

MAGNOX ELECTRIC PLC

Registered No. 2264251

ANNUAL REPORT AND ACCOUNTS

31 March 2002



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Magnox Electric plc

DIRECTORS

J Edwards (Chairman)

Dr C Smitton

Dr C Marchese

T Joyce

Dr S Brosnan

W Root

SECRETARY

A J Shuttleworth

AUDITORS

Ernst and Young LLP

100 Barbirolli Square

Manchester

M2 3EY

BANKERS

National Westminster Bank Plc

Spring Gardens

Manchester

M60 2DB

REGISTERED OFFICE

Risley

Warrington

Cheshire

WA3 6AS

Magnox Electric plc

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 March 2002.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £1,073M (2001: loss of £140M). The loss for the year includes a one off charge of £877M relating to the impact of a fundamental review of British Nuclear Fuels plc's Historic Waste Management Strategy as described in note 3 to the report and accounts.

The Directors are unable to recommend a dividend (2001: £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 eighth successive year there were no incidents above Level 1 on the internationally agreed scale for rating nuclear events (this scale indicates the severity of nuclear events on a scale of 0 (no safety significance) to 7 (a major accident)).

There has been a continuing reduction in the number of lost time accidents compared to previous years for both our own employees and contractors. A commitment to behavioral safety programmes at all sites has helped to maintain this improving trend. There were no work related deaths or serious disabling injuries to Magnox staff during the year.

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

Electricity Generation

During the year Magnox supplied 15.3TWh of electricity to the grid system (2001: 10.8TWh). The main reason for this improvement in output is the return to service of Wylfa power station.

As planned, Bradwell power station ceased generation on 31 March 2002 having operated since 1962 and generated 59.84TWh of electricity over its operational lifetime. The station will now enter the initial phase of decommissioning which commences with unloading and despatching all of the remaining fuel elements on site to Sellafield for reprocessing

New Electricity Trading Arrangements

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

Magnox Electric plc

DIRECTORS' REPORT (continued)

Future Developments

The Company will continue to operate its generating power stations; and decommission its closed sites; as efficiently as possible so as to maximise the available revenue and minimise the potential costs.

During the past year HM Government announced its intention to create a new Liabilities Management Authority (LMA) in order to separate the ownership of assets and liabilities from the work of dealing safely and efficiently with the UK's nuclear legacy. Setting up the new LMA requires primary legislation, and therefore it is not expected to be created until around 2003. In the meantime Magnox, in conjunction with its shareholder British Nuclear Fuels plc, will be working to ensure that these changes are dealt with in the most appropriate manner.

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:

J Edwards (Chairman)
Dr C Smitton (Managing Director)
Dr C Marchese
T Joyce
Dr S Brosnan
C Loughlin (Resigned 31 May 2002)
W Root (appointed 1 March 2002)

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 29 days purchases (2001: 18 days).

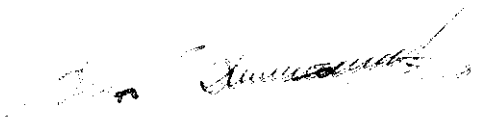
Magnox Electric plc

DIRECTORS' REPORT (continued)

AUDITORS

A resolution will be proposed at the Annual General Meeting to re-appoint Ernst & Young LLP as the Company's auditors.

By order of the Board

A handwritten signature in dark ink, appearing to read 'A J Shuttleworth', is written over a faint, illegible printed name.

A J Shuttleworth
Company Secretary

11 AUG 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

Magnox Electric plc

INDEPENDENT AUDITORS' REPORT

to the members of Magnox Electric plc

We have audited the Company's accounts for the year ended 31 March 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' Responsibilities. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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. This other information comprises the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

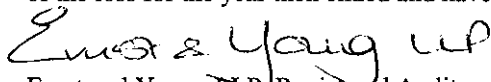
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Fundamental Uncertainty

In forming our opinion we have taken note of the fundamental uncertainty inherent in the estimation of nuclear liabilities which is described in note 17. 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 2002 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst and Young LLP, Registered Auditor
Manchester

23 September 2002

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002

	<i>Notes</i>	2002 £M	2001 £M
TURNOVER		338	304
Net operating costs and expenses	3	(1,409)	(493)
OPERATING LOSS		(1,071)	(189)
Loss on disposal of fixed assets	6	-	(44)
LOSS ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME, INTEREST AND TAXATION		(1,071)	(233)
Other interest receivable and similar income	7	348	509
Interest payable and similar charges	8	(327)	(445)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,050)	(169)
Tax on loss on ordinary activities	9	(23)	29
LOSS FOR THE FINANCIAL YEAR	19	(1,073)	(140)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2002

There were no material recognised gains or losses in 2002 or 2001 other than the loss for the year, and no statement of recognised gains or losses is presented.

Magnox Electric plc

BALANCE SHEET

at 31 March 2002

	Notes	2002 £M	2001 £M
FIXED ASSETS			
Tangible assets	10	5	5
Investments	11	-	-
		<u>5</u>	<u>5</u>
CURRENT ASSETS			
Stocks	12	21	33
Secretary of State's Undertaking due after more than one year	13	4,784	4,531
Debtors	14	2,441	2,852
Cash at bank and in hand		18	16
		<u>7,264</u>	<u>7,432</u>
CREDITORS: Amounts falling due within one year	15	<u>(583)</u>	<u>(620)</u>
NET CURRENT ASSETS		<u>6,681</u>	<u>6,812</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,686</u>	<u>6,817</u>
Represented by:			
CREDITORS: Amounts falling due after more than one year	16	1,776	1,652
PROVISIONS FOR LIABILITIES AND CHARGES	17	8,062	7,244
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Profit and loss account	19	(3,152)	(2,079)
SHAREHOLDERS' FUNDS – EQUITY		<u>(3,152)</u>	<u>(2,079)</u>
		<u>6,686</u>	<u>6,817</u>

On behalf of the Board of Directors

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T Joyce, Director

11 AUG 2002

NOTES TO THE ACCOUNTS

at 31 March 2002

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards. Financial Reporting Standard (FRS)17 Retirement Benefits, FRS18 Accounting Policies and FRS19 Deferred Taxation have been implemented in the year in accordance with the timescales set out in those standards. FRS18 Accounting Policies and FRS19 Deferred Taxation have no material impact on the results and financial position of the Company. The additional disclosures required by these standards can be found in notes 1 and 9. FRS17 Retirement Benefits will in future years, on the timescales set out in the standard, cause a change in the accounting policy related to certain of the companies retirement benefits; additional disclosure can be found within this note under 'Pensions' and note 21.

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 FRS1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated accounts.

Turnover

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

Tangible fixed assets

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

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

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

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

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 2002

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 topped up 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 recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date, with the following exceptions:

- a) Deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing difference can be deducted.
- b) Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date (note 9).

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 2002

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. Although British Nuclear Fuels plc has net liabilities, the Directors have taken account of its cash resources and the Ministerial statement containing proposals for the management of the public sector civil nuclear liabilities, and subsequent confirmation from the Secretary of State for Trade and Industry of the Government's continuing resolve to implement the proposals set out in the statement.

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 2002

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:

	2002 £M	2001 £M
Raw materials and consumables	91	99
Employee costs (see note 4)	139	141
Depreciation	47	32
Provisions for liabilities and charges	1,011	68
Research and development expenditure	4	3
Other external and operating charges	134	165
Own work capitalised	(9)	(5)
Other operating income	(8)	(10)
	<hr/> 1,409 <hr/>	<hr/> 493 <hr/>

The increase in provisions for liabilities and charges relates to the effect of a fundamental review undertaken by British Nuclear Fuels plc of its Historic Waste Management Strategy; a proportion of which the Company is contractually obliged to fund. The scope of the Historic Waste Management Strategy includes radioactive intermediate-level waste from historic ponds, silos, sludge storage and associated facilities at the Sellafield site. These have been generated as a result of the early nuclear programme. The result of this fundamental review has increased the Company's total liability which has created a one off increase in the annual charge of £877M.

Auditors' remuneration was £157,000 (2001: £150,000). Fees paid to the auditors for services other than statutory audit during the year totalled £29,000 (2001: £9,000).

The depreciation charge for the year includes an impairment charge of £47M (2001: £32M). The underlying depreciation charge for the year was £nil (2001: £nil).

4. EMPLOYEE INFORMATION (including Executive Directors)

Employee costs during the year were as follows:

	2002 £M	2001 £M
Wages and salaries	118	115
Social security costs	10	10
Pension costs	8	8
Other employee costs	3	8
	<hr/> 139 <hr/>	<hr/> 141 <hr/>

The average monthly number of employees during the year was 3,394 (2001: 3,273).

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

5. DIRECTORS' EMOLUMENTS

	2002	2001
	£000	£000
Aggregate emoluments	521	460
<hr/>		
Retirement benefits are accruing to 5 Directors (2001: 4) under a defined benefit scheme.		
Aggregate emoluments for the highest paid director	196	178
Defined benefit pension scheme for highest paid Director:		
Accrued pension at end of year	59	51
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6. DISPOSAL OF FIXED ASSETS

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

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£M	£M
Interest receivable from Group Undertakings	93	200
Escalation of Secretary of State's Undertaking	253	309
Other	2	-
<hr/>		
	348	509
<hr/>		

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£M	£M
Adjustments to opening provisions arising from:		
Changes in price levels	94	214
Removal of one year's discounting	228	228
Other	5	3
<hr/>		
	327	445
<hr/>		

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

9. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Analysis of tax charge/(credit) in year

	2002	2001
	£M	£M
Corporation tax		
Current Year	-	(29)
Adjustments in respect of prior years	23	-
	<hr/> 23	<hr/> (29)

b) Factors affecting tax charge/(credit) for year

The factors affecting the tax charge/(credit) for the year are set out below:

	2002	2001
	£M	£M
Loss on ordinary activities before taxation	(1050)	(169)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(315)	(51)
Effects of:		
Permanent differences	8	11
Deferred tax not provided	307	11
Adjustments in respect of prior year	23	-
Current tax charge/(credit) for period	<hr/> 23	<hr/> (29)

The Company has an unrecognised deferred tax asset amounting to £994M (2001: £789M). This comprises fixed asset timing differences of £170M (2001: £131M) and other timing differences of £824M (2001: £658M).

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

10. TANGIBLE FIXED ASSETS

	Nuclear power stations £M	Other land and buildings £M	Other plant and equipment £M	Total £M
Cost				
At 1 April 2001	1,252	33	58	1,343
Additions	26	-	21	47
Disposals				
Capitalised decommissioning costs	(105)	-	-	(105)
Other	(90)	-	-	(90)
At 31 March 2002	1,083	33	79	1,195
Depreciation				
At 1 April 2001	1,247	33	58	1,338
Charge for year				
Provisions for diminution in value	26	-	21	47
Disposals				
Capitalised decommissioning costs	(105)	-	-	(105)
Other	(90)	-	-	(90)
At 31 March 2002	1,078	33	79	1,190
Net book value				
At 31 March 2002	5	-	-	5
At 1 April 2001	5	-	-	5

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

10. TANGIBLE FIXED ASSETS (continued)

Decommissioning costs included in tangible fixed assets:

	Nuclear Power Stations £M
Cost	391
Depreciation	(391)
	<hr/>
Net book value at 31 March 2002	<hr/> -
At 1 April 2001	<hr/> -

The net book value of tangible fixed assets includes £2M in respect of freehold buildings (2001:£2M).

11. INVESTMENTS

Loans to joint venture

	Cost	Provision	Net Book Value
	£M	£M	£M
At 1 April 2001	187	(187)	-
Additions	1	-	1
New provision	-	(1)	(1)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	188	(188)	-

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

11. INVESTMENTS (continued)

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

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

12. STOCKS

	2002 £M	2001 £M
Nuclear fuel	15	20
Other raw materials and consumables	6	13
	<hr/> 21	<hr/> 33

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

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

	£M
At 1 April 2001	4,531
Interest accrued during the year	253
	<hr/>
At 31 March 2002	4,784
	<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:

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

14. DEBTORS

	2002 £M	2001 £M
Trade debtors	52	31
Amounts owed by parent undertaking	2,372	2,816
Prepayments and accrued income	2	1
Other debtors	15	4
	<hr/>	<hr/>
	2,441	2,852
	<hr/>	<hr/>

Amounts falling due after more than one year included in the above are £5M (2001: £5M).

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

15. CREDITORS: amounts falling due within one year

	2002	2001
	£M	£M
Trade creditors	15	16
Amounts owed to parent undertaking	185	150
Amounts owed to other group undertakings	5	2
Corporation tax	85	85
Other taxes and social security costs	5	4
Accruals and deferred income	61	67
Fuel reprocessing and waste management creditors (note 17)	221	290
Other creditors	6	6
	<hr/> 583 <hr/>	<hr/> 620 <hr/>

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

	2002	2001
	£M	£M
Fuel reprocessing and waste management creditors (note 17)	1,754	1,645
Other creditors	22	7
	<hr/> 1,776 <hr/>	<hr/> 1,652 <hr/>

NOTES TO THE ACCOUNTS (continued) at 31 March 2002

17. PROVISIONS AND NUCLEAR LIABILITIES

	Provisions				Creditors	
	Fuel reprocessing & waste management £M	Decomm- issioning £M	Other (note b) £M	Total £M	Fuel reprocessing & waste management £M	Total £M
At 1 April 2001	2,561	4,625	58	7,244	1,935	9,179
Adjustment arising from changes in price levels and removal of one year's discounting	90	163	1	254	68	322
Charge/(release) in the year						
Profit and loss	1,092	(308)	-	784	227	1,011
Expenditure in the year	(139)	(72)	(9)	(220)	(255)	(475)
At 31 March 2002	3,604	4,408	50	8,062	1,975	10,037
Analysed as follows:						
Due within one year	138	150	11	299	221	520
Due after more than one year	3,466	4,258	39	7,763	1,754	9,517
	3,604	4,408	50	8,062	1,975	10,037

(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 uncertainty remains regarding the measurement of the liabilities and the timing of the cash flows.

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

17. PROVISIONS AND NUCLEAR LIABILITIES (continued)

(b) Other provisions can be analysed as follows:

	Restructuring	Insurance	Contract loss provision	Total
	£M	£M	£M	£M
Balance at 1 April 2001	4	16	38	58
Adjustment arising from changes in price and removal of one year's discounting	-	-	1	1
Expenditure in the year	(1)	-	(8)	(9)
Balance at 31 March 2002	3	16	31	50
Analysed as follows:				
Amounts due within one year	1	-	10	11
Amounts due after more than one year	2	16	21	39
	3	16	31	50

18. SHARE CAPITAL

	2002	2001
	£	£
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

19. MOVEMENTS IN RESERVES AND SHAREHOLDERS' FUNDS

	2002	2001
	£M	£M
At 1 April 2001	(2,079)	(1,939)
Retained loss for the year	(1,073)	(140)
At 31 March 2002	(3,152)	(2,079)

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

20. CAPITAL EXPENDITURE AUTHORISED

	2002 £M	2001 £M
Contracted for but not provided for	16	7

21. 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 at 31 March 2001. The projected unit method was used and the main long term assumptions made were as follows:

Investment return	6.3% per annum pre-retirement 5.3% per annum post-retirement
Salary increase	3.3% per annum
Pension increase	2.5% per annum
Inflation adjustment	2.3% per annum

The results of the valuation were as follows:

Market value of scheme assets	£1,305M
Level of funding	113.7%

The surplus will be used:

- To improve members' benefits with effect from 1 April 2002.
- To reduce company contributions to 0% between 1 April 2002 and 31 March 2003, followed by a different reduction from 1 April 2003 yet to be determined.
- To meet the costs of any additional years of service for members of the scheme up to an agreed level.
- Deficiency costs for early pension payments for redundancies paid up to an agreed level.
- Employees and members reserves to be carried forward for potential use after 31 March 2003.
- A general reserve to be carried forward as a contingency.

Magnox Electric's pension costs for the year to 31 March 2002 were £8M (2001: £8M), at which date there was an amount of £8M included in creditors arising from the application of the surplus identified at the last pension valuation.

The latest actuarial valuation has also been updated by a qualified independent actuary to 31 March 2002 on a basis consistent with FRS17.

The major financial assumptions used for the FRS17 actuarial assessment at 31 March 2002 are:

Rate of increase in salaries	3.8% per annum
Rates of increase in pensions	2.9% per annum
Discount rate	6.0% per annum
Inflation assumption	2.8% per annum

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

21. PENSIONS (continued)

Under FRS17 the fair value of the assets and liabilities of the Magnox Electric Group of the Electricity Supply Pension Scheme at 31 March 2002 are:

	Expected Return 2002/03	Fair Value £M
Equities	7.7%	860
Bonds	5.7%	295
Property	6.2%	94
Other (including cash)	3.7%	16
Total fair value of assets		1,265
Present value of scheme liabilities		(1,180)
Surplus in the scheme		85
Related deferred taxation		(25)
Net pension surplus		60

If the above amounts had been recognised in the financial statements, the Company's net liabilities and reserves at 31 March 2002 would have been impacted as follows:

	Fair Value 2002 £M
Net liabilities excluding pension asset	(3,144)
Pension asset	60
Net liabilities	(3,084)
Profit and loss reserve excluding pension asset	(3,144)
Pension asset	60
Profit and loss reserve	(3,084)

NOTES TO THE ACCOUNTS (continued)
at 31 March 2002

22. RELATED PARTY TRANSACTIONS

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

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

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

The following are also considered to be related parties:

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

The Ministry of Defence
 The United Kingdom Atomic Energy Authority

- (ii) Associated undertakings/Joint ventures. The principal joint venture undertaking is listed in Note 11.

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

	Turnover	Purchases	Amounts due to/from Related Parties	Loan balances outstanding	Provisions against loan balances
	£M	£M	£M	£M	£M
2001/2002					
Associated undertakings/ Joint ventures	1	6	-	188	(188)
2000/2001					
Associated undertakings/ Joint ventures	-	1	-	187	(187)