

REPORT AND ACCOUNTS 1999/00

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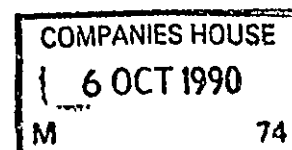
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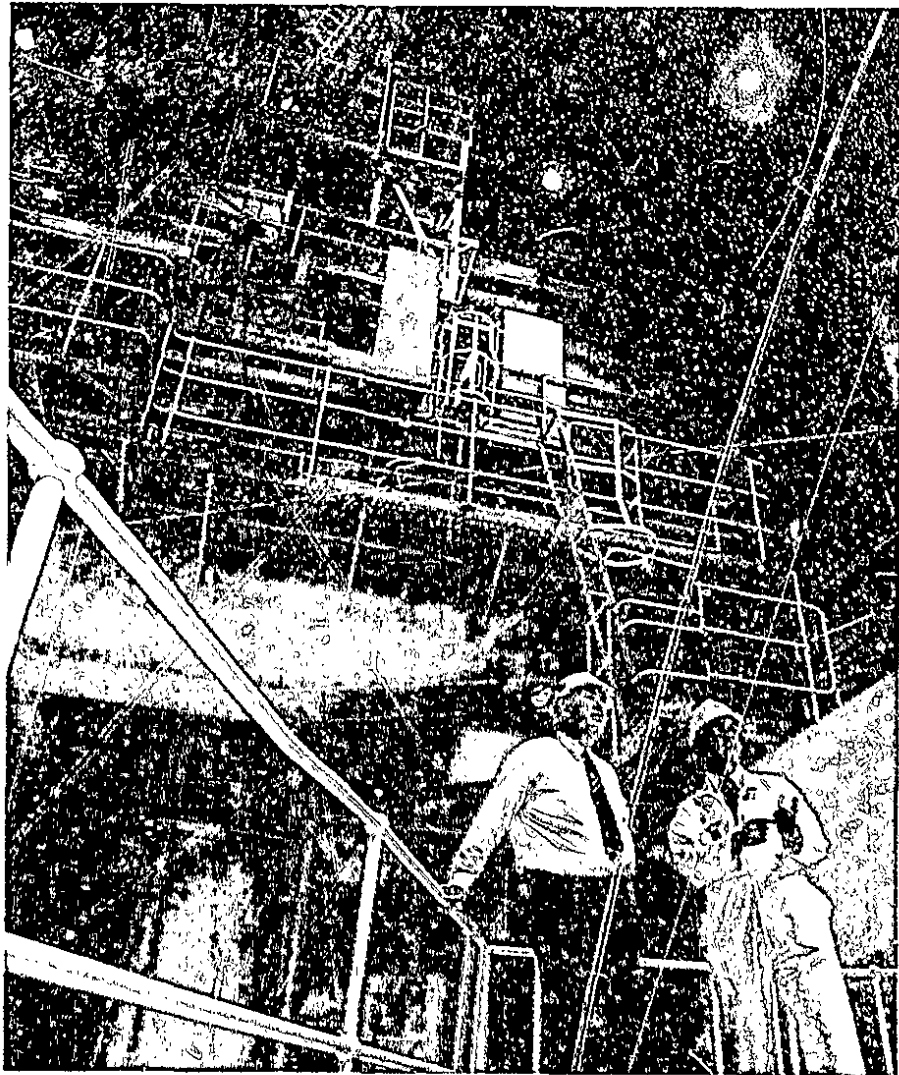
Report and financial statements



On 9 November 1989, the Rt Hon John Wakeham MP, Secretary of State for

Energy, announced to the House of Commons that the Central Electricity Generating Board's (CEGB) advanced gas-cooled reactors (AGRs), and Sizewell B, the pressurised water reactor (PWR) under construction in Suffolk, would remain in a Government-owned company with its Magnox stations. This company would inherit all the nuclear power stations and nuclear-related assets held by the CEGB.

The process of allocating staff and assets of the National Power division of the CEGB to the new company started immediately. On 30 November, the name of the nuclear company, Nuclear Electric, was announced and John Collier, its Chairman and Chief Executive, and the initial directors were designated. On 1 January 1990 the old National Power division formally handed over its assets to the Nuclear Electric division and the new National Power division. In just 20 weeks, the task of setting up a new company, Nuclear Electric plc, was achieved and the target date of vesting the Company on 31 March 1990, at the same time as the other successors to the CEGB, was met.



*The Chairman, John Collier (left), with George Mossop
at Hartlepool power station*

Nuclear Electric came into existence as a separate division of the CEGB on 1 January 1990. Like the other successor companies of the CEGB, Nuclear Electric was vested as a public limited company on 31 March 1990.

Behind those simple statements lies a turning point in the development of nuclear power in this country. On 24 July 1989 it was announced in Parliament that the Magnox stations would remain in public ownership. On 9 November 1989 the Secretary of State announced the Government's decision not to include the other nuclear power stations and associated assets of

Chairman's

statement

the CEGB in the forthcoming privatisation of the electricity supply industry

and instead to set up a new company under Government ownership to run them. He also announced that the non-fossil fuel obligation would be set at a level which could be satisfied without the construction of new nuclear stations beyond Sizewell B. There would be a review of the role and future of nuclear power in 1994.

Those decisions reflected pessimism in the City about the practicability of a successful flotation of the company holding the nuclear assets because of sharp increases in the provisions made by the CEGB for its reprocessing, waste management and decommissioning liabilities, and because of the difficulty of financing nuclear stations in the private sector without unprecedented guarantees from the Government.

The decisions painted a gloomy background to the formation of Nuclear Electric. In particular they undermined the confidence of the public in the ability of nuclear power to provide an economic source of diversity in electricity supply. We therefore have a major task ahead of us.

Our first priority in the short term was necessarily to ensure that we met the demanding requirements of the Government's timetable for vesting the electricity supply industry into separate companies as a preparation — except in our case — for privatisation. We came late to the party. Nevertheless in a very short period of time we succeeded in separating ourselves off from the National Power division of the CEGB within which we had previously been embedded and in carrying out all the necessary preparations, allowing vesting to take place on schedule at the end of March. That is itself a noteworthy achievement and one on which all the people concerned deserve congratulation.

Perhaps ironically the nuclear power stations themselves had a highly satisfactory year, producing more electricity during the year than had been budgeted and therefore generating at a lower unit cost than expected.

However, there is much to be done. The single overriding objective for Nuclear Electric was clear from the outset. It is to build public confidence in nuclear power in this country by demonstrating practically that it is not only safe and environmentally clean but that it can be economic. We have to achieve this basic objective by 1994, when the Government comes to review the further development of nuclear power.

As a consequence, I have set Nuclear Electric six goals. Over the next few years we must achieve:

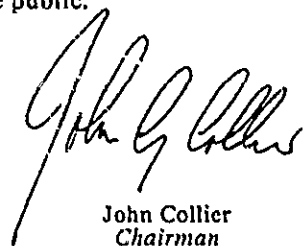
- *Continued increased electricity generation*
- *Increased turnover and, as a result*
- *Increased profit*
- *A progressive reduction in the fossil fuel levy*
- *The completion of Sizewell B to time and to budget*
- *A reduction in the costs of, and uncertainty about, our waste management and decommissioning liabilities.*

All this will need to be achieved whilst maintaining the excellent safety record which the Company has inherited.

These activities will preoccupy us over the next four years. Our common concern is to make sure that our existing reactors perform well, that we complete Sizewell B to time and to cost, and that we operate safely and cost effectively. *Quality is our watchword.*

The staff of Nuclear Electric have undergone a number of disruptive changes and reorientations in the last few years and I am extremely grateful for the goodwill and enthusiasm which I encounter when I visit our stations, laboratories, offices and other sites. I should also like to record my deep sense of gratitude to my directors, and especially to my strong team of non-executive directors, for the constructive and helpful manner in which they have set about their task as members of my Board.

Nuclear Electric came into existence in difficult circumstances. But I am confident that I have a team working with me whose dedication to our goals will ensure that we can and will gain the confidence of the public.



John Collier
Chairman

Nuclear Electric plc

Directors

Executive directors

Mr J G Collier, FRS, FEng Chairman and Chief Executive John Collier has spent his whole career in the nuclear industry, including a period as Director General of the CEBG's Generation Development and Construction Division. Prior to taking up his appointment with Nuclear Electric, he was Chairman of the United Kingdom Atomic Energy Authority. He retained that appointment during the whole of the period under review. *Appointed on 19 March 1990.*



Mr F Ledger, OBE Deputy Chairman Frank Ledger has spent all his working life in the electricity generating industry, most recently as a Board Member of the CEBG. He has had long experience of power station operation and management. *Appointed on 19 March 1990.*

Mr M A W Baker Executive Director of Corporate Affairs and Personnel Mark Baker came to Nuclear Electric from the United Kingdom Atomic Energy Authority where he spent 25 years in personnel, finance and general management. Latterly, he was the Secretary and Authority Finance and Programmes Officer. *Appointed on 19 March 1990.*



Mr S C Goddard Executive Director of Construction and Future Programmes Sam Goddard spent more than 30 years with the CEBG. From 1984, he was the CEBG's Director of System Planning with responsibility for all new power stations and national grid system developments. *Appointed on 19 March 1990.*

Acting Finance Director

Mr M R Kirwan Acting Director of Finance Mike Kirwan is currently on secondment to Nuclear Electric from Coopers and Lybrand Deloitte, where he is a management consultancy partner.



Non-executive directors

Mr F E Bonner, CBE Fred Bonner is a chartered accountant by profession. He spent 37 years in the electricity supply industry and on his retirement in 1986 he was Deputy Chairman of the CEGB, a member of the Electricity Council and a part-time member of the United Kingdom Atomic Energy Authority. *Appointed on 19 March 1990.*



Sir Frank Gibb, CBE Sir Frank was previously Chairman and Chief Executive of the Taylor Woodrow Group with over 30 years' experience of the nuclear industry. *Appointed on 19 March 1990.*

Mr A M B Large Until recently Andrew Large was an Executive Board Member of the Swiss Bank Corporation (Zurich). He was formerly Deputy Chairman of the International Securities Regulatory Organisation and a member of the Stock Exchange Council and the Takeover and Mergers Panel. *Appointed on 1 May 1990.*



Mr M H Spence Michael Spence is Group Director of Strategic Development, Dowty Group plc, covering commercial and technical strategy for the Group. *Appointed on 1 June 1990.*

Ms S E Stoessel Until recently Susanne Stoessel was Head of Marketing for Channel 4 TV. She now advises a number of firms on public relations and marketing matters and chairs the Women and Training Group. *Appointed on 1 May 1990.*



Company Secretary



Mr J R Melville Prior to taking up his appointment with Nuclear Electric, Rex Melville spent 26 years with the CEGB, latterly as Deputy Secretary.

Financial highlights The accounts cover the period 1 April 1989 to 31 March 1990. During the first nine months of that period the Company's business was conducted by the National Power division of the CEGB until the formation of the Nuclear Electric division on 1 January 1990. The 1989/90 results largely relate to a period, therefore, when the nuclear activities of the CEGB were not under the control of Nuclear Electric's present management. They also reflect the former CEGB bulk supply tariff and include a number of exceptional items incurred in establishing the new

company. Consequently they cannot be regarded as wholly indicative of future financial performance.

Review

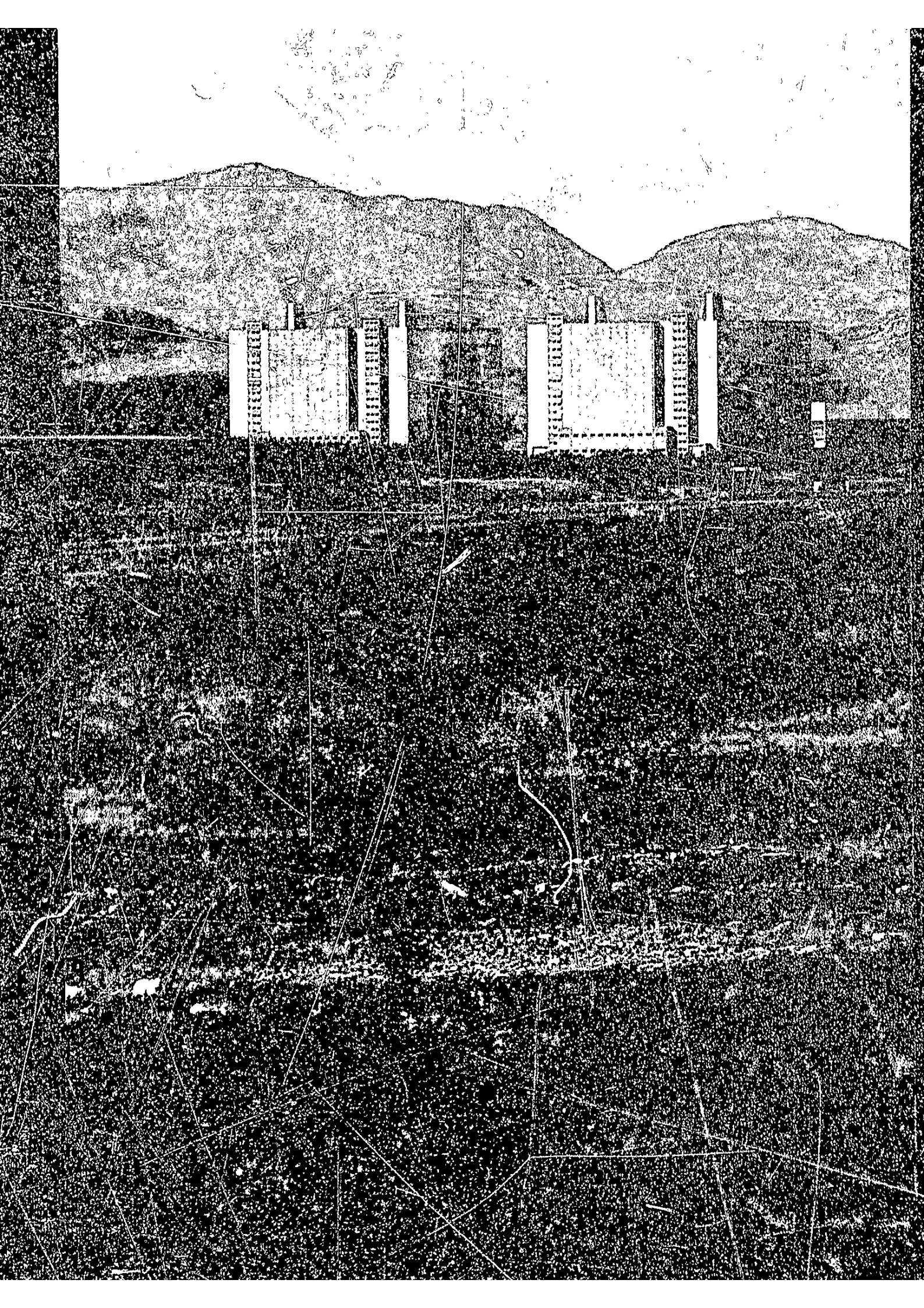
of the year

On this basis the operating profit for the year before exceptional items was £225 million (£31 million profit under the current cost convention). After allowing for exceptional items, financing charges (the majority of which relate to maintaining the real value of nuclear provisions transferred from the CEGB) and extraordinary items, there was a loss of £419 million (£613 million under the current cost convention).

Capital expenditure for the year amounted to £555 million including £323 million in respect of the Sizewell B project.

The Group (Nuclear Electric plc and subsidiary companies listed in note 11 to the Accounts) started its existence for accounting purposes on 1 April 1989 with an excess of liabilities over assets of £3582 million (£1467 million under the current cost convention). This deficit was due to the size of the nuclear provisions in respect of past generation of £8227 million by comparison with the assets less other liabilities transferred (£4645 million). Following the loss for the year, the deficit on 31 March increased to £4011 million (£1427 million under the current cost convention).

The Company has received a letter from the Secretary of State assuring it that adequate funds will be made available under Schedule 12 to the Electricity Act 1989 (subject to Parliamentary approval and European Commission sanction), to ensure that the Company is able to meet its financial obligations in respect of 'qualifying' expenditure as they fall due. Qualifying



expenditure is expenditure incurred in connection with the storage or reprocessing of nuclear fuel, the treatment, storage or disposal of radioactive waste and the decommissioning of nuclear power stations and related installations. These items make up the majority of the provisions transferred from the CEGB.

The directors are continuing to discuss with the Secretary of State other actions to strengthen the Company's financial position.

Production During the year Nuclear Electric's power stations supplied 42.5 TWh of electricity, at an average load factor of 60.9%. A list of the power stations owned by the Company is provided as Annex 1 to the Report.



*Dungeness A
power station*

Magnox The Magnox stations continued to operate reliably with Wylfa and Oldbury achieving particularly good performances. Work carried out by agreement with the Nuclear Installations Inspectorate (NII) to ensure that safety standards meet modern requirements, together with delays in some overhaul work, resulted in a reduction in total output of Magnox plant, from 22.9 TWh in 1988/89 to 20.8 TWh in 1989/90.

During the year, work continued on the phase 1 decommissioning of the Magnox station at Berkeley with fuel being removed from the reactors and dispatched to Sellafield for reprocessing. All decommissioning activities require

the approval of the NII and the conditions of the site licence remain applicable.

In his statement on 9 November 1989, the Secretary of State for Energy referred to the performance of the Magnox stations and indicated that, subject to the views of the NII, it should be possible to

extend the life of at least some of those stations. The Government would make available funds for any justifiable investment for this purpose. Nuclear Electric is discussing with the NII the programme of work required to secure these extended lifetimes.

Advanced gas-cooled reactors The performance of the AGRs continued to improve, with output increasing from 20.5 TWh in 1988/89 to 21.7 TWh in 1989/90. The sister stations at Hartlepool and Heysham 1 received approval from the NII to

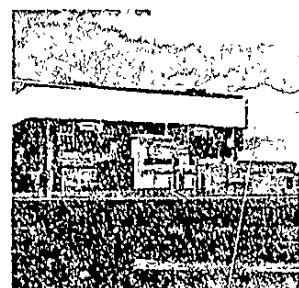


Wylfa power station

*(Opposite)
Trawsfynydd
power station*

operate at 90% of full power and both achieved sustained periods of operation at that level. The encouraging performance of Heysham 2 was also sustained. After commissioning in 1988, the units were quickly brought up to full commercial load and have shown the ability to maintain high availability and reliability.

Dungeness B had a disappointing year with extended reactor outages following two incidents. In February 1989, during refuelling operations, part of a fuel stringer became detached in its fuel channel. During the same month, the lower part of a vacancy plug unit fell from the plug unit maintenance facility into a fuel transfer store. As a result of these incidents, the NII brought charges against the CEGB for the first time under the Nuclear Installations Act for breaches of the nuclear site licence conditions. The CEGB pleaded guilty to the offences and was fined a total of £3000. Recommendations for improving maintenance instructions and procedures have been implemented.

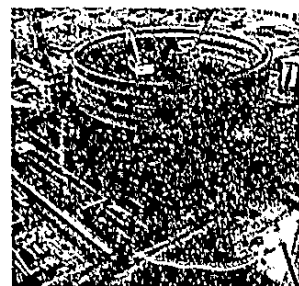


Heysham 2
power station

Nuclear Electric has set itself the task of improving the refuelling capability at all the AGR stations in order to secure further increases in output.

Sizewell B Construction of the Sizewell B PWR station in Suffolk is well ahead of the CEGB's original committed programme of 72 months from the start of first permanent structural concrete (August 1988) to fuel loading (August 1994) followed by full commercial output in February 1995.

Since the start of main construction in 1988, good progress has been made on design, manufacturing and construction. By the end of March 1990 just under 50% of the structural concrete for the station had been cast. The primary lining of the containment building which will house the reactor was more than 60% complete and major deliveries of plant and equipment to site are on programme.



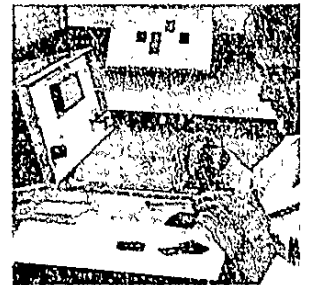
Sizewell B
under construction

At the peak of construction activity Sizewell B will provide over 15,000 jobs within the nuclear industry and at the construction site. The workforce on site at the end of March 1990 was over 3000, 52% of whom were recruited locally.

In September 1989 it was announced that it would be necessary to increase the scheme estimate for Sizewell B to £1870 million from £1691

million (both at April 1987 prices) due to developments in the design and additional safety requirements. In the spring of 1990 a detailed review was undertaken to take into account the impact of the Government's announcement of 9 November. The review indicated that, since no further PWRs would be built to the Sizewell B design in the near future, the construction cost of Sizewell B will inevitably increase. After excluding £199 million which it is no longer appropriate to treat as capital expenditure, the estimated costs to completion have been revised to £2030 million (at April 1987 prices). Following the review, the Secretary of State for Energy has restated the Government's commitment to the completion of Sizewell B.

Health and safety One of Nuclear Electric's overriding objectives is to ensure the safety of its plant, its staff and the public. The Company's Health and Safety Department (HSD) is an independent organisation within the Company and its Director is directly accountable to the Chairman. It formulates policy, sets standards and discusses safety requirements with the appropriate authorities, including the NII, Health and Safety Executive, Department of the Environment and others; it provides expert guidance to plant designers and operators; and monitors the performance of operating plant. HSD aims to ensure that there is no conflict of interest between safety requirements and the efficient and economic operation of plant.



*Reading film
badges for
radiation levels*

Gardner report The study of childhood leukaemia in the Sellafield area by Professor Gardner aroused considerable media interest, which focused on radiation doses received by Sellafield workers. Professor Gardner found a statistically significant association between the exposure of fathers to radiation and the incidence of leukaemia in their children. The number of cases on which this finding was based is very small and much work needs to be done before it can be established whether the excess leukaemia is actually caused by the radiation or whether some other factor is involved.

Few Nuclear Electric workers are exposed to radiation doses as high as those received at Sellafield and the average is much less. However, Nuclear Electric took these preliminary findings seriously. As soon as Professor Gardner's report was published the Company advised staff of his findings and

offered all classified workers and their partners the opportunity to discuss their concerns with medical staff. In the event very few members of staff have so far taken advantage of the offer of counselling.

A survey of the children of the Company's workers with highest exposure has been initiated in order to establish whether there are any unusual patterns of disease and Nuclear Electric will make the results of this survey available to any officially-sponsored industry wide study.

Operational Safety Review Team

In July 1989, an Operational Safety Review Team (an international group of experts convened by the International Atomic Energy Agency) carried out a review of operations at Oldbury power station. The team spent three weeks at the power station, examining all aspects of operations affecting safety of the plant and comparing these with practices in other countries. The team submitted its report to the British Government in March 1990,



Oldbury
power station

concluding that the station was being operated at a high level of safety with staff and managers performing their duties in a highly professional manner. Twenty nine 'best practices' were noted to be drawn to the attention of nuclear plant operators in other countries, and a number of recommendations and suggestions were made for further improvements at the station.

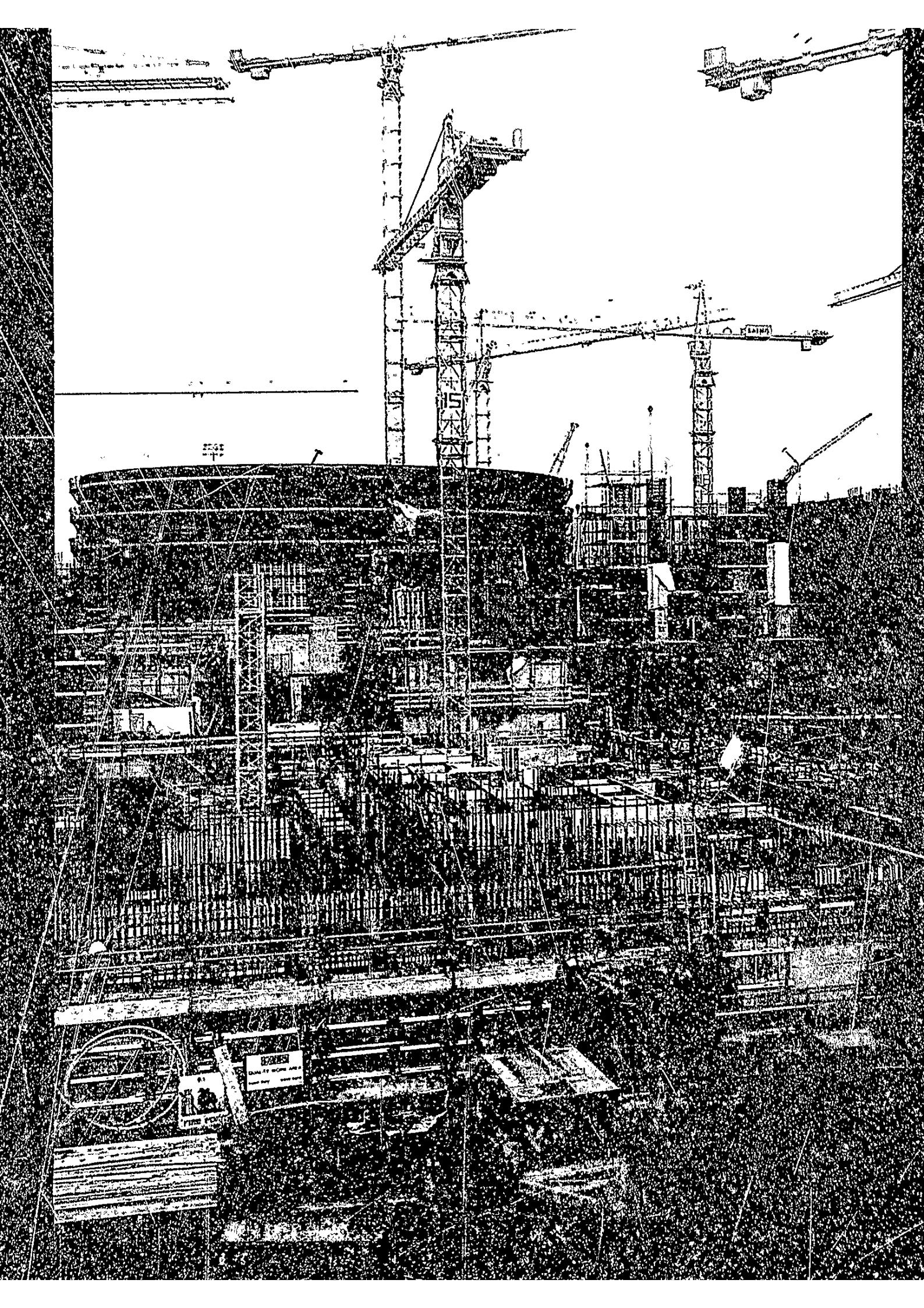
Environmental protection The CEGB's commitment to environmental protection has been wholeheartedly adopted by Nuclear Electric. A specialist environmental group has been established at corporate level within the Site Planning and Environment Department to develop the Company's environmental policy, provide specialist advice and encourage a commitment to good environmental practice throughout the organisation. The aim is to limit the environmental effects of all the Company's operations to a practicable minimum.



Environmental
monitoring

Nuclear Electric has an important part to play in reducing the 'greenhouse effect'. Emissions of greenhouse gases are small over the whole of the nuclear fuel cycle. As a result, nuclear energy is a particularly clean component of the energy sector and along with conservation, renewables and advanced fossil fuel systems contribute towards a cleaner environment.

(Opposite
Sizewell
power station)



Human resources Organisational change The establishment of Nuclear

Electric following the Secretary of State's announcement on 9 November demanded rapid completion of a range of activities involving the allocation, counselling and relocation of staff and discussions with trades unions. Interim organisation arrangements were established to enable the nuclear business to meet its responsibilities during and after the period of transition to independent company status. An organisational review was initiated to consider the best structure for the longer term.



Manpower The Company is committed to matching manpower with work requirements to achieve its objectives economically and effectively while preserving the highest standards of safety. The Company is also committed to full discussion of manpower strategies with the staff and trades unions and to achieving any changes necessary with proper regard to the welfare and interests of its employees. During the period, a series of initiatives was launched to help in recruiting and retaining quality staff to rectify skill shortages in key areas.

Overseas activities Nuclear Electric continues to play a full role in the international nuclear community taking over, where appropriate, the CEGB's activities in this field. This will involve full participation in the work of international bodies concerned with nuclear power, and the development of bilateral collaboration with overseas utilities. The underlying aim of these activities will be to seek to improve the safe and efficient operation of nuclear plants both in this country and overseas.



*Signing a technical
exchange agreement with
the Soviet Ministry of
Nuclear Power*

Activities The principal activities of the Group (Nuclear Electric plc and subsidiary companies listed in Note 11 to the Accounts) are nuclear generation of electricity and supply, uranium exploration and mining and insurance. A review of these activities and future developments is given in the Chairman's statement and the Review of the year.

Organisational changes At the start of the year under review the CEGB was organised in three operational divisions, in preparation for the privatisation of the electricity supply industry. These divisions represented the successor businesses to the CEGB which were originally planned by the Government — National Power, PowerGen and National Grid.

Directors' report

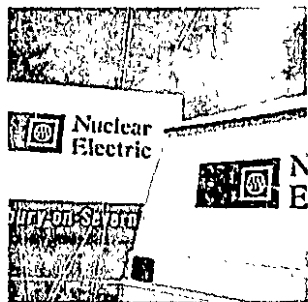
for the year ended 31 March 1990

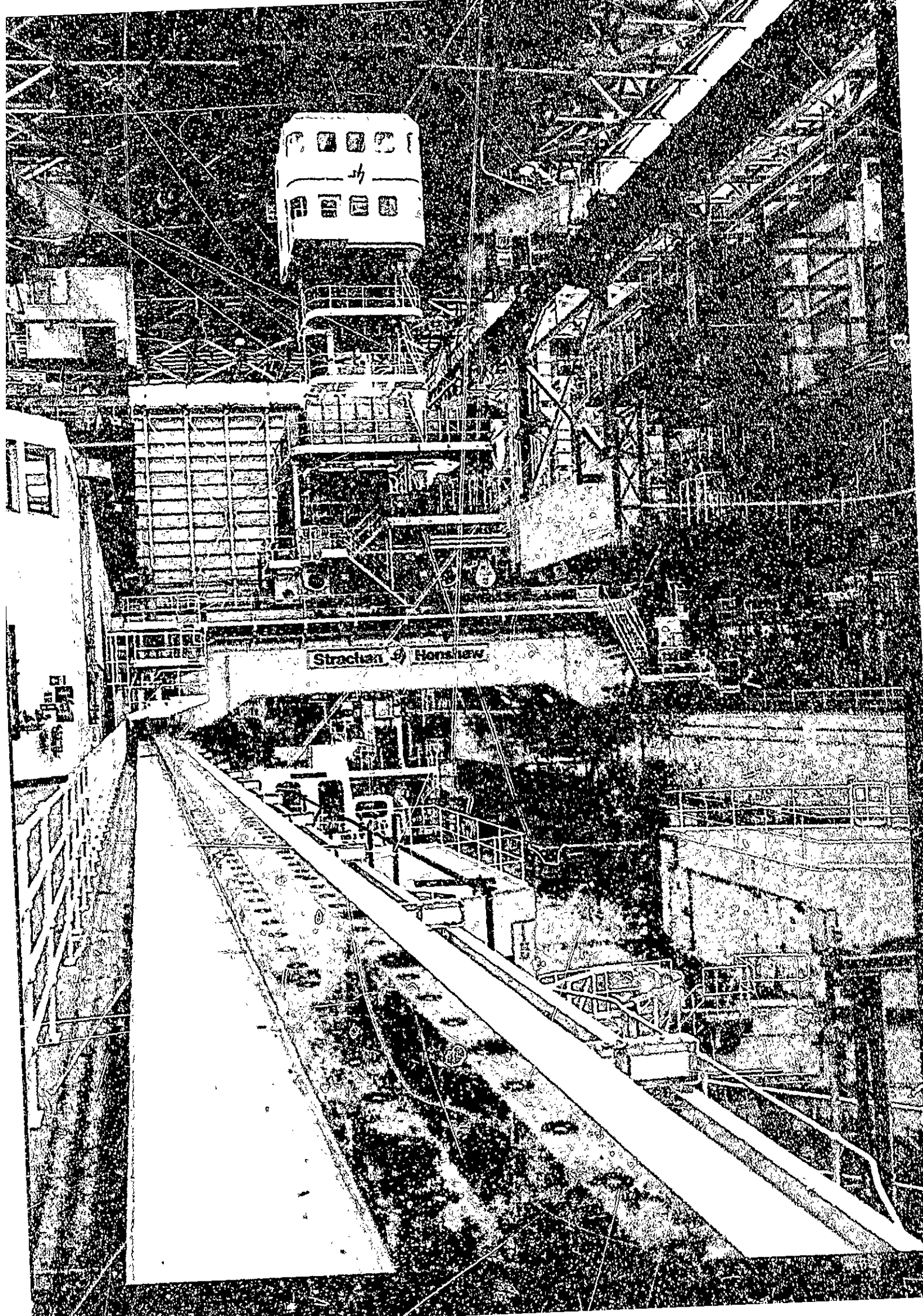
On 24 July 1989, it was announced in Parliament that the Magnox stations belonging to the CEGB and the South of Scotland Electricity Board would remain in the public sector. On 9 November 1989 the Secretary of State for Energy, the Rt Hon John Wakeham MP, announced that the Government had decided that the English advanced gas-cooled reactors and the Sizewell B pressurised water reactor under construction should remain, along with the Magnox stations in England and Wales, in a Government-owned company. This company, later named Nuclear Electric plc, would inherit the nuclear power

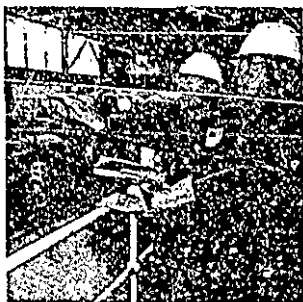
stations and all the nuclear-related assets, expertise and support from the CEGB, including its expertise in health and safety.

At the beginning of 1990, the old National Power division of the CEGB was split between the new National Power division and the Nuclear Electric division. By virtue of the Transfer Scheme made by the CEGB under the Electricity Act 1989 as modified and approved by the Secretary of State for Energy, the business of the Nuclear Electric division of the CEGB was vested in the Company on 31 March 1990.

Incorporation of the Company and share transactions The Company had been incorporated as a shelf company on 2 June 1988 as Trushelfco (No. 1305) Limited with an authorised share capital of £100 divided into 100 Ordinary Shares of £1 each, of which two Ordinary Shares were taken by the subscribers.







*Hinkley B
power station*

On 27 November 1989 the Company resolved to change its name to Nuclear Electric Limited and on the following day, 28 November 1989, one subscriber's share was transferred to the Secretary of State for Energy and the other to the Solicitor for the Affairs of Her Majesty's Treasury.

The authorised share capital of the Company was increased to £50,000 on 20 December 1989 by the creation of a further 49,900 additional Ordinary Shares of £1 each. The same day 49,998 Ordinary Shares were allotted to the Secretary of State for Energy for cash at par but paid up as to one-quarter.

The Company resolved on 10 January 1990 that it would be re-registered as a public company, which it became on 18 January 1990.

Directors of the Company The directors of the Company at the end of the financial year and those appointed subsequently are listed on pages five and six.

The first directors of the Company were Mr T G M Buckley and Mr G W James, who were appointed on incorporation and resigned on 24 November 1989. They were replaced by Mr G I Henderson and Mrs S R Thorpe who were appointed on 24 November and resigned on 28 November 1989, prior to the Secretary of State for Energy holding shares in the Company. Mr S H Haddrill and Mr D F Pascho were appointed directors of the Company on 28 November 1989 by the Secretary of State for Energy and resigned on 19 March 1990.



*Checking
Magnox fuel
elements*

The Secretary of State for Energy has been a shadow director of the Company within the meaning of Section 741, Companies Act 1985 since 28 November 1989.

Directors' interests in shares Mr S H Haddrill and Mr D F Pascho each held an interest in one Ordinary £1 Share in the Company between 28 November 1989 and 19 March 1990. The Secretary of State for Energy had an interest in two Ordinary £1 Shares between 28 November 1989 and 20 December 1989, and since then has had an interest in 50,000 Ordinary £1 Shares.

Financial results The operating profit for the year before exceptional items amounts to £225 million. After charging exceptional items, the operating profit for the year is £5 million. After financing charges, exceptional items, and minority

*(Opposite)
Heysham 2
power station
reactor hall*

interests, a loss of £419 million was transferred to reserves. On a current cost accounting basis there is an operating profit before exceptional items of £31 million and the loss transferred to reserves totals £613 million. The directors are not recommending the payment of any dividend.

The balance sheet at 31 March 1990 shows net liabilities of £4011 million (£1427 million under the current cost convention). As explained in note 1 to the accounts, the directors have considered it appropriate to draw up the accounts on a going concern basis on the grounds that the Company is, and will remain, able to meet its liabilities as they fall due.



Hartlepool
power station

The directors consider, nevertheless, that the Company's financial situation should be strengthened and are in discussion with Government on action to improve the situation.

Fixed assets Changes in fixed assets are shown in notes 10 and 11 to the Accounts. In the directors' opinion, the market value of non-operational land and buildings is some £60 million higher than the amount at which they are included in the accounts.

Post balance sheet events No material events have occurred since the end of the financial year which have implications for the accounts for 1989/90.

Research and development The Company promotes nuclear research activities in support of the operation and improved performance of the Magnox and AGR stations, and in readiness for the introduction of the PWR. Much of the research programme is carried out under contract with the United Kingdom Atomic Energy Authority.

Employees The Company is a party to the electricity supply industry's national agreements. In addition, new district negotiating machinery has been established to replace that which operated within the CEGB. Proposals for Company-wide consultative arrangements are also under discussion with staff and trades unions. The proposed arrangements are intended to encourage employee commitment to the Company's goals and objectives by increasing discussion of business-related topics at local level.



Many thousands
of visitors tour our
power stations

The Company will build on the CEGB's equal opportunities policies, including the policy of promoting the employment, training and development of disabled people. The Company has issued a Child Care Charter promoting job sharing and providing assistance for child care. Its purpose is to provide an opportunity for staff to develop a long-term career while raising a family, and thus help the Company to keep well-trained and motivated staff.

The Company has inherited a good safety record and will build upon this inheritance to ensure that the principles of good safety practice are firmly established in all its activities. The Board of Nuclear Electric has endorsed a policy to provide and maintain safe and healthy working conditions, equipment and systems of work for all employees and to safeguard the health and safety of everybody who may be affected by the Company's activities.

Charitable and political donations During the year ending 31 March 1990 Nuclear Electric made donations to charitable organisations totalling £62,000. No donations were made to political parties.

Auditors The directors will place a resolution before the annual general meeting to reappoint BDO Binder Hamlyn (appointed with effect from 8 February 1990) as auditors of the Company.

The Central Electricity Generating Board The directors wish to acknowledge the help and support received from the CEGB in establishing the Company.

By order of the Board
J R Melville
Company Secretary



2 August 1990

Registered Office: Barnett Way Barnwood
Gloucester GL4 7RS
Registered in England No. 2264251



Report and financial statements

for the year ended 31 March 1990

Report of the Auditors to the Members of Nuclear Electric plc

We have audited the financial statements on pages 22 to 45 in accordance with Auditing Standards. The accounts on pages 22 to 40 have been prepared under the historical cost convention and the current cost accounts on pages 41 to 45 have been prepared under the current cost convention as described in the notes thereto.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as 31 March 1990 and of the loss and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Binder Hamlyn
Chartered Accountants, London
2 August 1990

BDO Binder Hamlyn

Statement of accounting policies

Basis of preparation and consolidation The Group accounts include the accounts of the Company and each of its principal subsidiaries.

For the purpose of the statutory accounts, the property, rights and liabilities allocated to the Company from the CEGB are treated as being vested in the Company on 1 April 1989. These accounts incorporate the first accounts of the Company. Accordingly no comparative figures have been included for profit and loss account items. The comparative figures for balance sheet items are the amounts at which those assets and liabilities were transferred from the CEGB, restated where necessary to conform with the Company's accounting policies.

Goodwill arising on the acquisition of subsidiaries, which represents the excess of the purchase consideration over the aggregate of the fair values of the separable net assets acquired, is written off against reserves in the year of acquisition.

As permitted by Section 228(7) of the Companies Act 1985, no profit and loss account is presented for the Company.

Turnover Turnover represents amounts receivable for sales of electricity and other goods and services net of value added tax.

Fuel costs The charge for fuel burnt in nuclear reactors is based on the estimated heat consumption for the year valued at weighted average historical cost. Fuel elements remain in a nuclear reactor producing heat for a number of years. It is, therefore, inappropriate to charge direct to fuel burnt the value of nuclear fuel loaded in the year and the Company accordingly operates a provision account through which an appropriate relationship is maintained, year by year, between heat consumption and the charge to the profit and loss account.

The cost of initial fuel for nuclear power stations, included in fixed assets, is stated at cost and written off over the useful life of each reactor. The amounts written off are included in the profit and loss account as part of fuel costs.

Provision is made in the profit and loss account for the estimated cost at current prices of the reprocessing and long-term storage, treatment and eventual disposal of resulting waste products in respect of both fuel withdrawn from reactors during the year and the residual fuel which will remain in reactors at the end of their lives.

Research and development Expenditure on fixed assets used for research and development is written off over the expected useful life of the relevant asset; all other research and development expenditure is charged to the profit and loss account as incurred.

Pension costs Contributions to the Electricity Supply Pension Scheme are assessed by a qualified actuary and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

The capital cost of ex gratia and supplementary pensions is charged to the profit and loss account in the accounting period in which they are granted.

Foreign currencies Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet. The trading results of foreign subsidiaries are translated into sterling at the average rate for the year. Differences arising on the restatement of the net investment in foreign subsidiaries and related net foreign currency borrowings are dealt with as adjustments to reserves. All other differences are taken to the profit and loss account.

Fixed assets and depreciation Fixed assets comprise assets acquired or constructed by the Company which are expected to have a useful life of at least five years. Other expenditure, including that incurred on preliminary studies and on the initiation of new technologies not yet adopted, is charged to the profit and loss account as incurred.

Fixed assets are stated in the balance sheet at the lower of original cost less accumulated depreciation, and economic value.

The charge for depreciation of fixed assets is generally based on the straight-line method to write off the cost of assets over their estimated useful lives. These are subject to regular review, particularly where new technology is involved; when the life of an asset is changed the existing net asset value is written off over the new remaining life.

The lives adopted are:

Nuclear power stations:

■ AGR	25 years
■ Magnox	30 years
Major plant spares	30 years
Non-operational buildings	40 years
Short-term assets	5 years

Land is not depreciated

Assets in the course of construction are not depreciated until brought into commission. A full year's depreciation charge is made for plant commissioned during the year, on a reactor basis.

The Group's interest in mining properties and equipment is depreciated using the units-of-production method based on estimated recoverable reserves.

Current asset investments Investments listed on a recognised stock exchange are stated at their mid-market value at the balance sheet date, including accrued interest receivable.

Stocks of fuel and stores Stocks of nuclear fuel and general and engineering stores are valued at the lower of cost and net realisable value.

Deferred taxation Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation, using the liability method, is made to the extent that it is probable that the liability or asset will crystallise in the foreseeable future.

Long-term nuclear provisions Long-term provisions relate to the Company's obligations under the present regime in respect of the following:

- Reprocessing of nuclear fuel.
- Long-term storage, treatment and eventual disposal of nuclear fuel waste products.
- Closure of the Company's nuclear power stations and of facilities owned by British Nuclear Fuels PLC (BNFL).

These provisions are based on the latest technical assessments of the processes and methods likely to be used to deal with these obligations, and are stated in the balance sheet at current price levels. The restatement of provisions made in prior years to current price levels is included in the profit and loss account as part of financing charges.

Provisions which are retained in the Company's business for over one year before being used to meet actual expenditure are deemed to earn interest and accordingly the expected cost is discounted at an appropriate rate to take account of the timing of payment.

Provisions relating to newly identified nuclear liabilities are calculated to take account of all costs relating to fuel burnt to date.

Consolidated profit and loss account
for the year ended 31 March 1990

	Note	1990 £M
Turnover	2	2058
Expenditure		
Fuel		858
Materials and services		460
Staff costs	3	305
Depreciation	4	210
		1833
Operating profit before exceptional items		225
Exceptional items	5	220
Operating profit		5
Financing charges (net)	6	933
Loss on ordinary activities before and after taxation	7, 8	(928)
Minority interests		(1)
Loss before extraordinary items		(929)
Extraordinary items	9	510
Loss for the financial year		(419)

Balance sheets at 31 March 1990

	Note	Group 1990 £M	Group 1989 £M	Company 1990 £M	Company 1989 £M
Fixed assets					
Tangible assets	10	4709	4444	4699	4440
Investments	11	—	—	24	16
		4709	4444	4723	4456
Current assets					
Stocks	12	688	701	683	701
Debtors	13	443	227	458	234
Investments	14	607	69	521	—
Cash at bank and in hand		1	—	—	—
		1739	997	1662	935
<i>Less:</i>					
Creditors—amounts falling due within one year	15	398	679	390	672
Net current assets		1341	318	1272	263
Total assets less current liabilities		6050	4762	5995	4719
<i>Less:</i>					
Creditors—amounts falling due after more than one year	15	(35)	(21)	(23)	(16)
Provisions for liabilities and charges	16	(10,026)	(8323)	(9988)	(8296)
Net liabilities		(4011)	(3582)	(4016)	(3593)
<i>Financed by:</i>					
Capital and reserves					
Called up share capital	17	—	—	—	—
Profit and loss account	18	(4015)	(3583)	(4016)	(3593)
Deficiency of shareholders' funds		(4015)	(3583)	(4016)	(3593)
Minority interests		4	1	—	—
		(4011)	(3582)	(4016)	(3593)

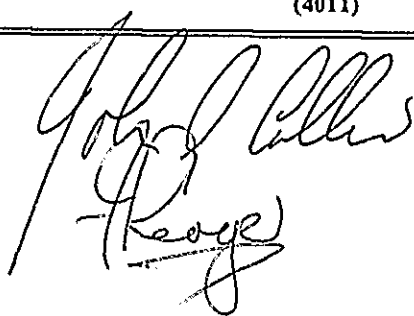
J G Collier

Chairman

F Ledger

Deputy Chairman

2 August 1990



Consolidated statement of source and application of funds
for the year ended 31 March 1990

	1990 £M
SOURCE OF FUNDS	
From operations:	
Loss before extraordinary items	(929)
Adjustments for items not involving the movement of funds:	
Depreciation	219
Provisions (net)	1703
Extraordinary items	(320)
Minority interests in the retained profits for the year	1
Loss on disposal of fixed assets	71
	745
FROM OTHER SOURCES	
Proceeds of issue of shares of subsidiary	2
Compensation from area boards (Note 8)	830
TOTAL SOURCE OF FUNDS	1577
APPLICATION OF FUNDS	
Purchase of fixed assets	555
Goodwill on acquisition of subsidiary*	13
	568
INCREASE (DECREASE) IN WORKING CAPITAL	
Stocks and stores	(13)
Debtors	216
Creditors	264
	467
INCREASE (DECREASE) IN NET LIQUID FUNDS	
Current assets investments	538
Cash at bank and in hand	1
Bank overdrafts	3
	542
TOTAL APPLICATION OF FUNDS	1577
*Summary of the effects of the acquisition of Power Resources Inc	
Net assets acquired	£M
Fixed assets	6
Net current assets	3
Creditors due in more than one year	(4)
Goodwill	13
	18
Discharged by	£M
Cash paid	18
	18

Notes to the accounts
for the year ended 31 March 1990

1 GOING CONCERN BASIS OF ACCOUNTING

The accounts are drawn up on a going concern basis, on the footing 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) The major part of the Company's liabilities are in respect of long term provisions for nuclear costs, much of which will not fall due for payment for a considerable number of years. The Company's financial projections indicate that it expects to be able to meet its liabilities from its own financial resources for at least the next eight years.
- (b) The Company has received assurances from the Secretary of State for Energy that (i) the Government will ensure that adequate funds are made available to enable the Company to meet its financial obligations in respect of qualifying expenditure (within the meaning of Schedule 12 to the Electricity Act 1989), as they fall due, subject to a limit (which is currently £1000 million and can be increased to £2500 million by order and of which £716 million has been allocated to Scottish Nuclear Limited) contained in that Schedule not being exceeded and subject to the necessary monies being voted by Parliament; and (ii) the Government will seek approval from Parliament (including if necessary further legislative provision) and the European Commission to ensure that adequate funds are available to enable the Company to meet its financial obligations in respect of any further qualifying expenditure beyond that limit, as those obligations fall due.

In the light of the foregoing considerations, the directors consider that the going concern basis of the accounts is appropriate.

2 TURNOVER AND PROFIT BEFORE TAX

	Turnover	Operating profit/(loss) before exceptional items
	1990	1990
	£M	£M
Electricity generation and supply	2044	227
Insurance	12	(1)
Uranium exploration and mining	2	(1)
	2058	225

Income for the year was largely derived from a share of income yielded by the bulk supply tariff which was determined by the CEGB before the year commenced and is not therefore necessarily representative of future income under the new electricity pooling arrangements and the fossil fuel levy.

3 STAFF COSTS

Expenditure in respect of salaries and other staff costs was as follows:

	1990 £M
Salaries	270
Social security costs	21
Other pension costs	53
	344
Less: Amounts capitalised or charged against provisions	39
	305

The average number of employees of the Group during the year was 14,415.

The number of employees, other than directors, who received remuneration in the following ranges was:

	1990 Number
£30,000 to £35,000	830
£35,001 to £40,000	340
£40,001 to £45,000	113
£45,001 to £50,000	35
£50,001 to £55,000	5
£55,001 to £60,000	10
£60,001 to £65,000	8
£65,001 to £70,000	3
£70,001 to £75,000	2
£75,001 to £80,000	1
£80,001 to £85,000	1

The directors of the Company at the end of the year were appointed on 19 March 1990. The aggregate amount of the remuneration of all the directors of the Company, in respect of the periods from appointment until resignation or to 31 March 1990, was:

	1990 £000
Management remuneration (including pension contributions)	11

The above amount includes remuneration, excluding pension contributions, of the Chairman of £3651. The number of other directors, including those who were not directors at the end of the year, who received remuneration, excluding pension contributions, in the following range was:

	1990 Number
£0 to £5000	11

Notes to the accounts *continued*

4 DEPRECIATION	1990
	£M
Total depreciation (Note 10)	219
Less:	
Initial fuel (charged to fuel costs)	9
	210

5 EXCEPTIONAL ITEMS

Items relating to the establishment of the Company in the new competitive business environment:	£M
(a) Provisions for redundancy and severance costs	57
(b) Provisions for the cost of relocation of staff	28
(c) Provisions to bring plant up to the new Grid Code standard	12
(d) Provisions for the cost of termination of the CEGB staff privilege purchase scheme	4
(e) Fees to professional advisers	3
(f) Other	4
Pension provision (Note 20 iii)	60
Costs incurred in the construction of Sizewell B, and other organisational set-up costs, written off following the decision to impose a moratorium on the PWR construction programme	52
	220

6 FINANCING CHARGES (NET)	1990
	£M
Interest on borrowing from the Electricity Council	48
Financing costs relating to nuclear and other provisions	
(a) Arising from changes in price levels	717
(b) Notional interest	179
	944
Interest receivable	11
	933

Interest receivable includes £3 million in respect of listed fixed interest securities.

7 LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION

The loss on ordinary activities before and after taxation is stated after charging:	£M
Research and development expenditure	116
Amount advanced to fund the activities of the related company	7
The remuneration of the auditors was £245,000, of which £210,000 relates to the Company.	

8 TAXATION

The Company is in negotiation with the Inland Revenue concerning the treatment of certain nuclear provisions for tax purposes and has drawn up its accounts on its view of the most likely outcome of these negotiations. It has, therefore, treated those provisions as deductible for tax purposes in the year in which provision is made and therefore there will be a tax loss for the year. Accordingly no corporation tax charge has been included in these accounts.

From 31 March 1989, the electricity supply industry in England and Wales was treated as one entity for corporation tax purposes, and liability for such tax was placed on the Electricity Council. Under the Electricity Act 1989, the Company became responsible for any corporation tax payable by the Electricity Council for periods prior to 31 March 1989. It is not expected that the Electricity Council will have any such tax liability, but this is dependent on the completion of negotiations with the Inland Revenue on the deductibility for tax purposes of certain nuclear provisions made by the CEGB.

The Company inherited the tax losses of the CEGB at that date, estimated to be £2700 million. It also received £830 million compensation from area boards in respect of their utilisation of prior year tax losses attributable to the activities of the Company.

9 EXTRAORDINARY ITEMS

	1990 £M
Provisions for future losses on contracts for the supply of electricity inherited from the CEGB	(320)
Compensation from area boards (note 8) attributable to the activities of the company	830
	510

10 TANGIBLE FIXED ASSETS	Nuclear power stations £M	Initial fuel £M	Other land and buildings £M	Other plant and equipment £M	Assets in course of construction £M	Total £M
Group						
Gross value						
At 1 April 1989	4557	291	84	315	431	5678
Additions	109	2	17	76	351	555
Disposals and amounts written off	(5)	—	(1)	(23)	(50)	(79)
At 31 March 1990	4661	293	100	368	732	6154
Depreciation						
At 1 April 1989	1001	91	24	118	—	1234
Charge for the year	182	9	2	26	—	219
Eliminated on disposals	(1)	—	(1)	(6)	—	(8)
At 31 March 1990	1182	100	25	138	—	1445
Net book value						
At 31 March 1990	3479	193	75	230	732	4709
At 1 April 1989	3556	200	60	197	431	4444

Tangible fixed assets continued overleaf.

Notes to the accounts *continued*

Company

Gross value

At 1 April 1989	4557	291	80	315	431	5674
Additions	109	2	13	72	351	547
Disposals and amounts written off	(5)	—	(1)	(23)	(50)	(79)
At 31 March 1990	4661	293	92	364	732	6142

Depreciation

At 1 April 1989	1001	91	24	118	—	1234
Charge for the year	182	9	2	24	—	217
Eliminated on disposals	(1)	—	(1)	(6)	—	(8)
At 31 March 1990	1182	100	25	136	—	1443

Net book value

At 31 March 1990	3479	193	67	228	732	4699
At 1 April 1989	3556	200	56	197	431	4440

No interest is included in the cost of assets in course of construction. Notional interest during construction is however taken into account for the purposes of investment appraisal and other economic evaluations.

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

	Group 1990 £M	Group 1989 £M	Company 1990 £M	Company 1989 £M
Freehold	1027	918	1027	918
Short leasehold	1	—	1	—
Interests in mining rights and properties	8	4	—	—
	1036	922	1028	918

The cost of freehold land included in the above is £11 million (1989: £11 million).

11 FIXED ASSET INVESTMENTSSubsidiaries
£M**Costs:**

At 1 April 1989	16
Additions	8
At 31 March 1990	24

The Company holds shares in the following companies:

	Country of incorporation and operation	Shareholding %	Principal activity
<i>Principal subsidiaries:</i>			
Electricity Producers Insurance Company Limited	Isle of Man	80	Insurance
Central Electricity Generating Board Exploration (Canada) Limited	Canada	80	Uranium exploration and mining
Central Electricity Generating Board Exploration (America) Inc	USA	80	Uranium exploration and mining
*Power Resources Inc (acquired during the year)	USA	80	Uranium exploration and mining
Central Electricity Generating Board Exploration (Australia) Pty Limited	Australia	80	Uranium exploration and mining
<i>Related Company:</i>			
United Kingdom Nirex Limited	Great Britain	42.5	Disposal of radioactive waste

*Shares not held directly by the Company.

12 STOCKS	Group 1990 £M	Group 1989 £M	Company 1990 £M	Company 1989 £M
Nuclear fuel	687	700	682	700
Stores	1	1	1	1
	688	701	683	701

The replacement cost of nuclear fuel under the Group's current contractual arrangements is greater than the balance sheet amount by £161 million (1989: £138 million).

13 DEBTORS	Group 1990 £M	Group 1989 £M	Company 1990 £M	Company 1989 £M
Trade debtors	298	199	297	197
Amounts owed by Group companies	—	—	18	—
Other debtors	138	24	138	24
Prepayments	7	4	5	13
	443	227	458	234

14 CURRENT ASSET INVESTMENTS	Group 1990 £M	Group 1989 £M	Company 1990 £M	Company 1989 £M
Fixed interest securities, listed on the				
UK Stock Exchange	12	17	—	—
Other listed investment	2	—	—	—
Fixed and call deposits	593	52	521	—
	607	69	521	—

15 CREDITORS

	Group 1990 £M	Group 1989 £M	Company 1990 £M	Company 1989 £M
<i>Amounts falling due within one year:</i>				
Bank overdrafts	20	24	20	24
Trade creditors	18	—	17	—
Other taxation and social security	7	3	7	3
Electricity Council Funding Account	—	296	—	296
Other creditors	6	9	1	3
Accruals and deferred income	347	347	345	346
	398	679	390	672

	Group 1990 £M	Group 1989 £M	Company 1990 £M	Company 1989 £M
<i>Amounts falling due after more than one year:</i>				
Bank loan	1	—	—	—
Other creditors	11	5	—	—
Retentions	23	16	23	16
	35	21	23	16

The bank loan bears interest at US prime rate plus ½%, and is repayable on 31 December 1991. The loan is secured on substantially all of the operating assets of the Group's US subsidiary.

Retentions include an amount of £5 million (1989: £2 million) payable in more than five years.

Other creditors represent amounts advanced to the Company's uranium exploration subsidiaries by Scottish Nuclear Limited. These amounts are non-interest bearing, unsecured and repayable only out of future profits of those subsidiaries.

16 PROVISIONS FOR LIABILITIES AND CHARGES	Balance 1 April 1989 £M	Utilised in the year £M	Charged to profit & loss account £M	Balance 31 March 1990 £M
Company				
Nuclear provisions				
<i>Magnox</i>				
Reprocessing of irradiated nuclear fuel, waste storage and disposal and decommissioning costs of facilities owned by BNFL	5182	(288)	815	5709
Decommissioning costs of the Company's nuclear power stations	1396	(11)	153	1538
	6578	(299)	968	7247
<i>AGR</i>				
Reprocessing of irradiated nuclear fuel, waste storage and disposal and decommissioning costs of facilities owned by BNFL	1024	(80)	528	1472
Decommissioning costs of the Company's nuclear power stations	240	—	64	304
	1264	(80)	592	1776
<i>Other</i>				
The Company's share of decommissioning and other costs of BNFL's Calder Hall power station	271	—	(30)	241
Short-term nuclear provisions	114	(12)	37	139
Total nuclear provisions	8227	(391)	1567	9403
<i>Other provisions</i>				
Severance	9	(9)	57	57
Insurance	60	(1)	7	66
Pensions (note 20 iii)	—	—	60	60
Establishment of the Company	—	—	51	51
Future losses on contracts	—	—	320	320
Moratorium on PWR programme	—	—	31	31
Total other provisions	69	(10)	526	585
Total for Company	8296	(401)	2093	9988
<i>Subsidiaries</i>				
Insurance	27	—	11	38
Total for Group	8323	(401)	2104	10,026

The profit and loss account charge comprises:

	£M
Fuel	633
Materials and services	56
Financing charges	896
Exceptional items	199
Extraordinary items	320
	2104

The services for the reprocessing of irradiated fuel and treatment of associated waste products are provided by BNFL. Contracts for these services are currently under renegotiation and account has been taken of the current position in these negotiations. The provisions for BNFL services have been based on the assumption that payments for those services will be made over the periods set down in BNFL's fixed price offers and incorporated premia, contained within the offers, for the acceptance of the estimated risks which previously fell to the Company or its predecessor organisation as they materialised.

The fixed price offers, which are not yet contractually agreed, represent the best information available to the Company on the likely cost of BNFL services, although it is recognised that the future terms of trading with BNFL may not be on that price basis. The BNFL offers were framed on assumptions of risk sharing proposed by Government which may not apply in practice. The provisions in the Company's accounts have been derived from the fixed price offers after incorporating estimates of the cost of services which are outside the scope of those offers.

Provisions for services relating to disposal of radioactive waste are based on best estimates available from *United Kingdom Nirex Ltd* and the Company's own engineers.

The Company's future strategy for decommissioning nuclear power stations is currently being reviewed. Pending completion of the ongoing review, provision continues to be made on the basis formerly applied by the CEGB. This reflects three stages of decommissioning:

- Stage 1* Defuelling the site. Within the first five years after shutdown all fuel will be removed from the reactors, ponds and stores and transported from the site.
- Stage 2* The removal, dismantlement and demolition of all plant and buildings other than the reactor. This process will take some five years to complete following Stage 1.
- Stage 3* Dismantlement and removal of the reactor under controlled conditions. This work would not commence until approximately 100 years after shutdown, to allow radioactivity to decay and reduce radiation levels.

The accounts incorporate the latest available cost estimates, including the estimated cost of site surveillance throughout the period. Given that some decommissioning activity may not take place for more than 100 years, the estimated costs are subject to considerable uncertainty. It has been considered prudent, therefore, to add specific contingencies which have been assessed at the mid-point of the possible range of outcomes to cover uncertainties in the decommissioning process.

17 CALLED UP SHARE CAPITAL	1990	1989
	£	£
Authorised:		
50,000 (1989: 100) ordinary shares of £1 each	50,000	100
Allotted and called up:		
Two ordinary shares of £1 each fully paid (1989: nil paid)	2	—
49,998 ordinary shares of £1 each 25p paid	12,500	—
	12,502	—

On 20 December 1989 the authorised share capital of the Company was increased from £100 to £50,000 by the creation of 49,900 additional ordinary shares of £1 each.

49,998 ordinary shares of £1 each were allotted on 20 December 1989, paid up as to 25p each.

The shares were created and allotted to enable the Company to re-register as a public company.

18 PROFIT AND LOSS ACCOUNT	Group £M	Company £M
Excess of liabilities over assets transferred from the CEGB as at 31 March 1989, stated in accordance with the Transfer Scheme	(3558)	(3558)
Amount repaid to the Electricity Council in excess of the liability allocated under the Transfer Scheme	(102)	(102)
Restatement of the values of assets and liabilities transferred from the CEGB to comply with the Company's accounting policies:		
(a) Expenditure on preliminary studies and the initiation of new technologies		
—relating to the PWR construction programme	(153)	(153)
—other	(7)	(7)
(b) Discounting of long-term nuclear provisions	227	227
Share of retained profits less losses of subsidiaries at 31 March 1989	10	—
Balance at 1 April 1989 as restated	(3583)	(3593)
Goodwill on acquisition of subsidiary	(13)	—
Loss for the year	(419)	(423)
Balance at 31 March 1990	(4015)	(4016)

19 CONTINGENT LIABILITIES

i) Deferred taxation

No provision has been made in the balance sheets of the Group or the Company because no liability is expected to arise in the foreseeable future.

ii) Other

The Company is involved in a number of claims and disputes arising in the ordinary course of business which are not expected to have a material effect on the Company's financial position.

20 FINANCIAL COMMITMENTS

- i) Capital expenditure authorised by the directors but not spent at 31 March 1990 amounted to £1574 million, in respect of which the Company has entered into commitments amounting to £463 million.

- ii) At 31 March 1990, the Group had no material commitments under non-cancellable operating leases.

- iii) The Company is a member of the Electricity Supply Pension Scheme, which is a defined benefit scheme, externally funded and subject to periodic actuarial valuation. Any deficiency disclosed following an actuarial valuation has to be made good by the participating employers, the Company making its appropriate contribution.

The most recent actuarial valuation of the Scheme was carried out as at 31 March 1989. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would be 7% per annum, and that pensions would increase at the rate of 5½% per annum.

The valuation showed that the actuarial value of the Scheme assets attributable to the National Power division of the CEGB (including what was to become substantially the Company) represented 101% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following the establishment of the Nuclear Electric division of the CEGB, an actuarial review of the Scheme is being carried out to determine the apportionment of the assets and liabilities of the Scheme between the Company and National Power PLC. No actuarial surplus or deficiency in respect of the Scheme has been recognised in these financial statements, pending completion of this review.

The European Court of Justice in May 1990 decided that the practice of providing different pension benefits for men and women is discriminatory in certain circumstances. Whilst the implications of this judgment on the past service rights of pension scheme members are not yet certain, a provision of £60 million has been made in these accounts to reflect the probability of the liability arising.

21 CREDIT TRANSACTIONS AND QUASI-LOANS

The following agreements which are required to be listed pursuant to Schedule 6 to the Companies Act 1985 were entered into on 31 March 1990. The Company and the other parties mentioned below are connected with the Secretary of State for Energy, who is deemed to be a shadow director of the Company and those other parties. The agreements were among those required to be entered into pursuant to Section 68(2)(c) of the Electricity Act 1989 as part of the vesting arrangements for the electricity supply industry. In the case of the agreements numbered (1) to (5) inclusive below, which are credit transactions, their terms reflect the particular circumstances in which they were entered into. Save in so far as a rent or a price is mentioned below, it is not possible to estimate what the value of the agreements would have been in the ordinary course of business and therefore the value of these agreements (within the meaning of that term in Section 340 of the Companies Act 1985) is not ascertainable. The value of the agreements numbered (6) to (8) inclusive below, which are or may be quasi-loans, is also not ascertainable, as the maximum amounts the persons to whom the quasi-loans are or may be made are liable to repay are not ascertainable.

- (1) Nine leases of land and buildings at sub-stations to the National Grid Company plc each for 999 years beginning on 31 March 1990 at a rent of £2 per annum.
- (2) Lease of property at Bankside in London to the National Grid Company plc for three years beginning on 31 March 1990 at a rent of £688,068 per annum.
- (3) Lease of offices at Sudbury House, Laud House and Courtenay House in London to National Power PLC for terms varying between about three months and two years beginning on 31 March 1990 at a rent per day calculated until 30 September 1990 according to the number of people in occupation on the day in question and from 30 September 1990 based on the net lettable area of the property then demised (and a proportion or part of the common parts).
- (4) Lease of temporary buildings at Barnwood to National Power PLC for two years beginning on 31 March 1990 at a yearly rent of £153,360 subject to reduction of the yearly rent by £25,560 for each 25 of National Power's employees who permanently vacate the premises.
- (5) Option (exercisable prior to 31 March 1997) granted to National Power PLC for lease and easement over land at Hartlepool at an option price of £2 for 99 years beginning on the date of grant of the lease at a rent to be agreed subject to review at five yearly intervals.
- (6) Joint Participation Agreement made with National Power PLC, PowerGen plc and the National Grid Company plc regulating the parties' obligations under two research contracts entered into by the CEGB and allocated to the Company.
- (7) Corporate Communications Network Agreement made with National Power PLC concerning the operation and use of the network.
- (8) Corporate Communications Network Gateway Connection Agreement made with National Power PLC, PowerGen plc and the National Grid Company plc for sharing connections costs.

Consolidated current cost profit and loss account
for the year ended 31 March 1990

	Note	1990 £M
Turnover		2058
Expenditure on the historical cost basis		1833
Operating profit before exceptional items on the historical cost basis		225
Current cost adjustments	1	194
Current cost operating profit before exceptional items		31
Exceptional items		(220)
Financing charges (net)		(933)
Current cost loss on ordinary activities before and after taxation		(1122)
Minority interests		(1)
Current cost loss before extraordinary items		(1123)
Extraordinary items		510
Current cost loss for the financial year		(613)

Consolidated current cost balance sheet at 31 March 1990

	Note	1990 £M	1989 £M
Fixed assets			
Tangible assets	2	7132	6421
Current assets			
Stocks	3	849	839
Debtors		443	227
Investments		607	69
Cash at bank and in hand		1	—
<i>Less:</i>		1900	1135
Creditors—amounts falling due within one year		398	679
Net current assets		1502	456
Total assets less current liabilities		8634	6877
<i>Less:</i>			
Creditors—amounts falling due after more than one year		(35)	(21)
Provisions for liabilities and charges		(10,026)	(8323)
Net liabilities		(1427)	(1467)
<i>Financed by:</i>			
Capital and reserves			
Called up share capital		—	—
Current cost reserve	4	4742	4079
Profit and loss account	4	(6173)	(5547)
Deficiency of shareholders' funds		(1431)	(1468)
Minority interests		4	1
		(1427)	(1467)

Statement of current cost accounting policies

Accounting convention

The current cost accounts have been prepared on a current cost basis, in accordance with the principles set out in the handbook 'Accounting for the effects of changing prices' published by the Accounting Standards Committee.

This basis of accounting requires that the value of the fixed assets and stocks employed by the Company and included in the current cost balance sheet and the costs charged to the current cost profit and loss account for their use should be based generally on the present-day (current) cost of replacing them rather than on historical price levels. A further adjustment to the trading profit, the monetary working capital adjustment, takes account of the change resulting from inflation in the amount of monetary working capital needed to support the Company's day-to-day operation.

In view of the absence of material external funding at the end of the year, no gearing adjustment has been included in the current cost accounts.

The accounting policies used in preparing the historical cost accounts have been adopted in the current cost accounts except where adjusted by current cost accounting principles as set out below.

Fixed assets

(i) Power stations

The power stations are stated in the balance sheet at the lower of gross current replacement cost less accumulated depreciation, and economic value.

The gross replacement cost is calculated by applying an internally compiled construction index to the historical cost. This valuation is then adjusted to take account of technological change and of the proportion of total unit costs represented by capital costs for each station.

Economic value is calculated by discounting all future revenues and costs.

(ii) Other fixed assets

Relevant indices are applied to the historical cost. Stocks of major plant spares which are held for the maintenance of the company's fixed assets are treated as fixed assets and included in the balance sheet at net current replacement cost on the basis of an internally compiled index.

(iii) Assets in the course of construction

Assets in the course of construction are generally valued as described above at the estimated current cost of completed projects less the estimated remaining expenditure at current prices.

Stocks of fuel and stores

Stocks of nuclear fuel are valued at the cost per tonne of current deliveries.

General and engineering stores are shown as stores in the balance sheet at the lower of net current replacement cost, calculated on the basis of a Central Statistical Office index, and net realisable value.

Materials issued from stores are charged to profit and loss account at current replacement costs.

1 ADJUSTMENTS MADE IN DERIVING CURRENT COST OPERATING PROFIT

	£M
Cost of sales	30
Monetary working capital	4
Depreciation of fixed assets	123
Initial fuel	37
	194

2 TANGIBLE FIXED ASSETS

	Nuclear power stations £M	Initial fuel £M	Other land and buildings £M	Other plant and equipment £M	Assets in course of construction £M	Total £M
Gross value						
At 1 April 1989	6917	1399	142	454	457	9369
Additions	109	2	17	76	351	555
Disposals and amounts written off	(5)	—	(1)	(23)	(51)	(80)
Revaluation	722	111	13	42	35	923
At 31 March 1990	7743	1512	171	549	792	10,767
Depreciation						
At 1 April 1989	1985	683	55	225	—	2948
Charge for the year	299	46	4	33	—	382
Eliminated on disposals	—	—	(2)	(10)	—	(12)
Revaluation	176	119	5	17	—	317
At 31 March 1990	2460	848	62	265	—	3635
Net book value						
At 31 March 1990	5283	664	109	284	792	7132
At 1 April 1989	4932	716	87	229	457	6421

3 STOCKS

	1990 £M	1989 £M
Nuclear fuel	848	838
Stores	1	1
	849	839

4 RESERVES

	Current cost reserve £M	Profit and loss account £M
Balance transferred from the CEGB at 31 March 1989, stated in accordance with the Transfer Scheme	515	486
Amount repaid to the Electricity Council in excess of the liability allocated under the Transfer Scheme	—	(102)
Restatement of the values of assets and liabilities transferred from the CEGB to comply with the Company's accounting policies:		
a) Expenditure on preliminary studies and the initiation of new technologies		
— relating to the PWR construction programme	(74)	(153)
— other	(1)	(7)
b) Discounting of long-term nuclear provisions	—	227
c) Restatement of book value of power stations	(2369)	—
d) Adjustments to provisions arising from changes in price levels, previously charged to current cost reserve	6008	(6008)
Share of retained profits less losses of subsidiaries at 31 March 1989	—	10
Balance at 1 April 1989 as restated	4079	(5547)
Revaluation surplus reflecting price changes:		
Tangible fixed assets	606	—
Stocks	23	—
Cost of sales adjustment	30	—
Monetary working capital adjustment	4	—
Goodwill on acquisition of subsidiary	—	(13)
Loss for the financial year	—	(613)
Balance at 31 March 1990	4742	(6173)
of which: Realised	2158	
Unrealised	2584	
	4742	

Power stations operated by Nuclear Electric plc

ANNEX I

Station	Type	DNC* MWso	Generators of 60 MW and over MW gen
<i>Bradwell</i>	<i>Magnox</i>	<i>24</i>	
<i>Dungeness A</i>	<i>Magnox</i>	<i>424</i>	<i>4X110</i>
<i>Hinkley Point A</i>	<i>Magnox</i>	<i>470</i>	<i>6X90</i>
<i>Oldbury</i>	<i>Magnox</i>	<i>434</i>	<i>2X225</i>
<i>Sizewell A</i>	<i>Magnox</i>	<i>420</i>	<i>2X250</i>
<i>Trawsfynydd</i>	<i>Magnox</i>	<i>390</i>	<i>4X117.5</i>
<i>Wylfa</i>	<i>Magnox</i>	<i>840</i>	<i>4X247.5</i>
<i>Dungeness B</i>	<i>AGR</i>	<i>720</i>	<i>2X420</i>
<i>Hartlepool</i>	<i>AGR</i>	<i>840</i>	<i>2X460</i>
<i>Heysham 1</i>	<i>AGR</i>	<i>840</i>	<i>2X460</i>
<i>Heysham 2</i>	<i>AGR</i>	<i>1230</i>	<i>2X672</i>
<i>Hinkley Point B</i>	<i>AGR</i>	<i>1120</i>	<i>2X610</i>
<i>Maentwrog</i>	<i>Hydro</i>	<i>24</i>	
<i>*Declared net capability</i>			