These provisions cover complete demolition together with disposal of associated waste. In addition provisions have been made for fuel reprocessing and related waste management and disposal. For safety reasons associated with the rapid reduction in exposure risks that results from allowing the natural reduction in radioactivity that occurs with the passage of time, much of the dismantling and demolition work will not occur for a considerable time. In the same way, the costs of constructing long term storage for waste will not be incurred for a long time, and the accounting provisions for such costs must necessarily be based on estimates. In all cases the provisions are based on detailed technical assessments of the processes and methods likely to be used to discharge the obligations and the best estimates are derived from a combination of an assessment of the timescale for the work carried out, the latest technical knowledge available, the existing regulatory regime and commercial arrangements. The amount and timing of each obligation is therefore sensitive to each of these four factors although by the nature of the obligations involved, fundamental uncertainties remain regarding the measurement of the liabilities and the timing of the cash flows.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

18. PROVISIONS AND LIABILITIES (continued)

(b) Other provisions can be analysed as follows:

	Restructuring	Insurance	Contract loss provision	Total
	£M	£M	£M	£M
Balance at 1 April 2000	4	17	44	65
(Release)/Charge in year	4	-	5	9
Expenditure in the year	(4)	(1)	(11)	(16)
Balance at 31 March 2001	4	16	38	58
Analysed as follows:				
Amounts due within one year	1	-	10	11
Amounts due after more than one year	3	16	28	47
	4	16	38	58

19. SHARE CAPITAL

	2001 £	2000 £
Authorised: 50,000 ordinary shares of £1 each	50,000	50,000
Allotted and called up:		
2 ordinary shares of £1 each fully paid	2	2
49,998 ordinary shares of £1 each 25p paid	12,500	12,500
	12,502	12,502

20. MOVEMENTS IN RESERVES AND SHAREHOLDERS' FUNDS

	2001 Profit and loss account £M	2000 £M
At 1 April 2000	(1,939)	(1,366)
Retained loss for the year	(140)	(573)
At 31 March 2001	(2,079)	(1,939)

NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

21. CAPITAL EXPENDITURE AUTHORISED

	2001 £M	2000 £M
Contracted for but not provided for	7	5

22. PENSIONS

The Electricity Supply Pension Scheme is a funded scheme. Magnox Electric plc employees are covered by the Magnox Electric Group of the scheme. The most recent triennial actuarial valuation of the scheme took place on 31 March 1998. The projected unit method was used and the main long term assumptions made were as follows:

Investment return	8.75% per annum
Salary increase	6.0% per annum
Pensions increase	4.5% per annum

The results of the valuation were as follows:

Market value of scheme assets	£1,216M
Level of funding	109.5%

The surplus will be utilised by:

- A reduction in the Company contributions from the regular rate of 12% to 6% between 1 April 1999 and 31 March 2002, followed by a different reduction yet to be determined after 31 March 2002
- Deficiency costs for early pension payments for redundancies paid up to an agreed level
- Improvements in benefits for members from 1 April 1999, and
- An amount to be held in a general reserve as a contingency.

Magnox Electric's pension costs for the year to 31 March 2001 were £8M, at which date there was an amount of £5M included in creditors, amounts falling due after more than one year, arising from the application of the surplus identified at the last pension valuation.

23. CONTINGENT LIABILITIES

A potential liability of £35M plus accrued interest has previously been disclosed in respect of use of pension surplus by Magnox Electric. This disclosure was based on a claim against Magnox Electric and the Trustees of the Magnox Electric Pension Group of the Electricity Supply Pension Scheme (ESPS) which was similar in certain respects to proceedings against National Power and National Grid, which were being heard in the House of Lords. The House of Lords ruled in favour of the ESPS employers on 4 April 2001 and the Pension Ombudsman has now advised that the claim against Magnox Electric will be dealt with under the 'fast track' procedure and is correspondingly judged to be unlikely to succeed. On this basis the disclosure is no longer considered appropriate.

Magnox Electric plc
NOTES TO THE ACCOUNTS (continued)
at 31 March 2001

24. 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 paragraph 3(c) of FRS8.

The following are also considered to be related parties:

- i) Undertakings under common control of the Government. The following entities have been identified within this category:

The Ministry of Defence
The United Kingdom Atomic Energy Authority

- (ii) Associated undertakings/Joint ventures. The principal joint venture undertakings are listed in Note 12.

The following table summarises the disclosures required by FRS8 regarding related parties:

	Turnover	Purchases	Amounts due to/from Related Parties at 31 March 2001	Loan balances outstanding at 31 March 2001	Provisions against loan balances at 31 March 2001
	£M	£M	£M	£M	£M
2000/2001					
Associated undertakings/ Joint ventures	-	1	-	187	(187)
1999/2000					
Associated undertakings/ Joint ventures	-	3	-	183	(183)