

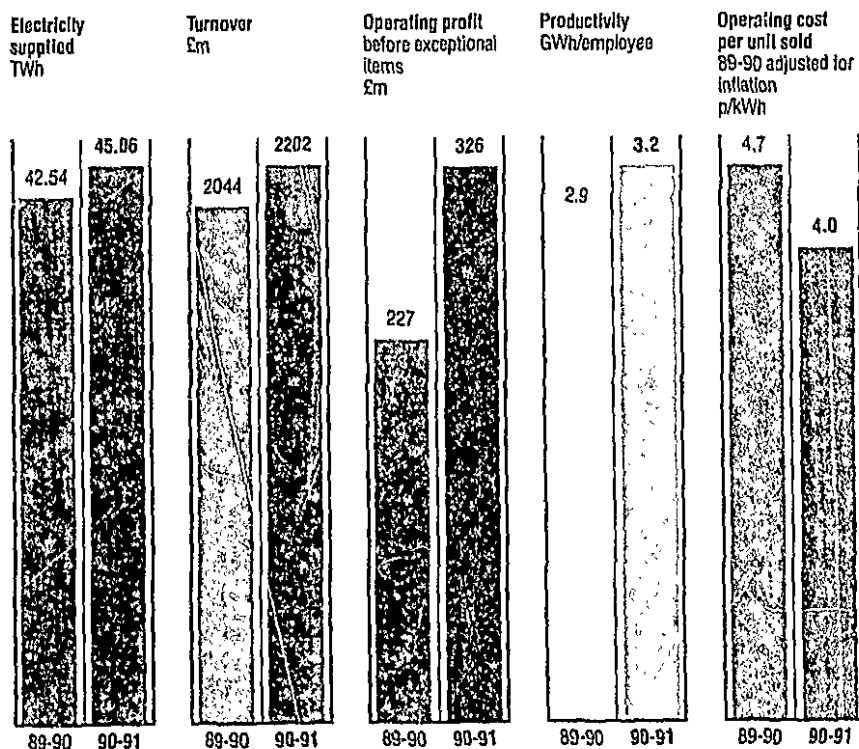
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Key indicators of the year

■ Electricity supplied	up 6%
■ Turnover	up 8%
■ Operating profit before exceptional items	up 44%
■ Productivity	up 10%
■ Operating cost per unit sold after adjusting for inflation	down 15%



COMPANIES HOUSE
- 8 NOV 1991
M 7

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Chairman's statement of the year

Why the company is important to the

public and why it is important to the

company

Executive Director

John Collier MSc, FRC

Chairman and Chief Executive

John Collier has spent his whole career in the nuclear industry. Prior to taking up his appointment with Nuclear Electric, he was Chairman of the United Kingdom Atomic Energy Authority.

Frank Ledger OBE, FRC

Deputy Chairman

Frank Ledger has spent all his working life in the electricity supply industry, most recently as a Board Member of the CEGB. He has wide experience of generation and power system general management.

Mark Baker

Executive Director, Corporate Affairs and Personnel

Mark Baker came to Nuclear Electric from a career with the United Kingdom Atomic Energy Authority where he was latterly the Secretary and Authority Finance and Programmes Officer.

Sam Goddard

Executive Director, Construction and Future Programmes

Sam Goddard spent more than 30 years with the CEGB. From 1984 he had responsibility for all new power stations and national grid system development.



Ray Hall

Executive Director, Production

Ray Hall has spent all his working life in the electricity generating industry, gaining extensive experience in the line management of power station operation and maintenance, and in training and personnel management.

Mike Kiwan

Executive Director, Finance

A chartered accountant, Mike Kiwan worked in industry before spending 15 years as a management consultancy partner with Coopers and Lybrand Dobson.

Company Secretary

Rex McVillie

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



OFFICIALS

City Council

Mayor Richard J. Daley
Deputy Mayor
City Clerk
City Treasurer
City Engineer
City Auditor
City Attorney
City Solicitor
City Clerk
City Treasurer
City Engineer
City Auditor
City Attorney
City Solicitor

City Council

City Clerk
City Treasurer
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City Attorney
City Solicitor

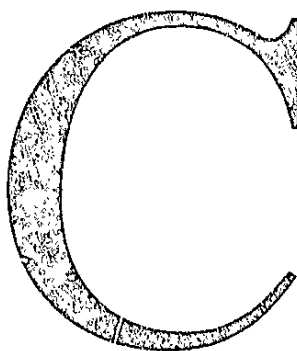
City Council

City Clerk
City Treasurer
City Engineer
City Auditor
City Attorney
City Solicitor

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City Clerk
City Treasurer
City Engineer
City Auditor
City Attorney
City Solicitor





Chairman's statement

This report covers Nuclear Electric's first full year of operation, following the company's

formation on 31 March 1990. I am pleased to report that excellent progress has been made during that year.

In the financial statements included in this year's report, we have adopted a format that clearly distinguishes our performance on current operations from the financial impact of the long-term liabilities inherited from our predecessors. I believe that this approach, which is in line with recent proposals for more disaggregated financial reporting, will enable a much more informed judgement to be made of the success of our management during the year.

When the company was established, I set six clear objectives for us to achieve. These were: an increase in generation; an increase in turnover; an increase in profit; a reduction in the fossil fuel levy; the continuation of work on Sizewell B power station to time and budget; and a reduction in the uncertainty and magnitude of back-end fuel cycle costs. Excellent progress has been made towards achieving each of these objectives.

We have obtained improved reliability from the five advanced gas-cooled reactor (AGR) power stations and maintained our excellent record at the seven Magnox stations. Generation from our twelve power stations exceeded 45 terawatt hours for the year and provided 17 per cent of all electricity used in England and Wales. This resulted in an operating profit, before exceptional items, of £326 million on a turnover of £2202 million.

This is a remarkable performance, particularly as we have also reduced in real terms the costs of the long-term liabilities Nuclear Electric inherited at its formation. Whilst we have been able to set aside sufficient funds

John Collier, Chairman and Chief Executive

out of our current income to meet in full the new liabilities arising from the year's operations, it is the inadequate funding of the inherited liabilities from the past that reflects negatively in the company's balance sheet.

The construction of Sizewell B power station, which in terms of value and technical complexity ranks alongside the largest construction projects in Europe, continued within budget and some eight months ahead of schedule. It is still on target for commissioning in 1994.

Safety remains our top priority and my six objectives were to be achieved whilst maintaining or improving upon the excellent safety record inherited from the Central Electricity Generating Board (CEGB). As will be seen from later sections of this report, safety has improved by almost every measure it is possible to apply to this vital aspect of our operations.

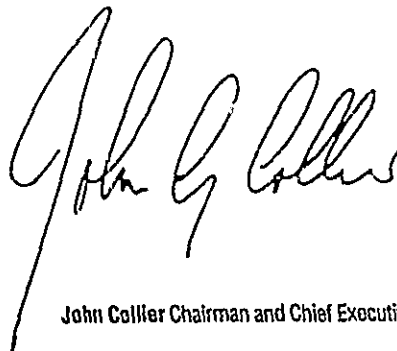
There is a moratorium on the construction of further nuclear power stations until a review of the nuclear industry takes place in 1994. A number of factors will determine the outcome of that review – many outside our control. We are vigorously addressing all those factors which are within our power to influence.

First, we will continue to drive down unit costs by rapidly increasing generation and seeking further cost savings and productivity improvements. Second, we intend to complete and commission Sizewell B to time and to cost. Third, in the future we expect to achieve significant unit cost reductions from new plants through the replication of standard designs, more efficient construction methods and an open market sourcing policy.

In September 1990 planning permission was granted for Hinkley Point C power station in Somerset. This is a most welcome independent vindication of the thorough and rigorous analysis of the safety and environmental impact of our proposals for this site. We also reached agreement with Electricité de France to collaborate on the design and development of advanced light water reactors, which indicates that we see European co-operation as being essential to achieve the necessary economics of replicated design.

It has been a year of profound change during which we have seen new structures and policies put in place. We are developing a new culture for the company. The process of decentralisation has begun. This, I believe, is essential if profit centres are to exercise control over their overheads and efficiency. That these changes have been successfully implemented is due in no small measure to the skill, hard work and goodwill of our employees, of whom I am very proud. I thank them for their support and commitment. I am particularly pleased to report that in the New Year Honours Dr John Wright, Director of Health and Safety, received the OBE and Mr Emyr Pugh, Craft Attendant at Trawsfynydd power station, received the BEM.

We have made a strong start in reaching our declared objectives. The process of change will continue as Nuclear Electric increases its awareness campaign at all levels, supports the communities in which it operates and secures greater recognition of the company's contribution to society. We have put the past, and the difficult circumstances of our creation as a company, behind us. We are facing the challenges of the future with determination and are fully content to be judged by our progress towards meeting them.

A handwritten signature in dark ink, appearing to read 'John G Collier', with a long, sweeping vertical line extending downwards from the left side of the signature.

John Collier Chairman and Chief Executive

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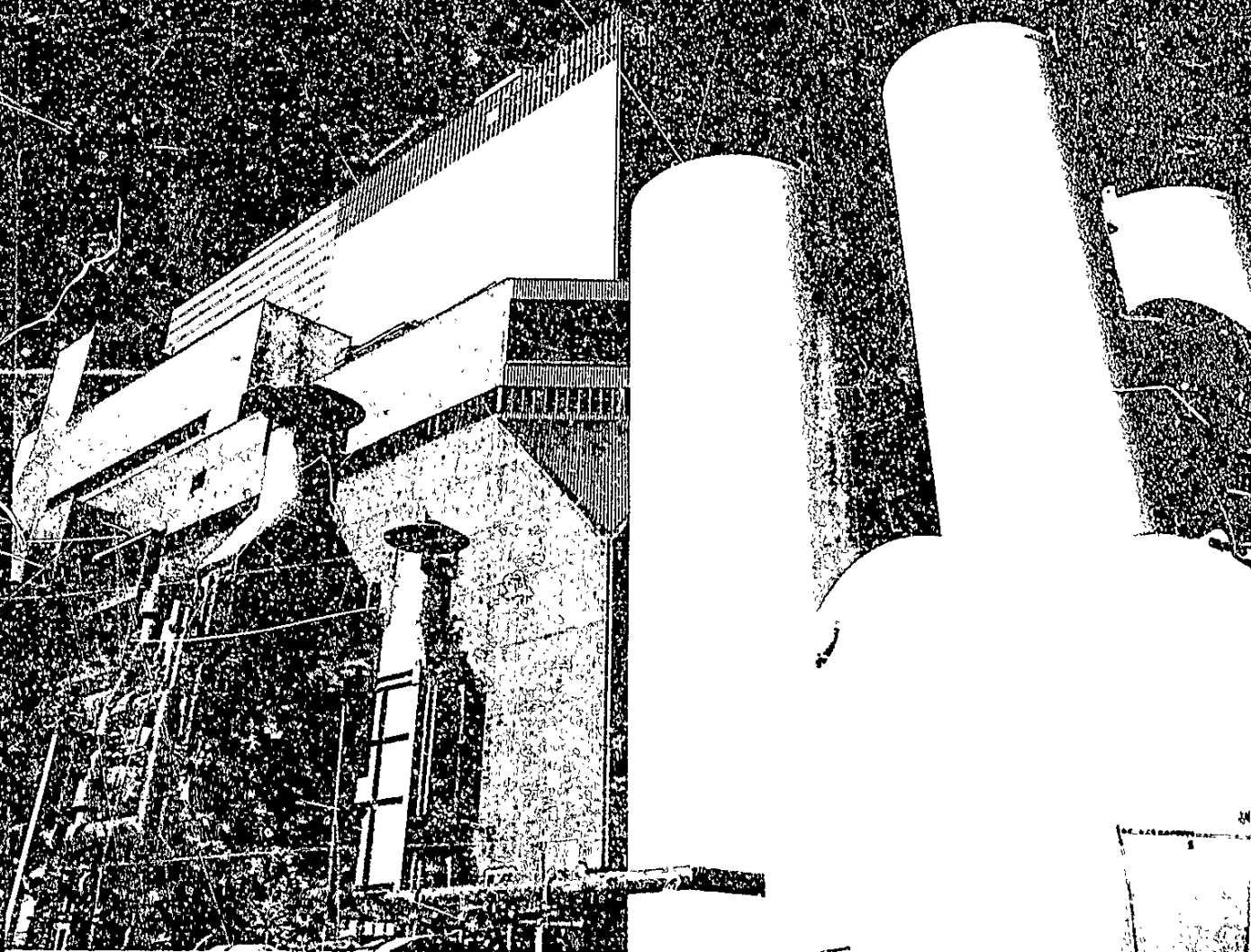
evuew of the year

Financial performance

This year's accounts cover the first financial year since the CEGB's nuclear assets and liabilities were transferred to Nuclear Electric on Vesting Day, 31 March 1990. For these accounts we have adopted a revised presentational format, designed to draw a clear distinction between the results of our current operations and our stewardship of past (CEGB) long-term liabilities that we inherited and which relate to a period prior to the responsibility of the present management. This presentation accords with the recent proposals of the Financial Reporting Council to demonstrate separately the performance of existing businesses from that of discontinued activities.

The year has been a success on both fronts. Current operations have resulted in an operating profit before exceptional items of £326 million – an increase of £99 million over last year achieved through higher output while holding operating costs steady.

A thorough review of the fuel stockholdings taken over from the CEGB on vesting has resulted in a write down of £162 million in the value of fuel stocks and a further £72 million has been set aside to cover the costs of planned reductions in staff numbers over the next three years. After allowing for these, and the effect of the adoption of a 30 year life for Hinkley Point and Heysham 2



Hinkley Point B power station

AGR power stations, we made an operating profit on current operations of £121 million, an increase of £113 million over the corresponding result last year.

In addition, continuing review of our waste management and fuel reprocessing strategies and of the cost of decommissioning, and the reassessment of the operating lives of certain AGR stations, have reduced by £723 million the amount which was set aside to cover liabilities arising from past (CEGB) operations.

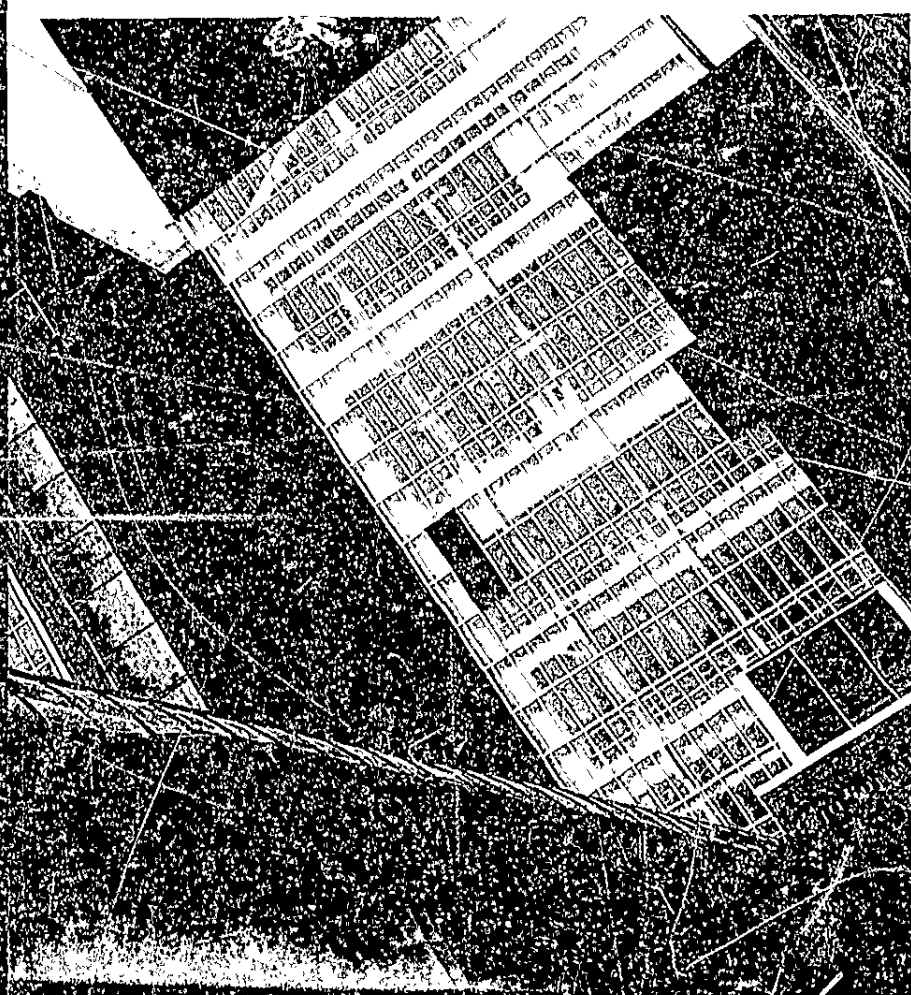


Heysham 2 power station

Production

Output of electricity from the company's power stations in 1990-91 amounted to 45.06 terawatt hours, with almost equal contributions being made by the Magnox and the AGR stations. This represents a 6 per cent increase on the previous year and was the highest annual output recorded by the power stations which now make up Nuclear Electric's generating assets.

The Magnox stations continued to provide the high levels of operational reliability which we have come to expect and produced 8 per cent more electricity than last year. Wylfa power station, in particular, achieved record

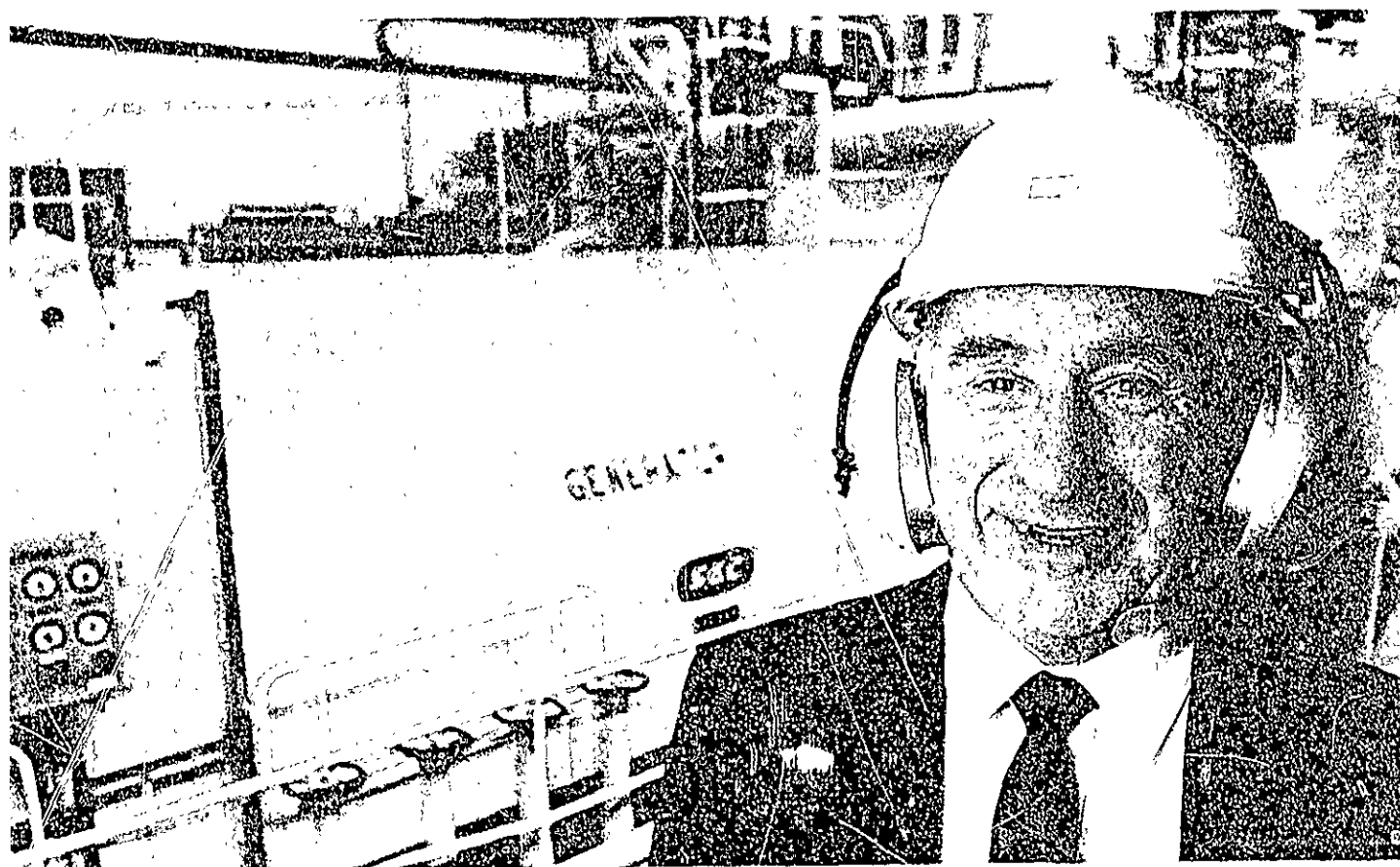


output and with an exceptionally high level of availability. The Long Term Safety Reviews for the Magnox stations, which are necessary to secure continued operation, are nearing completion and the implementation of the necessary modifications is in hand. There is a strong commercial case for extending the operating lives of these stations by up to ten years and studies are being undertaken to determine the technical and economic justification for doing so. A revised strategy has been developed for decommissioning these stations at the end of their lives, which would allow the financial provisions for future decommissioning to be reduced. As the strategy is still under discussion



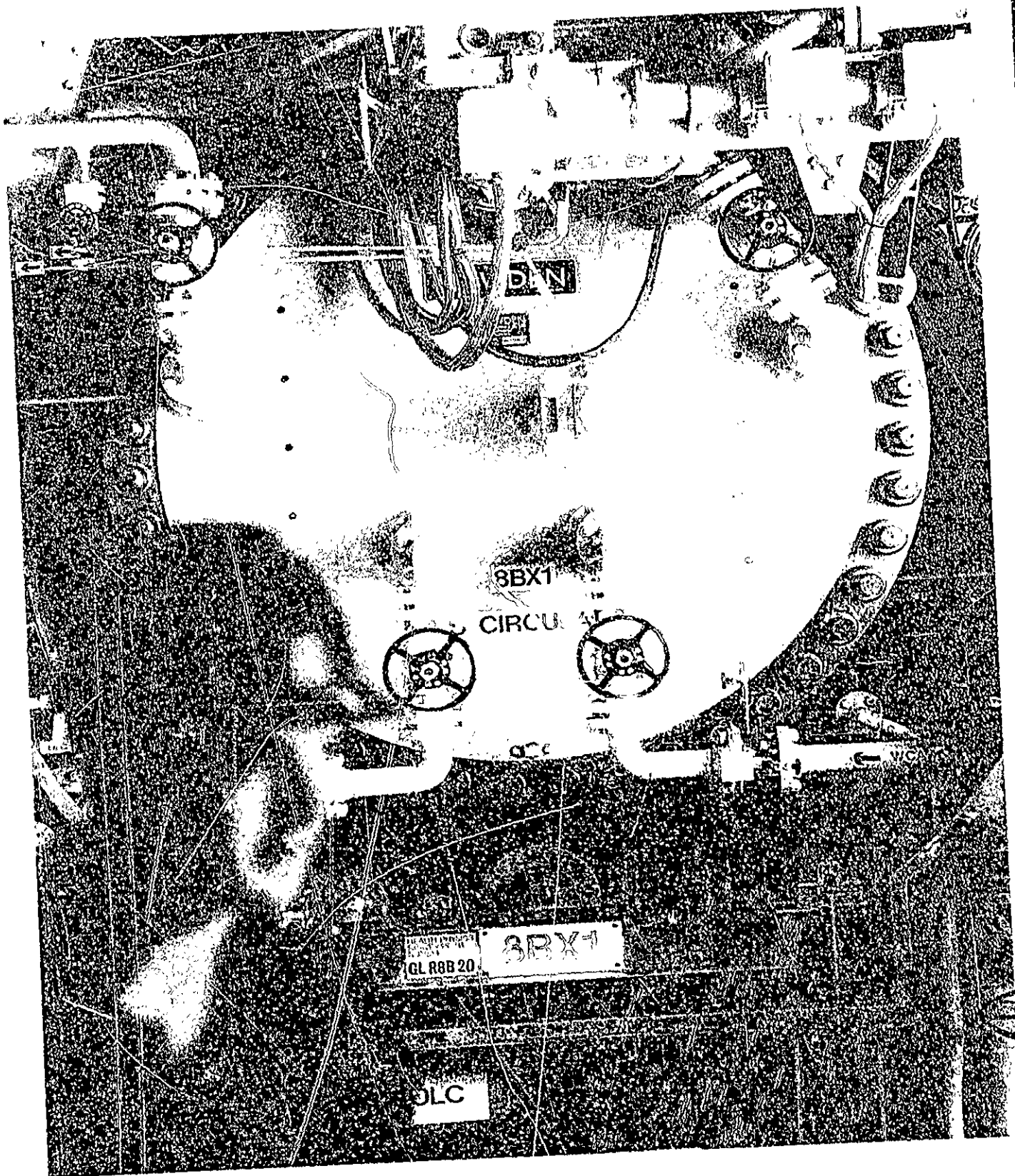
*R.A. Hall, Executive Director
Production, in the control room at
Huddersfield power station*

with the Department of Energy and the Nuclear Installations Inspectorate we have reflected up to date costings of our existing strategy in this year's accounts

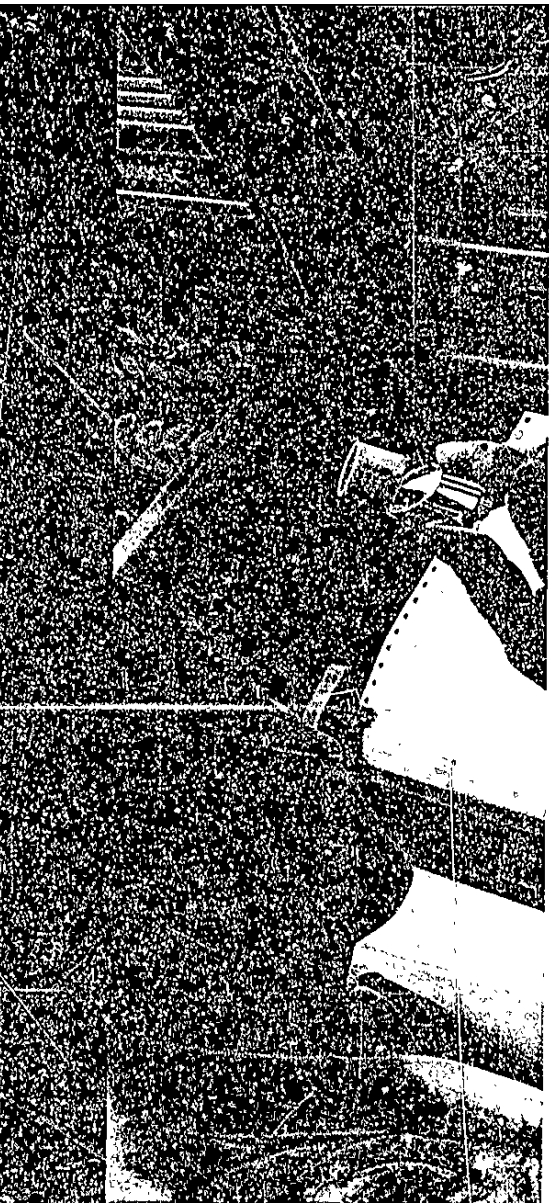


The AGR stations demonstrated continued improvement in performance and recorded an increase of almost 4 per cent over the 1989/90 level of output. Hinkley 3 omf² achieved a highly consistent performance and Hartlepool and Heysham 1 demonstrated greatly improved operational reliability. At Heysham 2 significant restrictions on output were caused by refuelling capability limitations, but substantial progress has been made with the modifications and safety clearances which are required to remove these limitations. The performance of the AGR stations during 1990/91 gives confidence that continuing improvements in output are achievable in future years.

*Frank Fedy, Deputy Chairman,
at Hartlepool power station.*



One of the components in the system. The image is a high-contrast, black and white photograph of a complex electronic circuit board. The board is populated with numerous components, including integrated circuits, capacitors, and resistors. Several labels are visible on the board, including '3BX1', 'CIRCU', 'JLC', and 'GLR8B20'. The image is heavily degraded with significant noise and artifacts, particularly along the edges and in the background.



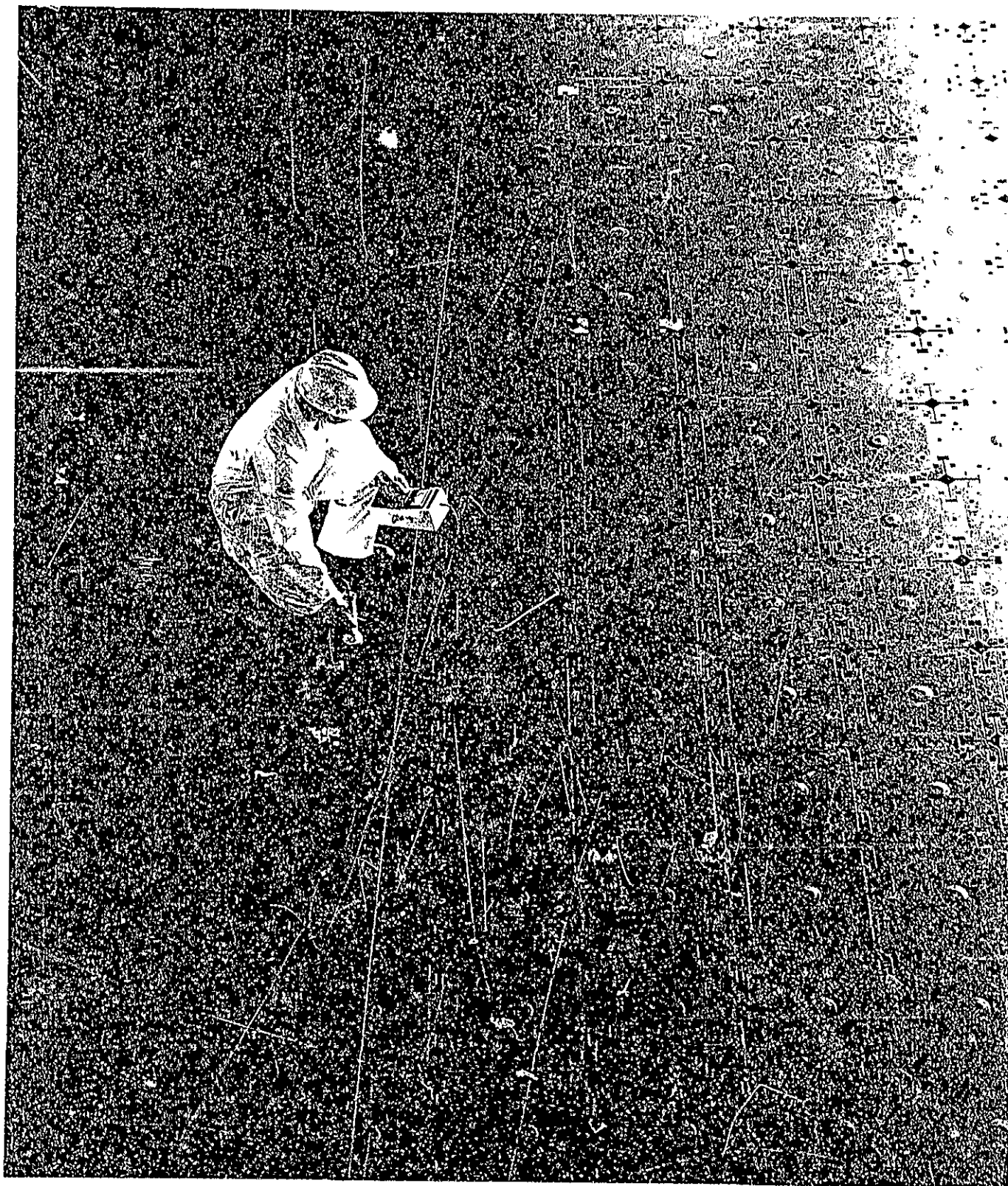
Health and safety

At all the company's locations safety has been a matter of continuing attention. There have been no significant plant incidents from a nuclear safety point of view or abnormal discharges of radioactivity into the environment. As a result of particular management attention and the introduction during the year of the International Safety Rating System, there has been a reduction of 20 per cent in lost time industrial accidents at power stations compared with last year. The company's radiological protection practices continue to control the exposure of its staff to satisfactorily low levels of radiation.

The International Atomic Energy Agency's Operational Safety Review Team (OSART), which in 1989 carried out a thorough and favourable review of all aspects of safety at Oldbury power station, revisited the station in October 1990. The team was able to see that effective action had been taken in response to its earlier report and recommendations, and to observe further improvements in operational safety.

As part of a continuing drive towards higher standards of operational and safety practice, Nuclear Electric is introducing an internal evaluation system based on methods developed for utilities in the USA. The company has also undertaken a number of overseas exchanges with the same aim, playing an active part in the work of the World Association of Nuclear Operators. In the international context of nuclear safety, the company has also engaged in technical co-operation with the nuclear power industry of the USSR and eastern Europe.

*Stanley Clarke, a laboratory technician,
testing water samples taken from locations
around Sizewell A power station*



Commercial

The creation of Nuclear Electric on 31 March 1990 posed significant commercial challenges, not least for the company to create a commercial infrastructure of its own. At the same time, the company's culture is undergoing a radical shift from a business traditionally focused on engineering and technical excellence to a commercially-driven enterprise.

Nuclear Electric now operates in open competition with other generators both in England and Wales and in Scotland and France. These operations are carried out through the 'pool', a mechanism which allows trading between generators and suppliers participating in the new electricity market, and through associated contracts. Under these arrangements, the company has begun to forge strong customer relationships whilst managing the company's income and risk exposure, and during the year we successfully launched the first competitive tender for option contracts, covering a significant proportion of our generation. This was achieved against a background of pool prices constrained by the reaction of our competitors to the contracts awarded at the time of vesting and represented a large step forward in establishing Nuclear Electric's credibility in the market place.

Nuclear fuel costs account for more than one third of the company's turnover, which is an important factor in negotiating prices and contractual terms. The bulk of this expenditure relates to fuel and fuel cycle services provided by British Nuclear Fuels and negotiations are continuing to secure commercial arrangements more in keeping with the new competitive environment surrounding the electricity supply industry.



*Brian Adam checking a pump
for installation at Sizewell B
on the full scale test rig at
Weir Pumps, Alloa*



Looking to the future in relation to procurement generally, preparations are being made for the implementation of the European Community Utilities Directive which will affect our procurement within the wider European market. The company is also seeking actively to influence the drafting of a further directive which is designed to ensure the enforcement of this legislation.

Finance

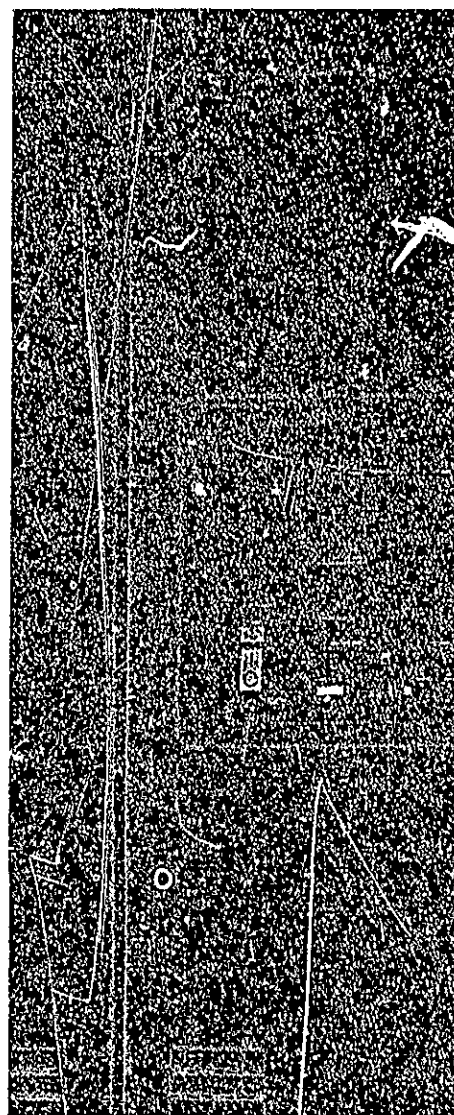
Much activity during the year has been focused at corporate level on the business research and analysis needed to develop both short and long-term strategies for the company, reflecting its new role in the commercial marketplace for electricity.

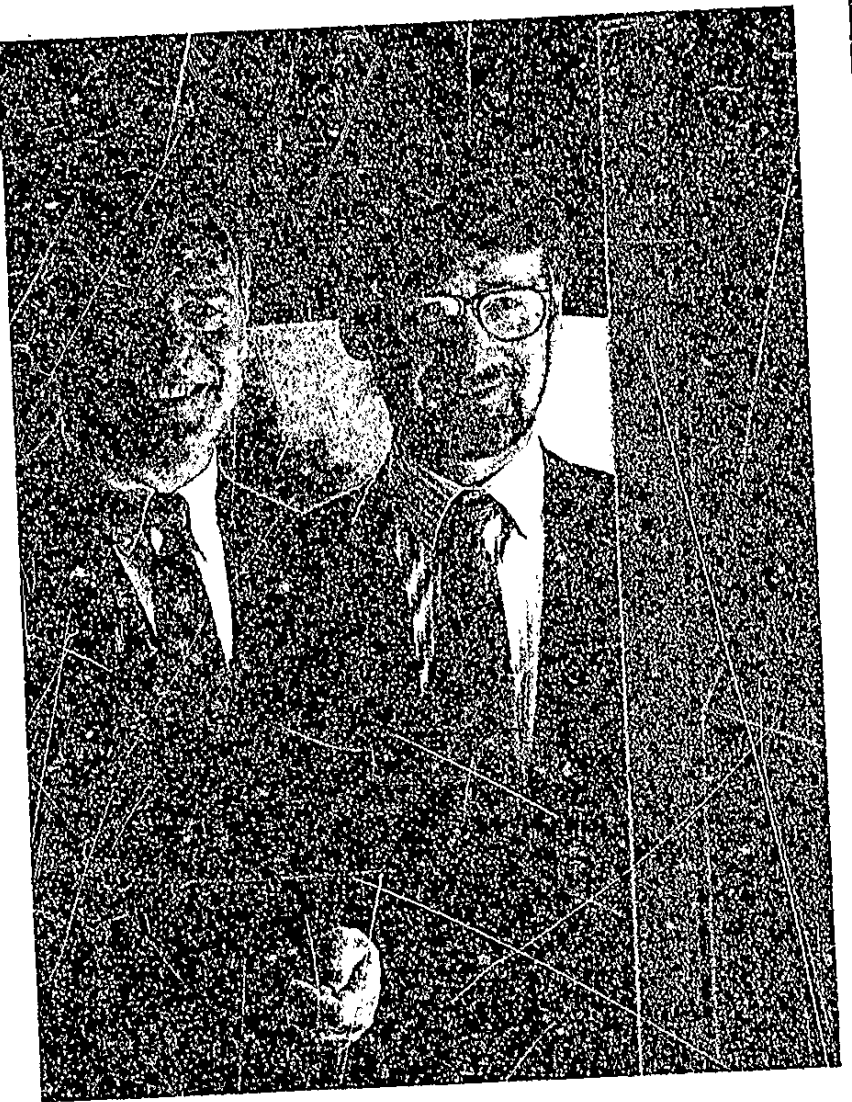
A new process was devised and implemented, by which the company established its first five year corporate plan, reflecting the agreed short-term strategic objectives and the planned actions of the various business units to achieve them. This plan reflects a structured programme of progressive improvement in the key short-term objectives of profitability, credibility and public acceptability.

An enhanced financial management capability appropriate to Nuclear Electric's status as an independent commercially-minded business has been developed. A major innovation is the establishment of a Corporate Treasury to manage the company's substantial cash funds which ranged between £500 million and £800 million during the year and produced an investment income of £96 million.

As part of its objective to reduce costs, the company has continued its development of an internal market where in-house customers are encouraged to challenge the level and cost of services provided to them by other parts of the company.

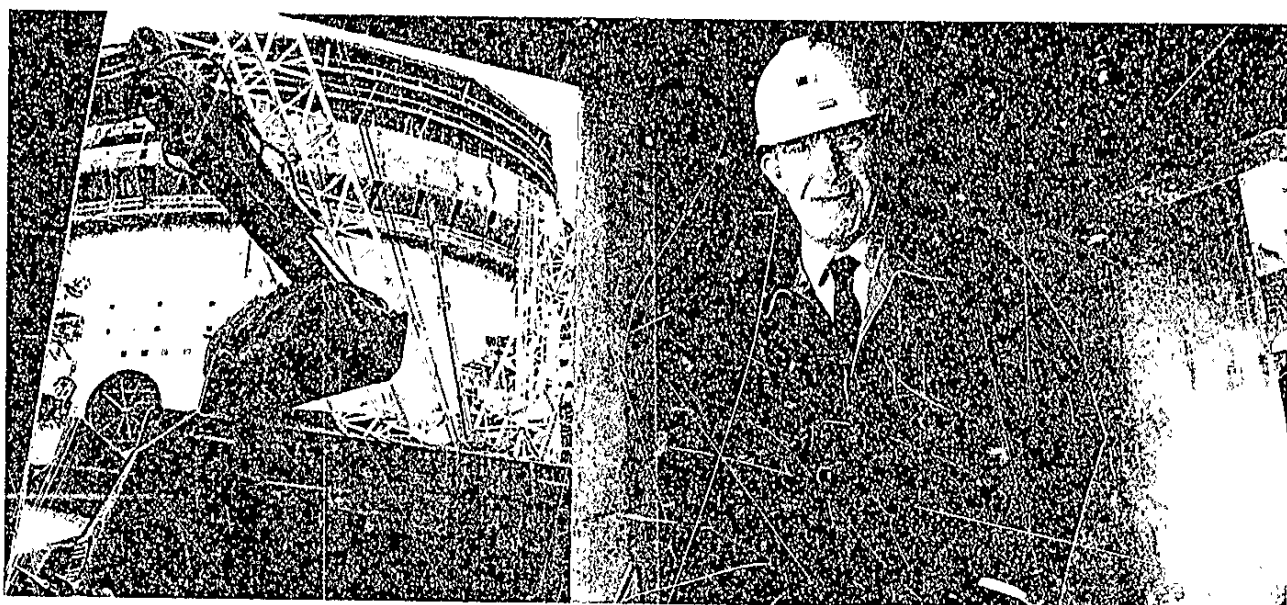
After an extensive review of the company's needs, the Board approved a comprehensive strategy designed to secure the cost-effective application of modern information technology (IT). A major programme is now under way to implement that strategy and transform the company's IT systems over a two





*Mike Kirwan, Executive Director,
Finance (right) and Mike Townsend,
Commercial Director*

year period. The main elements of the strategy are an integrated IT infrastructure based on rationalised computing installations; a new telecommunications network providing resilient voice and data communication between all sites; and replacement of the core systems, mostly developed in-house by the CEEB over many years, with modern commercial software packages. As well as providing direct benefits to managers and other users, the strategy will yield substantial savings in IT service costs.



Construction

Work on the construction of Sizewell B pressurised water reactor (PWR) on the Suffolk coast has continued. The project ranks alongside the largest in Europe and employs over 4,200 people – of which half have been recruited locally.

Excellent progress has been made and the project is currently eight months ahead of the 72 month construction programme set at the outset of the project. Estimated costs remain within the total sum agreed with the Government in June 1990.

By the year end almost 80 per cent of the structural concrete had been cast. The reactor pressure vessel – which was delivered to site by sea in December 1990 – will be installed during the autumn of 1991. The intake and outfall tunnels for the station's sea water cooling system comprise ten pre-cast concrete tunnel units – each weighing around 3,000 tonnes – and were installed in dredged channels during the summer of 1990.

The cylindrical portion of the steel liner of the reactor containment

*At the Sizewell B PWR, the
British Construction Industry
Partnership is helping to
train the next generation of
construction professionals.*



Once Mike Wilson inspecting extent of the scale model of Sizewell B which has been assembled at the PWR project's headquarters at Knarston

building, some 64 metres high, is essentially complete and its dome, pre-fabricated in three steel sections, is in the process of being lifted into place.

By the end of the year progress in constructing the turbine house had advanced to enable the installation of the first turbine to start on programme. In general, equipment manufacture and the installation of cabling and pipework are all progressing to plan.

Following a protracted public enquiry into the application to build a PWR power station at Hinkley Point, planning permission was granted in September 1990 for a station which "very substantially replicates the Sizewell B design". This is the second successful application to build a power station of this type which provides further confirmation of the design and safety systems. A decision to proceed with building the station will be taken in the light of the Government's review of the nuclear industry in 1991.

Stzewell B - on target for producing power

Stzewell B, a new 1,000 MW power station, is on target for producing power.

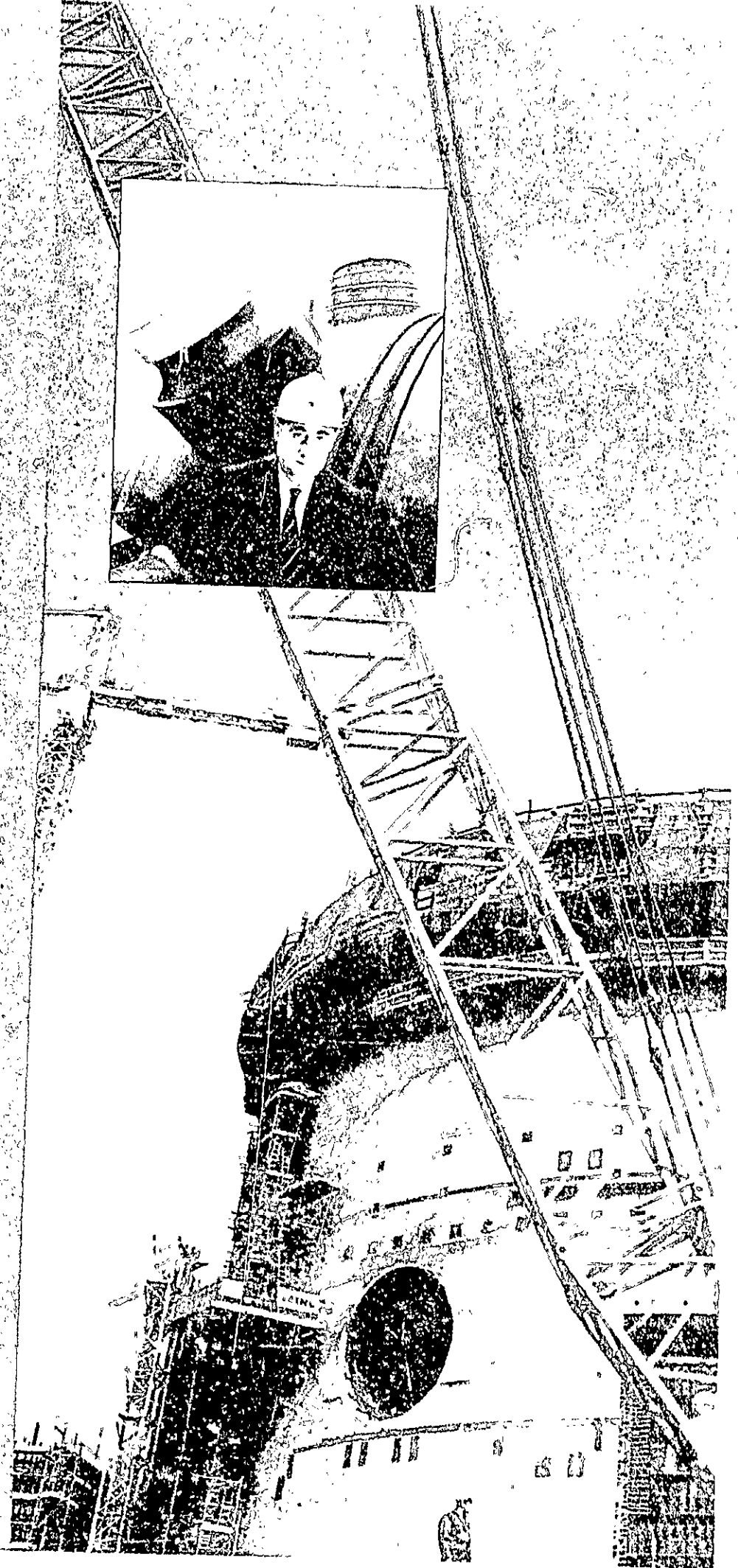
The station is a new 1,000 MW power station, is on target for producing power.

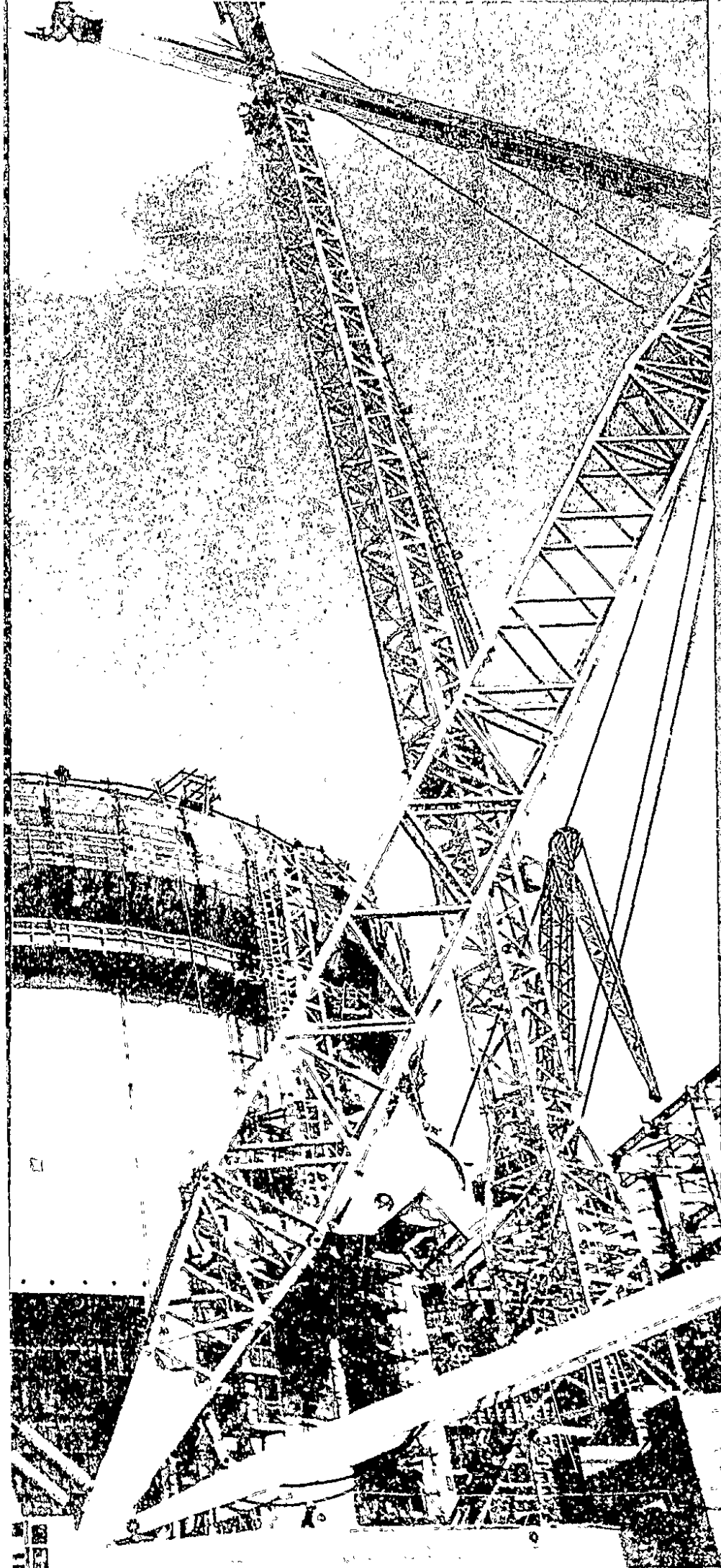
During its working lifetime, Stzewell B will produce the equivalent of 300 million tonnes of carbon dioxide.

Stzewell B will produce the equivalent of 300 million tonnes of carbon dioxide.

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The world's largest steel bridge
span, built by the U.S. Army
Corps of Engineers, is the longest
of its kind in the world.
It is a bridge of steel, built by
the U.S. Army Corps of Engineers,
at the site of the U.S. Army
Corps of Engineers, at the site of the
U.S. Army Corps of Engineers.

Environment

The company has established a comprehensive environmental policy, the key objectives of which are to harmonise the company's activities with the natural environment, limit the impact of those activities and make efficient use of natural resources. The company's statement explaining how it will deal with amenity conservation and consultation, as required under Schedule 9 of the Electricity Act 1990, is reproduced in the appendix to this report.

Nuclear Electric respects a duty of care for the environment implicit in the Electricity Act 1989, the Environmental Protection Act 1990 and other relevant regulations covering safety and the preservation of amenity. The company continues to direct its efforts on reducing the environmental effects of its activities to a practicable minimum and to encourage and demonstrate a commitment to good environmental performance throughout the organisation.

The company recognises the need to assess and limit the effects of its operation on wildlife, the countryside, heritage features and general amenity. Much of the need to achieve these objectives is already underway. Integrated management plans dealing with landscape, wildlife and amenity are being prepared for all Nuclear Electric's landholdings and a series of educational nature trails and field centres are being developed on suitable sites.





Hinkley Point A & B



Corporate affairs

In 1990-91 the company began a vigorous re-shaping of its structure to meet future needs and, specifically, the objectives of its corporate plan. The objective is to introduce a flatter, leaner, more devolved organisation. During the year there was a 4 per cent reduction in manpower from 14,164 to 13,542. The headquarters of the company was established at Gloucester, allowing us to vacate the former CEGB London office in Sudbury House. We also closed a major office in Stockport.

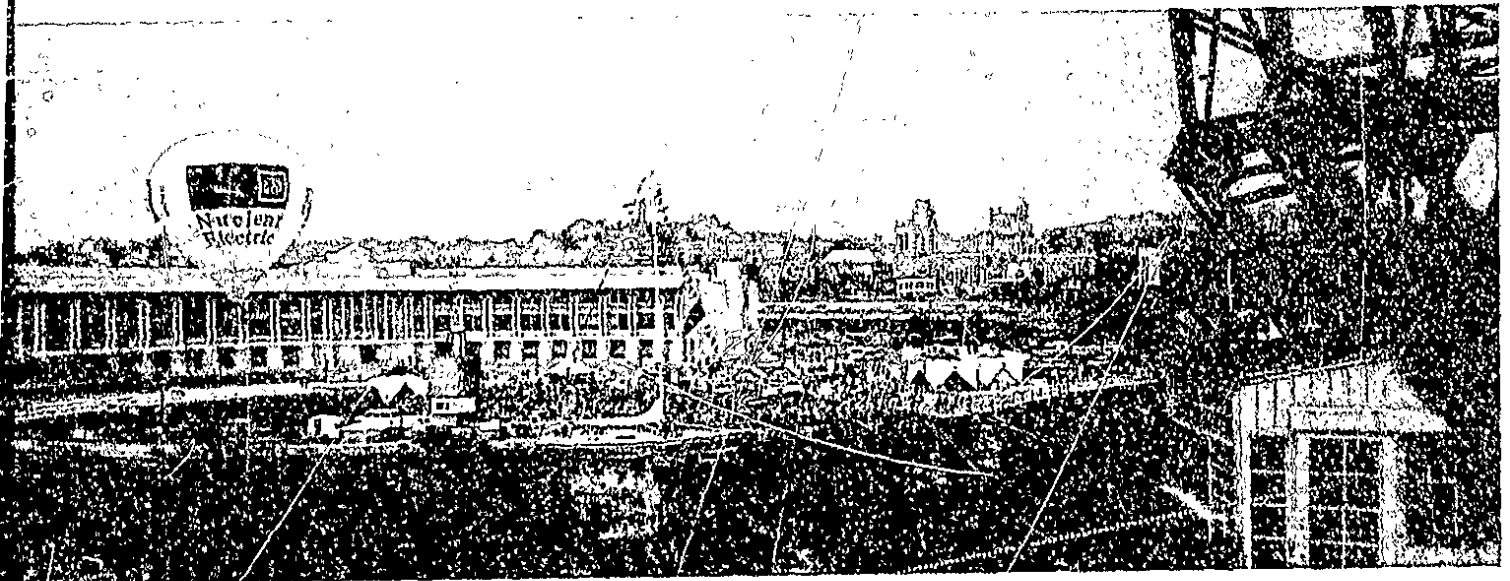
We are committed to an effective and flexible approach to developing the people who work for us, so that we have a workforce which is fit for its purpose and able to respond to the challenges of the competitive world in which we operate. A change programme entitled 'Teamwork for performance' has been initiated to help staff at all levels to recognise the new requirements and adapt the way they work accordingly.

The company is also committed to the progressive introduction of mechanisms for relating elements of pay to performance and has introduced personal contracts for its senior staff.

The Public Relations department consolidated the company's corporate identity and launched programmes intended to increase public awareness of Nuclear Electric's positive benefit to the community and to enhance confidence in the company's activities. As part of this process work started on two new visitor centres in North Wales, one at Wylfa, the other at Trawsfynydd. The existing five visitor centres received 84,000 visitors during the year. Future promotional material and advertising for the company will emphasise the openness of Nuclear Electric locations to the general public.

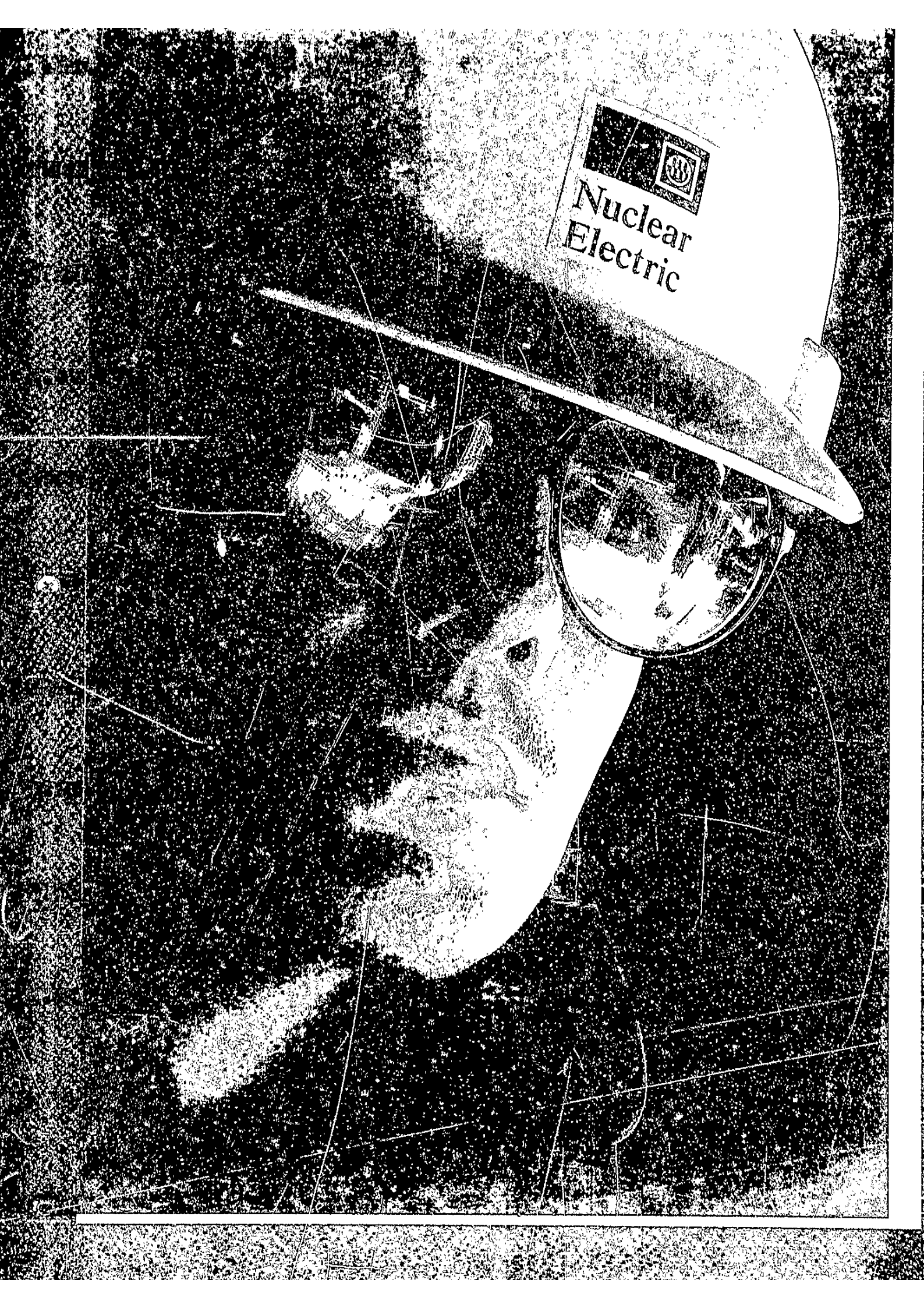
*Mark Baker, Executive Director,
Corporate Affairs and Personnel,
in one of the company's open
learning centres*

Nuclear Electric has continued to play a full role in the international nuclear community. Particular efforts have been made to develop closer relationships with European nuclear operators, including those in eastern and central Europe and in the USSR. Steps have also been taken to ensure greater participation in developments in the European Community with particular reference to the single market and to energy and environment-related questions.



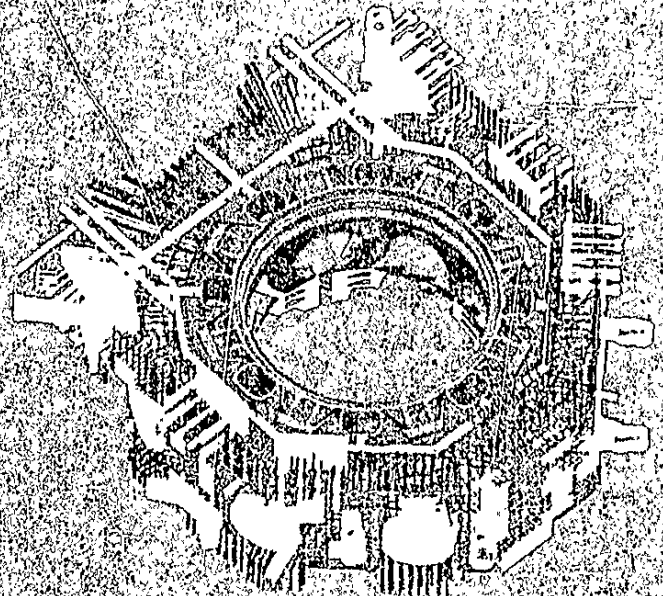
In April 1991 the company announced that it would sponsor one of the yachts in the British Steel Challenge – a 28,000 mile race around the world, beginning in October 1992

In keeping with its declared aim of increasing public awareness of the company and demonstrating responsible commitment to the community, Nuclear Electric maintains an active sponsorship programme, which includes support for national organisations in the cultural, environmental and educational fields and for causes promoted in the communities close to our operating locations. To emphasise its intention to play a full part in the future of the cities in which its main offices are located, the company has undertaken a major sponsorship of the Bristol Cathedral Choir and is contributing to the improvement of the fabric of Gloucester Cathedral.



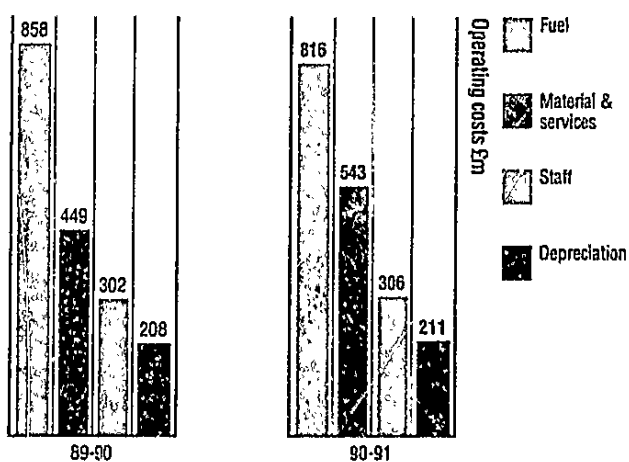
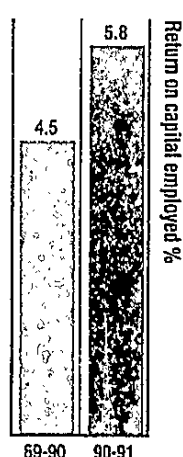
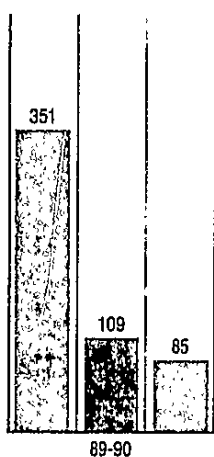
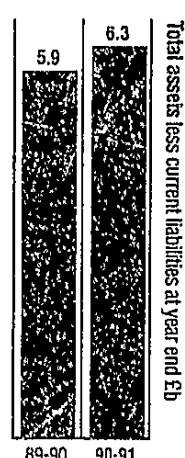
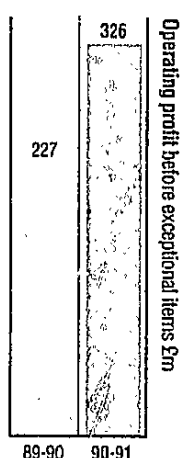
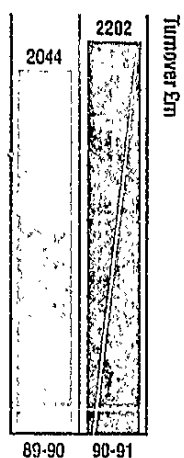
Nuclear
Electric

Statistical Summary

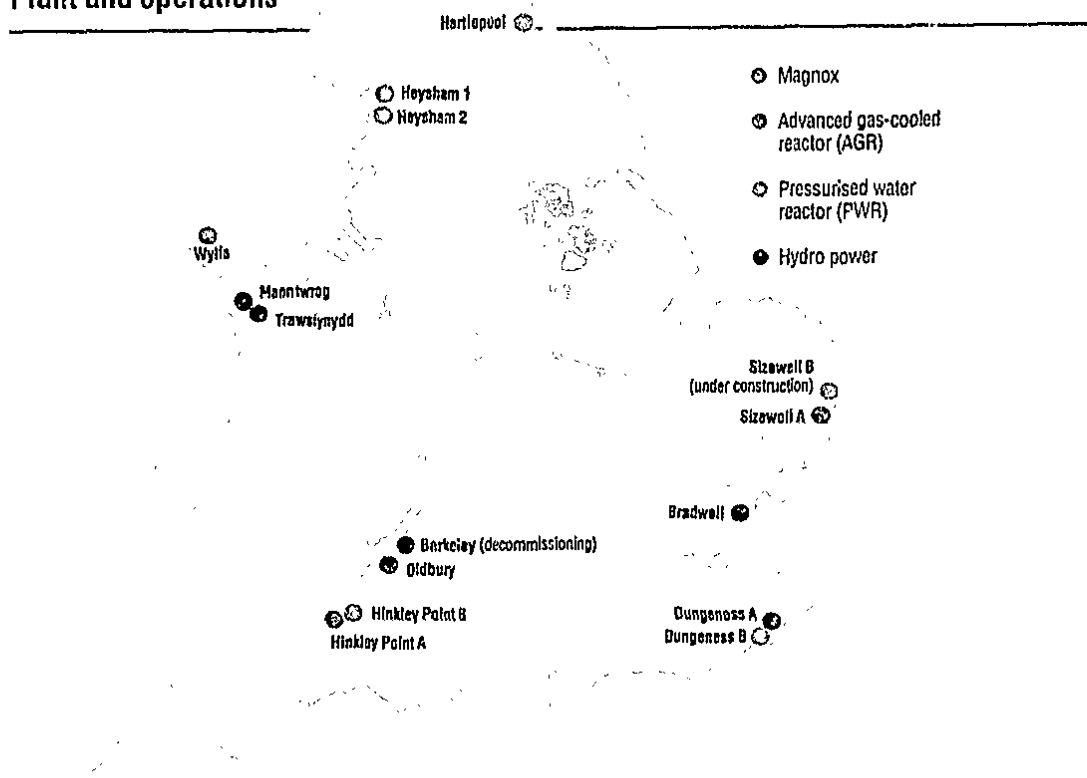


The following summary is
based on the data
received from the
National Bureau of Statistics
and is subject to
change without notice.

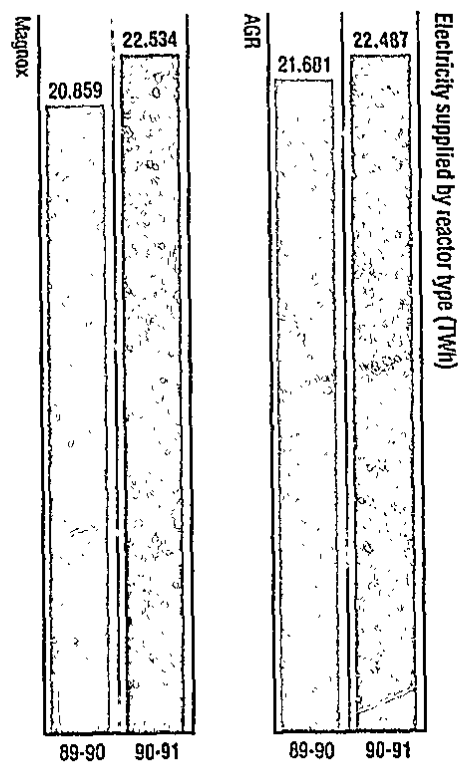
Financial



Plant and operations

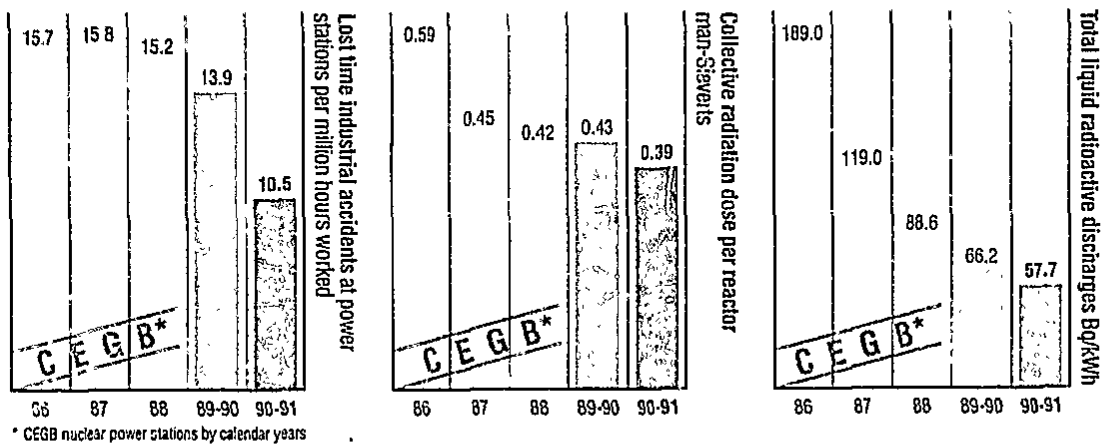


Station	Type	Declared net capacity (MW)
Bradwell	Magnox	245
Dungeness A	Magnox	424
Hinkley Point A	Magnox	470
Oldbury	Magnox	434
Sizewell A	Magnox	420
Trawsfynydd	Magnox	390
Wylfa	Magnox	840
Dungeness B	AGR	720
Hartlepool	AGR	1020
Heysham 1	AGR	1020
Heysham 2	AGR	1230
Hinkley Point B	AGR	1120
Maentwrog	Hydro	24
Berkeley	Magnox	Decommissioning



Safety performance

Indicators adopted by World Association of Nuclear Operators

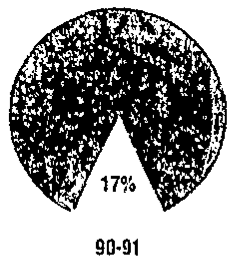


Commercial

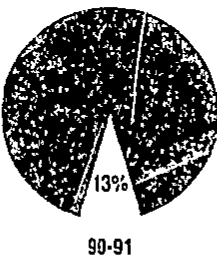
Market share

Energy revenue

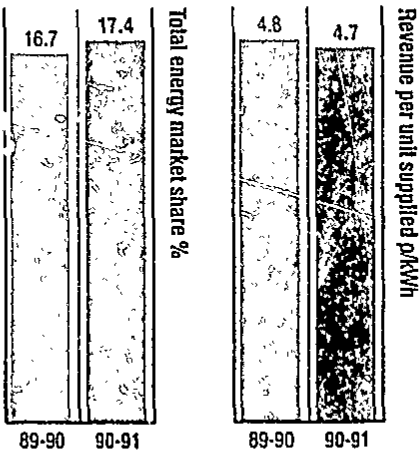
Generators receive payments for both capacity and energy supplied; the figures below indicate Nuclear Electric's share of the total value of these payments



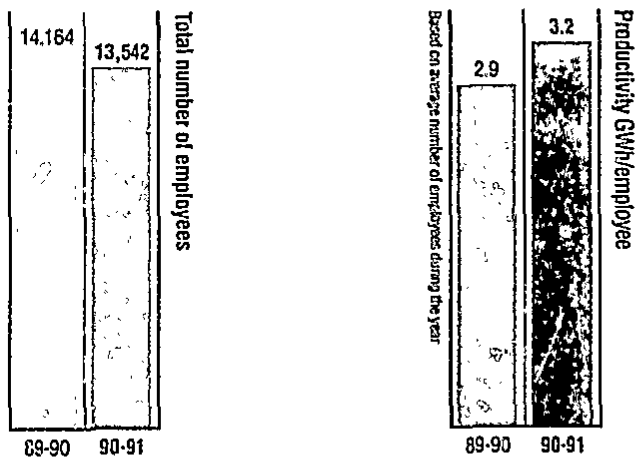
Capacity revenue



Nuclear Electric Others



Manpower



1. The first part of the document is a list of the names of the persons who were present at the meeting. The names are listed in alphabetical order.

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Directors' report

for the year ended 31 March 1991

The directors present their report and accounts for the year ended 31 March 1991.

Principal activities

The principal activities of the company and its subsidiary companies listed in note 10 to the accounts are the generation and supply of electricity, uranium exploration and mining, and insurance. A review of the development of the business of the group and likely future developments is given in the Chairman's statement and review of the year sections of this report.

Directors of the company

The directors of Nuclear Electric plc during the year ended 31 March 1991 are listed below:

Mr J G Collier FRS, FEng	<i>Chairman and Chief Executive</i>
Mr F Ledger OBE, FEng	<i>Deputy Chairman</i>
Mr M A W Baker	<i>Executive Director, Corporate Affairs and Personnel</i>
Mr S C Goddard	<i>Executive Director, Construction and Future Programmes</i>
Mr R W Hall	<i>Executive Director, Production (appointed 1 December 1990)</i>
Mr M R Kirwan	<i>Executive Director, Finance (appointed 1 October 1990)</i>
Mr F E Bonner CBE	<i>Non-executive</i>
Sir Frank Gibb CBE	<i>Non-executive</i>
Professor A S Goudie	<i>Non-executive (appointed 1 September 1990)</i>
Mr A M B Large	<i>Non-executive (appointed 1 May 1990)</i>
Mr M H Spence CBE	<i>Non-executive (appointed 1 June 1990)</i>
Ms S E Stoessl	<i>Non-executive (appointed 1 May 1990)</i>

The Secretary of State for Energy is a shadow director of the company within the meaning of Section 741 of the Companies Act 1985.

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

Directors' interests in shares

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

Financial results

The operating profit for the year from current operations amounted to £326 million. After exceptional items and a net credit on financing charges there was a profit of £126 million from current operations. This profit together with the loss for the year relating to past (CEGB) operations of £140 million gave an overall loss of £14 million which is transferred to reserves.

The balance sheet at 31 March 1991 shows total net assets less current liabilities of £6300 million (including the significant investment in Sizewell B) and long term creditors and provisions of £10,218 million. 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, and financial projections of future cash surpluses, to draw up the accounts on a going concern basis on the grounds that the company is, and will remain, able to meet its liabilities as they fall due.

The directors are not recommending the payment of any dividend.

Fixed assets

Changes in fixed assets are shown in note 9 to the accounts. In the directors' opinion, the market value of non-operational land and buildings is some £40 million higher than the amount at which they are included in the accounts.

Post-balance sheet events

No material events have occurred since the end of the financial year which have implications for the accounts for 1990-91.

Research and development

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

Employee participation

New company-wide machinery for consultation with employees has been developed during the year, which has subsequently come into operation. This comprises a Company Review Committee and a Company Health and Safety Committee, with Site Consultative and Health and Safety Committees at each location. The company has continued to be party to the electricity supply industry's national agreements and collective bargaining arrangements.

The company is firmly committed to involving its employees in all aspects of its business through a process of consultation and communication. A 'Teamwork for performance' initiative has been formulated to involve all staff more closely and dynamically in contributing to progressive improvements in company performance.

Towards the end of the year under review, eligible Nuclear Electric employees participated in the employee share offers by which they were entitled to subscribe for shares in National Power PLC. The four elements comprised free shares, a matching offer, a discount offer and a priority offer.

During the year the company initiated a review of its stance towards equal opportunities and established an equal opportunities working group which aims to ensure active promotion of a positive and progressive equal opportunities policy. This includes particular reference to meeting the needs of disabled people (employees and visitors) and promoting the employment of disabled people.

Charitable and political contributions

During the year ended 31 March 1991 the company made donations to charitable organisations totalling £196,733. No contributions were made to political parties.

Auditors

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

By order of the Board

J R Melville



Company Secretary

27 June 1991

Report of the Auditors

To the Members of Nuclear Electric plc

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

The accounts on pages 38 to 55 have been prepared under the historical cost convention and the current cost accounts on pages 56 to 60 have been prepared under the current cost convention as described in the notes thereto.

In our opinion, the financial statements give a true and fair view of the state of the affairs of the company as at 31 March 1991 and of the loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Binder Hamlyn

BDO Binder Hamlyn

Chartered Accountants, London

27 June 1991

Statement of accounting policies

Accounting standards

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

Basis of preparation and presentation of accounts

During the year, which was the first full year of operation under the control of Nuclear Electric management, the company carried out a thorough review of its accounting policies and the format of its accounts. The results of this review are reflected in these financial statements.

The effects of changes in accounting policies relating to fuel costs and nuclear provisions are described in note 2 to the accounts and the comparative figures for the company for 1990 have been adjusted accordingly. Cumulative adjustments applicable to earlier years have been taken to reserves as prior year adjustments.

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

Current (NE) operations and past (CEGB) operations

Under the provisions of the Electricity Act 1989 and of the CEGB transfer and divisionalisation schemes, the company inherited substantial nuclear liabilities relating to past generation. The assets transferred to the company under those arrangements were insufficient to cover those liabilities (see note 1 to the accounts). In order to show a more meaningful account of the financial performance of the company since vesting, the effects of the inherited nuclear liabilities have been shown separately in the profit and loss account and the balance sheet. For this purpose, the extent of inherited nuclear liabilities has been determined by reference to the vesting date, under the Electricity Act 1989, of 31 March 1990 when the company's affairs came under the full control of Nuclear Electric management. Consequently, comparative figures in respect of nuclear liabilities for 1989-90 all relate to past (CEGB) operations.

Turnover

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

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

Fuel costs

The charge to profit and loss account comprises a fixed annual cost together with a variable sum proportionate to units of electricity generated, which reflects the substance of current arrangements with suppliers. The charge includes the estimated cost at current prices of the reprocessing and long term storage, treatment and eventual disposal of resulting waste products in respect of both irradiated fuel consumed during the year and the residual fuel which will remain in the reactors at the end of their lives.

Research and development

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

Pension costs

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

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

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the balance sheet. All differences are taken to the profit and loss account.

Fixed assets and depreciation

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

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

The charge for depreciation of fixed assets is generally based on the straight line method, to write off the cost of assets over their estimated useful lives. These are subject to regular review.

The lives adopted are:

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

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

During the year, the lives of existing AGR power stations at Hinkley Point and Heysham 2 have been reassessed from 25 to 30 calendar years.

Stocks of fuel and stores

All stocks are valued at the lower of cost and net realisable value. Initial fuel, previously included in fixed assets, is now included in stocks.

Deferred taxation

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

Long term nuclear provisions

Long term provisions relate to the company's obligations in respect of the following:

- (a) Reprocessing of nuclear fuel.
- (b) Long term storage, treatment and eventual disposal of nuclear fuel waste products.
- (c) Decommissioning of the company's nuclear power stations and facilities owned by British Nuclear Fuels plc (BNFL).

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

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

A change in the basis of the calculation of fuel reprocessing costs has been made in 1991 and is described in note 2 to the accounts.

Profit and loss account

for the year ended 31 March 1991

	Note	1991	Past (CEGB)	Total	1990
		Current (NE) operations £m	operations £m		£m
Turnover		2,202	—	2,202	2,044
Expenditure					
Fuel		816	—	816	858
Materials and services		543	—	543	449
Staff costs	3	306	—	306	302
Depreciation		211	—	211	208
		1,876	—	1,876	1,817
Operating profit before exceptional items		326	—	326	227
Income from shares in subsidiary undertakings		2	—	2	1
Exceptional items	4	(207)	723	516	(220)
Operating profit		121	723	844	8
Financing charges (net)	5	5	(863)	(858)	(941)
Profit/(loss) on ordinary activities before and after taxation	6,7	126	(140)	(14)	(933)
Extraordinary items	8	—	—	—	510
Profit/(loss) for the financial year	18	126	(140)	(14)	(423)

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

Balance sheet

at 31 March 1991

		1991		1990	
	Note	Current (NE) operations £m	Past (CEGB) operations £m	Total £m	£m
Fixed assets					
Tangible assets	9	4,971	—	4,971	4,511
Investments	10	42	—	42	24
		5,013	—	5,013	4,535
Current assets					
Stocks	11	572	—	572	756
Debtors	12	586	—	586	458
Investments	13	531	—	531	521
Cash at bank and in hand		—	—	—	—
		1,689	—	1,689	1,735
Less:					
Creditors—amounts falling due within one year	14	(402)	—	(402)	(390)
Net current assets		1,287	—	1,287	1,345
Total assets less current liabilities		6,300	—	6,300	5,880
Represented by:					
Long term creditors—amounts falling due after more than one year	14	36	—	36	23
Provisions for liabilities and charges					
Nuclear provisions	15	720	8,831	9,551	9,176
Other provisions	16	631	—	631	585
Capital and reserves					
Called up share capital	17	—	—	—	—
Profit and loss account	18	126	(4,044)	(3,918)	(3,904)
Funding reserve	18	4,787	(4,787)	—	—
		6,300	—	6,300	5,880

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

The financial statements on pages 38 to 60 were approved by the Board on 27 June 1991.

J G Collier Director

M R Kirwan Director

John G Collier
Michael R Kirwan

Source and application of funds

for the year ended 31 March 1991

	1991		1990	
	Current (NE) operations £m	Past (CEGB) operations £m	Total £m	£m
Source of funds				
<i>From operations:</i>				
Profit/(loss) before extraordinary items	126	(140)	(14)	(933)
<i>Adjustments not involving the movement of funds:</i>				
Depreciation	184	—	184	208
Provisions (net)	766	(345)	421	1,634
Extraordinary items	—	—	—	(320)
(Profit)/loss on disposal of fixed assets	(1)	—	(1)	71
	1,075	(485)	590	660
<i>From other sources:</i>				
Compensation from area boards	—	—	—	830
Proceeds from sale of fixed assets	1	—	1	—
Total source of funds	1,076	(485)	591	1,490
Application of funds				
Purchase of fixed assets	644	—	644	547
Additional investment in subsidiary undertaking	—	—	—	8
Settlement of past (CEGB) liabilities	485	(485)	—	—
	1,129	(485)	644	555
Increase/(decrease) in working capital				
Stocks and stores	(184)	—	(184)	(85)
Debtors	146	—	146	224
Creditors	(16)	—	(16)	271
	(54)	—	(54)	410
Increase/(decrease) in net liquid funds				
Current asset investments	10	—	10	521
Bank overdraft	(9)	—	(9)	4
	1	—	1	525
Total application of funds	1,076	(485)	591	1,490

The column headed 'Past (CEGB) operations' shows the extent to which nuclear liabilities arising from the former CEGB's generation were extinguished during the year from the funds of Nuclear Electric plc.

Notes to the accounts

1 Going concern basis of accounting

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

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

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

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

Notes to the accounts continued

2 Changes in accounting policies – prior year adjustments

The effect of the following changes in accounting policies in the year have been reflected in the comparative figures for 1990 and earlier years by means of prior year adjustments to reserves.

(a) *Stocks*

- (i) Initial fuel, loaded to the reactor on commissioning, is no longer capitalised as a tangible fixed asset and amortised over the life of the reactor. This policy has been changed to reflect a valuation of unburnt fuel in the reactor, together with a provision for the cost of unburnt fuel when the station is closed, as part of stocks.

The effects of this change are to reduce tangible fixed assets by £188 million and increase stocks by £152 million, and to increase the reported loss for 1990 by £2 million.

- (ii) Previously the valuation of stocks included an element to reflect fixed costs associated with fuel fabrication. This policy has been changed so that these costs are now charged directly to the profit and loss account.

The effects of this change are to reduce opening stocks by £79 million and to decrease the reported loss for 1990 by £22 million.

(b) *Nuclear provisions*

- (i) Fuel reprocessing costs are now charged on a fixed annual basis, rather than a variable basis related to fuel discharged. This more correctly reflects the underlying nature of these costs.

The effects of this change are to reduce opening nuclear provisions by £169 million and to increase the reported loss for 1990 by £20 million.

- (ii) As part of the change in the basis of AGR fuel valuation the opening provision for fuel not yet loaded to the reactor of £58 million, previously recorded under nuclear provisions, has been written down by £22 million. The balance of £36 million has been reclassified as stock and now forms part of the provision for unburnt fuel at shutdown (see note 11).

The aggregate effect of the above adjustments has not altered the previously reported loss for the year ended 31 March 1990 of £423 million.

3 Staff costs

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

	1991 £m	1990 £m
Salaries	293	267
Social security costs	24	21
Other pension costs	64	53
	381	341
<i>Less:</i>		
Amounts capitalised or charged against provisions	75	39
	306	302

The average number of employees of the company during the year was 13,924 (1990: 14,415).

The aggregate amount of the remuneration of all the directors of the company during the year ended 31 March 1991 was:

	1991 £000	1990 £000
Directors' fees	54	—
Directors' emoluments (including pension contributions)	572	11
	626	11

The directors of the company at the end of the previous year were appointed on 19 March 1990.

The above amount includes remuneration, excluding pension contributions, of the Chairman and highest paid director, of £153,881 (1990: £3651).

The number of other directors who received remuneration, excluding pensions contributions, in the following range was:

	1991 Number	1990 Number
£0 – £5,000	—	11
£5,001 – £10,000	4	—
£10,001 – £15,000	2	—
£25,001 – £30,000	1	—
£70,001 – £75,000	1	—
£75,001 – £80,000	1	—
£85,001 – £90,000	2	—

Notes to the accounts continued

4 Exceptional items

	1991		1990
	Current (NE) operations £m	Past (CEGB) operations £m	£m
Provisions relating to company establishment and rationalisation	72	—	108
Revised estimate of reprocessing costs, decommissioning costs and depreciation following upon:			
(a) Refinement of the cost base	—	(672)	—
(b) Adoption of AGR 30 year life for Hinkley Point and Heysham 2	(27)	(51)	—
Provision relating to excess stocks	162	—	—
Pensions provision (note 20(iii))	—	—	60
Costs incurred in the construction of Sizewell B and other related costs, written off following the decision to impose a moratorium on the PWR construction programme	—	—	52
	207	(723)	220

5 Financing charges (net)

	1991		1990
	Current (NE) operations £m	Past (CEGB) operations £m	£m
Interest on borrowing from the Electricity Council	—	—	48
Interest payable	54	—	—
Financing costs relating to nuclear and other long term provisions			
(a) Arising from changes in price levels	23	694	717
(b) Notional interest	14	169	179
	91	863	944
Interest receivable	(96)	—	(3)
	(5)	863	941

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

	1991 £m	1990 £m
The profit/(loss) on ordinary activities before and after taxation is stated after charging:		
Research and development expenditure	95	116
Amount advanced to fund the activities of the associated undertaking	14	7
The remuneration of the auditors was £235,000 (1990, £210,000)		

7 Taxation

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

Corporation tax losses carried forward are estimated to be in excess of £3 billion.

No provision for deferred taxation has been made since the potential timing differences existing at 31 March 1991 are fully covered by tax losses brought forward. In addition, the company's plans over the next few years provide for an investment in fixed assets in respect of which the taxation capital allowances will be substantially in excess of the expected charge for depreciation.

8 Extraordinary items

	1991 £m	1990 £m
Provisions for future losses on contracts for the supply of electricity inherited from the CEGB	—	(320)
Compensation from area boards attributable to the activities of the company	—	830
	—	510

Notes to the accounts continued

9 Tangible fixed assets

	Nuclear power stations £m	Initial fuel £m	Other land and buildings £m	Other plant and equipment £m	Assets in the course of construction £m	Total £m
Gross value						
At 1 April 1990	4,661	293	92	364	732	6,142
Reclassification	—	(293)	9	(9)	5	(288)
Restated at 1 April 1990	4,661	—	101	355	737	5,854
Additions	127	—	11	58	448	644
Disposals and amounts written off	(4)	—	—	(5)	—	(9)
At 31 March 1991	4,784	—	112	408	1,185	6,489
Depreciation						
At 1 April 1990	1,182	100	25	136	—	1,443
Reclassification	—	(100)	—	—	—	(100)
Restated at 1 April 1990	1,182	—	25	136	—	1,343
Charge for the year	151	—	2	31	—	184
Eliminated on disposals	(4)	—	—	(5)	—	(9)
At 31 March 1991	1,329	—	27	162	—	1,518
Net book value						
At 31 March 1991	3,455	—	85	246	1,185	4,971
At 1 April 1990	3,479	—	76	219	737	4,511

As a result of a revision of stock valuation and fuel burn accounting policies (see note 2), initial fuel previously included in tangible fixed assets, has been transferred to stock at a value of £188 million (see note 11), with the remaining £5 million of its net book value of £193 million at 31 March 1990, having been transferred to assets in the course of construction.

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

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

	1991 £m	1990 £m
Freehold	1,191	1,027
Short leasehold	1	1
	1,192	1,028

The cost of freehold land included in the above is £12 million (1990: £11 million).

10 Fixed asset investments

The company holds shares in the following companies:

	Country of incorporation and operation	Share-holding %	Principal activity
Principal subsidiary undertakings			
Electricity Producers Insurance Company Limited	Isle of Man	80	Insurance
Central Electricity Generating Board Exploration (Canada) Ltd	Canada	80	Dormant
Central Electricity Generating Board Exploration (America) Inc	USA	80	Uranium exploration and mining
Power Resources Inc*	USA	80	Uranium exploration and mining
Power Resources (Australia) Pty Ltd (formerly Central Electricity Generating Board Exploration (Australia) Pty Ltd)	Australia	80	Dormant
Associated undertaking			
United Kingdom Nirex Limited	Great Britain	42.5	Disposal of radioactive waste

*Shares not held directly by the company

	1991 £m	1990 £m
Investment in subsidiary undertakings at cost	24	24
Loans to subsidiary undertakings	18	—
Total fixed asset investments	42	24

The company's share of the combined net assets of subsidiary undertakings not consolidated amounted to £99 million at 31 March 1991 (1990: £87 million).

11 Stocks	1991 £m	1990 (restated) £m
Nuclear fuel	570	755
Stores	2	1
	572	756

The comparative figures for 1990 have been restated to reflect the changes outlined in note 2. This has resulted in the following adjustments:		£m
Nuclear fuel stock at 1 April 1990		682
Elimination of fixed costs of fabrication		(79)
Reclassification of reactor stock from tangible fixed assets (see note 9)		188
Revaluation of unburnt fuel in reactor		(36)
Restated nuclear fuel stock at 1 April 1990		755

Notes to the accounts continued

12 Debtors	1991 £m	1990 £m
Trade debtors	340	297
Other debtors	88	138
Prepayments	158	5
Amounts owed by subsidiary undertaking	—	18
	586	458

13 Current asset investments	1991 £m	1990 £m
Fixed and call deposits	531	521

14 Creditors	1991 £m	1990 £m
Amounts falling due within one year	29	20
Bank overdrafts	14	17
Trade creditors	32	7
Other taxation and social security	3	1
Other creditors	324	345
Accruals and deferred income	402	390

Amounts falling due after more than one year	36	23
Retentions	36	23

Retentions include an amount of £1 million (1990: £5 million) payable in more than five years.

15 Nuclear provisions

	Balance 1 April 1990 £m	Prior year adjustment £m	Balance 1 April 1990 (restated) £m	Utilised in the year £m	Charged to profit and loss account £m	Balance 31 March 1991 £m
Past (CEGB) operations						
<i>Magnox</i>						
Reprocessing of irradiated nuclear fuel, waste storage and disposal and decommissioning costs of facilities owned by BNFL	5,709	(113)	5,596	(373)	473	5,696
Decommissioning costs of the company's nuclear power stations	1,538	—	1,538	(9)	(154)	1,375
	7,247	(113)	7,134	(382)	319	7,071
<i>AGR</i>						
Reprocessing of irradiated nuclear fuel, waste storage and disposal and decommissioning costs of facilities owned by BNFL	1,472	(56)	1,416	(98)	(136)	1,182
Decommissioning costs of the company's nuclear power stations	304	—	304	—	(62)	242
	1,776	(56)	1,720	(98)	(198)	1,424
<i>Other</i>						
The company's share of decommissioning and other costs of BNFL's Calder Hall power station	241	—	241	—	17	258
Short term nuclear provisions	139	(58)	81	(5)	2	78
	380	(58)	322	(5)	19	336
Total past (CEGB) operations	9,403	(227)	9,176	(485)	140	8,831
Current (NE) operations						
<i>Magnox</i>						
Reprocessing of irradiated nuclear fuel, waste storage and disposal and decommissioning costs of facilities owned by BNFL	—	—	—	—	418	418
Decommissioning costs of the company's nuclear power stations	—	—	—	—	37	37
	—	—	—	—	455	455
<i>AGR</i>						
Reprocessing of irradiated nuclear fuel, waste storage and disposal and decommissioning costs of facilities owned by BNFL	—	—	—	—	232	232
Decommissioning costs of the company's nuclear power stations	—	—	—	—	33	33
	—	—	—	—	265	265
Total current (NE) operations	—	—	—	—	720	720
Total nuclear provisions	9,403	(227)	9,176	(485)	860	9,551

Notes to the accounts continued

15 Nuclear provisions continued

The profit and loss account charge comprises:

	1991		1990
	Current (NE) operations	Past (CEGB) operations	(restated)
	£m	£m	£m
Fuel	596	—	653
Materials and services	70	—	44
Financing charges	54	863	890
Exceptional items	—	(723)	—
	720	140	1,587

The 1990 balances have been restated in accordance with note 2.

The services for the reprocessing of irradiated fuel and the treatment of associated waste products are provided by BNFL. Contracts for these services are currently being renegotiated and the accounts have been prepared on the assumption that payments for those services will be made over the periods set down in BNFL's fixed price offers and incorporate premia, contained within the offers, for the acceptance of the estimated risks which previously fell to the company or its predecessor organisation as they materialised.

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

Provisions for services relating to the disposal of radioactive waste are based on best estimates available from United Kingdom Nirex Ltd and the company's own engineers. The company's future strategy for decommissioning nuclear power stations is currently being reviewed. Pending completion of the ongoing review, provision continues to be made on the same basis as in previous years. This reflects three stages of decommissioning:

Stage 1

Defuelling the site. Within the first five years after shutdown, all fuel will be removed from the reactors, ponds and stores and transported from the site.

Stage 2

The dismantling, demolition and subsequent removal of all plant and buildings other than the reactor and other equipment within the biological shielding. This process will take some five years to complete following stage 1.

Stage 3

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

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

16 Other provisions

	Balance 1 April 1990 £m	Utilised in the year £m	Charged to profit and loss account £m	Balance 31 March 1991 £m
Other provisions				138
Company establishment and rationalisation	108	(62)	92	67
Insurance	66	(1)	2	69
Pensions [note 20 (iii)]	60	—	9	342
Future losses on contracts	320	(18)	40	15
Moratorium on PWR programme	31	(16)	—	631
Total	585	(97)	143	

The profit and loss account charge comprises:

	1991 £m	1990 £m
Materials and services	31	1
Staff costs	4	—
Financing charges	36	6
Exceptional items	72	199
Extraordinary items	—	320
	143	526

17 Called up share capital

	1991 £	1990 £
Authorised:		
50,000 ordinary shares of £1 each (1990: 50,000)	50,000	50,000
Allotted and called up:		
Two ordinary shares of £1 each fully paid (1990: fully paid)	2	2
49,998 ordinary shares of £1 each 25p paid	12,500	12,500
	12,502	12,502

Notes to the accounts continued

18 Profit and loss account

	1991	
	Current (NE) operations £m	Past (CEGB) operations £m
Balance at 1 April 1990	—	(4,016)
Adjustments arising from changes in accounting policies:		
Nuclear fuel stock adjustments (see note 2)	—	(57)
Nuclear provisions – changes made to valuation basis	—	169
Balance at 1 April 1990 restated	—	(3,904)
Profit/(loss) for the year	126	(140)
Balance at 31 March 1991	126	(4,044)

	Current (NE) operations £m	Past (CEGB) operations £m
Balance created at 1 April 1990	5,272	(5,272)
Movement in reserve for year	(485)	485
Balance at 31 March 1991	4,787	(4,787)

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

19 Contingent liabilities

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

20 Financial commitments

- (i) Capital expenditure authorised by the directors but not spent at 31 March 1991 amounted to £1515 million (1990: £1574 million), in respect of which the company has entered into commitments amounting to approximately £696 million (1990: £463 million).
- (ii) At 31 March 1991 and 31 March 1990, 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 next actuarial valuation of the Scheme will be carried out in March 1992. The most recent actuarial valuation of the Scheme was carried out as at 31 March 1989. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9 per cent per annum, that salary increases would be 7 per cent per annum and that pensions would increase at the rate of 5½ per cent per annum.

The valuation showed that the actuarial value of the Scheme assets attributable to the National Power division of the CEGB (including what was to become substantially the company) represented 101 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The European Court of Justice in May 1990 decided that the practice of providing different pension benefits for men and women is discriminatory in certain circumstances. Whilst the implications of this judgement on the past service rights of pension scheme members are not yet certain, a provision of £60 million to reflect the probability of the liability arising was made last year, and this has been increased in these accounts by a further provision of £9 million to cover an additional year's liability and the effects of inflation.

- (iv) The company guarantees credit facilities granted to subsidiary company undertakings in the ordinary course of business. At the balance sheet date, maximum guarantees outstanding amounted to US\$9,100,000 of which US\$4,700,000 had been utilised. These facilities expire at 31 October 1991.

21 Credit transactions and quasi-loans

The following agreements which are required to be listed pursuant to Schedule 6 to the Companies Act 1985 were entered into on 31 March 1990, [agreements numbered (1) to (8) inclusive] and on 19 April 1990 [agreement numbered (9)]. The company and the other parties mentioned below are, or at some time during the financial year were, connected with The Secretary of State for Energy, who is, or at some time during the year was, deemed to be a shadow director of the company and those other parties. Agreements numbered (1) to (8) were among those required to be entered into pursuant to Section 68(2)(c) of the Electricity Act 1989 as part of the vesting arrangements for the electricity supply industry. In the case of the agreements numbered (1) to (5) inclusive below, which are credit transactions, their terms reflect the particular circumstances in which they were entered into. Save in so far as a rent or a price is mentioned below, it is not possible to estimate what the value of the agreements would have been in the ordinary course of business and therefore the value of these agreements [within the meaning of that term in Section 340 of the Companies Act 1985] is not ascertainable. The value of the agreements numbered (6) to (8) inclusive below, which are or may be quasi-loans, is also not ascertainable, as the maximum amounts the persons to whom the quasi-loans are or may be made are liable to repay are not ascertainable.

Agreement numbered (9) is a credit transaction and is considered to be in each of the parties' ordinary course of business.

- (1) Nine leases of land and buildings at sub-stations to the National Grid Company plc each for 999 years beginning on 31 March 1990 at a rent of £2 per annum.
- (2) Lease of property at Bankside in London to the National Grid Company plc for three years beginning on 31 March 1990 at a rent of £688,068 per annum.
- (3) Lease of offices at Sudbury House, Laud House and Courtenay House in London to National Power PLC for terms varying between about three months and two years beginning on 31 March 1990 at a rent per day calculated until 30 September 1990 according to the number of people in occupation on the day in question and from 30 September 1990 based on the net lettable area of the property then demised (and a proportion or part of the common parts).
- (4) Lease of temporary buildings at Barnwood to National Power PLC for two years beginning on 31 March 1990 at a yearly rent of £153,360 subject to reduction of the yearly rent by £25,560 for each 25 of National Power's employees who permanently vacate the premises.
- (5) Option (exercisable prior to 31 March 1997) granted to National Power PLC for lease and easement over land at Hartlepool at an option price of £1 for 99 years beginning on the date of grant of the lease at a rent to be agreed subject to review at five yearly intervals.
- (6) Joint Participation Agreement made with National Power PLC, PowerGen plc and the National Grid Company plc regulating the parties' obligations under two research contracts entered into by the CEGB and allocated to the company.
- (7) Corporate Communications Network Agreement made with National Power PLC concerning the operation and use of the network.
- (8) Corporate Communications Network Gateway Connection Agreement made with National Power PLC, PowerGen plc and National Grid Company plc for sharing connection costs.
- (9) Strategic Spares Leasing Agreement made on 19 April 1990 with National Power PLC, PowerGen plc, Scottish Power plc, Scottish Hydro-Electric plc and Scottish Nuclear Ltd, regulating the use of and the rental payable for a joint pool of spare equipment.

Current cost profit and loss account

for the year ended 31 March 1991

	Note	1991		1990
		Current (NE) operations £m	Past (CEGB) operations £m	Total £m
Turnover		2,202	—	2,202
Expenditure on the historical cost basis		1,876	—	1,876
Operating profit before exceptional items on historic cost basis		326	—	326
Current cost adjustments	1	(193)	—	(193)
Current cost operating profit before exceptional items		133	—	133
Income from shares in subsidiary undertakings		2	—	2
Exceptional items	2	(286)	723	437
Financing charges (net)		5	(863)	(858)
Current cost loss on ordinary activities before and after taxation		(146)	(140)	(286)
Extraordinary items		—	—	—
Current cost loss for the financial year	5	(146)	(140)	(286)

Current cost balance sheet

at 31 March 1991

		1991		1990	
	Note	Current (NE) operations £m	Past (CEGB) operations £m	Total £m	£m
Fixed assets					
Tangible assets	3	7,315	—	7,315	6,464
Investments		42	—	42	24
		7,357	—	7,357	6,488
Current assets					
Stocks	4	713	—	713	1,070
Debtors		586	—	586	458
Investments		531	—	531	521
Cash at bank and in hand		—	—	—	—
		1,830	—	1,830	2,049
<i>Less:</i>					
Creditors — amounts falling due within one year		(402)	—	(402)	(390)
Net current assets		1,428	—	1,428	1,659
Total assets less current liabilities		8,785	—	8,785	8,147
<i>Represented by:</i>					
Long term creditors — amounts falling due after more than one year		36	—	36	23
Provisions for liabilities and charges					
Nuclear provisions		720	8,831	9,551	9,176
Other provisions		631	—	631	585
Capital and reserves					
Called up share capital		—	—	—	—
Profit and loss account	5	(146)	(6,202)	(6,348)	(6,062)
Current cost reserve	5	2,757	2,158	4,915	4,425
Funding reserve	5	4,787	(4,787)	—	—
		8,785	—	8,785	8,147

Statement of current cost accounting policies

Accounting convention

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

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

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

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

Fixed assets

Power stations

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

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

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

Other fixed assets

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

Assets in the course of construction

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

Stocks

Stocks of nuclear fuel are valued at the lower of cost per tonne of current deliveries and net realisable value.

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

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

Notes to the current cost accounts

1 Adjustments made in deriving current cost operating profit

	1991 £m	1990 £m
Cost of sales	37	30
Monetary working capital	11	4
Depreciation of fixed assets	145	123
	193	157

2 Exceptional items

	1991 Current (NE) operations £m	Past (CEGB) operations £m	1990 £m
Historic cost values (note 4 to historic cost accounts)	207	(723)	220
Additional provision to reduce current cost value of excess stocks to net realisable value	52	—	—
Retrospective depreciation adjustment made in historic cost accounts	27	—	—
	286	(723)	220

3 Tangible fixed assets

	Nuclear power stations £m	Initial fuel £m	Other land and buildings £m	Other plant and equipment £m	Assets in the course of construction £m	Total £m
Gross value						
At 1 April 1990	7,743	1,512	163	545	792	10,755
Reclassification	—	(1,512)	—	—	6	(1,506)
Restated at 1 April 1990	7,743	—	163	545	798	9,249
Additions	127	—	11	38	448	644
Disposals and amounts written off	(4)	—	—	(5)	—	(9)
Revaluation	549	—	(2)	36	47	630
At 31 March 1991	8,415	—	172	634	1,293	10,514
Depreciation						
At 1 April 1990	2,460	848	62	263	—	3,633
Reclassification	—	(848)	—	—	—	(848)
Restated at 1 April 1990	2,460	—	62	263	—	2,785
Charge for the year	310	—	4	42	—	356
Eliminated on disposals	(4)	—	—	(5)	—	(9)
Revaluation	53	—	(1)	15	—	67
At 31 March 1991	2,819	—	65	315	—	3,199
Net book value						
At 31 March 1991	5,596	—	107	319	1,293	7,315
At 1 April 1990	5,283	—	101	282	798	6,464

Notes to the current cost accounts continued

4 Stocks

	1991	1990 (restated)
	£m	£m
Nuclear fuel	711	1,069
Stores	2	1
	713	1,070

5 Reserves

	Current (NE) operations current cost reserve £m	Past (CEGB) operations current cost reserve £m	Current (NE) operations profit and loss account £m	Past (CEGB) operations profit and loss account £m
Balance at 1 April 1990	—	4,742	—	(6,174)
<i>Adjustments arising from changes in accounting policies:</i>				
Nuclear fuel stock revaluations	—	(317)	—	(57)
Nuclear provisions – changes made to valuation basis	—	—	—	169
Balance at 1 April 1990 restated	—	4,425	—	(6,062)
Transfer of unrealised current cost reserve relating to current (NF) operations	2,267	(2,267)	—	—
<i>Revaluation surplus reflecting price changes:</i>				
Tangible fixed assets	563	—	—	—
Stocks	(121)	—	—	—
Cost of sales adjustment	37	—	—	—
Monetary working capital adjustment	11	—	—	—
Loss for the financial year	—	—	(146)	(140)
Balance at 31 March 1991	2,757	2,158	(146)	(6,202)
<i>of which:</i>				
Realised	48	2,158		
Unrealised	2,709	—		
	2,757	2,158		

Funding reserve

	Current (NE) operations £m	Past (CEGB) operations £m
Balance created at 1 April 1990	5,272	(5,272)
Movement in reserve for year	(485)	485
Balance at 31 March 1991	4,787	(4,787)

Amesbury, Massachusetts

Environmental policy

Under Schedule 9 of the Electricity Act 1989, the company is required to explain the manner in which it will deal with amenity conservation and consultation. This statement is reproduced below.

It has been prepared after consultation with the Countryside Commission (CC), the Nature Conservancy Council (NCC), English Heritage (the Historic Buildings and Monuments Commission for England) and Cadw representing the Historic Buildings Council for Wales, all of whom or their successors will be consulted about any modification to the statement.

Nuclear Electric

Nuclear Electric is a Government owned utility responsible for generating and producing electricity, in the main by nuclear generating plant. It owns and operates commercial nuclear power stations in England and Wales. The company undertakes to preserve amenity as specified under Schedule 9.

Schedule 9

Schedule 9 of the Electricity Act requires that, in order to preserve amenity, in formulating any relevant proposals, a licence holder or a person authorised by exemption to generate or supply electricity:

- (a) shall have regard to the desirability of preserving natural beauty, of conserving flora, fauna and geological or physiographical features of special interest and of protecting sites, buildings and objects of architectural, historical and archaeological interest; and
- (b) shall do what it reasonably can do to mitigate any effect which the proposals would have on the natural beauty of the countryside or on any such flora, fauna, features, sites, buildings or objects.

Expertise

In order to be competent to fulfil its duties under Schedule 9, Nuclear Electric:

- (a) will ensure that the company has the capability to assess and understand the effects of its activities on amenity and will monitor developments in relevant environmental sciences, particularly as applied to electricity utilities;
- (b) will co-operate with Government departments and other competent bodies to establish what constitutes good practice and, at the company's discretion, support research studies in appropriate topics.

Company approach

Nuclear Electric will take the duty of environmental care as a guiding principle.

In order to implement this, and hence ensure protection of amenity, Nuclear Electric will:

- (a) prepare a company environmental policy statement;

- (b) manage the implementation of the company's environmental policy and guidelines and promote environmental awareness throughout the company;
- (c) as far as reasonably practicable, avoid disturbance to national parks and other statutory designated areas, minimise the loss of important ecological habitat and seek to mitigate any loss of such by replacement or by creative conservation schemes;
- (d) take opportunities to manage its landholdings and buildings with due regard to the environment and comply with statutory regulations for preservation of amenity;
- (e) comply with statutory regulations for preservation of amenity.

Planning new projects

For relevant proposals covered by 1 (3) (a) of Schedule 9:

- (a) in the early planning stages of a project Nuclear Electric will conduct studies to collate and assess available data so as to formulate an initial view of the project, including potential effects on amenity;
- (b) on deciding to proceed further and before any application for consent or approval, Nuclear Electric will consult with the NCC, CC, and as appropriate English Heritage and Cadw, exchange information and seek their views regarding any areas of particular concern or items of specific interest, together with any proposals they may have as to measures which might be taken to remove or mitigate any adverse effects and maximise any environmental benefits;
- (c) Nuclear Electric will also seek the views of the above consultees as to possible creative conservation measures;
- (d) Nuclear Electric will as necessary conduct or commission field and other studies to refine the level of knowledge of the site or sites in question and the surrounding area together with the predicted effects of the proposals;
- (e) Nuclear Electric will consider such suggestions as may be made by the consultees and will take these into account, as far as is reasonably practicable and economic, when developing proposals;
- (f) Nuclear Electric will then assess the predicted environmental effects of the proposals and will produce an environmental statement in line with regulatory requirements to accompany the application for consent.

General consultation

Nuclear Electric will seek to meet with the consultees at least every twelve months to discuss general progress and to exchange information.

Glossary of terms

MW	megawatt	million watts
GW	gigawatt	thousand megawatts
kWh	kilowatt-hour	thousand watt-hours
GWh	gigawatt-hour	million kilowatt-hours
TWh	terawatt-hour	thousand million kilowatt-hours
Magnox		gas-cooled reactor, name derived from the cladding material of the uranium fuel
AGR		advanced gas-cooled reactor
PWR		pressurised water reactor
Bq	Becquerel	the number of changes per second of radioactive atoms in a material
	man-Sievert	the Sievert is the unit of radiation dose for assessing the risk of health effects: man-Sieverts are the sum of the radiation dose received by all the workers at nuclear power stations in one year