

MAGNOX ELECTRIC PLC

Registered No. 2264251

ANNUAL REPORT AND ACCOUNTS

31 March 2000



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Magnox Electric plc

DIRECTORS

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

SECRETARY

A J Shuttleworth

AUDITORS

Ernst and Young
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
Spring Gardens
Manchester
M60 2DB

REGISTERED OFFICE

Risley
Warrington
Cheshire
WA3 6AS

Magnox Electric plc

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2000.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £573M (1999: profit of £137M (restated)).

The Directors are unable to recommend a dividend (1999: £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

Safety

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

There has been an increase in the number of lost time industrial accidents compared to the previous year, and the Company is currently working to reduce this number by several measures including an accelerated commitment to its behavioural safety programme at all sites. There were no work related deaths or serious disabling injuries to Magnox staff during the year.

The collective radiation dose to employees and contractors was the lowest ever recorded. No employees or contractors received a dose in excess of 10mSv.

Electricity Generation

During the year Magnox supplied 16.6TWh of electricity to the grid system (1999: 20.1TWh). All four reactors at Hinkley Point and Bradwell were out of service for the majority of the year and reactor one at Sizewell was off-line from November 1999. At Hinkley, the major cause of loss was a need to revise and reinforce various aspects of the safety case for reactor operation. At Bradwell, concrete beam reinforcements have had to be carried out to meet seismic aspects of the safety case requirements, and at Sizewell, certain aspects of the safety case have had to be revised following routine inspections.

DIRECTORS' REPORT (continued)

Future Developments

During the coming year the Government is planning to radically change the way that electricity is traded. In response to this Magnox is gearing up for the changes in the way it operates that are essential for secure future business. Work is still ongoing with respect to the transfer of the appropriate licences and authorisations for Magnox stations to BNFL which has taken longer than was originally expected.

Research and Development

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

DIRECTORS

The Directors who served during the year were as follows:

C Loughlin (Chairman, Appointed 8 July 1999)
Dr C Smitton
S M Price (Appointed 8 November 1999, Resigned 8 May 2000)
Dr C Marchese (Appointed 1 September 1999)
J J Taylor (Chairman) (Resigned 8 July 1999)
D Joynson (Resigned 1 July 1999)
M Morant (Resigned 10 November 1999)

T Joyce was appointed as Finance and Business Director on 11 May 2000
Dr S Brosnan and J Edwards were appointed as Directors on 31 July 2000

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

PERSONNEL

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

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

CREDITOR PAYMENT POLICY

It is the policy of the Company to pay suppliers' invoices promptly in accordance with the relevant contract terms and to abide by the Prompt Payers Code of Practice drawn up by the CBI. Further information and copies of the Code can be obtained from The Group Finance Manager, Magnox Electric plc, Berkeley Centre, Berkeley, Gloucestershire GL13 9PB. Terms of payment are agreed with each supplier when agreeing the terms of each transaction. At the balance sheet date, trade creditors represent 24 days purchases (1999 26 days).

DIRECTORS' REPORT (continued)

POST BALANCE SHEET EVENTS

On 23 May 2000 the Company confirmed that one of its nuclear power stations (Hinkley Point A) would not recommence operations. This has been treated as an adjusting event and details of the impact are included in note 3.

YEAR 2000

Prior to 31 December 1999, steps were taken to review, and where necessary, modify computer and date dependent systems critical to the company's operations to eliminate in so far as possible the impact, if any, which the year 2000 might have had on the business. The costs incurred in the financial year in achieving Year 2000 compliance are estimated to have been £1 million. No major issues arose following the millennium date change. Although the date change has now passed, the directors recognise that it is not possible to completely exclude the possibility of residual issues arising either internally or through dealings with third parties including key customers and suppliers. The Group continues to monitor these risks and the directors can confirm that no material issues have arisen since the year end.

AUDITORS

Arthur Anderson resigned during the year and Ernst and Young were appointed in their place. A resolution will be proposed at the Annual General Meeting to reappoint Ernst & Young as the Company's auditors.

By order of the Board



A J Shuttleworth
Company Secretary
31 July 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of Magnox Electric plc

We have audited the accounts on pages 7 to 26 which have been prepared under the historical cost convention, and on the basis of the accounting policies set out on pages 9 to 12.

Respective responsibilities of Directors and Auditors

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

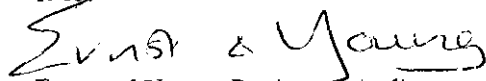
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Uncertainties

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 March 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst and Young, Registered Auditor

Manchester

31 July 2000

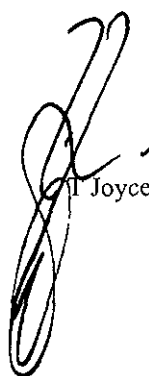
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2000

		2000	1999
		£M	Restated £M
	Notes		
TURNOVER		494	592
Net operating costs and expenses	3	(1,107)	(554)
OPERATING (LOSS)/PROFIT		(613)	38
Profit on disposal of fixed assets	6	5	23
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME, INTEREST AND TAXATION		(608)	61
Investment income	7	17	175
Other interest receivable and similar income	8	466	410
Interest payable and similar charges	9	(448)	(484)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(573)	162
Tax on (loss)/profit on ordinary activities	10	-	(25)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	21	(573)	137

All operations of the Company continued throughout both periods and no operations were acquired or discontinued. There were no material recognised gains or losses in 2000 or 1999 other than the loss for the year, and no statement of recognised gains or losses is presented. Movements in the Company's reserves and shareholders' funds are set out in notes 20 and 21 to the accounts.

BALANCE SHEET
at 31 March 2000

	Notes	2000 £M	1999 £M
FIXED ASSETS			
Tangible assets	11	6	224
Investments	12	215	215
		<u>221</u>	<u>439</u>
CURRENT ASSETS			
Stocks	13	33	66
Secretary of States Undertaking due after more than one year	14	4,222	3,949
Debtors	15	3,013	3,176
Cash at bank and in hand		49	139
		<u>7,317</u>	<u>7,330</u>
CREDITORS: Amounts falling due within one year	16	<u>(556)</u>	<u>(639)</u>
NET CURRENT ASSETS		<u>6,761</u>	<u>6,691</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,982</u>	<u>7,130</u>
Represented by:			
CREDITORS: Amounts falling due after more than one year	17	1,699	1,447
PROVISIONS FOR LIABILITIES AND CHARGES	18	7,222	7,049
CAPITAL AND RESERVES			
Called up share capital	19	-	-
Profit and loss account	20	(1,939)	(1,366)
SHAREHOLDERS' FUNDS - EQUITY		<u>(1,939)</u>	<u>(1,366)</u>
		<u>6,982</u>	<u>7,130</u>



J. Joyce, Director, 31 July 2000

NOTES TO THE ACCOUNTS

at 31 March 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards. With the exception of the following change, the same accounting policies have been applied as in previous years.

a) Carrying value of managed investment portfolios

The Company has changed its accounting policy with regard to the carrying value of managed investment portfolios from market value to cost. Prior year figures have been restated accordingly. The effect of this accounting policy change is set out in note 22.

Group accounts

The Company is a wholly owned subsidiary of a parent undertaking incorporated in the European Union and as such is exempt from preparing group accounts in accordance with section 228 of the Companies Act 1985. Accordingly the accounts present information about the Company as an individual undertaking and not about its Group.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated accounts.

Turnover

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

Tangible fixed assets

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

Magnox power stations	-	38-40 years
Non-operational buildings	-	40 years
Short term assets	-	5 years

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

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

1. ACCOUNTING POLICIES *(continued)*

Investments

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

Stocks

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

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

Research and development

Research and development expenditure is written off as incurred.

Fuel costs - Front End

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

Fuel costs - Back End

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

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

1. ACCOUNTING POLICIES (continued)

Nuclear liabilities

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

a) Fuel costs

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

b) Decommissioning of nuclear power stations

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

c) Discounting and top-up

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

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

1. ACCOUNTING POLICIES (continued)

Pensions

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

2. GOING CONCERN BASIS OF ACCOUNTING

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

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

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

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:

	2000 £M	1999 £M
Raw materials and consumables	107	120
Employee costs (see note 4)	143	158
Depreciation	425	35
Provisions for liabilities and charges	288	109
Research and development expenditure	6	6
Other external and operating charges	159	149
Own work capitalised	(5)	(6)
Other operating income	(16)	(17)
	<hr/> 1,107	<hr/> 554

Auditors remuneration was £125,000 (1999 £153,000). Fees paid to the auditors for services other than statutory audit during the year totalled £250,000 (1999 £17,000).

Hinkley A nuclear power station has been in an extended shutdown which commenced in 1999. Since that time, it became increasingly apparent that for commercial and financial reasons, the station was unlikely to be brought back into service. This was confirmed in the Magnox lifetime strategy announcement made on 23 May 2000. As a consequence, a number of additional costs have been charged to the profit and loss account, which result from the advancement of the previously assumed closure date.

These costs relate to the following major areas:

- adjustments to station decommissioning provisions as a result of unwinding discounting assumptions;
- revised assessment of defuelling costs and timescales arising from premature closure;
- write off of residual carrying values of fixed assets and working capital;
- full provisioning against all lifetime spent fuel management costs.

The overall effect of this adjustment was to increase the net operating costs and expenses for the year by £246M.

The depreciation charge for the year includes an impairment charge of £395M. The underlying depreciation charge for the year was £30M.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

4. EMPLOYEE INFORMATION (including Executive Directors)

Employee costs during the year were as follows:

	2000	1999
	£M	£M
Wages and salaries	111	113
Social security costs	10	9
Pension costs	8	11
Other employee costs	14	25
	<hr/>	<hr/>
	143	158
	<hr/>	<hr/>

The average monthly number of employees during the year was 3,294 (1999 3,505).

5. DIRECTORS' EMOLUMENTS

	2000	1999
	£000	£000
Aggregate emoluments	219	422
	<hr/>	<hr/>
Retirement benefits are accruing to 2 Directors (1999, 2) under a defined benefit scheme.		
Aggregate emoluments for the highest paid director	170	176
Defined benefit pension scheme for highest paid Director:	39	50
Accrued pension at end of year		
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6. PROFIT ON DISPOSAL OF FIXED ASSETS

The profit on disposal of fixed assets in 2000 relates to the sale of an office building which was carried at book value of £6m and was sold for £11m. This transaction gave rise to a tax charge of £nil.

7. INVESTMENT INCOME

	2000	1999
	£M	Restated £M
Dividends from Group Undertakings	17	33
Income from current asset investments	-	142
	<hr/>	<hr/>
	17	175
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2000	1999
	£M	£M
Interest receivable from Group Undertakings	193	157
Bank interest	-	4
Escalation of Secretary of State's Undertaking	273	249
	<hr/>	<hr/>
	466	410
	<hr/>	<hr/>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£M	£M
Adjustments to opening provisions arising from:		
Changes in price levels	230	260
Removal of one year's discounting	217	210
Realised exchange losses	-	4
Other	1	10
	<hr/>	<hr/>
	448	484
	<hr/>	<hr/>

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

	2000	1999
	£M	£M
Corporation tax	-	22
	<hr/>	<hr/>
	-	22
Adjustments in respect of prior years		
Corporation tax	-	3
	<hr/>	<hr/>
	-	25
	<hr/>	<hr/>

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

The Company has an unrecognised deferred tax asset amounting to £847M (1999: £764M). This comprises fixed asset timing differences of £79M (1999: £27M) and other timing differences of £768M (1999: £737M).

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

11. TANGIBLE FIXED ASSETS

	Nuclear power stations £M	Other land and buildings £M	Other plant and equipment £M	Total £M
Cost				
At 1 April 1999	1890	47	39	1976
Additions				
Capitalised decommissioning costs	297	-	-	297
Other	31	1	8	40
Disposals				
Capitalised decommissioning costs	(685)	-	-	(685)
Other	-	(15)	-	(15)
At 31 March 2000	1,533	33	47	1,613
Depreciation				
At 1 April 1999	1720	20	12	1752
Charge for year				
Capitalised decommissioning cost	8	-	-	8
Provisions for diminution in value	344	19	32	395
Other	16	3	3	22
Disposals				
Capitalised decommissioning costs	(561)	-	-	(561)
Other	-	(9)	-	(9)
At 31 March 2000	1,527	33	47	1,607
Net book value				
At 31 March 2000	6	-	-	6
At 31 March 1999	170	27	27	224

Due to the current uncertainties in the electricity market the company has felt it appropriate to apply an impairment test to its fixed asset carrying values. This has been based on a calculation of value in use applying a risk free discount rate of 8%. The cashflows have been adjusted for the impact of risks such as the timing of the cashflows and the regulatory environment. As a consequence the fixed assets have been impaired by £395M to a written down value of £6M.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

11. TANGIBLE FIXED ASSETS (continued)

Decommissioning costs included in tangible fixed assets:

	Nuclear Power Stations £M
Cost	611
Depreciation	(611)
	<hr/>
Net book value at 31 March 2000	-
	<hr/>
At 31 March 1999	45
	<hr/>

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

	2000	1999
	£M	£M
Freehold	2	38
	<hr/>	<hr/>

The cost of freehold land included in the above is £2M (1999, £3M).

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

12. INVESTMENTS

	Shares in Subsidiary undertakings	Loans to joint venture	Total
	£M	£M	£M
Cost			
At 1 April 1999	215	180	395
Additions	-	3	3
At 31 March 2000	215	183	398
Provisions			
At 1 April 1999	-	180	180
New provisions	-	3	3
At 31 March 2000	-	183	183
Net book value			
At 31 March 2000	215	-	215
At 31 March 1999	215	-	215

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

12. INVESTMENTS (continued)

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

<i>Name</i>	<i>Country of Incorporation</i>	<i>Holding</i>	<i>Proportion Held</i>	<i>Nature of Business</i>
Subsidiary Undertakings				
Electricity Producers Insurance Company (Bermuda) Limited (previously Nuclear Insurance Limited)	Bermuda	Ordinary shares	100%	Insurance
		Preference shares	100%	
Electricity Producers Insurance Company Limited	Guernsey	Ordinary shares	100%	Insurance
Joint Venture				
United Kingdom Nirex Limited	England and Wales	Ordinary shares	35%	Disposal of low and intermediate level waste

13. STOCKS

	2000	1999
	£M	£M
Nuclear fuel	20	53
Other raw materials and consumables	13	13
	<hr/>	<hr/>
	33	66
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

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

	£M
At 1 April 1999	3,949
Interest accrued during the year	273
	<hr/>
At 31 March 2000	4,222
	<hr/>

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

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

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

15. DEBTORS

	2000	1999
	£M	£M
Trade debtors	50	60
Amounts owed by parent undertaking	2897	3031
Prepayments and accrued income	1	8
Other debtors	65	77
	<hr/>	<hr/>
	3013	3176
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

16. CREDITORS: amounts falling due within one year

	2000	1999
	£M	£M
Trade creditors	19	10
Amounts owed to parent undertaking	143	156
Amounts owed to other group subsidiaries	1	-
Corporation tax	74	157
Other taxes and social security costs	4	3
Accruals and deferred income	80	90
Fuel reprocessing and waste management creditors (note 18)	219	199
Other creditors	16	24
	<hr/>	<hr/>
	556	639
	<hr/>	<hr/>

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

	2000	1999
	£M	£M
Fuel reprocessing and waste management creditors (note 18)	1,694	1,446
Other creditors	5	1
	<hr/>	<hr/>
	1,699	1,447
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)

at 31 March 2000

18. PROVISIONS AND NUCLEAR LIABILITIES

	Provisions				Creditors	
	Fuel reprocessing & waste management	Decomm-issioining	Other (note b)	Total	Fuel reprocessing & waste management (note a)	Total
	£M	£M	£M	£M	£M	£M
At 1 April 1999	2903	4023	123	7049	1645	8694
Adjustment arising from changes in price levels and removal of one year's discounting	150	208	4	362	85	447
Charge/(release) in the year						
Fixed assets	-	173	-	173	-	173
Profit and loss	(102)	27	(23)	(98)	386	288
Expenditure in the year	(189)	(36)	(39)	(264)	(203)	(467)
At 31 March 2000	2,762	4,395	65	7,222	1,913	9,135
Analysed as follows:						
Due within one year	135	62	34	231	219	450
Due after more than one year	2,627	4,333	31	6991	1,694	8,685
	2,762	4,395	65	7,222	1,913	9,135

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

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

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

18. PROVISIONS AND LIABILITIES (continued)

(b) Other provisions can be analysed as follows:

	Restructuring	Insurance	Contract loss provision	Total
	£M	£M	£M	£M
Balance at 1 April 1999	18	20	85	123
(Release)/Charge in year	-	(3)	(16)	(19)
Expenditure in the year	(14)	-	(25)	(39)
Balance at 31 March 2000	4	17	44	65
Analysed as follows:				
Amounts due within one year	4	3	27	34
Amounts due after more than one year	-	14	17	31
	4	17	44	65

19. SHARE CAPITAL

	2000	1999
	£	£
Authorised: 50,000 ordinary shares of £1 each	50,000	50,000
Allotted and called up: 2 ordinary shares of £1 each fully paid	2	2
49,998 ordinary shares of £1 each 25p paid	12,500	12,500
	12,502	12,502

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

20. RESERVES

	Profit and loss account £M
At 1 April 1999	(1,366)
Retained loss for the year	(573)
At 31 March 2000	(1,939)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £M	1999 £M
Opening shareholders' funds	(1,366)	(1,490)
Change in accounting policy	-	(13)
Opening shareholders' funds (restated)	(1,366)	(1,503)
(Loss)/profit for the financial year	(573)	137
Closing shareholders' funds	(1,939)	(1,366)

22. CHANGE IN ACCOUNTING POLICY

The Company has changed its accounting policy regarding the carrying value of managed fixed assets and current asset investments from a market value based policy to a historic cost based policy. This change of policy results in a fairer matching of investment income and provision top up charge in the profit and loss account. There is no current year impact on the profit and loss account arising from this change in policy (1999 increase £25M). There is no effect on the balance sheet because this increase in profit has arisen from a sale of Magnox's managed gilts portfolio during the year ended 31 March 1999, £13M of which had previously been recognised in reserves as part of the total recognised gains and losses in 1998 and prior years, and £12M in 1999.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

23. CAPITAL EXPENDITURE AUTHORISED

	2000	1999
	£M	£M
Contracted for but not provided for	5	2

24. PENSIONS

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

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

The results of the valuation were as follows:

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

The surplus will be utilised by:

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

Magnox Electric's pension costs for the year to 31 March 2000 were £8m, at which date there was an amount of £3m included in creditors, amounts falling due after more than one year, arising from the application of the surplus identified at the last pension valuation.

25. CONTINGENT LIABILITIES

During 1997, the Pensions Ombudsman ruled against The National Grid Company plc in relation to its use of surplus arising from the 1992 actuarial valuation of the Electricity Supply Pension Scheme (ESPS). National Grid appealed this ruling to the High Court. National Power PLC also sought a declaration from the High Court that its use of the 1992 and 1995 valuation surpluses was lawful. In both cases, the High Court held that the use of surplus was lawful. Both cases have been taken to the Court of Appeal, which has found in favour of the appellants, but has also given companies leave to appeal to the House of Lords.

A similar claim has been brought against Magnox Electric and the Trustees of the Magnox Electric Pension Group of the ESPS. Resolution of the case will depend in part on the final outcome of the National Grid and National Power cases. The maximum potential liability, which could arise on Magnox Electric as a result of its use of the surplus, is approximately £35M plus accrued interest.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2000

26. RELATED PARTY TRANSACTIONS

The ultimate holding company is British Nuclear Fuels plc, which is incorporated in Great Britain. Copies of the Group accounts of British Nuclear Fuels plc may be obtained from its registered office at Risley, Warrington, WA3 6AS. The Company is not included in any other Group accounts.

In the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

The Company, being a wholly owned subsidiary of British Nuclear Fuels plc has taken advantage of the exemption from the disclosure requirements as available in paragraph 3(c) of FRS8.

The following are also considered to be related parties:

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

The Ministry of Defence
 The United Kingdom Atomic Energy Authority

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

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

	Turnover	Purchases	Amounts due to/from Related Parties at 31 March 2000	Loan balances outstanding at 31 March 2000	Provisions against loan balances at 31 March 2000
	£M	£M	£M	£M	£M
1999/2000					
Undertakings under common control	-	-	-	-	-
Associated undertakings/ Joint ventures	-	3	-	183	(183)
1998/1999					
Undertakings under common control	1	-	-	-	-
Associated undertakings/ Joint ventures	-	16	-	180	(180)