

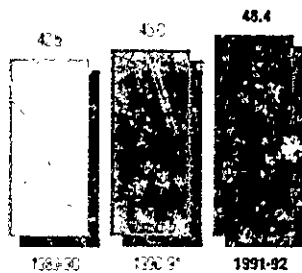
We now supply 18.5 per cent of all electricity generated in England and Wales.

We have increased energy production by 7.5 per cent.

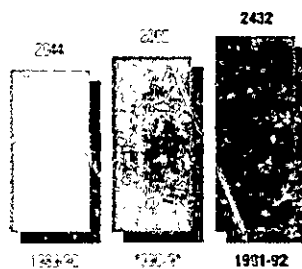
We have improved our productivity by 12.5 per cent.

We have established a world record for continuous operation of a nuclear reactor.

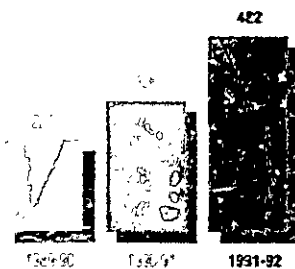
Electricity supplied
TWh



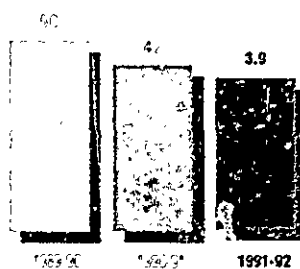
Turnover
£m



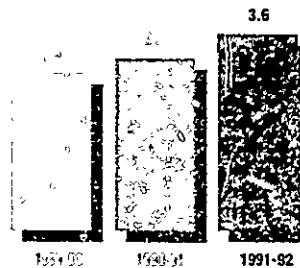
Operating profit
£m



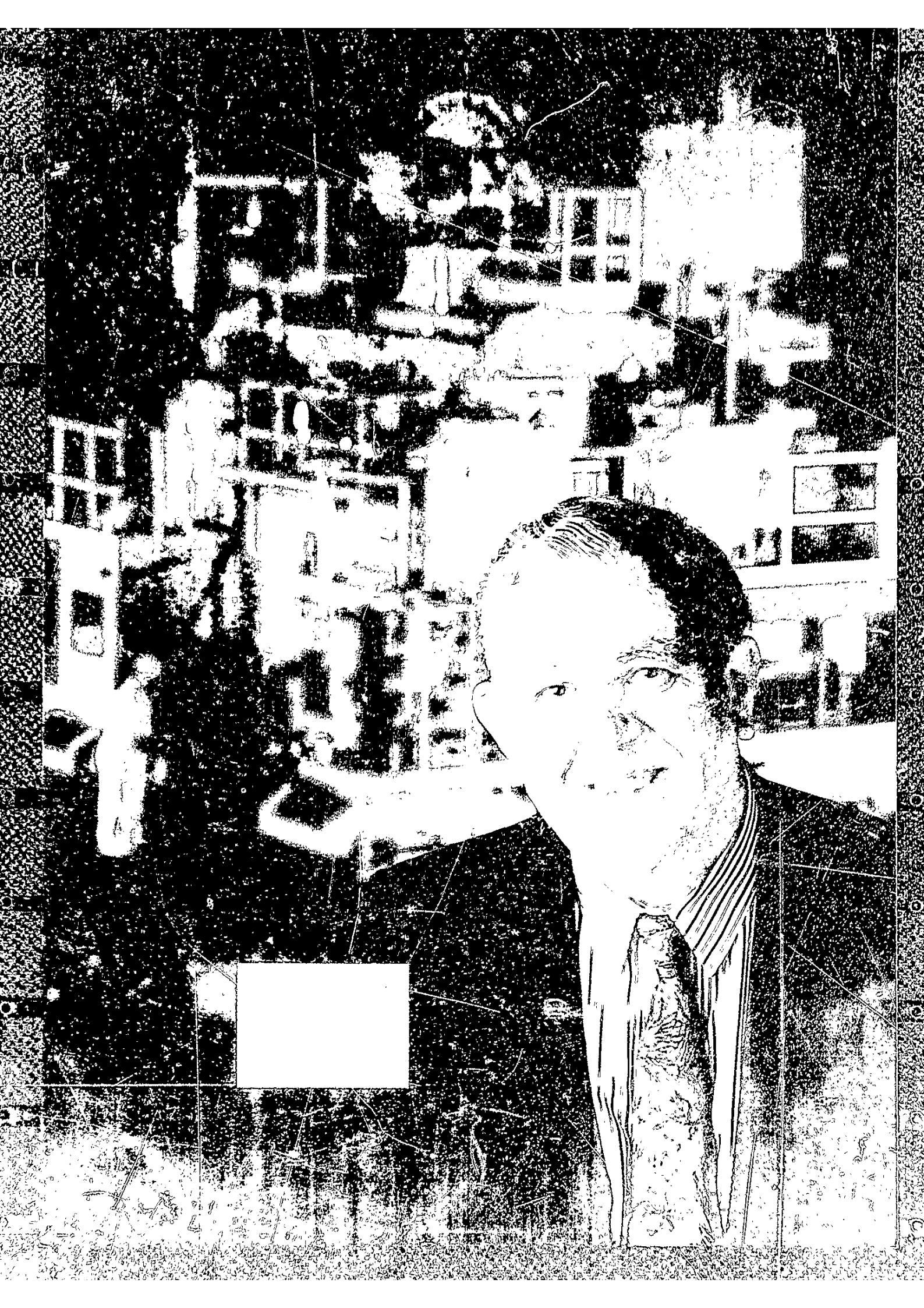
Operating cost per unit sold
p/kWh



Productivity
£/m²









Chairman's statement

I am delighted to report that, in only our second full year of operation, Nuclear Electric has made further significant progress in improving the competitive position of the company in the electricity market. We have increased operating profits by 48 per cent to £482 million, bringing into sharp focus our goal of being profitable without the fossil fuel levy.

In 1991-92 we produced more electricity than ever before – a record figure of 48.4 terawatt hours, 7.5 per cent up on 1990-91 – with our share of the market rising from 17 per cent to 18.5 per cent. The prices we received for the sale of electricity were marginally above those achieved in the previous year. More importantly, we again reduced the unit cost of our electricity output with a 12.5 per cent increase in productivity per employee.

The record total output of electricity reflected the continuing reliability of the Magnox power stations and the marked improvement in the performance of the advanced gas-cooled reactor (AGR) stations. The Magnox station at Oldbury set a world record of 713 days for continuous reactor operation and Bradwell, our oldest

operating station, has completed thirty years of operation with several more years of fruitful operation expected. Three of our AGR stations, Heysham 1 and 2 and Dungeness B, achieved record output. These achievements across the whole spectrum of our operational activities are remarkable – but they are no longer the exception.

The construction of Sizewell B power station is making excellent progress towards completion both to time and cost. Work continues eight months ahead of schedule, and on target financially. The decommissioning of Berkeley power station is progressing rapidly ahead of schedule and the experience gained from the defuelling process has been invaluable in reducing our assessment of the eventual decommissioning costs of the other Magnox stations.

Nuclear Electric's auction of contracts for differences attracted a great deal of interest this year. The company is unique in the market due to its licence conditions. We are able to offer competitively priced longer term contracts to help customers avoid being exposed to volatile

price movements in the electricity pool but we cannot, at present, compete for direct sales to large customers. Within that constraint I am very happy with our results in this area. The majority of our offered 1992-93 capacity has been taken up including some contracts with large industrial users. Very importantly, a significant proportion of our six year capacity is now covered by contracts.

In November 1991, we reached agreement with British Nuclear Fuels plc (BNFL) on fixed price contracts that will allow us to predict more accurately fuel reprocessing costs over the coming years and reduce the level of the provisions set aside. Signature of these contracts depends upon the Government confirming certain conditions which formed part of the basis of our negotiations with BNFL. As a result, we have not yet been able to take full credit in this year's accounts for the benefits of the contracts in respect of the liabilities inherited from the Central Electricity Generating Board (CEGB).

Nuclear Electric is conscious of the need to be – and be seen to be – a financially viable business

which is not dependent on continuation of the fossil fuel levy, which in 1991-92 amounted to £1.26 billion. We are determined to achieve this goal before 1998. It will require us to continue, at an even more rapid rate, the organisational changes and efficiency improvements we have already started and we have made a provision of £250 million for the additional restructuring costs that will be necessary.

Safety remains the single most important aspect of everything we do at Nuclear Electric and, as described later in this report, we continue to improve our performance in every area of measurement.

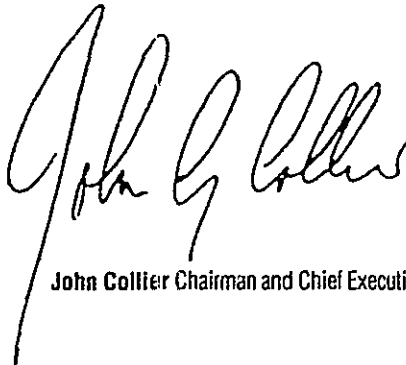
Since our inception I have presented the employees of Nuclear Electric with some challenging objectives and tasks. Their efforts and, more importantly, the results they have achieved through dedication, professionalism and teamwork, speak for themselves. This year's success also reflects the developing culture change of the company, a culture where safety, commercial operation and effective teamwork are paramount. I would like to thank all my staff for their contribution during the year.

Since the end of the financial year covered by this report, there have been some significant changes in the membership of the Board of the company. Frank Ledger, my Deputy Chairman, and Sam Goddard, Executive Director, Construction and Future Programmes retired on 30 June 1992. They made an outstanding contribution in the company's formative years and I wish them a long and happy retirement. On 15 June, Dr Robert Hawley joined the company as Chief Executive and Brian George was appointed Executive Director, Planning and Construction. I am sure both will play an invaluable role in the years ahead.

During the year, three of my colleagues were awarded well-deserved honours and I would like to warmly congratulate Frank Ledger and Michael Spence, one of our Non-executive Directors, on their CBEs and Trevor Hill at Berkeley Nuclear Laboratories on his BEM.

The company's short-term objectives are concerned with securing the maximum return for our shareholder and the taxpayer from our existing assets. As this report shows, we are making excellent progress towards achieving

them. At the same time we are planning for the longer-term future. We cannot, of course, make any decisions about investment in new capacity until the Government has carried out its promised 1994 review of the industry. However, the dramatic turn round in our current performance combined with the increasing world-wide concerns about global warming (if the electricity we generated during the year had been produced at coal-fired stations, some 48 million tonnes of carbon dioxide would have entered the atmosphere) convince me that nuclear power should at least maintain its current share of power generation in the UK. Our studies indicate, too, that by learning from experience in building Sizewell B and drawing on both the UK and overseas experience of pressurised water reactors (PWRs), this can be achieved at an acceptable economic cost. I am confident, therefore, of sound long-term prospects for both nuclear power in the UK and for this company.



John Collier Chairman and Chief Executive



R

review of the year

Financial performance

The year has seen further substantial improvement in the company's financial performance. Output is up and operating costs per unit have reduced. Total income per unit sold has risen slightly, although the nuclear premium per unit has fallen.

As a result our operating profit, before exceptional items, has risen from £326 million to £462 million.

Our current operations and the long-term liabilities we inherited from the UFGB have benefited from new commercial arrangements with BNFL, although in the absence of a new Government, or new policy arrangements, we have not been able to take these benefits in full.

Additional cost reductions arise from further refinement of decommissioning provisions, with the successful debudding of Berkeley power station, and

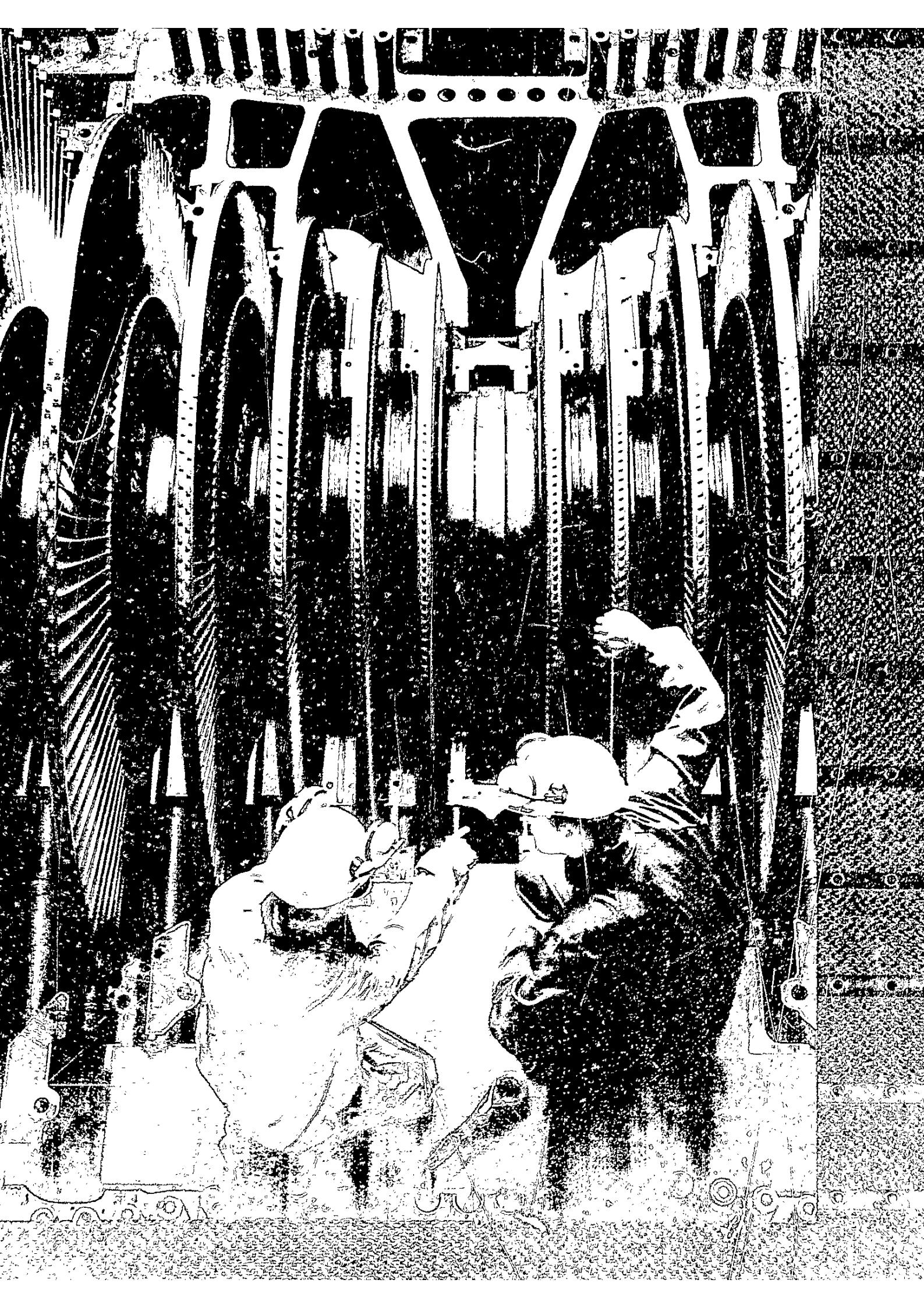
Power Synthesis (P/S) and

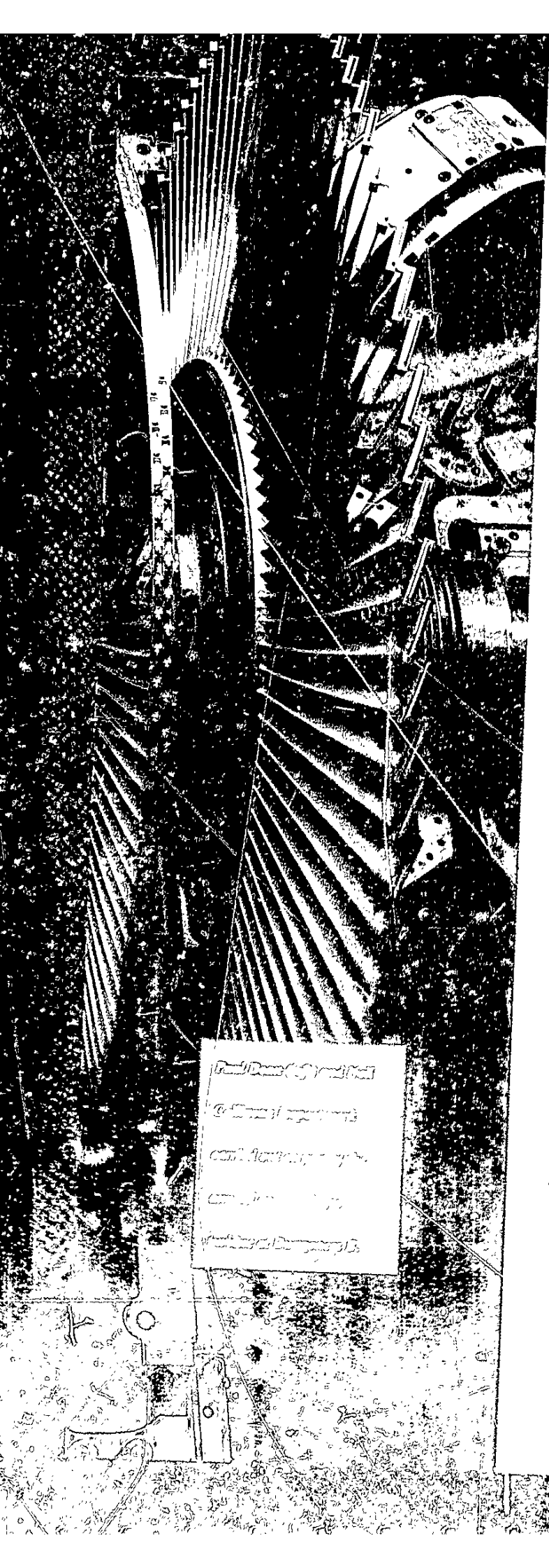
Alma Road (A/R) and

Power Synthesis (P/S) and

Power Synthesis (P/S) and

Power Synthesis (P/S) and





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www.pauldavis.com
Paul Davis Photography

The first of the three main parts of the book is a collection of essays by various authors, including Paul Davis, which explore the history and development of the field. The second part of the book is a collection of case studies, which provide detailed examples of the application of the theory. The third part of the book is a collection of exercises, which are designed to help the reader understand the concepts and apply them in practice. The book is written in a clear and concise style, and it includes a comprehensive index and a list of references.

kilowatt hour for the AGR stations. These are lower than the avoidable costs of our competitors' oil, coal or gas fuelled stations.

Commercial

Nuclear Electric currently sells its generation via the half-hourly spot market, a mechanism known as the 'pool'. This price-setting mechanism, which matches demand for electricity with available plant, is inherently volatile. This was amply demonstrated by extreme price peaks in early December followed by a period of unexpectedly low prices after Christmas. As a company, Nuclear Electric recognises the shortcomings of the pool as a trading market because its short-term day-ahead emphasis is at odds with the inherently long-term time scales associated with the construction and operation of power stations.

This market will not create price stability: this can only be achieved by long-term

hedging contracts, known as contracts for differences (CFDs). Unlike our competitors, the largest proportion of Nuclear Electric's vesting CFDs came to an end one year after vesting and the balance expired in March 1992. This presented an opportunity for the company to hold a closed tender bid in December 1991, followed by an open auction in March 1992. Both were successful and enabled us to reduce price uncertainty and therefore stabilise future income, whilst developing commercial relationships with major customers. As a result, the sale of a significant proportion of our generation has been contractually secured over the next six years.

The electricity market and its operations remain under close scrutiny from many quarters and critical reports have recently been published by the House of Commons Select Committee and the Office of the Electricity Regulator (OFFER). Indeed, OFFER itself has been a target for criticism

by major energy users who have lost the benefits of the special arrangements introduced by the former CEB. We have stated our willingness to participate in any discussions which will achieve long-term stability in the industry and establish a level playing field upon which to compete with the other generators.

Production

In 1991-92 output from the company's power stations amounted to 48.4 terawatt hours, with the Magnox stations contributing 20.9 terawatt hours and the AGR stations 27.5 terawatt hours. This represents an increase of 7.5 per cent over the previous year, and a total improvement of 14 per cent since the company was formed.

The most significant improvement in output came from the AGR stations which generated 22 per cent more than in 1990-91. Within this total there were a number

of notable individual performances.

Heysham 1 achieved a record with greatly improved reliability and tight control of refuelling outages. Hartlepool made a similar gain, though total output was slightly reduced due to major improvements being made to the refuelling machine. Power station records were also set at Heysham 2, where fuel route facilities were established during the year, and at Dungeness B.

A number of factors have contributed to these improvements. Hartlepool and Heysham 1 received approval from the NII to increase reactor power limits which means their reactors are now operating near to their design capacity. At each of the AGR stations major improvements have been achieved in refuelling capability and in the performance of fuel route plant and equipment as necessary to support increasing output. Work is continuing to consolidate and improve AGR refuelling capability in order to minimise losses due

to refuelling and thus increase output further.

The Magnox stations continued to perform broadly in line with expectations. Wylfa exceeded its previous output record with consistent reliability and a commendable overhaul performance. High standards of operational efficiency have been maintained and significant progress made in implementing improvements identified in the long-term safety reviews. Overall output was slightly lower than last year, but this was almost entirely attributable to Trawsfynydd's reactors remaining out of service throughout the year while a revised safety case was developed. In May, Oldbury power station established a new world record of 713 days for the continuous operation of a nuclear reactor. The station was among several, including Dungeness A and Wylfa, to complete statutory reactor overhauls significantly ahead of schedule.

In September the findings of the NII's



Roger Llewellyn, Brian

Hallon, Bob McClung, Ray

Pointing and Terry Hyam

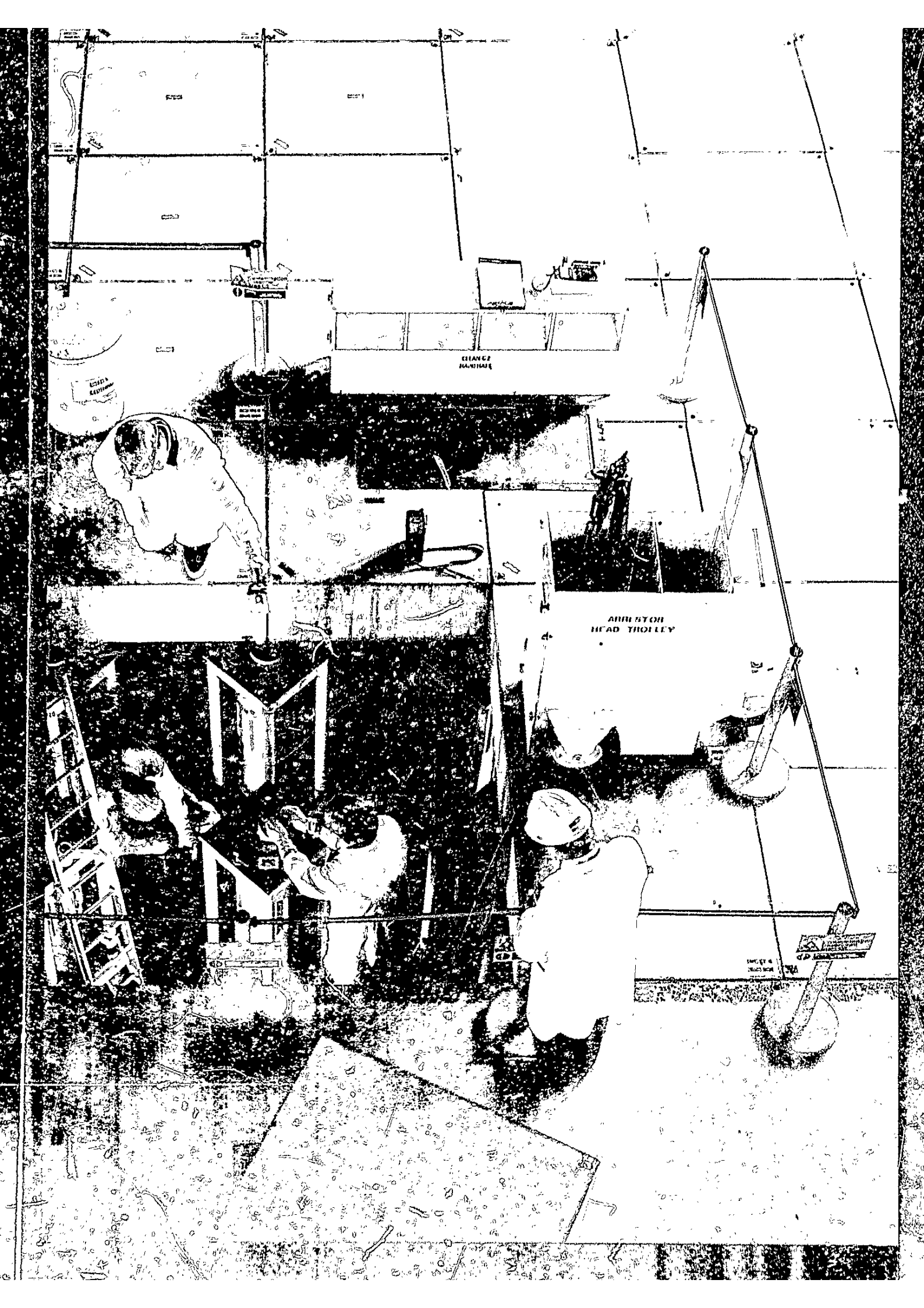
prepare a control rod

assembly for a maintenance

exchange on the reactor

pile cap at Oldbury power

station



CLANCE
HANDRAIL

ARRINGTON
HEAD TROLLEY

SAFETY
ELECTRIC

assessment of the long-term safety review of Hinkley Point A were published which confirmed that the review had reinforced the original safety case for the station and that, subject to the completion of identified additional work, the station could be safe for operation at least until 1995, when it would be 30 years old. Meanwhile work continues on reviews of the four remaining Magnox stations which are vital to secure their continued operation beyond their planned life of thirty years.

During the course of the year, reviews of the safety cases for the operation of pressure vessels were undertaken at Bradwell, Hinkley Point A, Dungeness A, Sizewell A and Trawsfynydd. By December the NII had accepted the case for continuing operation at the first four. At Trawsfynydd plant modifications are being pursued to provide increased safety margins before returning the plant to service.

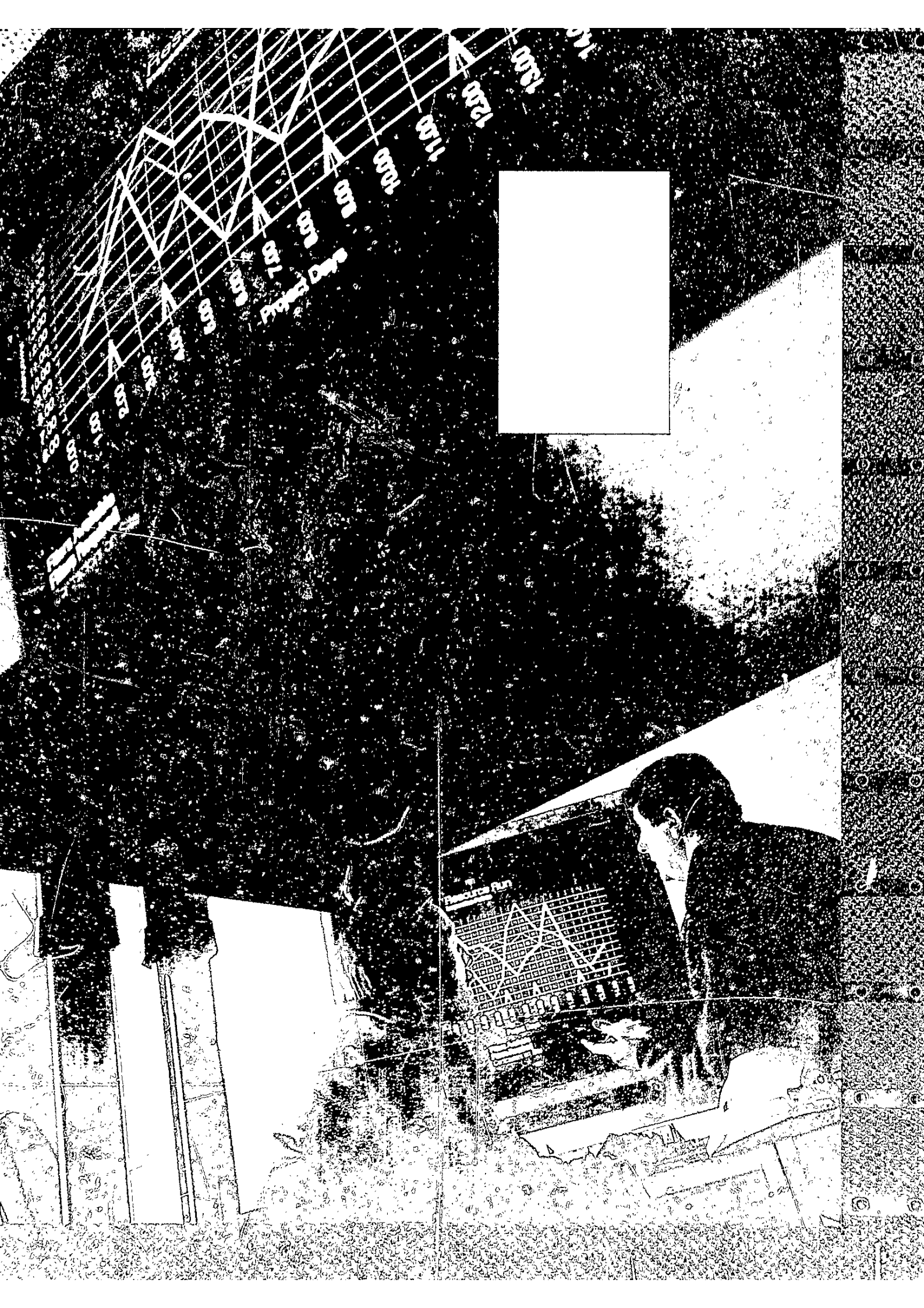
In order to continue operation of Magnox

stations beyond thirty years, the focus of the current studies, agreed with the NII, is a systematic monitoring of ageing processes. Safety assessments for Bradwell power station have already been completed and are under discussion with the NII. Both reactors were shut down at the end of the year to permit completion of an agreed programme of pressure vessel inspections before the plant can begin its thirty-first year of operation.

The initial stage of decommissioning at Berkeley power station progressed well. The fuel elements, totalling 84,877, were successfully removed from the reactors three months ahead of schedule, enabling us to reduce our estimates of stage one decommissioning costs for other stations.

Fuel

Nuclear Electric has reached agreement on the principal terms of a contract with BNFL, worth £13 billion, for the provision



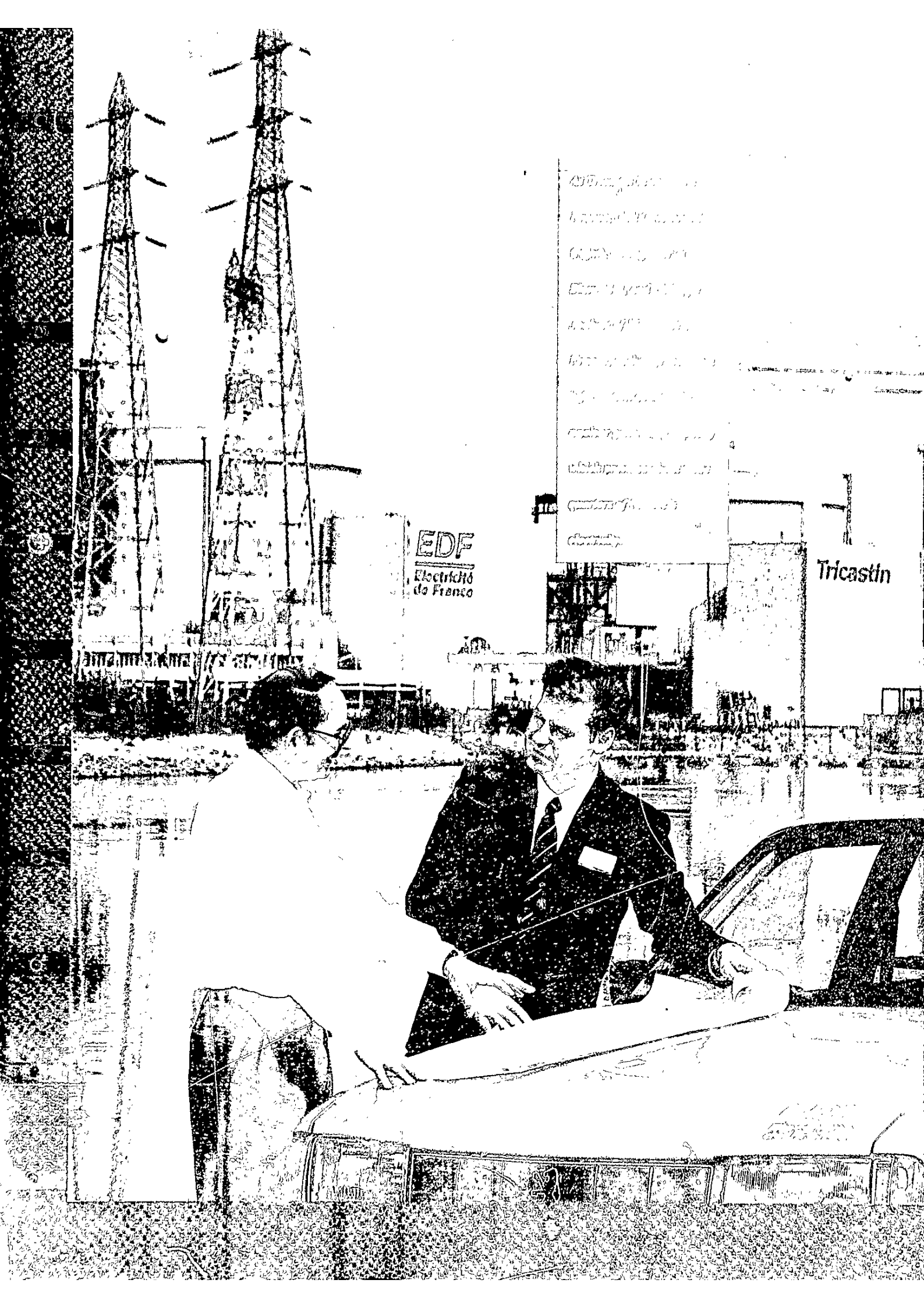
of nuclear fuel services over a fifteen year period. Under the terms of this contract, BNFL will provide, at fixed prices, fuel fabrication supply and spent fuel management services for both the Magnox and AGR stations, as well as undertaking the decommissioning of associated fuel cycle facilities. Detailed negotiations of individual contracts are nearing completion, but are contingent upon formal confirmation by the Government that it will fulfill earlier understandings that it would underwrite certain risks associated with future changes in statutory regulations and with liabilities inherited from the CEBG.

We are working through the UK Nuclear Industry Radioactive Waste Executive (NIREX) on plans for the safe disposal of fuel and decommissioning waste in a deep repository. Provision is made in the accounts for the company's share of the estimated costs of constructing and operating the repository.

Health and safety

Nuclear Electric's first priority remains the maintenance of the highest levels of safety throughout the company's operations. In 1991-92, we continued to build upon our existing high standards, which are widely respected throughout the industry. Record improvements were achieved in several important areas, including time lost due to industrial accidents, doses to workers and the number of incidents at sites as measured on a new scale, known as the International Nuclear Event Scale (INES). This method of measurement is meaningful by analogy with the Beaufort and Richter scales and is used to communicate the significance of nuclear incidents promptly and in a simple but straightforward way. A final version of the scale will be published shortly by the International Atomic Energy Agency (IAEA), following extensive international trials in which Nuclear Electric participated.

The company's own radiological protection



EDF
Electricité
de France

Tricastin

A high-contrast, black and white photograph of a woman in a dark coat and hat, crouching in a field of tall grass and wildflowers. She is looking down at a small object in her hands. The image is grainy and has a stark, graphic quality.

procedures continued to ensure that employees and contractors received satisfactorily low levels of radiation. In fact the majority of personnel received a lower occupational dose than is normal from natural background sources.

For the fourth year in succession, no employee received an occupational dose in excess of 15 millisieverts. By comparison, an average person living in Cornwall receives an annual dose of 7.5 millisieverts from natural sources.

Nuclear Electric is committed to supporting both national and international studies of worker health and provides its own occupational health service with the aim of promoting health and fitness among the workforce. The first analysis of data held on the National Register of Radiation Workers was published in February 1992 and showed that employees in the nuclear industry enjoy better health than the general population.

Environment

In 1991 the company introduced a comprehensive environmental policy. As part of the implementation process, an environmental review was commissioned from external consultants. This focused on our existing management systems, highlighting good practices as well as areas where improvements might be achieved.

Results indicate that Nuclear Electric has effective and robust systems in place to deal with all radiological matters and that performance is good in relation to non-radiological emissions. The report concluded that there is scope for improvement in non-regulated, non-radiological areas and steps are being taken to remedy these. This is the first stage of a comprehensive review of Nuclear Electric's interaction with the environment and will serve to assess the company's commitment to good environmental performance.

During 1991-92, our power stations made a

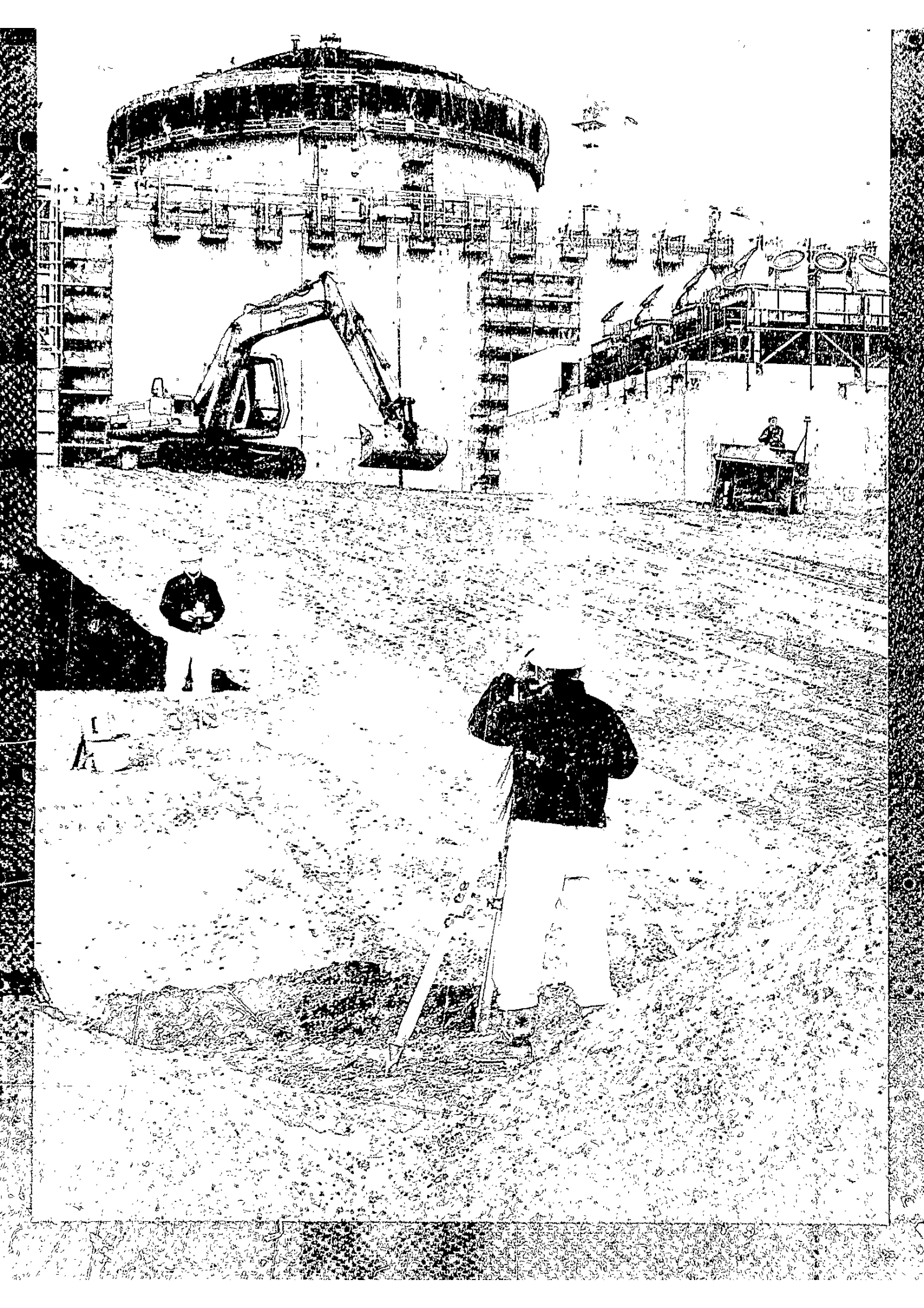
large contribution to minimise the damaging effects of atmospheric pollution by avoiding the emission of some 48 million tonnes of carbon dioxide in comparison with coal-fired generation. Equally, we have continued to play a role in reducing emissions of sulphates and nitrates. As part of our studies into the likely effects of global warming we are promoting research and we have commissioned the Institute of Terrestrial Ecology to investigate how rare plant and animal species are likely to respond.

The company is committed to the efficient use of energy. Energy efficiency officers have been appointed at all its locations and a policy has been formulated and circulated to each member of staff.

Sizewell B

In April 1987, the original programme committed Sizewell B power station to achieving its full commercial output of 1188

Ken Tyrrell (right) and Mike Kelly monitor progress of the dune restoration programme at Sizewell B, as construction of the PWR power station nears completion.



megawatts during February 1995. After an excellent year of progress, construction of the station remains eight months ahead of that commitment and there is continuing confidence that the project can be completed within the estimate of costs agreed in June 1990.

Construction of the civil engineering works is nearing completion – the last major elements being the domes for the primary and secondary containments. Nearly all major plant components have been installed and more than 50 per cent of key mechanical and electrical services are in place.

Of particular note during the year were the lifting and assembly of the polar crane in the reactor building and the installation of the primary circuit components and the loop pipework.

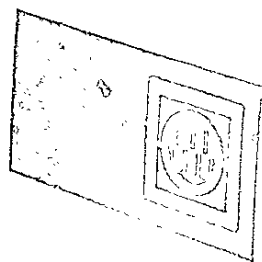
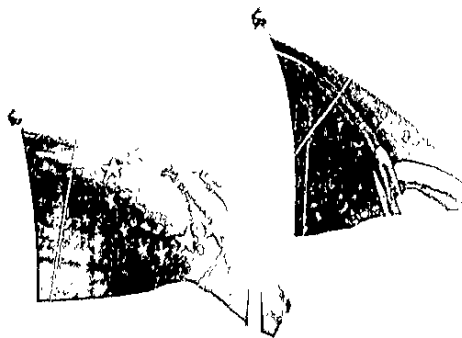
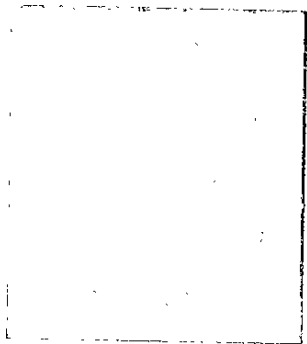
Commissioning at Sizewell B began in mid-1991 and at the beginning of November the

first part of the station's permanent 11 kilovolt electrical system was energised.

Another notable event was the commissioning of the raw water treatment plant which provides water supplies for the progressive flushing of safety-related fluid systems.

By March 1992, the number of people employed on site had reached an estimated peak of 4400. Total time lost to unauthorised stoppages amounted to less than one per cent of the hours available, thus continuing the good industrial relations record on the project.

Commissioning activity at Sizewell B has steadily increased as the target completion date of 1994 draws closer. In order to demonstrate that the company has put forward plans for the best available working practices at the site, an independent assessment has been commissioned from a pre-operation review team of the IAEA.



Nuclear
Electric

Human resources

Nuclear Electric is working with the trade unions representing its workforce to establish its own collective bargaining arrangements to replace the existing national agreements of the electricity supply industry. Notice has been given that we intend to withdraw from the existing multi-company arrangements.

During 1991-92, we continued to pursue a vigorous programme of staff streamlining which has seen overall levels reduced by 800. In support of this programme, we have introduced an Options project which encourages and assists staff to consider a change of career direction, either within or outside the company.

Against a background of declining staff numbers, we have focused particular attention on the effective deployment and development of our human resources. The company has implemented a revised organisational structure and increased

threefold the number of management training days provided over the year. We have renewed our commitment to a policy of equal opportunity, revising and strengthening our policy statement on the subject, and have introduced a number of associated initiatives which are designed to promote this policy.

Public relations

The company's public relations effort has focused on three key areas: increasing public awareness, ensuring that influential audiences understand our activities and objectives, and demonstrating our commitment to the communities in which we operate.

In January and February of this year a successful media campaign was launched, using press, television and radio, in some of the areas in which our power stations are located. Emphasis was placed on the amount of electricity currently provided by

WE

make

televisions



We help you make this commercial

We want you to
come and see us

Nuclear
Electric

Nuclear Electronics

Nuclear Electric, how it is used by the public, and on the facilities available to the public at our power stations. As a result, our visitor centres, including the new centres at Oldbury, Trawstynydd and Wylfa attracted a total of 150,000 visitors last year, compared with 84,000 in the previous year.

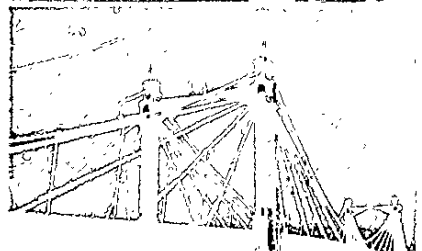
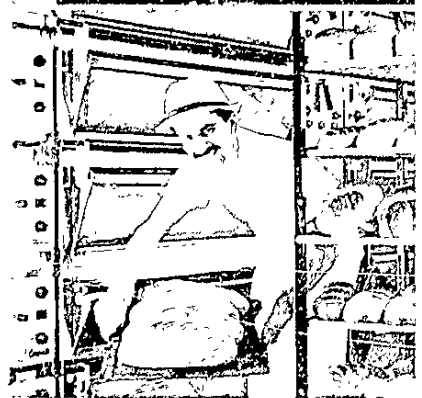
Sponsorship continues to form an important element of the public relations programme at both national and local level. The company is providing support for a two year period for 'Science Box', a series of contemporary exhibitions at the Science Museum. At a local level, the company has continued to play a full part in the community by supporting a wide range of worthwhile causes.

International affairs

Nuclear Electric has been very active during the year in developing its relationships with overseas nuclear utilities and in the international community.

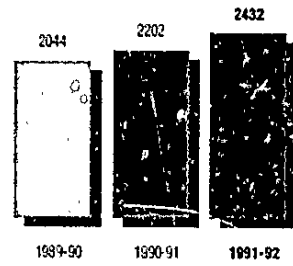
We have also played a major part in programmes initiated by the World Association of Nuclear Operators (WANO), to improve safety standards throughout the world, including a programme of specific improvements for Soviet built reactors. This has included the twinning of three Nuclear Electric power stations with nuclear power stations in Russia, the Ukraine and Lithuania. We have also played our part in programmes established between the WANO Paris Centre and the Bulgarian government to improve nuclear safety, particularly at the Kozloduy power station.

Increasing involvement with agencies of the European Community, particularly on energy and environment related issues, has led to the appointment of a permanent Nuclear Electric representative in Brussels.

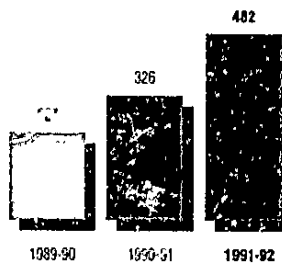


Financial

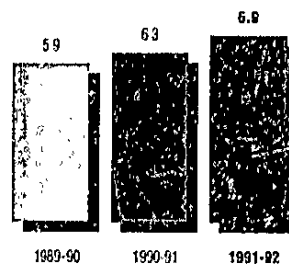
Turnover
£m



Operating profit
before exceptional items
£m

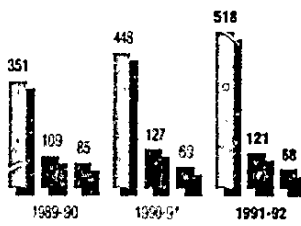


Total assets
less current liabilities at year end
£bn

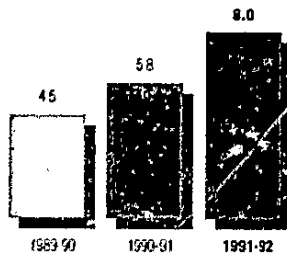


Capital expenditure
£m

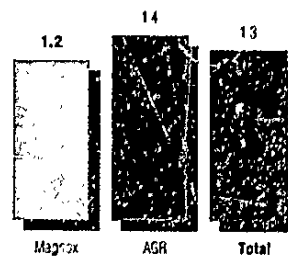
- New construction
- Refurbishment & improvement
- Other



Return on capital employed
%



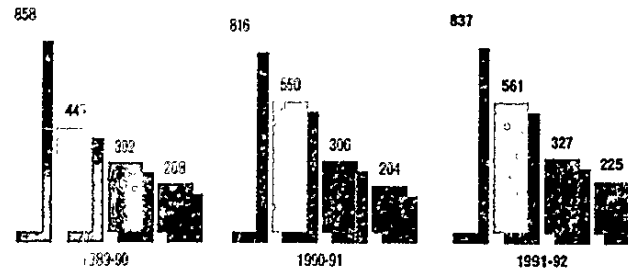
Available cost per unit 1991-92
p/kWh



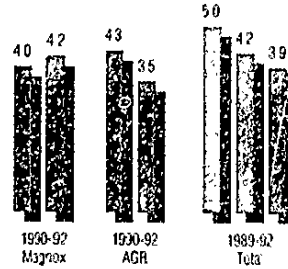
Available cost per unit represents the average of the cost of electricity generated by the company's nuclear power stations, excluding the cost of electricity generated by the company's gas-fired power stations. It is based on the cost of electricity generated by the company's nuclear power stations in 1991-92.

Operating costs
£m

- Fuel
- Materials & services
- Staff
- Depreciation



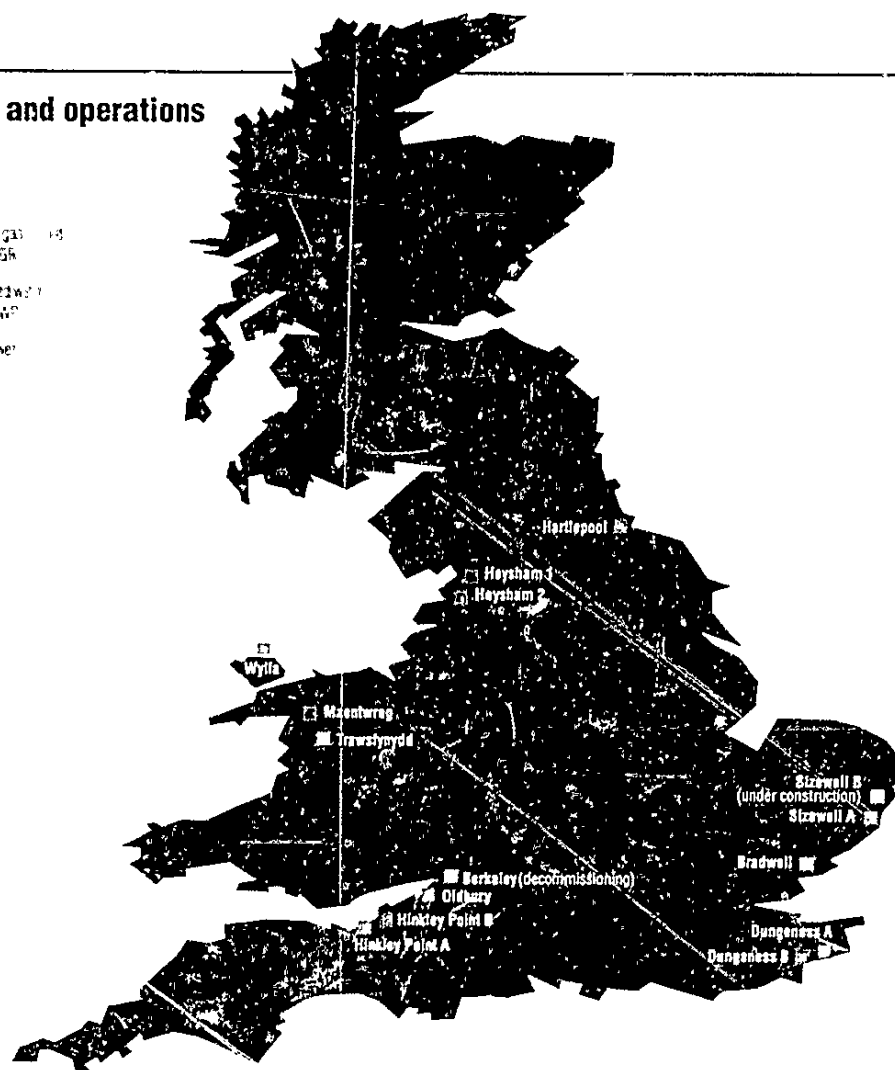
Operating cost per unit sold
p/kWh



Operating cost per unit sold represents the average of the cost of electricity generated by the company's nuclear power stations, excluding the cost of electricity generated by the company's gas-fired power stations. It is based on the cost of electricity generated by the company's nuclear power stations in 1991-92.

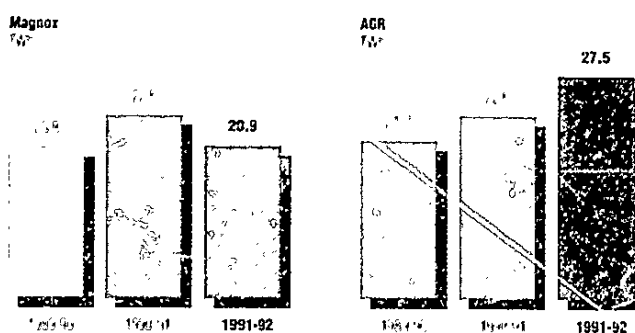
Plant and operations

- Magnox
- Advanced gas cooled reactor (AGR)
- Pressurised water reactor (PWR)
- Hydro power



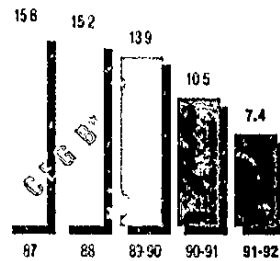
Electricity supplied by reactor type

Station	Type	Declared net capacity (MW)
Bradwell	Magnox	240
Dungeness A	Magnox	454
Hinkley Point A	Magnox	470
Oldbury	Magnox	484
Sizewell A	Magnox	420
Trawstynydd	Magnox	156
Wylfa	Magnox	840
Dungeness B	AGR	170
Hartlepool	AGR	170
Heysham 1	AGR	170
Heysham 2	AGR	170
Hinkley Point B	AGR	170
Maentwrog	Hydro	170
Berkeley	Magnox	170

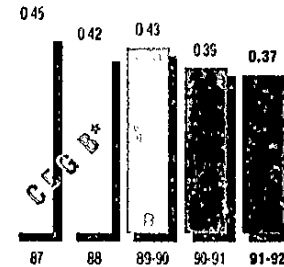


Safety performance

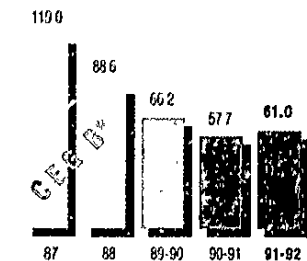
Lost time industrial accidents
at power stations per million hours worked



Collective radiation dose per reactor
man-Sieverts



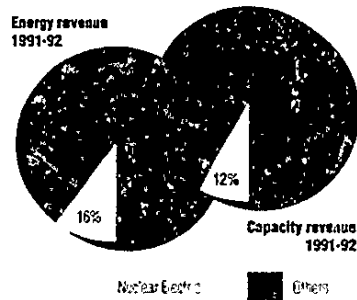
Total liquid discharges exclusive of tritium and sulphur 35
Bq/kWh



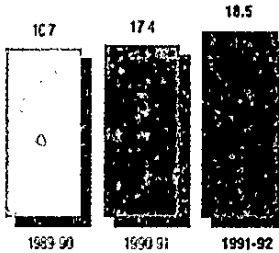
† Indicators adopted by World Association of Nuclear Operators
* CEGB nuclear power stations by calendar years

Commercial

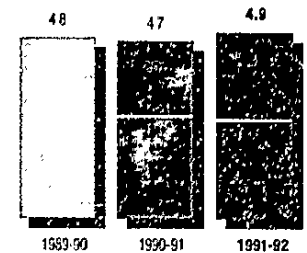
Market share
Generators receive payments for both capacity and energy supplied; the figures below indicate Nuclear Electric's share of the total value of these payments



Total energy market share
%



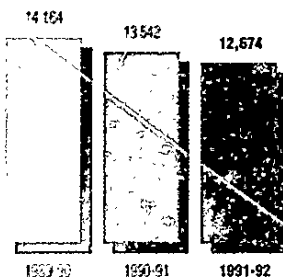
Revenue per unit supplied
p/kWh



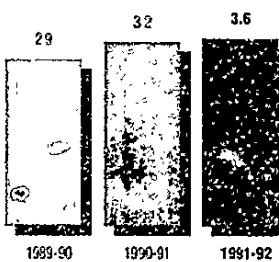
† Market * Premium

Manpower

Total number of employees
at year end



Productivity
based on average number of employees during the year



The directors present their report and accounts for the year ended 31 March 1992.

Principal activities

The principal activities of the company and its subsidiary undertakings listed in note 9 to the accounts are the generation and supply of electricity, uranium exploration and mining, and insurance. A review of the development of the business of the group and likely future developments is given in the Chairman's statement and review of the year.

Post balance sheet events

No material events have occurred since the end of the financial year which have implications for the accounts for 1991-92.

Research and development

The company promotes nuclear research activities directed towards securing further improvements in the reliability and performance of its generating plant.

Fixed assets

Changes in fixed assets are shown in note 8 to the accounts. In the directors' opinion, the market value of non-operational land and buildings is some £7 million higher than the amount at which they are included in the accounts.

Directors of the company

The directors of Nuclear Electric plc, all of whom held office throughout the year ended 31 March 1992, are listed below:

M J G Collier FRS FENG	Chairman and Chief Executive
Mr F Ledger CBE FENG	Deputy Chairman
Mr M A W Baker	Executive Director, Corporate Affairs and Personnel
Mr S C Goddard	Executive Director, Construction and Future Programmes
Mr R W Hall	Executive Director, Operations
Mr M R Kirwan	Executive Director, Finance

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 was Deputy Chairman of the CEGB, a member of the Electricity Council and a part-time member of the United Kingdom Atomic Energy Authority.
Sir Frank Gibb CBE FENG	Sir Frank Gibb was previously Chairman and Chief Executive of the Taylor Woodrow Group and has over 30 years' experience of the nuclear industry.
Professor A S Goudie	Andrew Goudie is Professor of Geography and Head of Department at the University of Oxford. He is widely recognised as an authority in geography and the environmental sciences.
Mr A M B Large	Andrew Large was formerly an Executive Board Member of the Swiss Bank Corporation (Zurich), and Chairman of the Securities Association. He has served on the boards of several companies and is now Chairman of the Securities and Investment Board.
Mr M H Spence CBE	Michael Spence is a consulting engineer. He was Group Director of Strategic Development, Dowty Group plc, covering commercial and technical strategy for the Group.
Ms S E Stoessl	Sue Stoessl is Director General of the Market Research Society and formerly Head of Marketing for Channel 4 TV.

Non-executive membership of the Board's committees is as follows:

Remuneration Committee	All non-executive directors
Audit Committee	All non-executive directors
Pensions Committee	Mr F E Bonner CBE

Since the year end Dr Robert Hawley FENG was appointed as the company's Chief Executive on 15 June 1992. Mr J G Collier FRS FENG continues to be Chairman of the company. On 30 June 1992 Mr F Ledger CBE FENG and Mr S C Goddard will retire from the company and Mr B V George FENG will be appointed Executive Director, Planning and Construction from that date.

The Secretary of State for Energy was a shadow director of the company within the meaning of Section 741 of the Companies Act 1985 during the year under review.

Following the general election and the abolition of the Department of Energy, the President of the Board of Trade has become the company's shadow director.

Directors' and officers' liability insurance

During the year under review the company purchased insurance to cover the directors and officers against any liabilities which they may incur personally relating to the company's business.

Directors' interests in shares

The Secretary of State for Energy had throughout the year under review an interest in 50,000 ordinary £1 shares in the company. Otherwise none of the directors of the company has, according to the register kept under Section 325 of the Companies Act 1985, any interest in shares or debentures of the company, nor has any right to subscribe for shares in the company been granted to or exercised by any director or member of his immediate family.

Employment of disabled people

During the year Nuclear Electric re-launched its Equal Opportunities Policy. This policy outlines the company's commitment not to discriminate unlawfully against employees or job applicants on the grounds of their disability in all aspects of the company's employment practices including shortlisting, selection, training, promotion and career management.

Employees will be treated sympathetically if they become disabled and, in such cases, consideration will be given to providing special equipment and, where appropriate, offering alternative duties. A working group involving disabled employees is being set up to discuss issues involved in the employment of disabled people and steps have been taken to develop links with local organisations and employment centres to further employment opportunities for disabled people.

Employee participation

In January 1992 Nuclear Electric gave notice of its intention to withdraw from the electricity supply industry's national negotiating machinery in January 1993. The company has at the same time been discussing with the trade unions proposals to establish company specific bargaining based on a single staff agreement.

The company has continued its approach of linking staff rewards to specific achievements. Staff engaged in the decommissioning of Berkeley power station were therefore rewarded for the completion of defuelling 14 weeks ahead of target. An Achievement Reward Scheme has been established to enable staff in the PWR Project Group to share in the benefits arising out of the early completion of Sizewell B. Power stations have also been given the opportunity to introduce gainsharing schemes during 1992-93 so that station staff can benefit out of the improved performance of their stations. All staff received a bonus of £400 in recognition of their contribution to the company's excellent performance during 1991-92.

The Company Review Committee and Company Health and Safety Committee have continued to provide a focal point for discussions with the trade unions on a wide range of consultative and health and safety issues.

Political and charitable contributions

During the year ended 31 March 1992, the company made donations to charitable organisations totalling £247,785. No contributions were made to political parties.

Auditors

BDO Binder Hamlyn, the company's auditors, have expressed their willingness to be reappointed in accordance with Section 385 (2) of the Companies Act 1985. A resolution for their reappointment will be proposed at the company's Annual General Meeting.

J R Melville

By order of the Board

J R Melville Company Secretary

25 June 1992

To the Members of Nuclear Electric plc

We have audited the financial statements on pages 38 to 60 in accordance with auditing standards.

The accounts on pages 38 to 54 have been prepared under the historical cost convention and the current cost accounts on pages 55 to 60 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 the affairs of the company as at 31 March 1992 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Binder Hamlyn

BDO Binder Hamlyn Registered Auditor

20 Old Bailey

London EC4M 7BH

25 June 1992

Accounting standards

These accounts have been prepared in accordance with applicable UK accounting standards.

Accounting convention

These accounts have been prepared under the historical cost convention.

Current (NE) operations and past (CEGB) operations

Under the provisions of the Electricity Act 1989 and of the CEGB transfer and divisionalisation schemes, the company inherited substantial nuclear liabilities relating to past generation. The assets transferred to the company under those arrangements were insufficient to cover those liabilities (see note 1 to the accounts). In order to show a more meaningful account of the financial performance of the company since vesting, the effects of the inherited nuclear liabilities have been shown separately in the profit and loss account and the balance sheet. For this purpose, the extent of inherited nuclear liabilities has been determined by reference to the vesting date, under the Electricity Act 1989, of 31 March 1990 when the company's affairs came under the full control of Nuclear Electric management.

Turnover

Turnover represents amounts receivable for sales of electricity and other related goods and services net of value added tax. The directors consider there to be one class of business and one geographical market, that of the UK, and therefore no analysis of turnover has been given.

The company's primary business is the generation of nuclear energy. It also produces hydro-electricity from Maentwrog power station for which it is obliged to make a separate business return to The Office of Electricity Regulation. These results are immaterial to the business and have not been separately identified in these accounts.

Fuel costs

The charge to profit and loss account comprises a fixed annual cost together with a variable sum proportionate to units of electricity generated, which reflects the substance of current arrangements with suppliers. The charge includes 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 irradiated fuel consumed during the year and the residual fuel which will remain in the 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 were granted.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the balance sheet. All 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.

The lives adopted are:

AGR power stations	25-30 years	Non-operational buildings	40 years
Magnox power stations	30-35 years	Short term assets	5 years

Assets in the course of construction are not depreciated until brought into commission.

During the year, the estimated useful life of the existing Magnox power station at Bradwell has been reassessed from 30 to 35 calendar years. Expenditure incurred to date on Bradwell to allow it to remain in operation beyond 30 years is held in assets in the course of construction and will be depreciated on completion over the remaining life of the station.

Leases

Assets held under finance leases, which result in substantially all the risks and rewards of ownership being transferred to the company, are capitalised where material and included in tangible fixed assets. The amount capitalised is the present value of the minimum lease payments. Each asset is depreciated over the shorter of the lease term or its useful life.

The obligations relating to finance leases net of finance charges in respect of future periods are included as appropriate with creditors due within or after one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

All other leases are treated as operating leases and the rentals are charged against income as incurred.

Stocks of fuel and stores

Stocks are valued at the lower of cost and net realisable value. Plant spares, previously included in fixed assets, are now included in stores. Consequently, the comparative figures for last year have been adjusted accordingly. An obsolescence charge for the diminution in value of plant spares is charged to the profit and loss account each year.

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 in respect of the following:

- (a) Reprocessing of nuclear fuel.
- (b) Long term storage, treatment and eventual disposal of nuclear fuel waste products.
- (c) Decommissioning of the company's nuclear power stations and 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, under the current regulatory regime, 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.

Subsidiary and associated undertakings

The company's subsidiary and associated undertakings are excluded from consolidation on the grounds that the amounts involved are not material. As a consequence, and as permitted by Section 229(5) of the Companies Act 1985, no consolidated accounts have been prepared. The interests of the company in subsidiary and associated undertakings are shown in the balance sheet at cost.

1991				1992		
Current (NE) operations £m	Past (CEGB) operations £m	Total £m		Current (NE) operations £m	Past (CEGB) operations £m	Total £m
			Note			
Turnover						
1,007	—	1,007		1,167	—	1,167
1,195	—	1,195	2	1,265	—	1,265
2,202	—	2,202		2,432	—	2,432
Expenditure						
(816)	—	(816)		(837)	—	(837)
(550)	—	(550)		(561)	—	(561)
(306)	—	(306)	3	(327)	—	(327)
(204)	—	(204)	8	(225)	—	(225)
(1,876)	—	(1,876)		(1,950)	—	(1,950)
326	—	326		482	—	482
2	—	2		—	—	—
(207)	723	516	4	(202)	292	90
121	723	844		280	292	572
5	(863)	(858)	5	2	(512)	(510)
Profit/(loss) before and after taxation for the financial year						
126	(140)	(14)	6,7,17	282	(220)	62

The column headed 'Past (CEGB) operations' shows the effects of transactions relating to still outstanding nuclear liabilities arising from the former CEGB's generation and inherited by Nuclear Electric plc on 31 March 1990 (see explanatory note on accounting policies on page 38).

1991			1992			
Current (NE) operations	Past (CEGB) operations	Total		Current (NE) operations	Past (CEGB) operations	Total
£m	£m	£m	Note	£m	£m	£m
Fixed assets						
4,869	-	4,869	8	5,341	-	5,341
42	-	42	9	42	-	42
4,911	-	4,911		5,383	-	5,383
Current assets						
674	-	674	10	679	-	679
586	-	586	11	617	-	617
531	-	531	12	615	-	615
-	-	-		3	-	3
1,791	-	1,791		1,914	-	1,914
Less:						
(402)	-	(402)	13	(407)	-	(407)
1,389	-	1,389		1,507	-	1,507
6,300	-	6,300		6,890	-	6,890
Represented by:						
36	-	36	13	72	-	72
Provisions for liabilities and charges						
720	8,831	9,551	14	1,354	8,529	9,883
631	-	631	15	791	-	791
Capital and reserves						
-	-	-	16	-	-	-
126	(4,044)	(3,918)	17	408	(4,264)	(3,856)
4,787	(4,787)	-	17	4,265	(4,265)	-
6,300	-	6,300		6,890	-	6,890

The column headed 'Past (CEGB) operations' shows the nuclear liabilities arising from the former CEGB's generation which were inherited by Nuclear Electric plc on 31 March 1990 and are still outstanding.

The financial statements on pages 38 to 60 were approved by the Board on 25 June 1992.

J G Collier Director

M R Kirwan Director

John G Collier
Michael R Kirwan

1991				1992			
Current (NE) operations £m	Past (CEGB) operations £m	Total £m		Current (NE) operations £m	Past (CEGB) operations £m	Total £m	
568	—	568	Net cash inflow from operating activities	720	—	720	
Returns on investment and servicing of finance							
88	—	88	Interest received	77	—	77	
—	—	—	Interest paid	—	—	—	
—	—	—	Interest element of finance lease rental payments	(1)	—	(1)	
88	—	88	Net cash inflow from returns on investments and servicing of finance	76	—	76	
—	—	—	Tax paid	—	—	—	
Investing activities							
(881)	—	(881)	Purchase of liquid investments (other than cash equivalents)	(1,152)	—	(1,152)	
597	—	597	Sale of liquid investments (other than cash equivalents)	1,023	—	1,023	
(656)	—	(656)	Payments to acquire tangible fixed assets	(708)	—	(708)	
1	—	1	Receipts from sales of tangible fixed assets	2	—	2	
(939)	—	(939)	Net cash outflow from investing activities	(835)	—	(835)	
Financing							
—	—	—	Capital element of finance lease rental payments	(1)	—	(1)	
(283)	—	(283)	Decrease in cash and cash equivalents	(40)	—	(40)	

Detailed explanatory notes on the cash flow statement are provided in note 18 to the accounts.

i 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 is in respect of long term provisions for nuclear waste reprocessing and decommissioning 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 meet its liabilities from its own financial resources for at least the next ten years;
- (b) the company received assurances from the then 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 £1,000 million and can be increased to £2,500 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 Nuclear premium

Under the terms of its contract with the Non-Fossil Purchasing Agency, the company receives a specified premium per unit in respect of output up to a pre-determined level. The premium receivable each year is specified in the contract at October 1989 price levels and is adjusted at the beginning of each financial year by the annual movement in the retail price index as shown at the preceding October.

3 Staff costs

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

	1992	1991
	£m	£m
Salaries	316	293
Social security costs	25	24
Other pension costs	74	64
	415	381
<i>Less:</i>		
Amounts capitalised or charged against provisions	88	75
	327	306

The average number of employees of the company during the year was 13,300 (1991: 13,924).

The aggregate amount of the remuneration of all the directors of the company during the year ended 31 March 1992 was:

	1992	1991
	£000	£000
Directors' fees	58	54
Remuneration for services and pension contribution	859	572
	917	626

Remuneration and fee analysis:

	1992	1991
	£000	£000
Chairman and highest paid director	188	154

	1992	1991
	Number	Number
Other directors		
£5,001 – £10,000	6	4
£10,001 – £15,000	–	2
£25,001 – £30,000	–	1*
£70,001 – £75,000	–	1*
£75,001 – £80,000	–	1
£85,001 – £90,000	1	2
£100,001 – £105,000	1	–
£110,001 – £115,000	2	–
£155,001 – £160,000	1	–

* part year only

4 Exceptional Items

	1992		1991	
	Current (NE) operations £m	Past (CEGB) operations £m	Current (NE) operations £m	Past (CEGB) operations £m
Provisions relating to company establishment and rationalisation	250	—	72	—
Revised assessment of previous year's provisions for reprocessing costs, decommissioning costs and depreciation following upon:				
(a) New BNFL contracts	(39)	(86)	—	—
(b) Refinement of the cost base	(4)	(114)	—	(672)
(c) Revision of asset lives	(5)	(92)	(27)	(51)
Provision relating to excess stocks	—	—	162	—
	202	(292)	207	(723)

5 Financing charges (net)

	1992		1991	
	Current (NE) operations £m	Past (CEGB) operations £m	Current (NE) operations £m	Past (CEGB) operations £m
Interest payable	10	(10)	54	—
Interest on finance lease	1	—	—	—
Financing costs relating to nuclear and other long term provisions				
(a) Arising from changes in price levels	46	372	23	694
(b) Notional interest	19	150	14	169
	76	512	91	863
Interest receivable	(78)	—	(96)	—
	(2)	512	(5)	863

6 Profit/(loss) on ordinary activities before and after taxation

	1992	1991
	£m	£m
The profit/(loss) on ordinary activities before and after taxation is stated after charging:		
Research and development expenditure	71	95
Amount advanced to fund the activities of the associated undertaking	21	14
Auditors' remuneration £244,000 (1991: £235,000)		

7 Taxation

No corporation tax liability is included in these accounts as the company has a corporation tax loss for the year.

Corporation tax losses carried forward are estimated to be in excess of £2.5 billion.

No provision for deferred taxation has been made since the potential timing differences existing at 31 March 1992 are fully covered by tax losses brought forward. In addition, the company's plans over the next few years provide for an investment in fixed assets in respect of which the taxation capital allowances will be substantially in excess of the expected charge for depreciation.

8 Tangible fixed assets

	Nuclear power stations £m	Other land and buildings £m	Other plant and equipment £m	Assets in the course of construction £m	Total £m
Gross value					
At 1 April 1991	4,784	112	408	1,185	6,489
Reclassification	5	(1)	(157)	—	(153)
Restated at 1 April 1991	4,789	111	251	1,185	6,336
Additions	121	5	63	518	707
Disposals and amounts written off	—	(1)	(19)	—	(20)
At 31 March 1992	4,910	115	295	1,703	7,023
Depreciation					
At 1 April 1991	1,329	27	162	—	1,518
Reclassification	—	—	(51)	—	(51)
Restated at 1 April 1991	1,329	27	111	—	1,467
Charge for the year	197	4	24	—	225
Eliminated on disposals	—	—	(10)	—	(10)
At 31 March 1992	1,526	31	125	—	1,682
Net book value					
At 31 March 1992	3,384	84	170	1,703	5,341
At 1 April 1991	3,460	84	140	1,185	4,869

Fixed asset values

The net book value of tangible fixed assets of £170 million classified as other plant and equipment includes an amount of £3.5 million in respect of assets held under finance leases. The gross value capitalised is £5.3 million less depreciation charged for the year of £1.8 million.

Plant spares (with a gross value of £153 million and accumulated depreciation of £51 million) have been transferred from fixed assets to stores (see note 10).

No interest is included in the cost of assets in the 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:

	1992 £m	1991 £m
Freehold	1,335	1,191
Short leasehold	1	1
	1,336	1,192

The cost of freehold land included in the above is £13 million (1991: £12 million)

9 Fixed asset investments

The company holds shares in the following companies:

	Country of incorporation and operation	Shareholding %	Principal activity
Principal subsidiary undertakings			
Electricity Producers Insurance Company Limited	Isle of Man	80	Insurance
Central Electricity Generating Board Exploration (Canada) Ltd	Canada	100	Dormant
Central Electricity Generating Board Exploration (America) Inc	USA	100	Uranium exploration and mining
Power Resources Inc*	USA	80	Uranium exploration and mining

During the year the company disposed of its shareholding in Power Resources (Australia) Pty Ltd

Associated undertaking

United Kingdom Nirex Limited	UK (Registered in England & Wales)	42.5	Disposal of radioactive waste
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* Shares not held directly by the company

	1992	1991
	£m	£m
Investment in subsidiary undertakings at cost	24	24
Loans to subsidiary undertakings	18	18
Total fixed asset investments	42	42

The company's share of the combined net assets of subsidiary undertakings not consolidated amounted to £113 million at 31 March 1992 (1991: £99 million).

10 Stocks

	1992	1991 (restated)
	£m	£m
Nuclear fuel	573	570
Stores	106	104
	679	674

The comparative figures for 1991 have been restated to reflect the transfer of plant spares from fixed assets to stock, and has resulted in the following adjustments:

	£m
Stores at 1 April 1991	2
Reclassification of plant spares from fixed assets (see note 8)	102
Restated stores stock at 1 April 1992	104

11 Debtors

	1992	1991
	£m	£m
Trade debtors	386	340
Other debtors	44	88
Prepayments	187	158
	617	586

12 Current asset investments

	1992	1991
	£m	£m
Fixed and call deposits	615	531

13 Creditors

	1992	1991
	£m	£m
Amounts falling due within one year		
Bank overdrafts	27	29
Trade creditors	24	14
Obligations under finance lease	2	—
Other taxation and social security	52	32
Other creditors	13	3
Accruals and deferred income	289	324
	407	402
Amounts falling due after more than one year		
Obligations under finance lease	2	—
Retentions	55	36
Superannuation	15	—
	72	36

Retentions include an amount of nil (1991: £1 million) payable after more than five years.

14 Nuclear provisions

Current (NE) operations

	Balance 1 April 1991 £m	Utilised in the year £m	Charged to profit and loss account			Balance 31 March 1992 £m
			Operating costs £m	Exceptional items £m	Financing charges £m	
Reprocessing of irradiated nuclear fuel, waste storage and disposal and decommissioning costs of facilities owned by BNFL						
Magnox	418	—	350	(34)	37	771
AGR	232	—	212	(10)	10	444
	650	—	562	(44)	47	1,215
Decommissioning costs of the company's nuclear power stations						
Magnox	37	—	35	(2)	2	72
AGR	33	—	31	(3)	2	63
	70	—	66	(5)	4	135
Other	—	—	3	1	—	4
Total current (NE) operations	720	—	631	(48)	51	1,354
1990-91	—	—	666	—	54	720

Past (CEGB) operations

Reprocessing of irradiated nuclear fuel, waste storage and disposal and decommissioning costs of facilities owned by BNFL

Magnox	5,696	(408)	—	(60)	329	5,557
AGR	1,182	(98)	—	(83)	67	1,068
	6,878	(506)	—	(143)	396	6,625
Decommissioning costs of the company's nuclear power stations						
Magnox	1,375	(9)	—	(122)	86	1,330
AGR	242	—	—	(23)	15	234
	1,617	(9)	—	(145)	101	1,564
Other	336	(7)	—	(4)	15	340
Total past (CEGB) operations	8,851	(522)	—	(292)	512	8,529
1990-91	9,176	(485)	—	(723)	863	8,831

Total nuclear provisions

1991-92	9,551	(522)	631	(340)	563	9,883
1990-91	9,176	(485)	666	(723)	917	9,551

14 Nuclear provisions (continued)

During the year, the company reached agreement in principle on new contracts with BNFL for the provision of fuel cycle services. These contracts have yet to be signed pending agreement by all parties involved to proposed arrangements for risk sharing between BNFL, HM Government and Nuclear Electric which were the basis for negotiations with BNFL. These arrangements relate to the reprocessing of Magnox fuel prior to 1 April 1989, the decommissioning of BNFL plant used in fuel cycle services, and future changes in regulatory requirements.

Until the risk sharing arrangements have been finalised and the new contracts signed, the reduction in the provisions arising from the latest contract negotiations has been limited to those related to current (NE) operations for Magnox and AGR stations and to past (CEGB) operations for AGR stations. No reduction has been made in the provisions in respect of past (CEGB) operations for Magnox stations; these have been calculated on the basis of the previous fixed price offers from BNFL adopted in the 1991 accounts.

Provisions for services relating to the 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 same basis as in previous years. 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 dismantling, demolition and subsequent removal of all plant and buildings other than the reactor and other equipment within the biological shielding. This process will take some five years to complete following stage 1.

Stage 3

The dismantling and subsequent 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 taking account of the possible range of outcomes to cover uncertainties in the decommissioning process.

15 Other provisions

	Balance 1 April 1991 £m	Utilised in the year £m	Charged to profit and loss account £m	Balance 31 March 1992 £m
Restructuring provision	138	(67)	240	311
Insurance	67	—	—	67
Pensions [note 20(iii)]	69	—	3	72
Future losses on inherited contract for second tier supply	342	(28)	27	341
Moratorium on PWR programme	15	(15)	—	—
Total	631	(110)	270	791

	1992 £m	1991 £m
The profit and loss account charge comprises:		
Materials and services	(4)	31
Staff costs	—	4
Financing charges	24	36
Exceptional items	250	72
	270	143

16 Called up share capital

	1992 £	1991 £
Authorised:		
50,000 ordinary shares of £1 each (1991: 50,000)	50,000	50,000
Allotted and called up:		
2 ordinary shares of £1 each fully paid (1991: fully paid)	2	2
49,998 ordinary shares of £1 each 25p paid	12,500	12,500
	12,502	12,502

17 Reserves

Profit and loss account

Balance at 1 April 1991

Profit/(loss) for the year

Balance at 31 March 1992

Funding reserve

Balance at 1 April 1991

Movement in reserve for year

Balance at 31 March 1992

Current
(NE)
operations
£m

Past
(CEGB)
operations
£m

126 (4,044)

282 (220)

408 (4,264)

Current
(NE)
operations
£m

Past
(CEGB)
operations
£m

4,787 (4,787)

(522) 522

4,265 (4,265)

The funding reserve represents the extent to which net assets are funded by provisions for nuclear liabilities in respect of past (CEGB) operations. The reduction in the year represents payments made by the company out of its current (NE) operations in respect of the past (CEGB) nuclear liabilities.

18 Notes on cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

1991			1992		
Current (NE) operations £m	Past (CEGB) operations £m	Total £m	Current (NE) operations £m	Past (CEGB) operations £m	Total £m
121	123	544	280	292	572
178	-	178	225	-	225
190	(723)	(533)	197	(292)	(95)
(1)	-	(1)	8	-	8
184	-	184	(5)	-	(5)
(138)	-	(138)	(30)	-	(30)
34	-	34	45	-	45
568	-	568	720	-	720

Analysis of changes in cash and cash equivalents and other liquid investments during the year

1991			1992		
Cash and cash equivalents £m	Other liquid investments £m	Total £m	Cash and cash equivalents £m	Other liquid investments £m	Total £m
501	-	501	218	284	502
(283)	-	(283)	(40)	-	(40)
-	881	881	-	1,152	1,152
-	(597)	(597)	-	(1,023)	(1,023)
218	284	502	178	413	591

Analysis of the balances of cash and cash equivalents as shown in the balance sheet

1991			1992		
£m	£m	Change in year £m	£m	£m	Change in year £m
-	-	-	3	-	3
247	521	(274)	202	247	(45)
(29)	(20)	(9)	(27)	(20)	7
218	501	(283)	178	218	(40)
284	-	284	413	284	129
502	501	1	591	502	89

18 Notes on cash flow statement (continued)

Analysis of changes in financing during the year

	Loans and finance lease obligations £m
Balance at 1 April 1991	—
Cash inflows from financing	—
Inception of finance lease contracts	5
Balance at 31 March 1992	5

Major non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £5 million.

19 Contingent liabilities

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 1992 amounted to £1,065 million (1991: £1,515 million), in respect of which the company has entered into commitments amounting to approximately £519 million (1991: £696 million).
- (ii) At 31 March 1992 and 31 March 1991, the company 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.

A current actuarial valuation of the Scheme is in progress. 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 cent per annum, that salary increases would be 7 per cent per annum and that pensions would increase at the rate of 5½ per cent 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 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings.

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 judgement on the past service rights of pension scheme members are not yet certain, the provision balance of £69 million reflected in last year's accounts has been increased in these accounts by a further £3 million to cover inflation during the period.

- (iv) The company guarantees credit facilities granted to subsidiary company undertakings in the ordinary course of business. At the balance sheet date, maximum guarantees outstanding amounted to US\$11,500,000 of which US\$4,185,000 had been utilised. These facilities expire at 31 October 1992.

21 Regulatory accounts

The company has inherited a second tier supply contract for which the related financial transactions are separately disclosed in note 15 to these accounts.

In the light of this disclosure, these accounts satisfy the conditions relating to published regulatory accounts.

1991			1992			
Current (NE) operations £m	Past (CEGB) operations £m	Total £m		Current (NE) operations £m	Past (CEGB) operations £m	Total £m
2,202	—	2,202	Turnover	2,432	—	2,432
(1,876)	—	(1,876)	Expenditure on the historical cost basis	(1,950)	—	(1,950)
326	—	326	Operating profit before exceptional items on historical cost basis	482	—	482
(193)	—	(193)	Current cost adjustments	1	(130)	(130)
133	—	133	Current cost operating profit before exceptional items	352	—	352
2	—	2	Income from shares in subsidiary undertakings	—	—	—
(286)	723	437	Exceptional items	2	292	90
5	(863)	(858)	Financing charges (net)	2	(512)	(510)
(146)	(140)	(286)	Current cost profit/(loss) on ordinary activities before and after taxation	5	(220)	(68)

1991			1992				
Current (NE) operations £m	Past (CEGB) operations £m	Total £m		Note	Current (NE) operations £m	Past (CEGB) operations £m	Total £m
Fixed assets							
7,189	—	7,189	Tangible assets	3	7,092	—	7,092
42	—	42	Investments		42	—	42
7,231	—	7,231			7,134	—	7,134
Current assets							
839	—	839	Stocks	4	716	—	716
586	—	586	Debtors		617	—	617
531	—	531	Investments		615	—	615
—	—	—	Cash at bank and in hand		3	—	3
1,956	—	1,956			1,951	—	1,951
Less:							
(402)	—	(402)	Creditors — amounts falling due within one year		(407)	—	(407)
1,554	—	1,554	Net current assets		1,544	—	1,544
8,785	—	8,785	Total assets less current liabilities		8,678	—	8,678
Represented by:							
36	—	36	Long term creditors — amounts falling due after more than one year		72	—	72
Provisions for liabilities and charges							
720	8,831	9,551	Nuclear provisions		1,354	8,529	9,883
631	—	631	Other provisions		791	—	791
Capital and reserves							
—	—	—	Called up share capital		—	—	—
(146)	(6,202)	(6,348)	Profit and loss account	5	6	(6,422)	(6,416)
2,757	2,158	4,915	Current cost reserve	5	2,190	2,158	4,348
4,787	(4,787)	—	Funding reserve	5	4,265	(4,265)	—
8,785	—	8,785			8,678	—	8,678

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.

The 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*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 anticipated future revenues and costs.

Other fixed assets

Relevant indices are applied to the historical cost.

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

Stocks of nuclear fuel are valued at the lower of cost per tonne of current deliveries and net realisable value. Plant spares and general and engineering stores are shown as stocks 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 stocks are charged to profit and loss account at current replacement costs.

1 Adjustments made in deriving current cost operating profit

	1992	1991
	£m	£m
Cost of sales	11	39
Monetary working capital	8	11
Depreciation of fixed assets	108	143
Disposals of fixed assets	3	—
	130	193

The figure for depreciation of fixed assets has been restated as a result of reclassification of plant spares.

Depreciation adjustment of fixed assets at 31 March 1991	—	145
Less depreciation adjustment for plant spares	—	(2)
Depreciation adjustment at 31 March 1991 restated	—	143

2 Exceptional items

	1992		1991	
	Current (NE) operations £m	Past (CEGB) operations £m	Current (NE) operations £m	Past (CEGB) operations £m
Historic cost values (note 4 to historic cost accounts)	202	(292)	(207)	723
Additional provision to reduce current cost value of excess stocks to net realisable value	—	—	(52)	—
Retrospective depreciation adjustment made in historic cost accounts	—	—	(27)	—
	202	(292)	(286)	723

3 Tangible fixed assets

	Nuclear power stations £m	Other land and buildings £m	Other plant and equipment £m	Assets in the course of construction £m	Total £m
Gross value					
At 1 April 1991	8,415	172	634	1,293	10,514
Reclassification of plant spares	—	—	(189)	—	(189)
Restated at 1 April 1991	8,415	172	445	1,293	10,325
Additions	121	5	63	518	707
Disposals and amounts written off	—	(1)	(27)	—	(28)
Revaluation	(839)	(8)	20	74	(753)
At 31 March 1992	7,697	168	501	1,885	10,251
Depreciation					
At 1 April 1991	2,819	65	315	—	3,199
Reclassification of plant spares	—	—	(63)	—	(63)
Restated at 1 April 1991	2,819	65	252	—	3,136
Charge for the year	289	4	40	—	333
Eliminated on disposals	—	—	(15)	—	(15)
Revaluation	(302)	(3)	10	—	(295)
At 31 March 1992	2,806	66	287	—	3,159
Net book value					
At 31 March 1992	4,891	102	214	1,885	7,092
At 1 April 1991	5,596	107	193	1,293	7,189

4 Stocks

	1992	1991 (Restated)
	£m	£m
Nuclear fuel	585	711
Stores and plant spares	131	128
	716	839

The comparative figure for stores for 1991 has been restated to reflect the transfer of plant spares from fixed assets to stock at their current cost value of £189 million less accumulated depreciation at 31 March 1991 of £63 million.

5 Reserves

	Current (NE) operations current cost reserve £m	Past (CEGB) operations current cost reserve £m	Current (NE) operations profit and loss account £m	Past (CEGB) operations profit and loss account £m
Balance at 1 April 1991	2,757	2,158	(146)	(6,202)
Revaluation surplus reflecting price changes:				
Tangible fixed assets	(458)	—	—	—
Stocks	(128)	—	—	—
Cost of sales adjustment	11	—	—	—
Monetary working capital adjustment	8	—	—	—
Profit/(loss) for the financial year	—	—	152	(220)
Balance at 31 March 1992	2,190	2,158	6	(6,422)

of which:

Realised	19	2,158		
Unrealised	2,171	—		
	2,190	2,158		

Funding reserve

	Current (NE) operations £m	Past (CEGB) operations £m
Balance at 1 April 1991	4,787	(4,787)
Movement in reserve for year	(522)	522
Balance at 31 March 1992	4,265	(4,265)