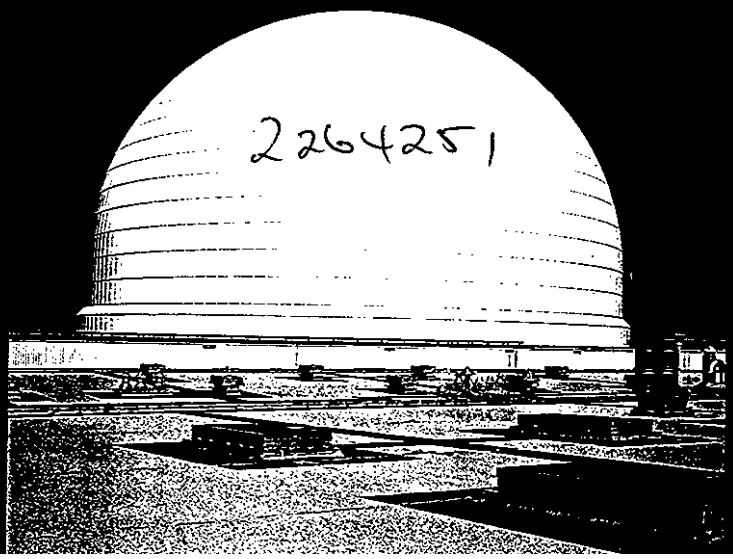
Report and Accounts

1994-1995

Corporate information from Nuclear Electric plc



Nuclear Electric

CLEAN ENERGY FOR THE 21ST CENTURY

Five years of achievement

- A major competitive force with over 22% of the England and Wales electricity market
- Overall output increased by 39%
- Productivity increased by 117%
- Unit costs reduced by 49%
- Major improvement in the performance of the advanced gas-cooled reactors (AGRs) with output increased by more than 70%
- Sizewell B pressurised water reactor (PWR) built to programme and within budget
- Fuel services contracts worth £14 billion signed with British Nuclear Fuels plc (BNFL)
- International partnerships created to pursue export opportunities.

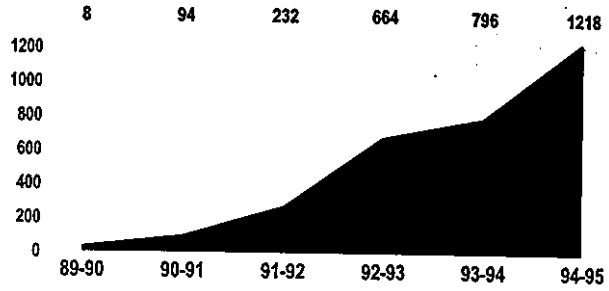
Front cover: Sizewell B first started producing power in February 1995.

Contents

Five year performance

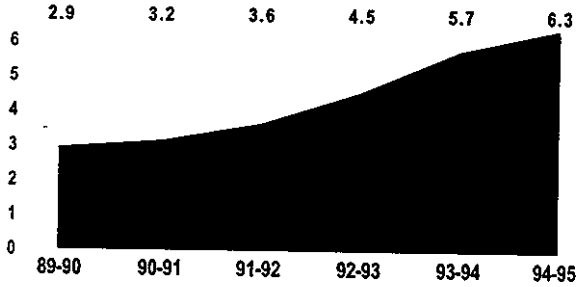
Operating profit up £1.2 billion

£m before revision of previous years' nuclear provisions



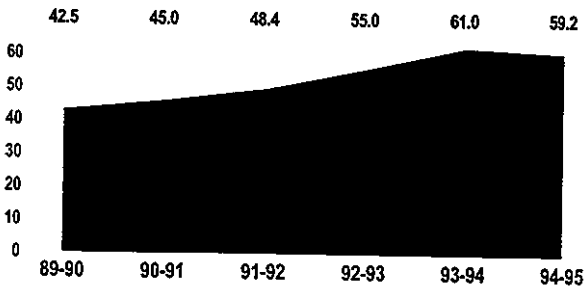
Productivity up 117%

GWh/employee



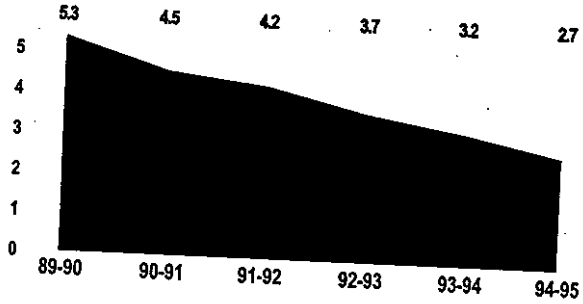
Electricity supplied up 39%

TWh



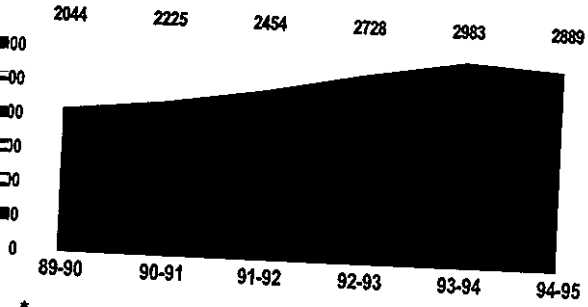
Operating cost down 49%

p/kWh operating cost per unit sold stated at 1994-95 prices



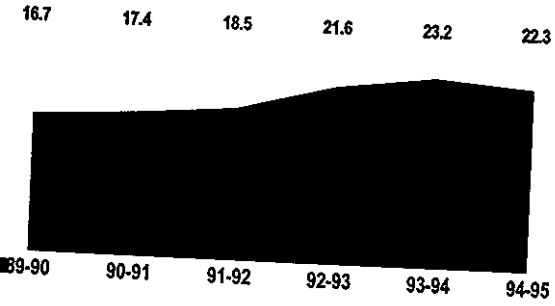
Turnover up 41%*

£m



* Figures for previous years have been restated to reflect the inherited contract for second tier supply in direct sales

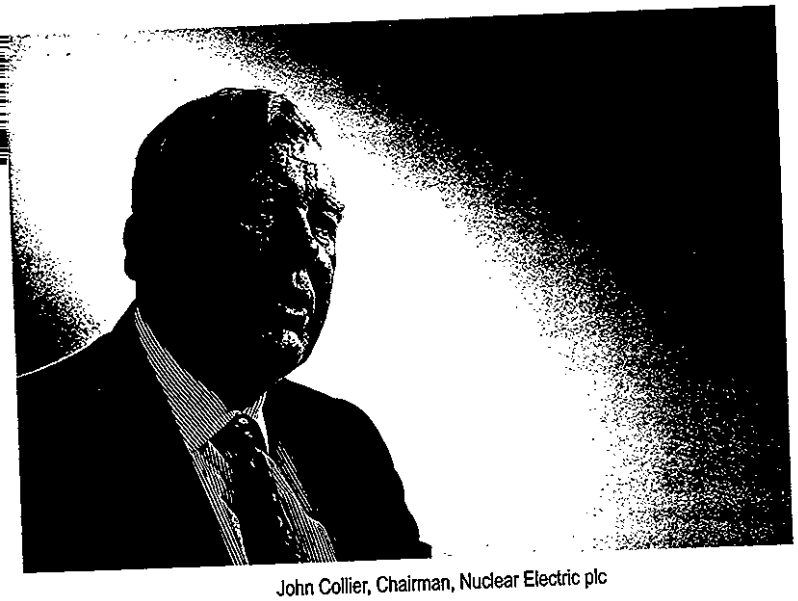
Market Share up 33%



Nuclear Electric plc is a Company founded on quality and committed to providing energy safely, competitively and cleanly.

1994/95 was a watershed year. Five years of progress culminated in HM Government's decision to privatise the Company's newer power stations.

CHAIRMAN'S STATEMENT



John Collier, Chairman, Nuclear Electric plc

It is now five years since Nuclear Electric was vested. During that time the Company has transformed its operating and commercial performance and established itself as a major competitive force in the UK electricity market.

FIVE YEARS OF PROGRESS

Since Nuclear Electric's formation, output from the existing Magnox and AGR power stations has increased by 39%; productivity has more than doubled; and our market share has increased by 33%. Sizewell B PWR has been built to programme and within budget; the already good health and safety performance has improved still further; and the costs of decommissioning and spent fuel management have been quantified and significantly reduced.

This impressive performance, which has laid the foundations for the Government's decision to privatise Nuclear Electric's newer stations, has been achieved through the skill and commitment of the Company's staff. I would like to thank them all for their efforts.

1994/95 - ANOTHER SUCCESSFUL YEAR

1994/95 has been a year of progress, despite some setbacks which are detailed later in this report. High overall electricity output from our AGR and Magnox power stations has been maintained and our operating costs have continued to fall.

A highlight of the year has been the completion of Sizewell B power station. Winning the Construction Industry's Supreme Award for the best project of 1994, as well as the Civil Engineering Award, the Sizewell B project has provided a showcase through which we can demonstrate our competence to build an advanced PWR power station to a truly competitive time and cost standard.

BOARD APPOINTMENTS

Peter Warry was appointed to the Board as Executive Director, Commercial, in January 1995. There have been three non-executive director appointments to the Board in the course of the year: Noel Davies was appointed in September and Patrick Macdougall and Professor Roger Perry in November 1994.

HONOURS

My congratulations go to Brian George, Executive Director, Engineering, who became a CBE, to Ken White, former manager of

Heysham 2 power station, who was made an OBE, and to Evadney Campbell, an administrative officer, who became an MBE, all in the New Year's Honours list.

THE FUTURE

The Government's decision to privatise Nuclear Electric's AGR and PWR business, linking it with Scottish Nuclear Ltd under a new holding company, and to retain the Magnox business in the public sector is a watershed for the UK nuclear generating industry.

I expect the newly privatised companies to have the commercial discipline needed for prosperity and growth. Unfettered by the restrictions which inevitably limit the activities of a state sector company in a largely privatised market, they will provide sharpened competition.

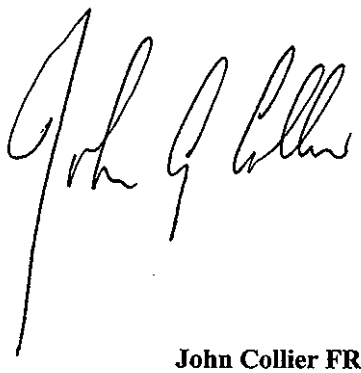
We are under no illusion as to the scale of the challenge that we will face but I am confident that it is only through privatisation that the way can be opened for new investment and the ability to compete flexibly in the global market for nuclear power services.

The establishment, under continuing state ownership, of a separate Magnox company offers scope to develop financial, management and technical innovations to optimise the Magnox stations' operating lives and to minimise their liabilities, thereby securing maximum value for the taxpayer.

The Government has also announced the cessation of the nuclear Levy from the time of privatisation. The Levy was necessary to help Nuclear Electric build up the funds needed to meet the liabilities which we inherited from the Central Electricity Generating Board (CEGB). I am pleased that the improvement that we have achieved in performance has enabled the Government to bring the Levy to an early end.

The Government's welcome announcement in advance of the publication of its Radioactive Waste Policy White Paper has helped to reduce uncertainties in liabilities, confirming both that the UK Nirex Ltd's (Nirex) underground waste repository should be pursued without any unnecessary delay and that Nuclear Electric's proposed safestore decommissioning strategy is potentially feasible and acceptable.

The year ahead will be exciting but demanding as we restructure Nuclear Electric and help to establish the new holding company in preparation for privatisation. We have the determination to succeed, backed by a skilled and dedicated workforce.



John Collier FRS FEng
Chairman
Nuclear Electric plc

During the past year we have made good progress towards achieving our target of profitability before the Levy in 1995/96.

Dr Robert Hawley, Chief Executive, Nuclear Electric plc

BUSINESS PERFORMANCE

As predicted, the Pool price cap, agreed between the Director General of Electricity Supply (DGES) and our main competitors, led to lower prices and greater volatility in the electricity market. Despite these difficult market conditions our profit, including Levy income, increased by £422 million to £1,218 million, due to lower operating costs and the absence of the restructuring provision charged in the previous year. Omitting Levy income our operating loss reduced from £434 million to £33 million.

Productivity, in terms of electricity output per employee, improved by 11% as staff numbers reduced from 9,454 to 8,990 at the year end. Unit costs of electricity fell for the fifth consecutive year to 2.7p/kWh, helped by price reductions negotiated with BNFL for fuel services. Magnox and AGR power station unit costs were 3.0p/kWh and 2.4p/kWh respectively. The unit cost for Heysham 2 and Hinkley Point B, which are the sister stations to Scottish Nuclear's AGRs, was 2.1p/kWh.

Generation from our Magnox stations increased by a further 1% and two of our AGR stations achieved new output records. However, extended outages were required at two AGRs to verify that hairline cracks, detected in steam pipework welds during routine maintenance, would not compromise safety. The resultant loss of output meant a reduction of total generation to 59.2 TWh compared to 61.0 TWh in 1993/94. As a result our market share in England and Wales fell slightly from 23.2% to 22.3%.

SIZEWELL B

In February Sizewell B, the UK's first PWR, supplied electricity to the grid. Completion of the construction of one of the UK's largest and most complex engineering projects to schedule and within budget was a testament to staff and contractor skills, commitment and professionalism.

BNFL CONTRACTS

Fuel services contracts worth £14 billion signed with BNFL, gave a saving of about 10% over the heads of agreement negotiated in 1991. This resulted in a significant reduction in our annual operating costs. Under the new contracts BNFL will manufacture our AGR and Magnox fuel up to the end of the century and provide Magnox fuel reprocessing for the remainder of the stations' lives. Approximately half the spent fuel produced over the operating lifetimes of the AGRs will be reprocessed at THORP. We have kept our options open on the handling of the remaining AGR fuel and that from Sizewell B. Our commercial flexibility

with regards to fuel supply is guaranteed by our decision to continue to purchase uranium and enrichment services ourselves at competitive world market prices.

EFFICIENCY IMPROVEMENTS

With a continuing trend towards a smaller workforce, we are developing our staff to become more broadly skilled to ensure that we maintain our traditions of safety and quality whilst meeting the ever changing challenges of the market place. Working flexibly within teams, our staff are using problem solving and process management techniques to deliver continuous improvement throughout the business.

As a result of the rationalisation of our engineering activities, which has consolidated our capability to manage future power station construction projects within and outside the UK, we have decided to close Booths Hall at Knutsford, which was the home of the Sizewell B project team.

SAFETY AND THE ENVIRONMENT

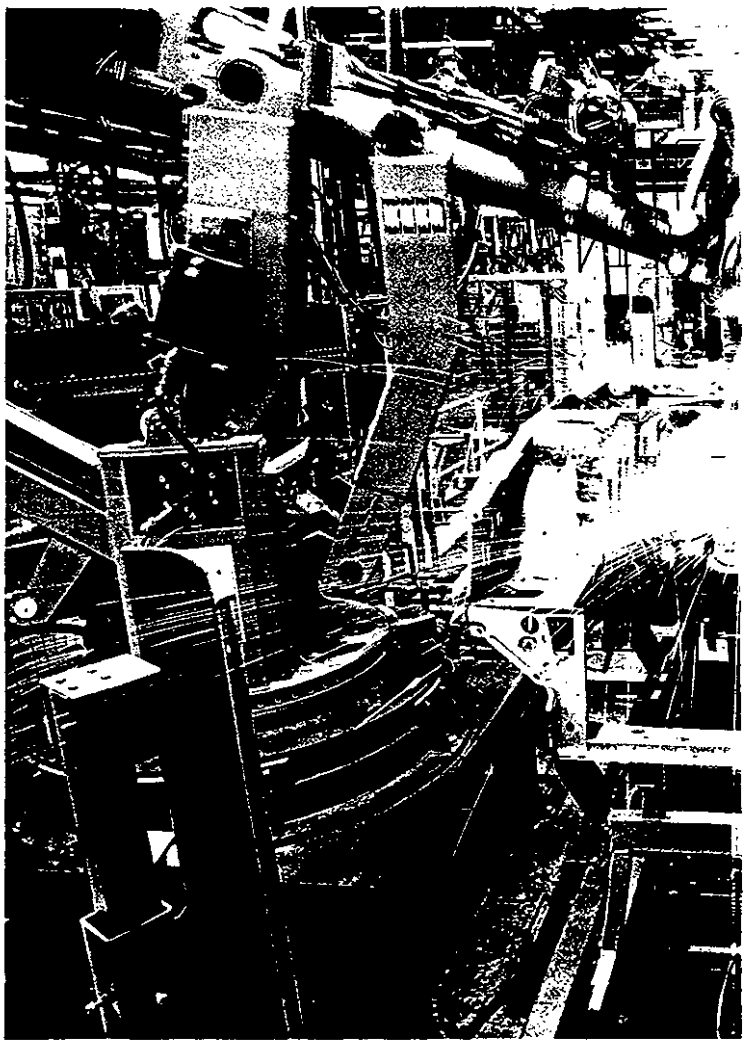
Maintaining high standards of safety and care for the environment is a responsibility we take very seriously. Once again we have received independent recognition for our achievements in these areas. The Company was awarded eight gold, two silver and one bronze Royal Society for the Prevention of Accidents (RoSPA) awards to acknowledge our industrial safety performance last year. During March our AGRs at Hartlepool and Heysham 2 became the first power stations in the UK to be successfully audited against the new British Standard for quality environmental management, BS 7750.

FUTURE PROSPECTS

Our bid to build a twin PWR at Lungmen in Taiwan with the American company Westinghouse, demonstrates our commitment to develop new business opportunities outside the UK market, through international joint ventures and alliances. Although no contracts will be placed in the short term for the Lungmen project, the rapid industrialisation and electricity demand growth in other parts of Asia, South America and Eastern Europe should present other opportunities for us to capitalise on the Sizewell B design.

Our confidence is strengthened further by the Government's decision to combine our AGRs and Sizewell B with Scottish Nuclear's AGRs within a single private sector holding company. We believe the move will create the right commercial environment for the joint company in both the UK and overseas markets.

Dr Robert Hawley DSc FEng
Chief Executive
Nuclear Electric plc



Nuclear Electric is a major competitive force in the UK electricity market. We are laying the foundations to build an expanding portfolio of customers worldwide.

THE UK MARKET

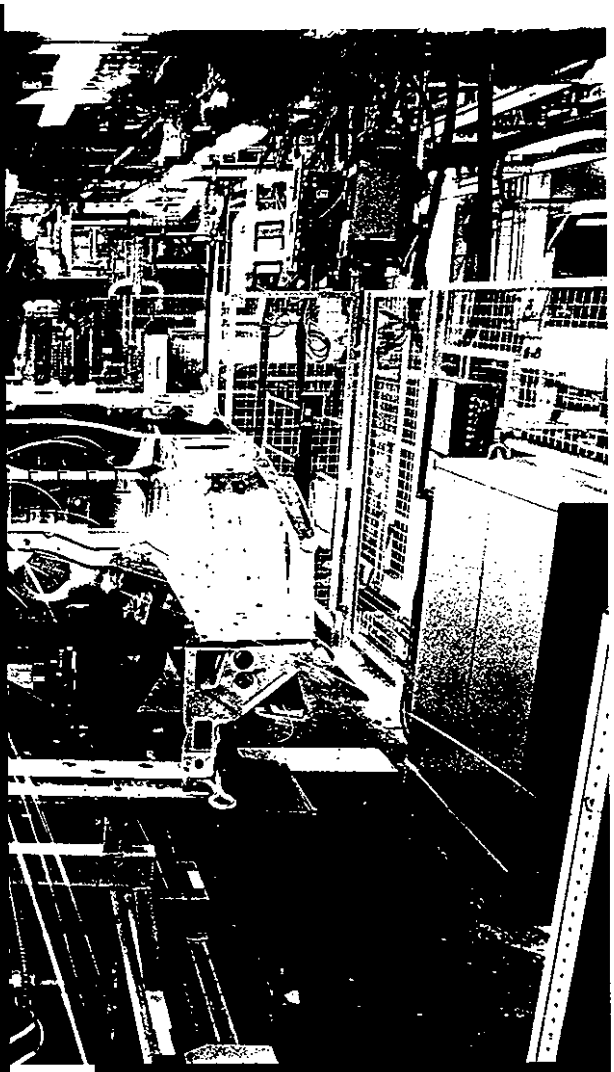
Income from electricity sales was down on last year. This was partially due to a reduction in the Company's output but the main cause was the price cap understanding reached between the DGES and the fossil fuel generators. The Company's share of the market now stands at 22.3%. This is expected to increase when Sizewell B power station in Suffolk, Britain's first PWR, reaches full power.

There were record high prices in the Electricity Pool (the half hourly spot market) during the winter months, despite relatively mild weather. The average baseload price for the year was, however, down 2% as a result of the Pool price cap, whilst system weighted prices rose by 6%.

The Company has developed its electricity marketing activity very successfully during the year. This now provides a more diverse customer base as well as the flexibility in products to meet individual customer requirements. Following the granting of a Second Tier Licence, Nuclear Electric's retail business has continued to expand through direct sales to end users. In 1994/95 we secured direct supply contracts with some 130 sites across a wide range of customers within the areas covered by the Regional Electricity Companies (RECs).

Although we expect the volume of direct sales to grow over future years, the RECs will continue to be our main customers through the sale of Contracts for Differences (CfDs). Nuclear Electric has obtained similar levels of freely negotiated contracts as its main competitors over the last five years. This has enabled us to secure a substantial volume of sales at competitive prices while reducing our exposure to fluctuations in Pool price.

We have participated fully in discussions among Pool members on Pool reform, with a view to establishing an equitable market in which to compete with other generators. In general, the Company believes that the Pool has operated properly as a wholesale market reflecting price sensitivity to demand and supply. However, the consequences of the price cap arrangements have at times severely distorted Pool trading. As a result, although we do not believe radical changes are required to the Pool trading arrangements, we consider that



The production line at Peugeot Talbot in Coventry, one of Nuclear Electric's growing number of direct supply customers.

external distortions to its efficient operation, such as the price cap and privileged contracts with generators, should be removed as soon as possible.

THE INTERNATIONAL MARKET

Britain's nuclear industry is widely regarded as a source of world class technology and engineering and operates to safety standards which are recognised as amongst the highest in the world. In addition, Nuclear Electric has demonstrated by the major improvement in the performance of its AGR stations that it has a world class capability in all of the skills required to manage and support the safe, cost-effective operation of nuclear power stations. We believe that there is a growing international market for these skills, which we intend to exploit.

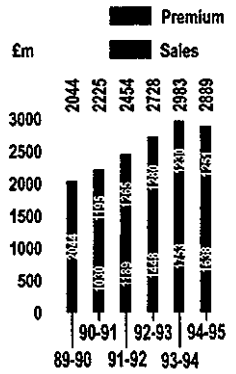
Some 55 reactors are currently under construction, and 71 planned around the world, the great majority in countries without indigenous design and construction capabilities. In addition, there are opportunities for us to capitalise on our extensive practical experience of operating and improving the performance of existing plant. We are currently exploring promising opportunities in the newly thriving economies of the Pacific Rim and Latin America.

We are also pursuing the interests expressed by major industrial companies, both in the UK and overseas, to participate in a consortium to invest in a twin PWR reactor at Sizewell.

We have continued to develop working relationships with other overseas utilities and research organisations through mutually beneficial technical exchange agreements. These links will help us to understand better the opportunities in the international nuclear business and to undertake profitable business ventures in future. For example, we held the first meeting under our Technical Exchange Agreement with the Korea Electric Power Corporation (KEPCO) in the autumn. In January we extended our existing collaboration with the Spanish generating utility ENDESA when we signed an Alliance Agreement with the Spanish industrial group TENEO.

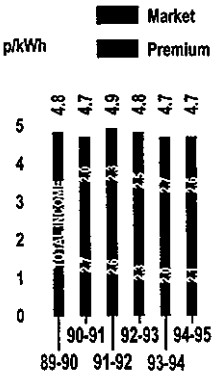
We play an increasing role in international programmes for improving safety at nuclear power plants. Some of our work has been directed towards securing specific improvements in plants in Bulgaria, Slovakia and Russia. The work includes contracts financed by the Department of Trade and Industry and the European Union.

Turnover

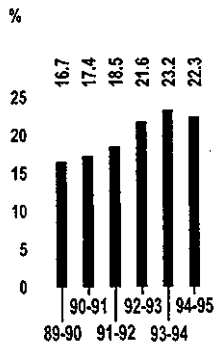


Figures for previous years have been restated to reflect the inherited contract for second tier supply in direct sales

Income per unit sold



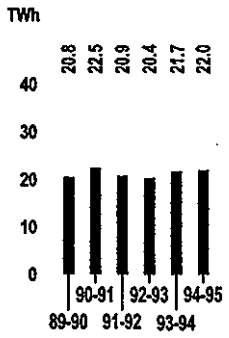
Total energy market share



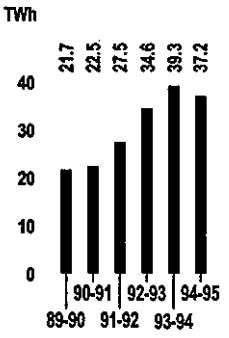
We have redoubled our efforts to reduce costs; improve performance and obtain better value for money from our suppliers.

OPERATIONAL PERFORMANCE

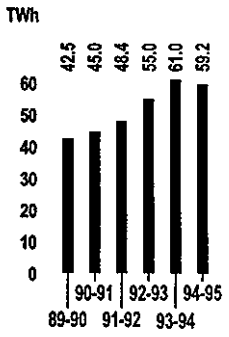
Magnox output



AGR output



Total Company output



The total output from the Company's power stations during 1994/95 was 59.2 TWh, slightly less than in the previous year. Of this total output 37% was produced by the Magnox reactors and 63% by the AGRs.

Statistics from the World Association of Nuclear Operators (WANO) demonstrate that the performance and reliability of our generating plant has improved faster than those of other utilities.

The Magnox stations continued to operate reliably over the past year with the lowest unplanned automatic trip rate of any reactor type in the world, operating at an average annual load factor of 85%. Dungeness A achieved a load factor of 95%. The reliability of these plants is typified by the performance of Oldbury power station which had operated at the end of the year for over three years without an unplanned shutdown.

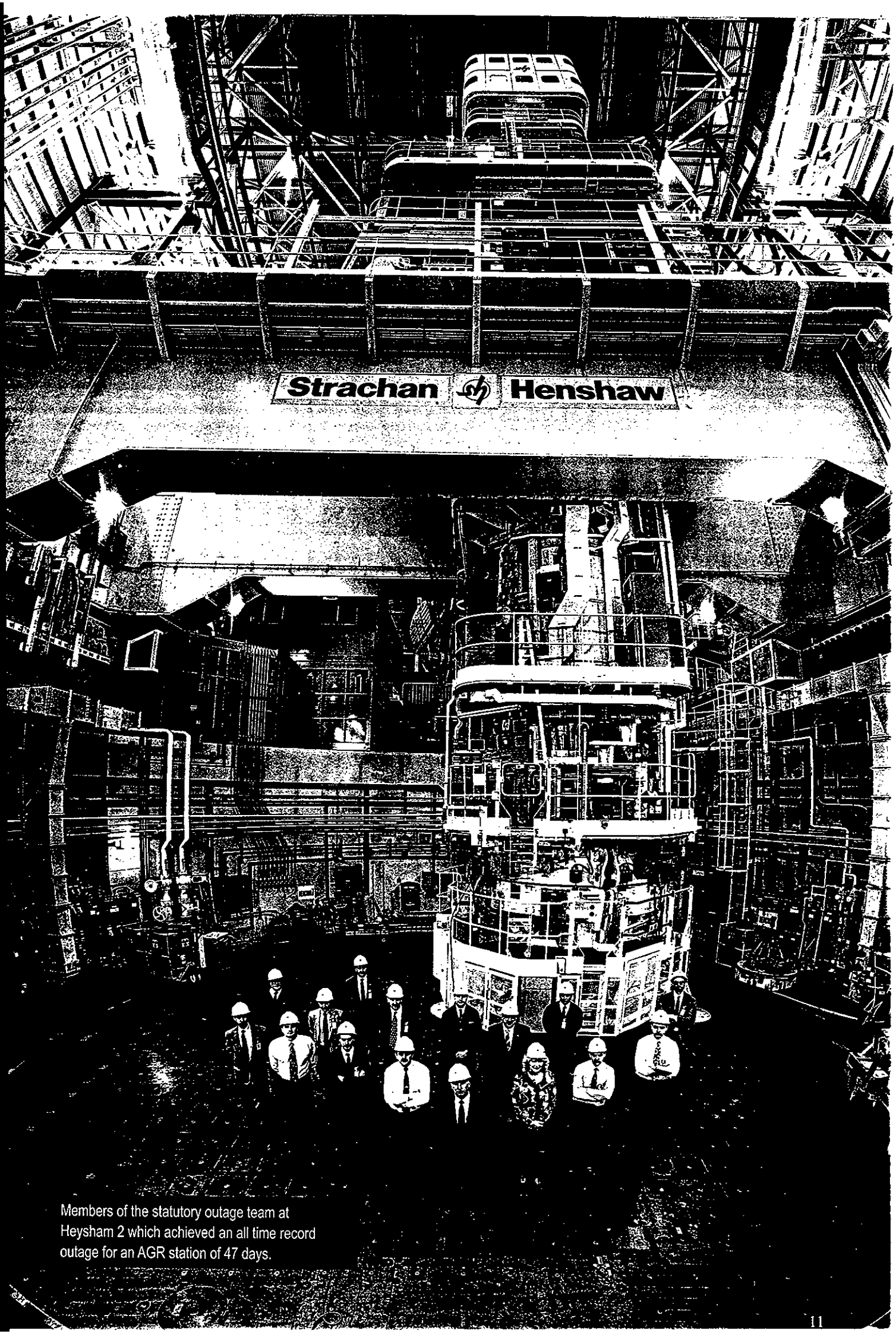
The Nuclear Installations Inspectorate (NII) has given its consent for operation at Hinkley Point A beyond 30 years and up to a potential lifetime of 40 years. Dungeness A and Sizewell A are now well placed to follow this achievement after receiving satisfactory reports from the NII's assessment of their Long-Term Safety Reviews (LTSRs).

The output of the AGR stations last year was affected by extended outages of plant at Dungeness B and Heysham 1 due to cracking in steam pipework welds. The pipework is routinely inspected and monitored. Before return to service, safety cases were developed to demonstrate to the satisfaction of the NII the safety of the plants for continued operation.

Plant capability and availability levels have increased progressively for Magnox and AGR plant since the Company was formed. There remains some scope for marginal improvement in AGR availability. We are seeking further reductions in output lost due to statutory overhaul outages. During the year Heysham 2 set an all-time record low for an AGR statutory outage of 47 days against the 1993/94 AGR best of 52 days. Excellent results were achieved at Hinkley Point A last year with a statutory outage completed in less than 25 days, against the previous Magnox best of 30 days at Oldbury. Over the past five years the average length of statutory reactor overhaul outages has reduced by 50% for the Magnox stations and by 63% for the AGR reactors.

Longer intervals between outages provide further opportunities for reducing lost output. The Company has now received from the NII consent for three-year intervals between statutory outages at four of the AGR stations. One of the units at Heysham 1 has already completed three years' operation between outages whilst the second unit and the other four units at Heysham 2 and Hartlepool are in their third year of operation. When fully implemented, the estimated benefit to the Company will be some £40 million per year.

A major milestone was achieved in August 1994 when Heysham 2 joined Hinkley Point B



Members of the statutory outage team at Heysham 2 which achieved an all time record outage for an AGR station of 47 days.

in refuelling its AGR reactors on load. The safety case and associated design work represented a significant technical achievement. Each year this development avoids up to six reactor shutdowns and could earn the Company up to £20 million per year as a result of the additional electricity generated.

SIZEWELL B COMPLETION

The year saw the completion of construction and a start to commissioning of Britain's first PWR power station - Sizewell B. Construction, which started in 1988, was completed in September 1994 to programme and within budget. Following consent from the NII, the first charge of fuel was loaded in September 1994. Criticality was first achieved in January 1995 and the first electricity was exported to the grid in February 1995. Full commercial load is planned for June 1995.

Based on the design of operating stations in the USA, Sizewell B incorporates many extra safety features to meet the stringent demands of the NII.

The project has won two major prizes in the British Construction Industry Awards - the Civil Engineering and the overall Supreme Award. The judges said: "The success of this project has a significance well beyond our shores and the completion of the massive civil works, within programme and budget, is a staggering achievement."

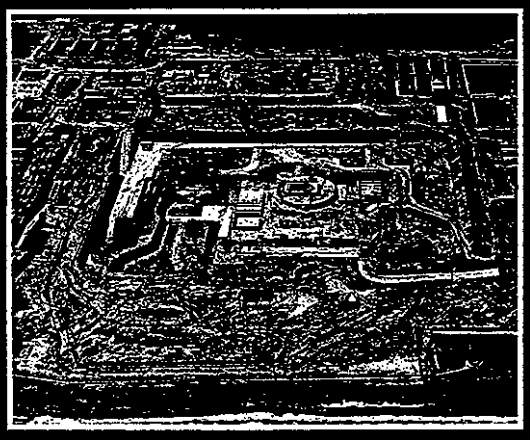
The station is designed to supply 1188 MW of power, enough for the daily needs of 1.5 million people. Over its lifetime it is estimated that Sizewell B will prevent the emission of 300 million tonnes of carbon dioxide. The station will use just 30 tonnes of uranium each year. To generate the same power from a fossil fuel station would require over 3.5 million tonnes of coal.

PARTNERSHIP WITH SUPPLIERS

During the year negotiations have continued with BNFL on fuel service contracts for the Company's AGRs and to cover our Magnox stations. These culminated in formal contracts signed in March 1995. The new arrangements provide for comprehensive fixed prices covering ongoing fuel operations, with short-term incentive-based contracts to discharge the older Magnox liabilities. Reduced prices and greater certainty over costs are the benefits of the new contracts which will provide the framework for the future business relationship between the two companies.

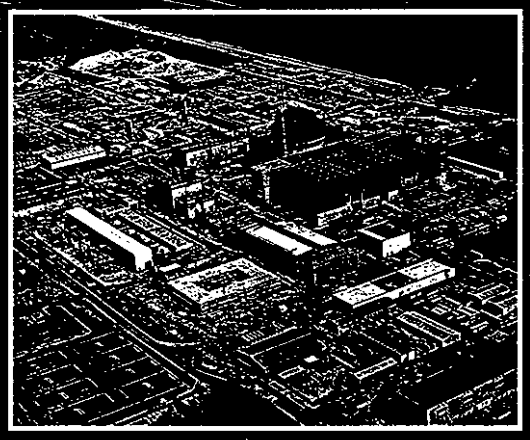
A number of new long-term uranium supply contracts have been signed with Australian and Canadian producers, following an international competitive tendering process. The new contracts, which replace contracts signed over ten years ago, are expected to meet around 30% of the Company's needs into the next century and provide a more diverse uranium supply.

1988	First of 424,000 cubic metres of permanent structural concrete poured Reactor instrument tunnel weighing 25 tonnes arrives on site
1990	10 reinforced concrete cooling water tunnels floated by sea from Middlesborough and buried into sea bed Reactor pressure vessel completes its 4400 kilometre journey from Chalon in France
1991	The year of the big lifts 650 tonnes polar crane lifted into reactor building Reactor dome liner - bigger in circumference than St Paul's Cathedral dome - lifted into position 433 tonnes reactor pressure vessel lifted into position
1995	First electricity supplied to national grid in February



1988

1990



1991

1995

Nuclear Electric aims to be amongst the world's best utilities in ensuring safe plant operation and the well being of staff, the public and the environment.

SAFETY PERFORMANCE

Safety is the primary goal in Nuclear Electric. The Company has set itself the vision of being amongst the world's best utilities in ensuring safe plant operation and the well being of staff, the public and the environment.

The overall high level of performance in industrial safety in Nuclear Electric is exemplified by the number of RoSPA awards achieved. Ten awards were obtained in 1994/95 and seven of these were gold. The awards are given in recognition of a consistently good or continuously improving safety performance and a sound safety policy. Berkeley Technology Centre also received the gold medal award in recognition of the excellence shown in achieving five consecutive gold awards.

During 1994/95 there has been a continued reduction in the collective radiation dose to workers and contractors. This decreased by a further 15% over the year and only one employee received a radiation dose in excess of 10 mSv. This compares with the legal maximum of 50 mSv.

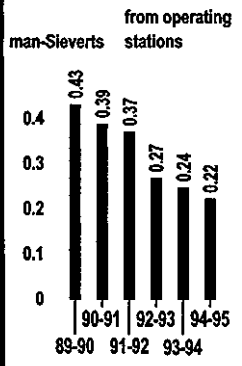
The highest potential radiation dose received to a member of the public from liquid discharges of radioactive material was estimated to be less than 0.05 mSv. By way of comparison, the annual average radiation dose to the UK population from natural sources of radioactivity is 2.2 mSv, but can be significantly higher in areas such as Cornwall where the average annual dose is about 7.5 mSv.

The number of lost-time accidents at the power stations remained at the same low level achieved in 1993/94. There were no fatalities to employees or contractors in 1994/95. The accident frequency rate for the Company, for one-day lost-time accidents now stands at 0.32 per hundred thousand hours worked, whilst the comparable figure for three-day lost-time accidents is 0.23. This compares with the three-day accident frequency rate for the UK energy sector of 0.63 (Health and Safety Commission 1993/94 data). Oldbury recorded no lost-time accidents in the entire year for the second year running. Three other power stations - Heysham 2, Sizewell A and Sizewell B - recorded only one lost-time accident during the year.

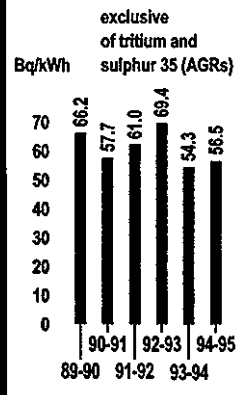
The International Nuclear Event Scale (INES) provides an indication of the seriousness of events at nuclear installations. In 1994/95 Nuclear Electric had no events at level 2 or above on the seven point scale. A slight increase in the number of minor plant events occurred during the year. None of these, in themselves, was serious in their safety significance but action is being taken to investigate causes and recover the previous downward trend.

The Company is driving towards continual improvements in business performance as part of its quality culture. Safety is an integral part of this initiative. The Company believes that a

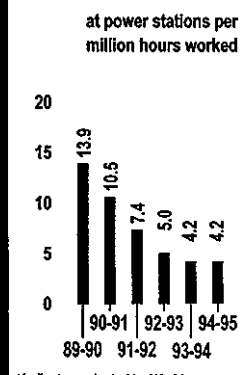
Collective radiation dose per reactor*



Liquid discharges from operating stations



Lost time industrial accidents*



*Indicators adopted by World Association of Nuclear Operators

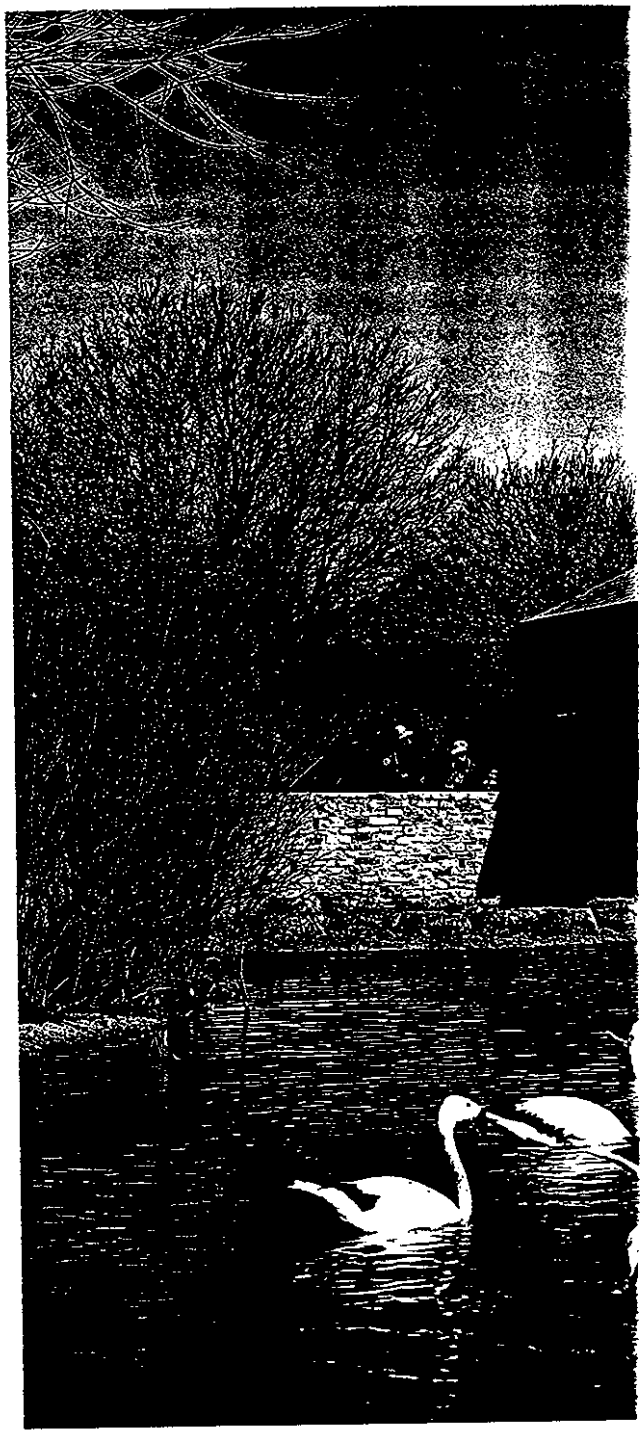
Routine safety checks are constantly taking place within Nuclear Electric's plant. Heysham 2 power station employee, Michele Kingston, conducts an air sampling test.

quality company will be a safe company and that improved safety performance has significant commercial benefits. We will continue to invest to achieve further improvements in our health and safety performance.

Number of recorded events at operating stations

	Level 1	Level 2
1989 - 90	95	7
1990 - 91	67	3
1991 - 92	36	2
1992 - 93	31	0
1993 - 94	31	1
1994 - 95	42	0

International Nuclear Event Scale
Level 1 = anomaly Level 2 = incident



Nuclear electricity plays a vital role in containing global warming and makes an important contribution to meeting the UK's emission targets.

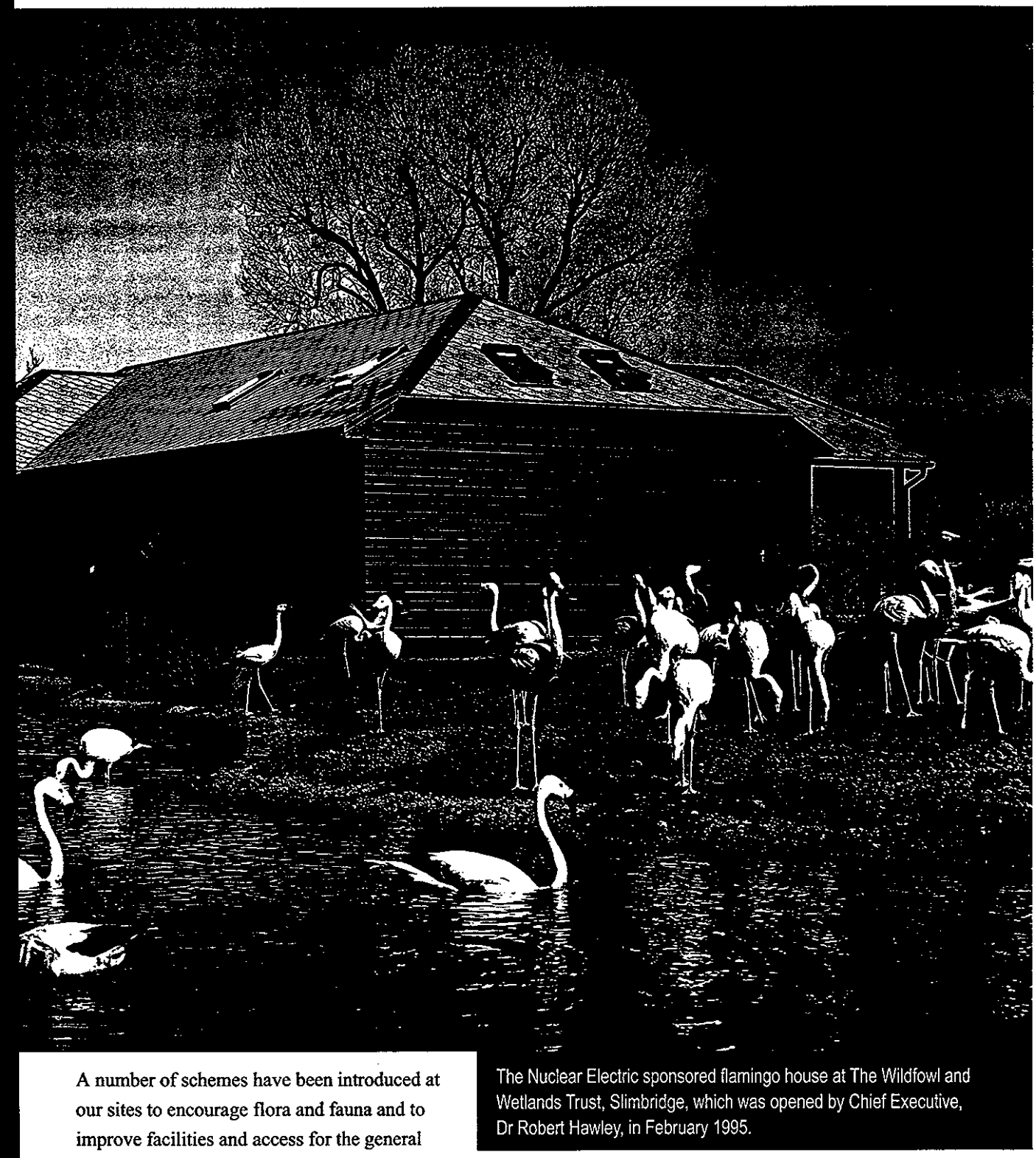
ENVIRONMENTAL REVIEW

Nuclear Electric has continued to make a significant contribution in helping the UK meet targets for carbon dioxide reduction set by the Government. The electricity generated by our power stations during the year saved the emission of 47 million tonnes of carbon dioxide as well as 543,000 tonnes of sulphur dioxide, and 165,000 tonnes of nitrogen oxides, if this had been generated from fossil fuel plant.

Our commitment to environmental improvement gained external recognition through the Prince of Wales' Award for environmental initiatives and environmental educational material developed at our Trawsfynydd and Wylfa sites in North Wales.

Significant progress has been made in introducing the Environmental Management System BS7750. Two of our power stations, Hartlepool and Heysham 2, completed certification audits during 1994 and have since been awarded formal certification from the National Accreditation Council for Certification Bodies (NACCB) . These are the first power stations in the UK to achieve the Standard. All our remaining power stations are programmed to achieve the Standard before the end of 1995.

In addition to this target we have set a number of new environmental targets within the Company. These include the introduction of an effective water consumption monitoring system, updating our policy on ozone depleting substances, introducing land management plans at our operational sites and carrying out a review of our significant non-radioactive wastes. The Company continues to honour its commitment to the Government's energy efficiency campaign "Making a Corporate Commitment" by targeting a further reduction in energy consumption of 5%. Progress in achieving these targets will be covered in more detail in our Environmental Report which will be published during the summer.



The Nuclear Electric sponsored flamingo house at The Wildfowl and Wetlands Trust, Slimbridge, which was opened by Chief Executive, Dr Robert Hawley, in February 1995.

A number of schemes have been introduced at our sites to encourage flora and fauna and to improve facilities and access for the general public. At Wylfa, barn owl and kestrel nesting boxes have been installed by the Hawk Trust. A nature trail is under construction at Hartlepool in partnership with Cleveland County Council and a similar trail has been completed at Bradwell. This brings the total number of nature trails at our sites to nine.

We have continued to sponsor both local and national environmental projects and to support major research programmes. For the third year in succession we are sponsoring the Royal Society of Arts' Environmental Management Awards and the Growing Together awards for the Red Rose and Mersey community forests. Research has continued on a range of projects including a heathland reclamation scheme at Sizewell, the effects of low-level chlorination of cooling water on the aquatic environment, and deterrent systems to prevent fish entering cooling water intakes.

Our liabilities have been quantified, and can be met from cash flows from our existing power stations.

RADIOACTIVE WASTE CONTROL

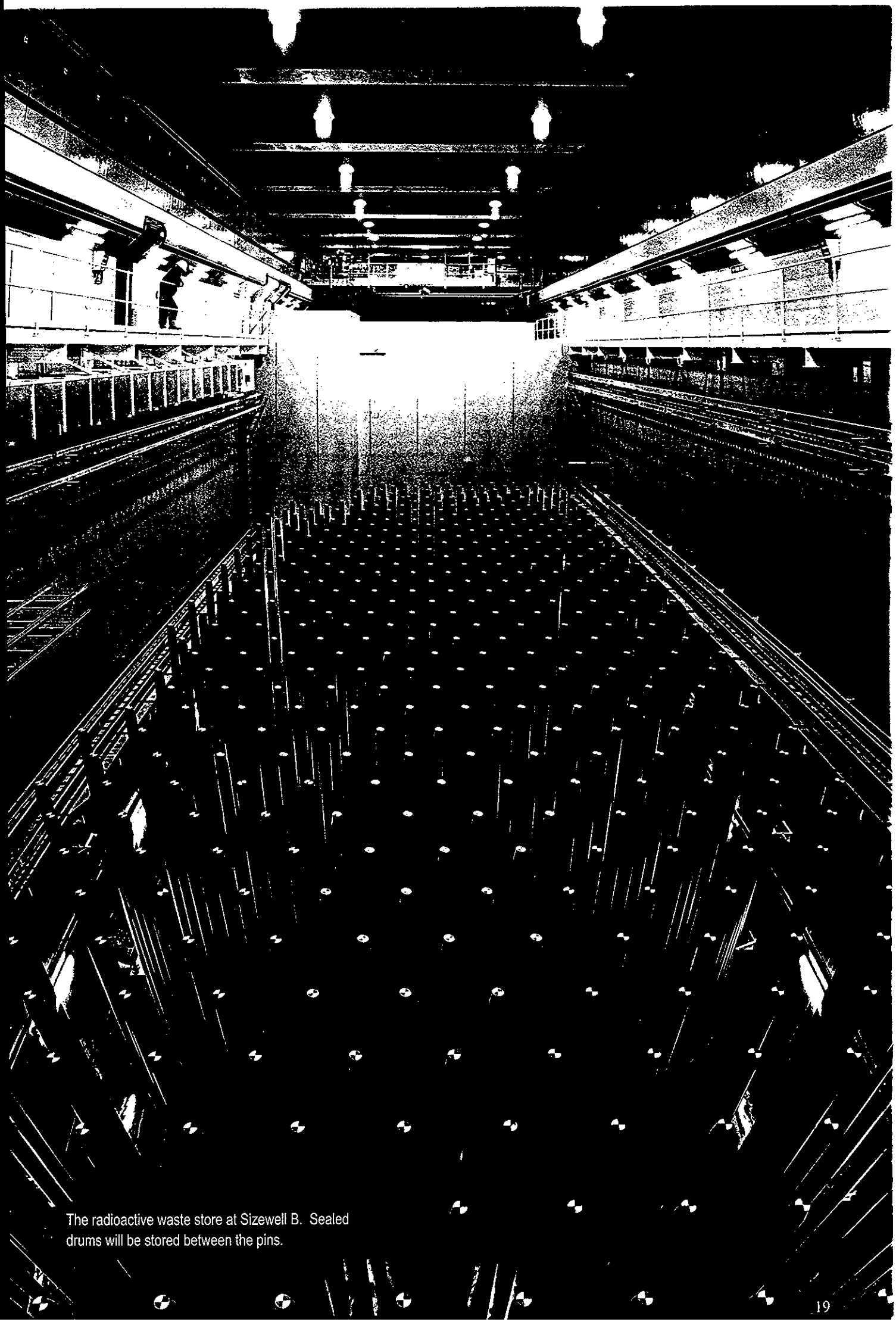
Nuclear Electric sets a high priority on the effective management of radioactive wastes. Controlled discharges of gaseous and liquid radioactive wastes are made routinely to the environment at power stations. These discharges are well within limits set by regulators and represent a very low level of risk to the public and the environment. Extensive environmental monitoring is carried out regularly around each station and results are published annually.

Solid radioactive wastes are also produced at power stations and are managed strictly in accordance with requirements set by the NII. Most of the waste, from routine operations and maintenance, is of low radioactivity and consists of protective clothing, tissues, floor coverings, air filters, etc. After sorting, it is volume reduced by compaction or incineration before being packaged in specialised containers for despatch off-site for disposal. This is carried out in an engineered and regulated disposal facility at Drigg in Cumbria which accepts low level radioactive waste from various sources both in, and outside, the UK nuclear industry.

Wastes with higher radioactivity levels are carefully controlled and accumulated in dedicated storage facilities at power stations. The Company has a clear strategy for the processing and packaging of these intermediate level wastes. The necessary process plant and facilities have been installed and are operating at some stations. For most stations, further facilities are expected to be installed over the next ten years or so, the objective being to have the wastes packaged ready for disposal when the repository under development by Nirex is operational. We welcome the Government's conclusion in the Radioactive Waste Management Policy Review that this repository should be constructed as soon as reasonably practicable.

During the past year we have submitted to the NII detailed site-specific assessments for all our power station waste management facilities. These have demonstrated the adequacy of the plant and systems to meet the requirements of the regulators. Detailed documents have also been submitted to the NII for most stations setting out our future intentions for the management of radioactive wastes up to disposal.

Radioactive wastes also arise as a result of the reprocessing of our spent nuclear fuel at Sellafield. These low, intermediate and high level wastes are managed by BNFL but the ultimate responsibility for their disposal is Nuclear Electric's. We are facing up to that responsibility partly through our involvement in the Nirex project, both as a major shareholder participating in strategy formulation, and as a customer committed to using the repository. At the same time we make financial provisions for the eventual cost of all our future intermediate and high level waste management liabilities.



The radioactive waste store at Sizewell B. Sealed drums will be stored between the pins.

Our decommissioning plans are drawn up to ensure the continued safety of the public, the workforce and the environment and are fully allowed for in our accounts.

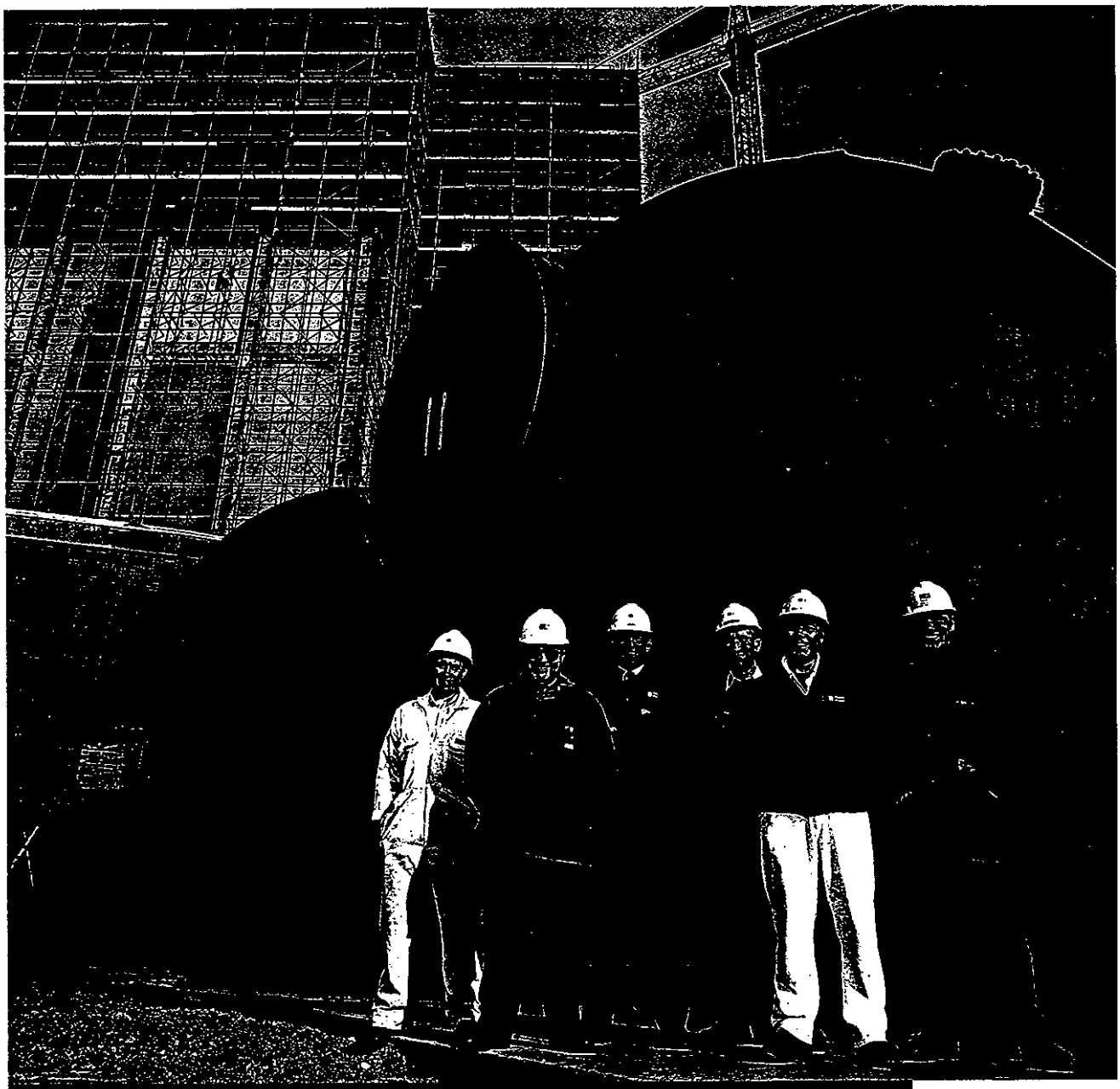
DECOMMISSIONING PROGRESS

The process of decommissioning is well understood. Around 80 nuclear power stations worldwide are being decommissioned and several sites have been completely cleared. We are contributing to the cost of the Windscale AGR decommissioning project which will demonstrate the complete dismantling of a gas-cooled reactor over the next few years.

Experience overseas and in the UK gives confidence that our decommissioning plans are sound and that we can reliably estimate the costs so that we are able to make adequate financial provisions for future decommissioning expenditure.

Following its Review of Radioactive Waste Management Policy, the Government has confirmed that Nuclear Electric's proposed safestore decommissioning strategy, along with a number of other strategies, is considered to be feasible and acceptable. This strategy involves some early dismantling after defuelling, conversion of the reactor buildings into a weatherproof safestore structure and eventual clearance to a green field site, about 130 years

Cranes remove one of Berkeley power station's 16 boilers as part of the decommissioning process.



Nuclear Electric's decommissioning team at Berkeley power station, including pictured team members Peter Rose, Bill Glover, Jerry Frost, Dave Cowler, Peter Norris and Shaun Kelsey, has made good progress during the year, including reducing the height of the remaining structure.

following shutdown. It has the major advantage of minimising worker radiation dose, waste volumes and costs since most of the radioactivity in the sealed reactors reduces significantly during the time before dismantling.

Good progress has been made in decommissioning Berkeley power station in Gloucestershire where ancillary buildings have been cleared and demolished except where there is a sound reason for their retention. The reactor units have been reduced to their minimum practical volume for long-term care and maintenance. The boilers together with their associated ductwork and housings have been dismantled and the reactor buildings are being reduced in height.

Decommissioning is also progressing well at Trawsfynydd in the Snowdonia National Park. Defuelling is almost complete and detailed plans are being prepared for some early dismantling of plant and buildings before reducing the height of the reactor buildings and making the structure weatherproof.

Nuclear Electric aims to create an effective organisational environment and to develop its staff to achieve the Company vision.

INVESTORS IN PEOPLE

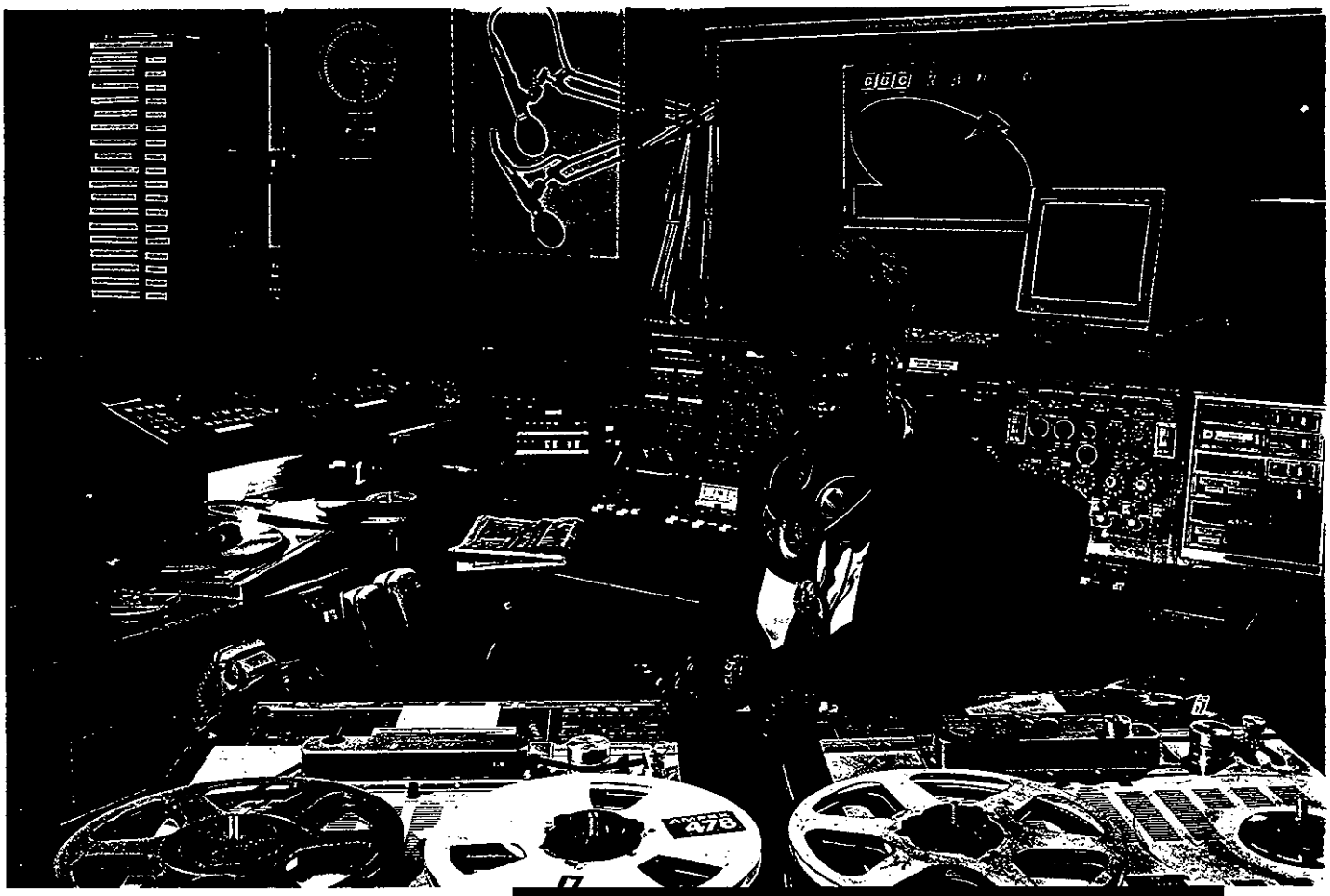
Continuous enhancement of our staff's skills and competences is essential to the achievement of the Company's vision. Staff development is one of the principal objectives in our business plan. Our staff appraisal scheme, based on a number of core competences, is an important step towards that objective. The development actions flowing from appraisals and an improved assessment of training needs ensure that our investment in staff is focused on the Company's needs.

Nuclear Electric is a participant in the "Investors in People" (IIP) initiative and all our business units are committed to achieving the IIP standard by March 1997. The Company's corporate administration department was the first business unit to achieve the standard during the year.

We were delighted to be awarded an Employment Department National Training Award for our "Commercial Awareness" workshops.

We are committed to equality of opportunity and fully support "Opportunity 2000" which encourages full participation of women in the work environment. Some of our development programmes are specifically designed to help women realise their full potential. During the year the Company sponsored one of the national events to celebrate the third anniversary of the "Opportunity 2000" campaign.

The fuel route quality improvement team at Hinkley Point A power station, including pictured team members Roger Lavers, Phil Harris, Greg James, Brian Stevens, Adge Cutler and Andre Baker, is one of 150 employee groups working to improve business performance through quality.



Nuclear Electric employee Evadney Campbell became an MBE during the year for her services to the Afro-Caribbean community in Gloucester.

The year has seen continuing staff reductions in line with the announcement made at the time of last year's annual report. In November 1994, we announced that our Booths Hall office in Knutsford would be closed as part of our rationalisation of accommodation and reorganisation of resources. The Company will continue to achieve manpower reductions through a policy of selective voluntary severance, supported by a new outplacement programme called "New Directions" which is designed to help staff who leave the Company to find alternative employment which matches their abilities.

With the constructive support of our staff and their representatives, the Company's new agreement on terms and conditions of employment has been successfully implemented. The associated negotiating arrangements are now in place and working effectively at both local and Company level.

SUCCESS THROUGH QUALITY

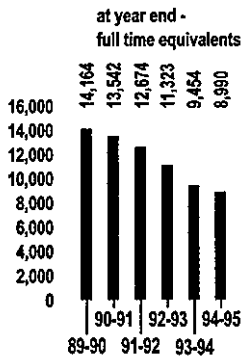
Our integrated change programme, "Success Through Quality" continues to be the vehicle by which we will achieve our business objectives. Its major component - the Quality Improvement Process (QIP) - is now firmly established throughout the Company and has produced impressive results to date.

A comprehensive training programme in support of QIP is available for all staff. The Company has made a substantial investment in developing and accrediting an internal network of QIP instructors to ensure the skills and knowledge necessary are firmly established. Over 150 teams involving staff at all levels of the business are currently working to improve business performance by solving problems or improving work processes.

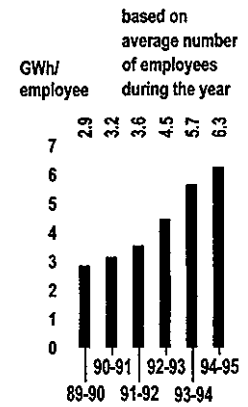
As part of the overall quality improvement process a major Business Process Redesign initiative has confirmed the feasibility of redesigning our core business processes to achieve further performance and efficiency improvements.

The process changes will be implemented progressively over the period to March 1997, with the potential for increases in income and reduced costs through eliminating non-value added work, reducing process times and broadening staff skills.

Total number of employees



Productivity



We aim to build public confidence in nuclear power by demonstrating that it can be safe, clean and economic.

PUBLIC AWARENESS

Maintaining effective communications with our stakeholders, including the general public, remains a high priority. Recent public opinion surveys commissioned on behalf of the Company suggest that there has been improvement in trends in public attitudes to nuclear power during the year. We recognise, however, that there is still much work to do in gaining wider public acceptance of the benefits of nuclear power and in increasing public awareness of the Company. As part of this process we conducted a press advertising campaign about the environmental benefits of nuclear power in the summer and autumn of 1994.

In February 1995, John Whittingdale MP sponsored a display of Nuclear Electric's internationally adopted robotics technology at the House of Commons. Visitors included Tim Eggar, the Minister for Energy.

The Company has continued to develop its policy of openness to the public. Approximately 300,000 people visited our power station visitor centres during the year, compared to 84,000 during 1990/91. A new visitor centre was opened at Bradwell in September 1994 and another is almost complete at Heysham.

We have sought to ensure widespread understanding of the issues considered in the Government's Nuclear Review and have increased our contacts with Parliament, the City and the media.

A substantial corporate sponsorship programme has been maintained in areas of the arts, science, education, environment and sport. Sponsorships include the "Essential Turner" exhibition at the Tate Gallery, the "Science Box" exhibition at the Science Museum, the Royal Society of Arts Environmental Management Awards, and "Science Challenge", a science competition for schools. Nuclear Electric is sponsoring a yacht in the 1996 BT Global Challenge Race, building on the victory of *Nuclear Electric* in the 1992/93 British Steel Challenge. The Company is also proud to sponsor Karen Pickering MBE, the world champion swimmer.

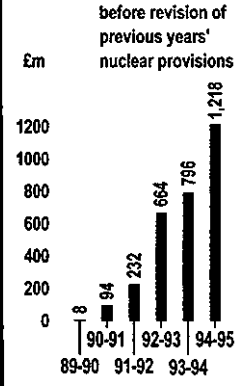
Corporate sponsorships are supplemented by a wide range of local sponsorships and donations as part of our community relations in areas around our power station sites and other locations.

Around 300,000 people visited our power station visitor centres during the year. School children are pictured during an educational trip to the visitor centre at Bradwell power station, which opened in 1994.

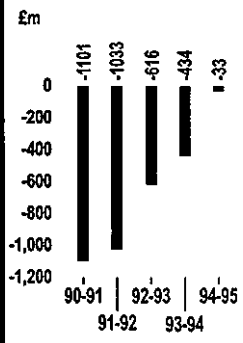
Despite difficult market conditions operating profit improved once again and the financial position of the Company was further strengthened.

HIGHLIGHTS OF THE YEAR

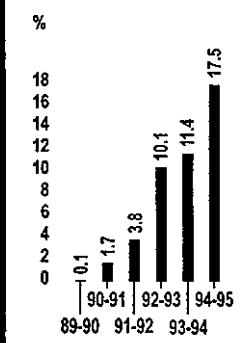
Operating profit



Operating loss before the Levy



Return on capital employed



Operating profit improved once again leading to a further reduction in the loss before the Levy, despite lower market prices.

Unit costs both for the Company as a whole and for each reactor tranche were again reduced whilst the AGR tranche increased its profitability before Levy receipts.

The inherited balance sheet deficit after taking account of the outstanding CEGB liabilities was further reduced by over £1 billion.

FINANCIAL REPORTING POLICY

In order to show a more meaningful account of financial performance since 1990, when the Company was vested with the CEGB's nuclear business, the accounts continue to display the results of the Company's current operations separately from the financial effects of the nuclear liabilities inherited from the CEGB.

FINANCIAL RESULTS

The operating profit for the year from current operations, before revision of previous years' nuclear provisions to reflect refinements to the cost base, amounted to £1,218 million (£796 million) - an increase of 53%. After financing charges there was a profit of £1,957 million (£733 million) from current operations. Combining this profit with the loss for the year relating to past CEGB operations of £889 million (£341 million), gave an overall profit before tax of £1,068 million (£392 million). After a taxation provision of £33 million (£31 million) the net profit of £1,035 million (£361 million) is transferred to reserves.

The balance sheet at 31 March 1995 shows total assets less current liabilities of £8,827 million (£8,472 million) and long-term creditors and provisions of £11,178 million (£11,858 million).

An excellent financial performance for the year has once again led to an increase in return on capital employed, moving from 11.4 % to 17.5%.

Figures in brackets refer to the previous year (1993/94).

SALES AND PROFIT ANALYSIS

The sales and profit/loss of each reactor tranche, before Levy income, are set out on page 27. The AGR tranche of power stations increased its profit before the Levy by 32% despite the effect of lower average selling prices.

Sales and Profit Analysis (excluding Levy) £m	1994/1995 Sales[1]	1994/1995 Profit/(loss) before Levy[2]	1993/1994 Sales[1]	1993/1994 Profit/(loss) before Levy[2]
Electricity generation				
Magnox	582	(96)	610	(240)
AGR	985	62	1,102	47
PWR	2	(59)	-	(57)
Direct sales and other income less unallocated costs	69	3	41	26
Exceptional Items[3]	-	57	-	(210)
Total	1,638	(33)	1,753	(434)

1 Turnover excluding Nuclear Premium

2 Operating profit/(loss) before revision of previous years' nuclear provisions and before crediting Nuclear Premium

3 Exceptional items comprise the release of an excess pension provision written back in 1994/95 and a provision for restructuring costs in 1993/94.

UNIT COSTS

Average operating unit cost for each reactor tranche is set out below, showing further reductions for both Magnox and AGR stations.

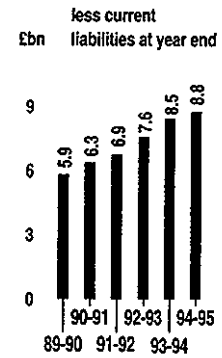
Avoidable unit costs are unchanged from the previous year, and for stations in both tranches are well below market electricity prices.

Station unit cost analysed by tranche	Operating unit cost[1] p/kWh		Avoidable unit cost[2] p/kWh	
	1995	1994	1995	1994
Magnox	3.0	3.9	1.2	1.2
AGR	2.4	2.7	1.1	1.1

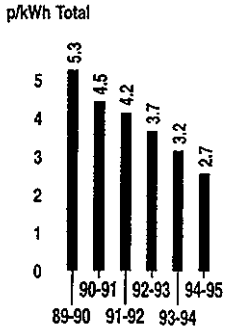
1 Operating unit cost is calculated by dividing the year's operating costs as allocated to electricity generation for the purpose of the sales and profit analysis above by the year's electricity output after excluding imported power.

2 Avoidable unit cost is defined as the costs of continuing operation to the end of a station's economic life minus the costs that would be incurred if the station was to close immediately, divided by projected future output.

Total assets



Operating cost per unit sold*



*All stated at 1994/95 price levels on gross/net/net basis of measurement

PROVISIONS FOR NUCLEAR LIABILITIES

The Company's policy in respect of long-term nuclear liabilities for reprocessing spent fuel, decommissioning power stations and managing wastes is to provide fully for them over the operating lifetimes of the stations concerned. The bases of calculation are unchanged from last year except for a refinement in the way in which fuel reprocessing charges are allocated over time to fuel usage. Provisions for fuel reprocessing are based on the new contracts with BNFL; for waste disposal on the latest estimates provided by Nirex, and from a nuclear industry joint engineering study; and for power station decommissioning on the latest engineering cost estimates for executing the decommissioning strategy described in Note 14 to the accounts. Specific contingency allowances are included where appropriate to cover for the uncertainties arising from a range of possible outcomes.

Since the year end the Government has confirmed that the safestore strategy proposed by the Company is one of a number of potentially acceptable strategies but that decisions on the decommissioning of individual stations should continue to be taken on a case-by-case basis. The Company will be considering during the next financial year the implications of this position on the decommissioning provisions.

All provisions are calculated at current price levels and, to reflect the long time periods over which they fall due, they are then expressed in net present value terms by discounting at 2% per annum. This rate is the real post-tax rate of interest that the Company considers can be earned from long-term risk-free investments. Each year, therefore, cumulative provisions balances brought forward from the previous year are revalorised so as to restate them at the current year's net present value. The revalorisation charge of £617 million (£470 million) comprises adjustments arising from price level changes and the 2% notional interest charge, and does not represent a change in either the underlying physical activities or in the estimated real cost of undertaking the work.

The table opposite summarises the movement in nuclear liabilities over the past financial year. The effect of the new BNFL contracts and of other changes in cost estimates has been to reduce the undiscounted amounts to be paid in future by £2.4 billion and to reduce the provision to date by £1.4 billion. The adoption of a more prudent methodology for allocating fuel reprocessing provisions over time however, has resulted in a one-off increase of £1.1 billion in the provisions to date. The inclusion of Sizewell B's lifetime liabilities has also added undiscounted liabilities of £1.2 billion (£0.3 billion when discounted). Overall, after allowing for payments of £1.2 billion, mainly to BNFL, discounted liabilities have fallen by £2.1 billion to £13.8 billion.

Summary of Movement in Nuclear Liabilities

	Total Payable		Provided to date
	Undiscounted £bn	Discounted £bn	£bn
Balance at 1 April 1994	27.0	15.9	11.0
Revalorisation of opening balance	0.9	0.9	0.6
Revision to previous years' provisions:			
• new BNFL contracts and other cost changes	(2.4)	(2.1)	(1.4)
• change in cost allocation methodology	-	-	1.1
Addition of Sizewell B	1.2	0.3	-
Paid in the year	(1.2)	(1.2)	(1.2)
Provided in the year	-	-	0.4
Decrease in year	(1.5)	(2.1)	(0.5)
Balance at 31 March 1995	25.5	13.8	10.5

OTHER PROVISIONS

Costs of £41 million incurred in the year have been charged against restructuring provisions brought forward leaving £359 million to be carried forward to meet specific costs in 1995/96 and subsequent years. During the year £57 million was released from provisions made in previous years in respect of the cost of equalising pension rights, following decisions made by the European Court of Justice which reduced the likely cost of harmonisation from the level considered possible when the original provision was established.

FINANCING CHARGES

Financing charges include revalorisation of the opening nuclear provisions balance.

Interest earned on cash deposits and gilts increased from £93 million to £115 million, due to the increased funds available. The average yield on cash deposits fell to 5.4% (5.5%) reflecting the reduction in prevailing interest rates.

TAXATION

The Company has available corporation tax losses to be carried forward in the region of £1 billion. However, as these may not be available to offset interest income, a corporation tax liability of £33 million (£31 million) has been provided for.

RISK MANAGEMENT

Foreign currency transactions are converted at the average rate obtained and any exchange profits or losses arising are taken to the profit and loss account or the cost of the asset acquired, as appropriate. The Company manages its exposures to currency fluctuations as soon as these are identified, by taking out forward contracts up to five years.

The currencies, values and maturity dates of future contracts are matched with known exposures arising from normal commercial transactions. Regular reviews are undertaken of the adequacy of internal controls within the Treasury function.

Insurance cover is taken out for material damage, breakdown and business interruption; and for public liability in accordance with the requirements laid down in the Nuclear Installations Act (1965). The majority of cover is placed with the commercial insurance market, the balance being placed with either Electricity Producers Insurance Company Ltd (80% owned) or Nuclear Insurance Ltd (100% owned). These captive insurance companies were established to increase competition and flexibility in the market place.

CAPITAL INVESTMENT

The Company continued to invest in its operating assets, primarily on completion of Sizewell B power station and on maintaining and improving its Magnox and AGR stations. Total expenditure of £284 million resulted in an increase in total net book value of tangible fixed assets to £5,772 million (£5,742 million).

	1994/95	1993/94
Sizewell B	173	285
Magnox stations	35	49
AGR stations	54	56
Non-operational	22	15
Total	284	405

CASH FLOW

After paying off £1,097 million of CEGB liabilities, cash deposits increased by £160 million to £1,508 million. Cash deposits of seven days and over must be invested in the public sector and the majority is placed on deposit with the National Loans Fund (NLF). In view of the low interest rates offered by the NLF the Company has, with HM Treasury's agreement, invested £499 million in gilts. During the year, £374 million was invested in long-term index-linked gilts which the Company intends to hold until maturity. In addition a gilt portfolio, which had been set up in the previous year, is now valued at £126 million and is managed by an external fund manager.

USE OF THE FOSSIL FUEL LEVY

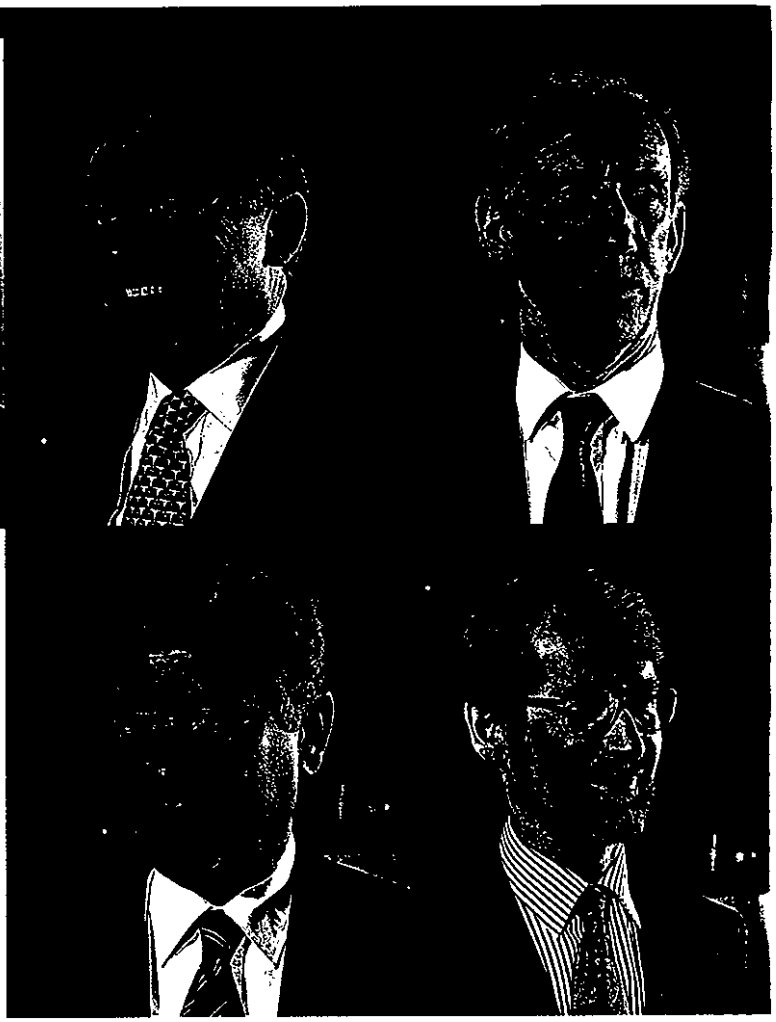
On vesting the Company inherited £11.4 billion of provisions for nuclear liabilities (at March 1995 money values). The corresponding value of future receipts under the Fossil Fuel Levy arrangements that were introduced at the same time was £8.9 billion.

There is no requirement on the Company to segregate its cash receipts from the Levy into a separate fund. Therefore, as is normal in most companies, all sources of the Company's cash inflow are managed as a single pool from which all payments, whether in respect of current operations or inherited liabilities, are made as they fall due.

Over the five years of operation to date the Company has received £6.6 billion of Levy receipts of which £3.5 billion has been applied in discharging the nuclear liabilities inherited from the CEGB. £1.6 billion of the balance has been invested in the business and the remaining £1.5 billion is held within the total of £2 billion cash deposits and gilts.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS



Mr J G Collier FRS FEng

Appointed Chairman and Chief Executive in November 1989 and Chairman from June 1992. Previously Chairman, United Kingdom Atomic Energy Authority (UKAEA); Director-General of Generation Development & Construction Division, CEGB; early career with UKAEA from engineering apprentice to Director, Safety & Reliability Directorate.

Dr R Hawley DSc FEng

Appointed Chief Executive in June 1992. Previously with C A Parsons, from 1961, and then with Northern Engineering Industries in a variety of roles, culminating with appointment as Managing Director of NEI plc responsible for all trading activities and a Board Member of Rolls Royce plc. Deputy President of the Institution of Electrical Engineers and a Non Executive Director of ABB Transportation Holdings Ltd and W S Atkins Ltd. Member of the Government Industrial Development Advisory Board.

Mr M A W Baker

Appointed Executive Director, Corporate Affairs & Personnel, in March 1990. Previously Secretary of the United Kingdom Atomic Energy Authority which he joined in 1964. Board Member of British Nuclear Industry Forum (BNIF), Electricity Association Limited and Electricity Pensions Limited.

Mr B V George CBE FEng

Appointed Executive Director, Planning and Construction, in July 1992, and Executive Director, Engineering, in January 1994. Previously, within the CEGB, he was the Project and Technical Director of PWR Project Management, responsible for the design and construction of Sizewell B and any future PWR power stations.

Mr R W Hall CBE FEng

Appointed Executive Director, Operations, in December 1990. Previously Divisional Director of Generation, Director of Personnel and Corporate Training Manager, within CEGB, prior to which held posts as Station Manager at Hinkley Point and Trawsfynydd power stations. Chairman of World Association of Nuclear Operators (WANO) - Paris Centre, and a WANO Governing Board member. Chairman of Organisation des Producteurs d'Energie Nucleaire (OPEN).

Mr M R Kirwan

Appointed Executive Director, Finance, in October 1990. Previously a management consultancy partner with Deloitte Haskins & Sells. Prior to that Finance Manager in the engineering industry.

NON EXECUTIVE DIRECTORS

Mr P T Warry
Appointed Executive Director, Commercial, in January 1995. Previously a Director of Norcros plc, from 1988 until 1994, where he was Chairman of the Building Products Division. Earlier career spent in the aerospace and automotive sectors of the engineering industry. Non Executive Director of PTS Group plc and of the Heatherwood and Wexham Park Hospitals' Trust. Industrial Professor at the University of Warwick.

Mr J R Melville
Appointed Company Secretary in 1990. Previously with the CEGB, holding a number of appointments in corporate administration and overseas relations. Director, Electricity Association Services Ltd.

Mr J Bullock [1, 3, 4, 5]
Non Executive Director since July 1993. Also a Non Executive Director of Kingfisher plc and BrightReasons Ltd. Previously joint senior partner of Coopers & Lybrand UK.

Mr C N Davies [1, 3, 4, 5]
Appointed Non Executive Director in September 1994. Chief Executive of VSEL plc since 1989. Deputy Chairman of Powell Duffryn plc. Currently President of the Engineering Employers' Federation.

Mr P L Macdougall [1, 3, 5]
Appointed Non Executive Director in November 1994. Chairman (since 1989) and Chief Executive (since 1985) of West Merchant Bank. Also a Non Executive Director of Global Natural Resources Inc.

Professor R Perry DSc FEng [1, 2, 3, 5]
Appointed Non Executive Director in November 1994. Director of the Imperial College Centre for Environmental Control & Waste Management, and Head of Environmental & Water Resource Engineering at Imperial College. Technical Adviser to the House of Commons Select Committee on the Environment. Adviser to both industrial and UN agencies, nationally and internationally, on matters of pollution control and the environment.

Mr M H Spence CBE [1, 2, 3, 5]
Non Executive Director since March 1990. A consulting engineer, formerly Group Director of Strategic Development, Dowty Group plc, covering commercial and technical strategy for the Group.

Ms S E Stoessl [1, 3, 5]
Non Executive Director since March 1990. Head of Broadcasting Research at the BBC. Formerly Director General of the Market Research Society and Head of Marketing for Channel 4 TV. Also an Executive Director of Ealing Hospital NHS Trust. Chairman of Find Your Feet.

1 Audit Committee
2 Health Safety & Environment Review Committee
3 Nominations Committee
4 Pensions Committee
5 Remuneration Committee

Nuclear Electric is committed to being a quality company, upholding high ethical standards. As part of this commitment the Company fully supports the recommendations of the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance.

BOARD OF DIRECTORS

The directors of Nuclear Electric plc during the year ended 31 March 1995 are listed on pages 32/33.

BOARD COMMITTEES

The Nuclear Electric Board comprised seven executive directors and six non executive directors as at 31 March 1995. Nuclear Electric believes that non executive directors have an important role to play in ensuring high standards of corporate governance through their participation in the following meetings and committees:-

Audit Committee:
Reviewing the annual and interim financial results, the procedures by which appropriate systems and standards of internal control are maintained within the Company, and the scope and adequacy of internal and external audit. Making recommendations on the appointment and remuneration of external auditors.

Health, Safety and Environment Review Committee:
Providing the focus for discharge of the Board's formal accountability for health, safety and environmental protection. Reviewing policy, recommending performance targets and reviewing performance.

Nominations Committee:
Monitoring the overall succession management health of the Company and advising on appointments for posts at or immediately below Board level.

Pensions Committee:
Maintaining an overview of the Electricity Supply Pensions Scheme and of the Nuclear Electric part of the Scheme, and ensuring compliance with the Scheme's rules. Appointing trustees, monitoring appeals against trustees' decisions and granting special terms where appropriate.

Remuneration Committee:
Making recommendations to the Company's shareholder in relation to remuneration and conditions of employment of the executive directors.

DIRECTORS' REMUNERATION

The factors on which the Remuneration Committee bases its consideration of directors' pay are consistent with those contained in the Institute of Directors' "Framework for Remuneration Committees".

The Committee cannot take decisions on directors' salaries or pension contributions. Its functions are limited to making recommendations to its shareholder, the Secretary of State for Trade and Industry, who determines directors' pay in accordance with HM Government's "Guidelines on Pay, Appointments and Bonuses for Board members in Nationalised Industries".

In addition to basic salary the Company operates a bonus scheme under which additional earnings are available according to performance against targets established by the shareholder. In 1994/95, targets were set for output, return on capital employed, controllable costs and performance against time and costs targets for the construction of Sizewell B power station, totalling a maximum available bonus of 35% of salary; actual earnings were 7.8% of salary.

INTERNAL FINANCIAL CONTROL

The directors are responsible for ensuring that the Company maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business, and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control system that operated throughout the period covered by the financial statements are described under the following headings:

- **Control Environment.** The system includes a documented organisational structure, a documented and understood primary delegation of authority from the Board to directors and secondary delegation to operating units, and established policies and procedures, including a code of conduct, to foster a strong ethical climate.

- **Identification and evaluation of business risks and control objectives.** The Board has the primary responsibility for identifying the major business risks facing the Company and developing appropriate policies to manage those risks. The risk management approach is used to focus the work of the internal audit function on the Company's most significant areas of risk and to determine key control objectives.

- **Information Systems.** There is a comprehensive budgeting system with an annual budget approved by the Board. Monthly actual results are reported against budget to identify any significant deviation from approved plans and revised forecasts for the year are prepared regularly. The Company also reports to its shareholder on a regular basis.

- **Main Control Procedures.** The Company has identified a number of key areas which are subject to regular reporting to the Board including financial performance, treasury matters, capital scheme expenditures and

environmental issues. Financial controls and procedures including information system controls are detailed in procedural manuals. These controls include defined procedures for seeking and obtaining approval for major transactions and organisational changes as well as organisation controls involving the segregation of incompatible duties.

- **Monitoring.** The operation of the system is monitored by an internal audit function which reports regularly to management and to the Audit Committee.

The Board is not aware of any weaknesses in the effectiveness of the systems that have led, during the last year, to any material losses or contingent liabilities or of any material developments between the balance sheet date and the date of this report.

We recognise that new guidance on internal control and financial reporting has recently been issued. We shall be considering this during the coming year to satisfy ourselves that the Company's system of internal financial control meets the criteria for effectiveness set out in the Cadbury Code of Best Practice.

J Bullock
Chairman of the Audit Committee

Directors' Report and Accounts

for the year ended 31 March 1995

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1995

The directors present their report and accounts for the year ended 31 March 1995.

Principal activities

The principal activities of the Company and its subsidiary undertakings are the generation and supply of electricity, uranium exploration and mining, and insurance. The subsidiary undertakings are listed in Note 9 to the accounts. A review of the development of the business of the Group and likely future developments is given in the Chairman's and Chief Executive's Statements.

Post balance sheet events

On 9 May 1995 the Department of Trade and Industry and the Scottish Office published their White Paper on the Prospects for Nuclear Power in the UK, the conclusion of the Government's Nuclear Review. These financial statements do not attempt to reflect any consequences that may follow from implementing the conclusions and recommendations set out in the White Paper.

Research and development

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

Financial results

A review of the Company's financial results is given in the Financial Review.

As explained in Note 1 to the accounts, the directors consider it appropriate, in view of the letter of comfort from the Secretary of State for Energy in March 1990, which has subsequently been confirmed annually by the Department of Trade and Industry, and financial projections of future cash surpluses, to draw up the accounts on the going concern basis on the grounds that the Company is, and will remain, able to meet its liabilities as they fall due.

The directors are not recommending the payment of any dividend.

Fixed assets

Changes in fixed assets are shown in Notes 8 and 9 to the accounts. There is no significant difference between book and market value of land and buildings.

Board of Directors

The directors of Nuclear Electric plc during the year ended 31 March 1995 are listed below:

Executive directors

Mr J G Collier FRS FEng	Chairman (reappointed 22 January 1995)
Dr R Hawley DSc FEng	Chief Executive
Mr M A W Baker	Executive Director, Corporate Affairs and Personnel
Mr B V George CBE FEng	Executive Director, Engineering
Mr R W Hall CBE FEng	Executive Director, Operations
Mr M R Kirwan	Executive Director, Finance
Mr P T Warry	Executive Director, Commercial (appointed 1 January 1995)

Non executive directors

Mr J Bullock
Mr C N Davies (appointed 1 September 1994)
Mr P L Macdougall (appointed 1 November 1994)
Professor R Perry DSc FEng (appointed 1 November 1994)
Mr M H Spence CBE
Ms S E Stoessl

The Secretary of State for Trade and Industry was a shadow director of the Company within the meaning of Section 714 of the Companies Act 1985 during the year under review.

Corporate Governance

A statement on corporate governance is given on pages 34 to 36.

Statement of Compliance

The Company has throughout the year ended 31 March 1995 complied with the Cadbury Code of Best Practice published in December 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance. The new guidelines on internal control and financial reporting are being reviewed to confirm that the Company's system of internal financial control meets the criteria for effectiveness set out in the Cadbury Code of Best Practice.

The auditors' report on the Company's Statement of Compliance is given on page 41.

Directors' and Officers' liability insurance

The Company has 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 Trade and Industry had during the year under review an interest in 50,000 ordinary £1 shares in the Company. 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 or her immediate family.

Employment of disabled people

Nuclear Electric's Equal Opportunities Policy describes the Company's commitment to make sure that in all aspects of employment practice disabled people are not discriminated against on grounds of their disability.

The Company will explore all the practical options available to accommodate employees who become disabled.

Nuclear Electric is keen to develop initiatives which will assist disabled people and provide them with appropriate work experience and training.

During the year our head office at Barnwood, Gloucester was awarded the "√√" symbol by the local PACT (Placing, Assessment and Counselling Team). Achievement of this award demonstrates our commitment both to existing employees who become disabled, to disabled recruits and to the local community.

Employee participation

The full terms and conditions of a new single company agreement were implemented from 1 April 1994. They include the establishment of a joint committee (the Nuclear Electric Joint Council) for the negotiation of pay and conditions of service.

The Company change programme has continued to generate valuable contributions from staff to key business issues. Attention is now being focused on implementing a quality improvement process which will involve all staff in the delivery of quality goods and services.

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

Political and charitable contributions

During the year ended 31 March 1995, the Company made donations to charitable organisations totalling £325,391, compared with £293,551 in 1993/94. No contributions were made to political parties.

Auditors

On 1 October 1994 our auditors, BDO Binder Hamlyn, joined the Arthur Andersen worldwide organisation and now practise in the name Binder Hamlyn. They have signed their audit report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be reappointed as auditors of the Company will be put to the Annual General Meeting.

This Report was approved by the Board of Directors on 25 May 1995 and signed on its behalf by:

J R Melville
Company Secretary

Company Number 2264251

AUDITORS' REPORT TO NUCLEAR ELECTRIC plc ON THE STATEMENT OF COMPLIANCE

In addition to our audit of the financial statements we have reviewed the directors' statement on page 39 of the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the directors' statement on going concern on page 38, in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and such statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 39 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Binder Hamlyn
Chartered Accountants
Registered Auditors

25 May 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements 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 financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements 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.

AUDITORS' REPORT TO THE MEMBERS OF NUCLEAR ELECTRIC plc

We have audited the financial statements on pages 44 to 68. The historical cost accounts on pages 44 to 63 have been prepared on the basis of the accounting policies set out on pages 44 to 46, and the current cost accounts on pages 64 to 68 have been prepared on the basis of the current cost accounting policies set out on page 66.

Respective responsibilities of Directors and Auditors

As described on page 42, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn
Chartered Accountants
Registered Auditors

25 May 1995

STATEMENT OF ACCOUNTING POLICIES

Basis of accounting

These accounts have been prepared under the historical cost convention in accordance with applicable UK reporting and accounting standards.

Current (Nuclear Electric) 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.

Subsidiary and associated undertakings

The Company's subsidiary and associated undertakings are excluded from consolidation on the grounds that the amounts involved in aggregate 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.

Turnover

Turnover represents amounts receivable for sales of electricity including fees under contracts for differences, revenue from direct sales contracts and other related goods and services net of value added tax, together with nuclear premium income. The directors consider there to be one class of business and one geographical market, that of the UK.

The Company's primary business is the generation of electricity by nuclear power. 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 identified separately in these accounts.

Fuel costs

The charge to the 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 an appropriate fraction of 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 are granted.

Variations in pension costs, which result from actuarial valuations, are expressed as a percentage of pensionable salaries and amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated either as provisions or prepayments in the balance sheet.

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.

Tangible fixed assets and depreciation

Fixed assets comprise assets acquired or constructed by the Company that 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.

Nuclear power stations 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 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
Magnox power stations	30-36 years
Non-operational buildings	40 years
Short-term assets	5 years

Assets in the course of construction are stated at cost and not depreciated until brought into commission.

During the year the estimated useful life of the existing Magnox power station at Hinkley Point has been reassessed from 30 to 36 years.

Fixed asset investments

Fixed asset investments comprise investments in and loans to subsidiary undertakings, together with investments in Government gilt-edged stocks (gilts).

The Company's investment in gilts has been treated as a fixed asset investment since it is the directors' intention to hold this investment for the long term. Gilts are stated at cost less any permanent diminution in value and any realised gains or losses are taken to the profit and loss account.

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 financing charges in respect of future periods are included as appropriate within 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 to the profit and loss account.

Stocks of fuel and stores

Stocks of nuclear fuel, stores and spares are valued at the lower of cost and net realisable value. An obsolescence charge for the diminution in the value of stores and 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 nuclear 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 waste.
(c) Decommissioning of the Company's nuclear power stations.

These provisions 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 régime, and are stated in the balance sheet at current price levels. The restatement of the 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 a real rate of 2% per annum to take account of the timing of payments.

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1995

1994 Current (NE) operations (Restated) £m	1994 Past (CEGB) operations £m	1994 Total (Restated) £m		Note	1995 Current (NE) operations £m	1995 Past (CEGB) operations £m	1995 Total £m
1,732	-	1,732	Electricity generation		1,590	-	1,590
21	-	21	Direct sales		48	-	48
1,230	-	1,230	Nuclear premium	2	1,251	-	1,251
2,983	-	2,983	**Turnover**		2,889	-	2,889
(843)	-	(843)	Fuel		(645)	-	(645)
			Materials and services				
(492)	-	(492)	- continuing		(504)	-	(504)
(30)	-	(30)	- exceptional		-	-	-
			Staff costs	3			
(303)	-	(303)	- continuing		(272)	-	(272)
(180)	-	(180)	- exceptional		57	-	57
(278)	-	(278)	Depreciation		(250)	-	(250)
(61)	-	(61)	Decommissioning		(57)	-	(57)
(2,187)	-	(2,187)	**Operating costs**	4	(1,671)	-	(1,671)
796	-	796	**Operating profit before revision of previous years' nuclear provisions**		1,218	-	1,218
3	(16)	(13)	Revision of previous years' nuclear provisions	4	829	(460)	369
799	(16)	783	**Operating profit/(loss) before financing charges**		2,047	(460)	1,587
(66)	(325)	(391)	Financing charges (net)	5	(90)	(429)	(519)
733	(341)	392	**Profit/(loss) on ordinary activities before taxation**	6	1,957	(889)	1,068
(31)	-	(31)	Taxation	7	(33)	-	(33)
702	(341)	361	**Profit/(loss) for the financial year**	17	1,924	(889)	1,035

The columns headed 'Past (CEGB) operations' show 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 in the statement of accounting policies on page 44).

The Company has no recognised gains or losses in 1995 or 1994 other than the profit for the year and no statement of total recognised gains or losses is presented. All the above results derive from continuing activities and there were no acquisitions in the period. The only movement in shareholder's funds during the period relates to the profit for the financial year.

Sales in respect of the inherited contract for second tier supply are now treated as part of 'direct sales' and the comparative figures for 'direct sales' and 'materials and services', where these amounts were previously included, have been restated accordingly. The net loss on this contract continues to be charged against 'other provisions'.

BALANCE SHEET

at 31 March 1995

1994 Current (NE) operations £m	1994 Past (CEGB) operations £m	1994 Total £m		Note	1995 Current (NE) operations £m	1995 Past (CEGB) operations £m	1995 Total £m
			Fixed assets				
5,742	-	5,742	Tangible assets	8	5,772	-	5,772
332	-	332	Investments	9	706	-	706
6,074	-	6,074			6,478	-	6,478
			Current assets				
563	-	563	Stocks	10	572	-	572
992	-	992	Debtors	11	704	-	704
1,348	-	1,348	Investments	12	1,508	-	1,508
4	-	4	Cash at bank and in hand		6	-	6
2,907	-	2,907			2,790	-	2,790
			Less:				
(509)	-	(509)	**Creditors - amounts falling due within one year**	13	(441)	-	(441)
2,398	-	2,398	**Net current assets**		2,349	-	2,349
8,472	-	8,472	**Total assets less current liabilities**		8,827	-	8,827
			Represented by:				
47	-	47	**Creditors - amounts falling due after more than one year**	13	36	-	36
			Provisions for liabilities and charges				
2,976	8,033	11,009	Nuclear provisions	14	2,636	7,825	10,461
802	-	802	Other provisions	15	681	-	681
			Capital and reserves				
-	-	-	Called up share capital	16	-	-	-
1,581	(4,967)	(3,386)	Profit and loss account	17	3,505	(5,856)	(2,351)
3,066	(3,066)	-	Funding reserve	17	1,969	(1,969)	-
8,472	-	8,472			8,827	-	8,827

The columns headed 'Past (CEGB) operations' show 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 44 to 68 were approved by the Board on 25 May 1995.

J G Collier **Director**

Dr R Hawley **Director**

M R Kirwan **Director**

CASH FLOW STATEMENT

for the year ended 31 March 1995

1994 Current (NE) operations £m	1994 Past (CEGB) operations £m	1994 Total £m		1995 Current (NE) operations £m	1995 Past (CEGB) operations £m	1995 Total £m
1,007	-	1,007	Net cash inflow from operating activities	883	-	883
			Returns on investments and servicing of finance			
93	-	93	Interest received	111	-	111
(1)	-	(1)	Interest paid	(1)	-	(1)
92	-	92	**Net cash inflow from returns on investments and servicing of finance**	110	-	110
-	-	-	**Tax paid**	(31)	-	(31)
			Investing activities			
(71)	-	(71)	Net cash outflow in respect of liquid investments (other than cash equivalents)	(202)	-	(202)
(125)	-	(125)	Payments to acquire gilts	(374)	-	(374)
(165)	-	(165)	Payments to acquire investments in subsidiary undertakings	-	-	-
(425)	-	(425)	Payments to acquire tangible fixed assets	(355)	-	(355)
2	-	2	Receipts from sales of tangible fixed assets	1	-	1
(784)	-	(784)	**Net cash outflow from investing activities**	(930)	-	(930)
			Financing			
(3)	-	(3)	Capital element of finance lease rental payments	-	-	-
312	-	312	**Increase in cash and cash equivalents**	32	-	32

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

1. Going concern basis of accounting

The accounts are drawn up on the going concern basis, on the footing that the Company is, and will remain, able to meet its liabilities as they fall due.

In drawing up the accounts on this basis, the directors have taken into account that:

(a) the major part of the Company's liabilities are in respect of long-term provisions for nuclear fuel reprocessing, waste management and decommissioning costs, most of which will not fall due for payment for a considerable number of years (as disclosed in Note 14). 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 in 1989 which have been reaffirmed each year 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 provisions) 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 the preparation of the accounts on the going concern basis to be 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, 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:

		1995 £m	1994 £m
Salaries		270	305
Social security costs		23	27
Pension costs	- continuing	25	28
	- exceptional	(57)	-
Redundancy and severance costs	- continuing	32	127
	- exceptional	-	180
		293	667
Amounts capitalised		(33)	(37)
Amounts charged against provisions		(45)	(147)
		215	483

The average number of employees of the Company during the year was 9,426 (1994: 10,728).
The average full time equivalents during the year was 9,338 (1994: 10,618).

Directors' emoluments

	1995 £000	1994 £000
Fees to non executive directors	48	51
Executive directors:		
Salaries	770	711
Bonus	61	210
Other benefits	76	58
Company contributions to pensions	115	106
	1,070	1,136

3. Staff costs (continued)

Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985:

	1995 £000	1994 £000
Chairman:		
Salary	160	153
Bonus	13	45
Other benefits	15	14
	188	212
Pension	36	40
	224	252
Highest-paid director:		
Salary	166	162
Bonus	13	48
Other benefits	15	10
	194	220
Pension	20	19
	214	239

The remuneration of the executive directors is determined by the shareholder. It consists of a basic salary and performance related bonus based on corporate performance targets which are set annually. For 1994/95, these targets covered return on capital employed, cost control, progress on Sizewell B and output.

The number of directors whose emoluments, excluding pension contributions, fell within the following bands was:

	1995 Number	1994 Number
£0 - £5,000	2*	1*
£5,001 - £10,000	1*	3*
£10,001 - £15,000	3	2
£35,001 - £40,000	1*	-
£100,001 - £105,000	1	-
£105,001 - £110,000	1	-
£115,001 - £120,000	1	2
£130,001 - £135,000	-	1
£155,001 - £160,000	1	-
£175,001 - £180,000	-	1
£185,001 - £190,000	1	-
£190,001 - £195,000	1	-
£210,001 - £215,000	-	1
£215,001 - £220,000	-	1

*these are part year only

4. Revision of previous years' nuclear provisions and analysis of operating costs

Revision of previous years' nuclear provisions for reprocessing and decommissioning costs following from:		1995 Current (NE) operations £m	1995 Past (CEGB) operations £m	1994 Current (NE) operations £m	1994 Past (CEGB) operations £m
New BNFL contracts	(see Note 14a)	(278)	(463)	-	-
Reallocation of fuel reprocessing contract payments	(see Note 14b)	(385)	1,469	-	-
Reduced Nirex costs	(see Note 14c)	(63)	(288)	-	-
Reduced decommissioning cost estimates	(see Note 14d)	(25)	(99)	-	-
Revised life of Hinkley Point A		(79)	(174)	-	-
Other refinements of the cost base		1	15	(3)	16
		(829)	460	(3)	16

In order to meet the requirements of Financial Reporting Standard 3, the table below analyses the total operating costs of the Company, including revision of previous years' nuclear provisions, over the main cost categories.

Analysis of operating costs

	1995 Operating costs £m	1995 Revision of previous years' nuclear provisions £m	1995 Total operating costs £m
Fuel	645	(196)	449
Materials and services	504	-	504
Staff costs			
- continuing	272	-	272
- exceptional credit in respect of pension provision [Note 20(iii)]	(57)	-	(57)
	215	-	215
Depreciation	250	-	250
Decommissioning	57	(173)	(116)
	1,671	(369)	1,302

	1994 Operating costs (restated) £m	1994 Revision of previous years' nuclear provisions £m	1994 Total operating costs (restated) £m
Fuel	843	15	858
Materials and services			
- continuing (restated)	492	-	492
- exceptional charge in respect of future restructuring costs	30	-	30
	522	-	522
Staff costs			
- continuing	303	-	303
- exceptional charge in respect of future restructuring costs	180	-	180
	483	-	483
Depreciation	278	-	278
Decommissioning	61	(2)	59
	2,187	13	2,200

5. Financing charges (net)

	1995 Current (NE) operations £m	1995 Past (CEGB) operations £m	1994 Current (NE) operations £m	1994 Past (CEGB) operations £m
Interest payable	29	1	59	1
Financing costs resulting from revalorisation of nuclear and other provisions				
(a) Changes in price levels	113	281	52	171
(b) Notional interest (at 2%)	63	147	48	153
	205	429	159	325
Interest receivable	(115)	-	(93)	-
	90	429	66	325

6. Profit/(loss) on ordinary activities before taxation

	1995 £m	1994 £m
The profit/(loss) on ordinary activities before taxation is stated after charging:		
Research and development expenditure	48	51
Amount advanced to fund the activities of the associated undertaking	18	31

Auditors' remuneration £212,500 (1994: £205,000).

Fees paid to the auditors for services other than statutory audit during year 1995 totalled £237,000 (1994: £229,000).

7. Taxation

	1995 £m	1994 £m
United Kingdom corporation tax at 33% (1994 - 33%)	33	31

The corporation tax liability provided for relates to the interest income received by the Company during the year on its surplus cash balances, as there are no current year tax losses available to offset.

The Company is seeking to offset its interest income against tax losses brought forward, but this has not been accepted to date by the tax authorities; the issue is currently subject to appeal by the tax authorities against a High Court decision in favour of the Company. Pending the outcome of this appeal, the Company has considered it prudent to provide in full this year for a tax liability.

Corporation tax losses at 31 March 1994 were estimated at £2.5 billion. Following the signing of BNFL contracts and after adjusting for prior year capital allowance disclaimers, these losses are now estimated at £1.5 billion.

No provision for deferred taxation has been made, as the potential timing differences existing at 31 March 1995 are fully covered by tax losses brought forward and the Company's future investment in tangible fixed assets is projected to give rise to capital allowances in excess of the expected charge for depreciation. The full potential deferred taxation asset calculated at the Corporation Tax rate of 33% arising from timing differences comprises:-

7. Taxation (continued)

	1995 £m	1994 £m
Accelerated capital allowances	1,028	1,091
Short-term timing differences	(165)	(199)
Long-term timing differences	(640)	(602)
	223	290
Corporation tax losses	(316)	(503)
Potential deferred tax asset	(93)	(213)

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
Cost					
At 1 April 1994	5,034	102	345	2,351	7,832
Additions	89	4	18	173	284
Transfers	32	-	(27)	(5)	-
Disposals and amounts written off	(1)	(10)	(2)	-	(13)
At 31 March 1995	**5,154**	**96**	**334**	**2,519**	**8,103**
Depreciation					
At 1 April 1994	1,863	39	188	-	2,090
Charge for the year	220	3	27	-	250
Transfers	10	-	(10)	-	-
Eliminated on disposals	(1)	(6)	(2)	-	(9)
At 31 March 1995	**2,092**	**36**	**203**	**-**	**2,331**
Net book value					
At 31 March 1995	**3,062**	**60**	**131**	**2,519**	**5,772**
At 1 April 1994	3,171	63	157	2,351	5,742

Fixed asset values

Included above is Sizewell B PWR power station which has not been fully commissioned at the balance sheet date. In accordance with the Company's accounting policies on page 45, Sizewell B is classified as an 'asset in the course of construction' and is stated at its cost to date of £2,510 million. The cost of tangible fixed assets of £334 million classified as other plant and equipment includes an amount of £7 million in respect of assets held under finance leases, which have been fully depreciated.

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

	1995 £m	1994 £m
Freehold	1,544	1,499
Short leasehold	1	1
	1,545	1,500

The cost of freehold land included in the above is £14 million (1994: £13 million).

9. Fixed asset investments

	Gilts £m	Investments in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Total £m
At 1 April 1994	125	189	18	332
Additions	374	-	-	374
At 31 March 1995	499	189	18	706

The Company's investment in gilts had a market valuation of £506 million as at 31 March 1995 (1994: £126 million).

The Company's share of the combined net assets of subsidiary undertakings not consolidated amounted to £328 million at 31 March 1995 (1994: £320 million).

The Company holds shares in the following companies:

	Country of incorporation and operation	Class of share	Shareholding %	Principal activity
Principal subsidiary undertakings				
Nuclear Insurance Limited	Isle of Man	Ordinary	100	Insurance
		Preference	100	
Electricity Producers Insurance Company Limited	Isle of Man	Ordinary	80	Insurance
Central Electricity Generating Board Exploration (Canada) Limited	Canada	Ordinary	100	Uranium procurement
Central Electricity Generating Board Exploration (America) Inc	USA	Ordinary	100	Uranium exploration and mining
Power Resources Inc*	USA	Ordinary	80	Uranium exploration and mining
Associated undertaking				
United Kingdom Nirex Limited (Registered in England & Wales)	UK	Ordinary	42.5	Disposal of radioactive waste

*Shares not held directly by the Company

10. Stocks

	1995 £m	1994 £m
Nuclear fuel	471	477
Stores	101	86
	572	563

11. Debtors

	1995 £m	1994 £m
Trade debtors	586	422
Other debtors	73	87
Prepayments	45	483
	704	992

Other debtors include an amount of £3 million receivable after more than one year (1994: £2 million).

12. Current asset investments

	1995 £m	1994 £m
Short-term and other liquid investments	1,508	1,348

13. Creditors

	1995 £m	1994 £m
Amounts falling due within one year		
Bank overdrafts	16	88
Trade creditors	179	144
Retentions	33	47
Corporation tax	33	31
Other taxes and social security	8	10
Pension fund	2	11
Accruals	170	178
	441	509

	1995 £m	1994 £m
Amounts falling due after more than one year		
Retentions	7	27
Pension fund	29	20
	36	47

14. Nuclear provisions

	Balance 1 April 1994 £m	Utilised in the year £m	Charged to profit & loss account: Operating costs £m	Revisions (Note 4) £m	Financing charges £m	Balance 31 March 1995 £m
Current (Nuclear Electric) operations						
Reprocessing of irradiated nuclear fuel and waste management						
Magnox	1,658	(134)	233	(650)	104	1,211
AGR	1,035	-	146	(159)	69	1,091
	2,693	(134)	379*	(809)	173	2,302
Station Decommissioning						
Magnox	149	(1)	28	(17)	8	167
AGR	129	-	29	(15)	7	150
	278	(1)	57	(32)	15	317
Other	5	-	-	12	-	17
Total current (Nuclear Electric) operations	2,976	(135)	436	(829)	188	2,636
1993/94	2,197	(1)	638	(3)	145	2,976
Past (CEGB) operations						
Reprocessing of irradiated nuclear fuel and waste management						
Magnox	5,191	(522)	-	(426)	274	4,517
AGR	902	(547)	-	1,035	49	1,439
	6,093	(1,069)	-	609	323	5,956
Station Decommissioning						
Magnox	1,345	(21)	-	(117)	74	1,281
AGR	244	-	-	(24)	13	233
	1,589	(21)	-	(141)	87	1,514
Other	351	(7)	-	(8)	19	355
Total past (CEGB) operations	8,033	(1,097)	-	460	429	7,825
1993/94	8,314	(622)	-	16	325	8,033
Total nuclear provisions						
1994/95	11,009	(1,232)	436	(369)	617	10,461
1993/94	10,511	(623)	638	13	470	11,009

* included in fuel costs in the profit and loss account

14. Nuclear provisions (continued)

Reprocessing of irradiated nuclear fuel and waste management

a) New contracts with BNFL for the supply of Magnox and AGR fuel services from 1 April 1989 were signed on 31 March 1995. The contracts in respect of Magnox services relating to irradiated fuel received by BNFL after 1 April 1989 and AGR services specify fixed prices for those services and the related provisions have been based on those fixed prices. The contracts in respect of services provided after 1 April 1989 in respect of Magnox irradiated fuel delivered prior to that date and in respect of certain other services specify that those services will be carried out through a series of detailed work packages to be agreed at fixed prices or under incentivised cost plus arrangements. In the absence of agreed terms for these services, the related provisions which amount to £2,709 million have been based, as last year, on information supplied by BNFL and appropriately recognise, in the opinion of the directors, the consequential uncertainties of the contractual arrangements.

b) Following the new contracts with BNFL, an adjustment has been made to the method by which the payment streams for reprocessing costs in respect of irradiated fuel are attributed to the periods of generation. Previously a provision was built up over station lives for the whole of the final fuel in the reactors at shutdown. The new method is to build up this provision only in relation to the fuel remaining unburnt at shutdown and to include the burnt fuel in the allocation of fuel costs to generation over the station life. Moreover, whereas previously an average price was applied to AGR fuel reprocessing irrespective of the timing of fuel discharges, the new BNFL contracts provide for different prices for different contract periods and these differential prices have been matched with the relevant periods of fuel usage.

c) Provisions for services relating to the disposal of radioactive waste are based on the latest cost estimates prepared by United Kingdom Nirex Limited and on a joint study by engineers from the UK nuclear industry. During the year the major customers of Nirex have agreed their relative capacity requirements for the purpose of financing the development of the repository. Provisions for charges from Nirex reflect the Company's proportionate usage as established through this process, which is lower than previously anticipated.

Station decommissioning

d) The Company's future strategy for decommissioning nuclear power stations is currently being reviewed. Pending completion of this ongoing review, provision continues to be made on the same basis as in previous years. This basis reflects three stages of decommissioning:

Stage 1
Defuelling the site. Within the first four 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 six years to complete following Stage 1.

Stage 3
The dismantling and subsequent removal of the reactor under controlled conditions. This work will not commence until 100 years after shutdown, to allow radioactivity to decay and radiation levels to reduce.

The nuclear provisions incorporate the latest available cost estimates, including the estimated cost of site surveillance throughout the period. Lower Stage 1 (defuelling) costs have been experienced at Berkeley and Trawsfynydd and have been reflected across all stations in the 1994/95 accounts.

14. Nuclear provisions (continued)

Total liabilities

The table set out below analyses the undiscounted amounts, at current prices, still to be paid by the Company, based on current station lives and lifetime output, the equivalent sums discounted at 2% per annum to the balance sheet date, and the amounts provided to date.

	Total payable		Provided to
	Undiscounted	Discounted	date
At 31 March 1995	£bn	£bn	£bn
Magnox stations			
Reprocessing of fuel and waste management	9.3	6.5	5.7
Station decommissioning	5.0	1.5	1.5
	14.3	8.0	7.2
AGR stations			
Reprocessing of fuel and waste management	6.5	4.4	2.5
Station decommissioning	2.8	0.7	0.4
	9.3	5.1	2.9
PWR station			
Spent fuel and waste management	0.9	0.2	-
Station decommissioning	0.3	0.1	-
	1.2	0.3	-
Other	0.7	0.4	0.4
Total	25.5	13.8	10.5
At 31 March 1994	27.0	15.9	11.0

The differences between the total discounted amounts and those provided to date will be charged against profits over the remaining station lives since they relate to future use of fuel and station facilities. The differences between the total discounted and undiscounted amounts reflect the fact that the costs concerned will not fall due for payment for a number of years, thus providing the opportunity to earn interest on the provisions set aside.

Sizewell B's lifetime liabilities for spent fuel, waste management and station decommissioning have been included following fuel load during the year. These costs will be charged to the profit and loss account over the life of the station, commencing when the station is fully commissioned.

Under the terms of the contracts with BNFL referred to above and the projected pattern of payments for decommissioning and other liabilities, future payments are expected to become payable as follows:

	Within 1 year	1 to 5 years	6 to 10 years	11 to over 100 years	Total
	£bn	£bn	£bn	£bn	£bn
Future payments	1.2	3.2	3.2	17.9	25.5

A recent interpretation of Financial Reporting Standard No. 5, "Reflecting the substance of transactions" (FRS5) by the Oil Industry Accounting Committee, set out in a discussion paper, suggests that the costs of abandoning plant at the end of its useful life should be provided for in full (allowing for discounting) when the plant is commissioned, with an appropriate increase in the carrying value of the respective asset. At present, the Company accounts for the costs of decommissioning its nuclear stations by building up provisions over station operating lives. If the possible new accounting treatment were to be adopted by the Company, the decommissioning liabilities in the balance sheet would increase to reflect the total discounted decommissioning liabilities (as noted in the table above), with an equivalent increase to tangible fixed assets.

The Company considers that such an interpretation of FRS5 deserves wider debate with interested parties, recognising that this issue is also receiving attention in the United States. Accordingly, the Company has not altered its existing accounting policy in these financial statements.

15. Other provisions

	Balance 1 April 1994 £m	Reclassification £m	Utilised in the year £m	Charged/(credited) to profit and loss account £m	Balance 31 March 1995 £m
Restructuring	379	19	(41)	2	359
Insurance	67	-	(1)	-	66
Pensions [see Note 20 (iii)]	72	-	-	(57)	15
Future losses on inherited contract for second tier supply	256	-	(30)	15	241
Early station closure	28	(19)	(2)	(7)	-
Total	802	-	(74)	(47)	681

	1995 £m	1994 £m
The profit and loss account (credit)/charge comprises:		
Materials and services		
- continuing	(6)	(27)
- exceptional	-	30
	(6)	3
Staff costs - exceptional	(57)	180
Financing charges	16	14
	(47)	197

16. Called up share capital

	1995 £	1994 £
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

17. Reserves

	Profit and loss account		Funding reserve	
	Current (NE) operations £m	Past (CEGB) operations £m	Current (NE) operations £m	Past (CEGB) operations £m
At 1 April 1994	1,581	(4,967)	3,066	(3,066)
Profit/(loss) for the year	1,924	(889)	-	-
Movement in reserve	-	-	(1,097)	1,097
At 31 March 1995	3,505	(5,856)	1,969	(1,969)

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 (Nuclear Electric) operations in respect of the past (CEGB) nuclear liabilities. The profit for the year is the only movement in shareholders' funds during the year.

18. Notes on the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

1994 Current (NE) operations £m	1994 Past (CEGB) operations £m	1994 Total £m		1995 Current (NE) operations £m	1995 Past (CEGB) operations £m	1995 Total £m
799	(16)	783	Operating profit before financing charges	2,047	(460)	1,587
278	-	278	Depreciation charges	250	-	250
(23)	16	(7)	Provisions (net)	(1,762)	460	(1,302)
26	-	26	Loss on disposal of fixed assets	3	-	3
44	-	44	Decrease/(increase) in stocks	(9)	-	(9)
(192)	-	(192)	Decrease/(increase) in debtors	293	-	293
75	-	75	Increase/(decrease) in creditors	61	-	61
1,007	**-**	**1,007**	**Net cash inflow from operating activities**	**883**	**-**	**883**

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

1994 Cash & cash equivalents £m	1994 Other liquid investments £m	1994 Total £m		1995 Cash & cash equivalents £m	1995 Other liquid investments £m	1995 Total £m
153	728	881	Balance at 1 April 1994	465	799	1,264
312	-	312	Net cash inflow	32	-	32
-	2,343	2,343	Purchase of investments	-	2,965	2,965
-	(2,272)	(2,272)	Sale of investments	-	(2,763)	(2,763)
465	**799**	**1,264**	**Balance at 31 March 1995**	**497**	**1,001**	**1,498**

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

1994 £m	1993 £m	Change in year £m		1995 £m	1994 £m	Change in year £m
4	10	(6)	Cash at bank and in hand	6	4	2
549	174	375	Short-term investments	507	549	(42)
(88)	(31)	(57)	Bank overdrafts	(16)	(88)	72
465	153	312	Total cash and cash equivalents	497	465	32
799	728	71	Other liquid investments	1,001	799	202
1,264	**881**	**383**	**Total liquid investments**	**1,498**	**1,264**	**234**

19. Contingent liabilities

(i) The Company guarantees facilities granted to subsidiary undertakings in the ordinary course of business. At the balance sheet date maximum guarantees outstanding amounted to US$6.5 million of which US$6 million had been utilised. These facilities expire by 30 November 1995.

(ii) The Company has indemnified third parties for claims which may arise in respect of an outstanding bid bond to the value of US$10 million. This bond will expire on 30 May 1995.

(iii) 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 1995 amounted to £188 million (1994: £340 million), in respect of which the Company has entered into commitments amounting to approximately £44 million (1994: £53 million).

(ii) At 31 March 1995 and 31 March 1994, 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.

The most recent actuarial valuation of the scheme was carried out as at 31 March 1992. The assumptions which have the most significant effect on the result of the valuation are those relating to the return on investments and the rates of increase in salaries and pensions. Adopting the projected unit method it was assumed that the investment returns would be 9.5% per annum, that salary increases would be 7.5% per annum and that pensions would increase at the rate of 5.5% per annum.

At the date of the actuarial valuation the value of the scheme assets that relate to Nuclear Electric was estimated at £1,352 million. This represents 109% of the benefits that had accrued to members after allowing for expected future increases in earnings. With the advice of the Company's actuaries the surplus has been partly applied in meeting the additional cost to the scheme of early retirements and partly in enhancements to scheme benefits. The contributions of the Company and employees remain at 12% and 6% respectively.

The decision of the European Court of Justice in September 1994 in six cases relating to equality in occupational pension schemes largely removed the uncertainty that had arisen from their earlier decision in May 1990 concerning the practice of providing different pension benefits for men and women. Consequently £57 million of the £72 million for past service obligations in previous years' accounts which relates to pre 17 May 1990 service has been released. The scheme Actuary has agreed that no payment need be made into the Company's pension fund pending the outcome of the next valuation as at 31 March 1995 which is not yet complete.

21. Post balance sheet event

On 9 May 1995 the Department of Trade and Industry and the Scottish Office published their White Paper on the Prospects for Nuclear Power in the UK, on the conclusion of the Government's Nuclear Review. These financial statements do not attempt to reflect any consequences that may follow from implementing the conclusions and recommendations set out in the White Paper.

22. Regulatory accounts

In addition to the Report and Accounts, a separate set of regulatory accounts for the generation business is available, free of charge, on request to the Company Secretary at the Registered Office, Nuclear Electric plc, Barnett Way, Barnwood, Gloucester GL4 7RS.

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1995

1994 Current (NE) operations £m	1994 Past (CEGB) operations £m	1994 Total £m		Note	1995 Current (NE) operations £m	1995 Past (CEGB) operations £m	1995 Total £m
796	-	796	**Operating profit on historical cost basis before revision of previous years' nuclear provisions**		1,218	-	1,218
2	-	2	Cost of sales	1	5	-	5
(6)	-	(6)	Monetary working capital	2	(9)	-	(9)
(58)	-	(58)	Depreciation of fixed assets	3	(116)	-	(116)
19	-	19	Disposal of fixed assets	4	(4)	-	(4)
(43)	-	(43)	Current cost adjustments		(124)	-	(124)
753	-	753	**Current cost operating profit before revision of previous years' nuclear provisions**		1,094	-	1,094
3	(16)	(13)	Revision of previous years' nuclear provisions		829	(460)	369
756	(16)	740	**Current cost operating profit before financing charges**		1,923	(460)	1,463
(66)	(325)	(391)	Financing charges (net)		(90)	(429)	(519)
690	(341)	349	**Current cost profit/(loss) on ordinary activities before taxation**		1,833	(889)	944
(31)	-	(31)	Taxation		(33)	-	(33)
659	**(341)**	**318**	**Current cost profit/(loss) for financial year**		**1,800**	**(889)**	**911**

CURRENT COST BALANCE SHEET

at 31 March 1995

1994 Current (NE) operations £m	1994 Past (CEGB) operations £m	1994 Total £m		Note	1995 Current (NE) operations £m	1995 Past (CEGB) operations £m	1995 Total £m
			Fixed assets				
7,840	-	7,840	Tangible assets	5	7,893	-	7,893
332	-	332	Investments		706	-	706
8,172	-	8,172			8,599	-	8,599
			Current assets				
539	-	539	Stocks	6	560	-	560
992	-	992	Debtors		704	-	704
1,348	-	1,348	Investments		1,508	-	1,508
4	-	4	Cash at bank and in hand		6	-	6
2,883	-	2,883			2,778	-	2,778
			Less:				
(509)	-	(509)	**Creditors - amounts falling due within one year**		(441)	-	(441)
2,374	-	2,374	**Net current assets**		2,337	-	2,337
10,546	-	10,546	**Total assets less current liabilities**		10,936	-	10,936
			Represented by:				
47	-	47	**Creditors - amounts falling due after more than one year**		36	-	36
			Provisions for liabilities and charges				
2,976	8,033	11,009	Nuclear provisions		2,636	7,825	10,461
802	-	802	Other provisions		681	-	681
			Capital and reserves				
-	-	-	Called up share capital		-	-	-
2,607	2,158	4,765	Current cost reserve	7	2,766	2,158	4,924
1,048	(7,125)	(6,077)	Profit and loss account	7	2,848	(8,014)	(5,166)
3,066	(3,066)	-	Funding reserve	7	1,969	(1,969)	
10,546	-	10,546			10,936	-	10,936

STATEMENT OF CURRENT COST ACCOUNTING POLICIES

Accounting policies

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

The basis of accounting requires that 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 in the notes to the accounts on the following page.

1. Cost of sales

The method of accounting for nuclear fuel cost used in the historical cost accounts ensures that the cost of nuclear fuel consumed approximates to current prices. For other stock issues, adjustment has been based on averaging appropriate Central Statistical Office indices.

2. Monetary working capital adjustment

The monetary working capital adjustment is based on the movement in the Retail Price Index.

3. Depreciation adjustment

The depreciation adjustment of £116 million (1994: £58 million) is the difference between depreciation charges in the historical cost and current cost accounts. Asset lives are the same as those used in the historical cost accounts.

4. Disposal adjustment

The disposal adjustment of £4 million (1994: £(19) million) is the difference between the historical cost value and the current cost value of the disposal.

5. 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.

6. Stocks and cost of sales adjustment

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 stores in the balance sheet at the lower of net current replacement cost, calculated on the basis of Central Statistical Office indices, and net realisable value.

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

7. 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 1994	2,607	2,158	1,048	(7,125)
Revaluation surplus reflecting price changes:				
Tangible fixed assets	143	-	-	-
Stocks	12	-	-	-
Cost of sales adjustment	(5)	-	-	-
Monetary working capital adjustment	9	-	-	-
Profit for the financial year	-	-	1,800	(889)
Balance at 31 March 1995	2,766	2,158	2,848	(8,014)
of which:				
Realised	38	2,158		
Unrealised	2,728	-		
	2,766	2,158		

Funding reserve

	Current (NE) operations £m	Past (CEGB) operations £m
Balance at 1 April 1994	3,066	(3,066)
Movement in reserve for year	(1,097)	1,097
Balance at 31 March 1995	1,969	(1,969)

Summary profit and loss account

	1991 £m	1992 £m	1993 £m	1994 £m	1995 £m
Turnover	2,225	2,454	2,728	2,983	2,889
Operating costs	(2,131)	(2,222)	(2,064)	(2,187)	(1,671)
Operating profit before revision of previous years' nuclear provisions	94	232	664	796	1,218
Revision of previous years' nuclear provisions	750	340	(27)	(13)	369
Operating profit	844	572	637	783	1,587
Early station closure	-	-	(140)	-	-
Profit before finance charges and taxation	844	572	497	783	1,587
Financing charges (net)	(858)	(510)	(388)	(391)	(519)
Taxation	-	-	-	(31)	(33)
Profit/(loss) for the financial year	(14)	62	109	361	1,035

The previous year comparatives have been restated to reflect the inherited contract for second tier supply in direct sales.

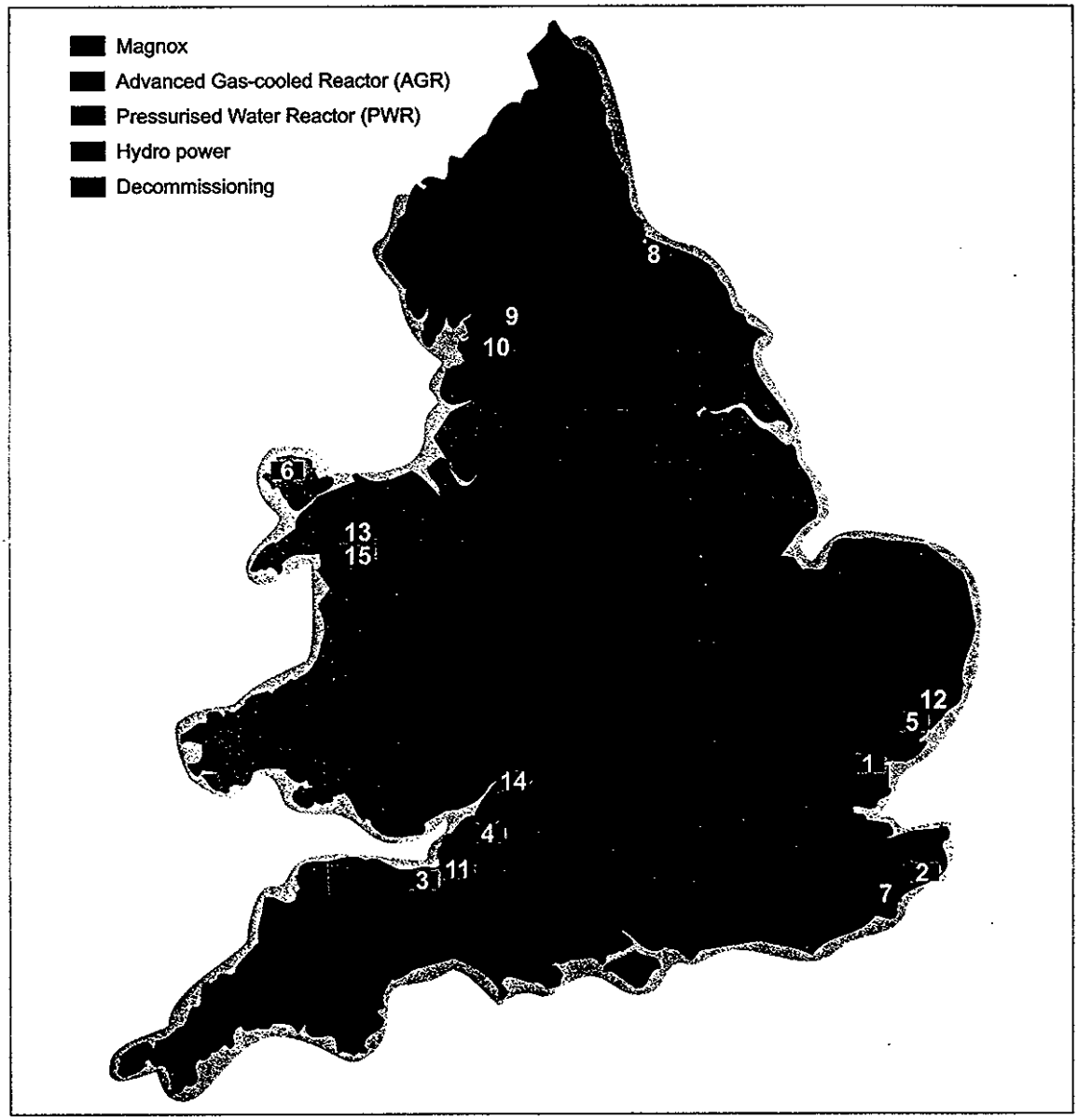
Summary balance sheet

	1991 £m	1992 £m	1993 £m	1994 £m	1995 £m
Fixed assets	4,911	5,383	5,685	6,074	6,478
Current assets	1,791	1,914	2,318	2,907	2,790
Current liabilities	(402)	(407)	(377)	(509)	(441)
	6,300	6,890	7,626	8,472	8,827
Long-term liabilities	36	72	39	47	36
Provisions for liabilities and charges	10,182	10,674	11,334	11,811	11,142
Capital and reserves	(3,918)	(3,856)	(3,747)	(3,386)	(2,351)
	6,300	6,890	7,626	8,472	8,827

GLOSSARY OF TERMS

MW	Megawatt	One million watts.
GW	Gigawatt	One thousand million watts.
TW	Terawatt	One million million watts.
kWh	Kilowatt-hour	One thousand watt hours. The energy used by a single bar electric fire in one hour.
Magnox		The first generation of British gas-cooled, graphite-moderated reactors used for electric generation. The name is derived from the non-oxidising magnesium alloy can which surrounds the uranium fuel.
AGR		The advanced gas-cooled reactor, developed from the earlier Magnox reactor.
PWR		The pressurised water reactor. The latest generation of British reactors which is water-cooled and moderated.
Electricity Pool		The wholesale 'spot' market through which virtually all electricity is traded in England and Wales.
Baseload price		Time averaged Pool price which is close to the price Nuclear Electric receives from the Pool for its electricity.
System weighted price		Annual income to all generators from all electricity sales to the Pool divided by the total energy sold to the Pool in the year.
Second tier licence		A licence enabling the Company to sell electricity directly to large industrial users.
Contract for Differences (CfDs)		Financial instruments used to secure the price of electricity traded through the Pool.
Unplanned automatic trip rate		Number of unplanned reactor shutdowns per year due to the operation of automatic protection systems.
Average annual load factor		Annual output of plant expressed as a percentage of the potential maximum output for the year.
Long Term Safety Review		A review of the safety of Magnox reactors undertaken at the request of the NII to confirm that the plant is adequately safe for continued operation, identifying any factors which might limit safe operation and introducing any improvements which are reasonably practicable.
Safety case		A statement presenting the results of studies demonstrating that reactor power operation is acceptable since any significant fault which could affect it can be adequately protected.
Statutory overhaul outages		The periodic planned shutdown of a reactor to carry out non-destructive inspections and maintenance work that cannot be carried out whilst the unit is on load.

Refuelling		The process of removing irradiated fuel from the reactor and replacing it with new fuel.
Defuelling		The process of removing all of the irradiated fuel from the reactor following final shutdown and dispatching the fuel off-site for reprocessing.
Collective radiation dose		The sum of the individual doses to the Company's employees and contractors.
Bq	Becquerel	The radioactivity of a substance. The rate at which the decaying process takes place is measured in becquerels. A sample of radioactive material in which one decay takes place each second has activity of one becquerel.
Sv	Sievert	The amount of radiation is called the 'radiation dose'. Different types of radiation and their effects are taken into account, and the units used to measure the radiation are called sieverts. One sievert is a very large unit so units of measurement are normally expressed in millisieverts.
mSv	Millisievert	A measure of one thousandth of a sievert. The average adult receives more than two millisieverts a year from natural sources which is referred to as background radiation.
Man-Sievert		Man-sievert is a unit of measure of the collective radiation dose received by a given group of people.
INES		The International Nuclear Event Scale (INES) was devised to provide members of the public with an indication of the severity of nuclear events. It runs on a scale of zero to seven. A level of zero has no safety significance whereas level seven equates to a major accident with widespread consequences.
Nuclear Installations Act (1965)		The statutory document which regulates licensed nuclear sites.
BS 7750		British Standard which sets down an environmental management system which provides a mechanism for reducing an organisation's environmental effects, enabling continual improvements in environmental performance.
Gross/net		Gross/net generation is the electrical output measured at the national grid side of the generator transformer.
Gross/net/net		Gross/net/net generation is the electrical output measured at the national grid side of the transformer, less any imports from the grid.
PACT	√√	Employer is committed to good policies and practice in employing people with disabilities.
Reference Unit Power		Maximum net electrical output capability.
Synchronisation		The connection of a generator to the grid system.



	Station	Type	Reference unit power (MW)
1	Bradwell	Magnox	245
2	Dungeness A	Magnox	440
3	Hinkley Point A	Magnox	470
4	Oldbury	Magnox	434
5	Sizewell A	Magnox	420
6	Wylfa	Magnox	950
7	Dungeness B	AGR	1100
8	Hartlepool	AGR	1210
9	Heysham 1	AGR	1150
10	Heysham 2	AGR	1250
11	Hinkley Point B	AGR	1220
12	Sizewell B	PWR	Commissioning
13	Maentwrog	Hydro	30
14	Berkeley	Magnox	Decommissioning
15	Trawsfynydd	Magnox	Decommissioning

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