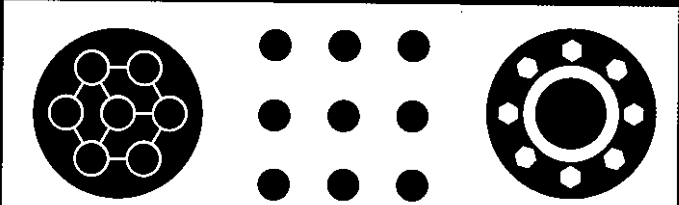
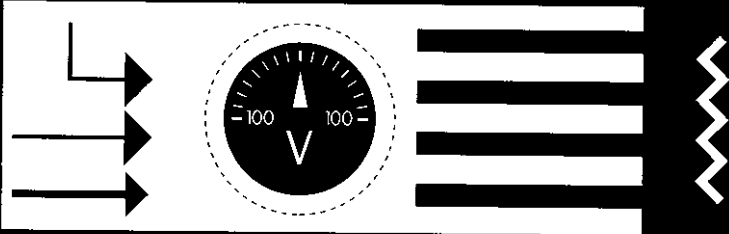
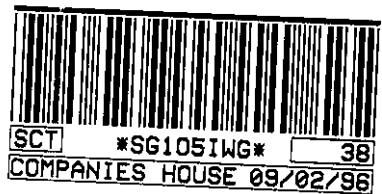
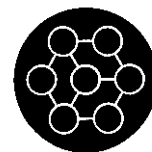
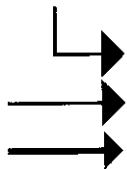
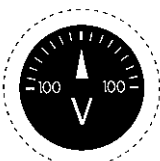


Annual Report and Accounts 1994/95

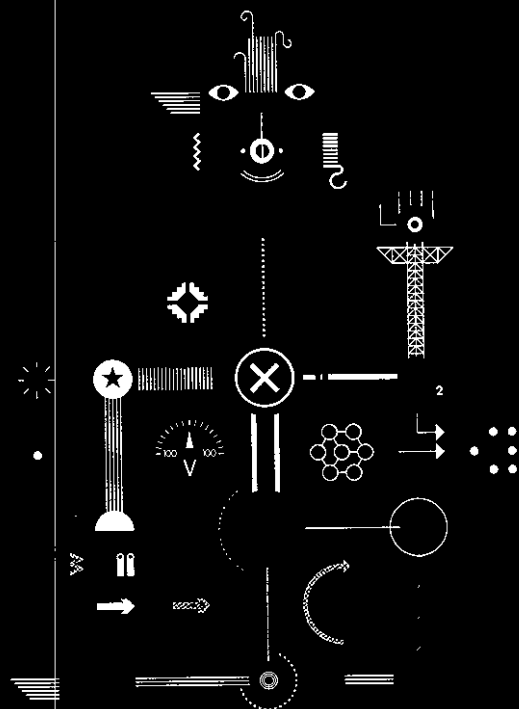


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The elements on the cover are taken from the Scottish Nuclear character which was introduced this year. Following a national children's competition the character was named JOULES - a Joule is a unit of energy.

Joules is composed of elements associated with the production of electricity by nuclear power and has been designed to be used for educational material, as part of our "Come & See" programme and at the Hunterston and Torness visitor centres.

Company Profile

Scottish Nuclear Limited is Scotland's nuclear power generating company.

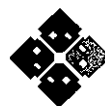
The Company is owned by the Secretary of State for Scotland and supplies all of its electricity to ScottishPower (74.9%) and Hydro-Electric (25.1%). It produces around half of Scotland's electricity requirements.

The Company owns and operates the advanced gas-cooled reactor (AGR) nuclear power stations at Hunterston on the Firth of Clyde and at Torness on the east coast of Scotland. It is also responsible for decommissioning the Magnox nuclear power station, Hunterston A.

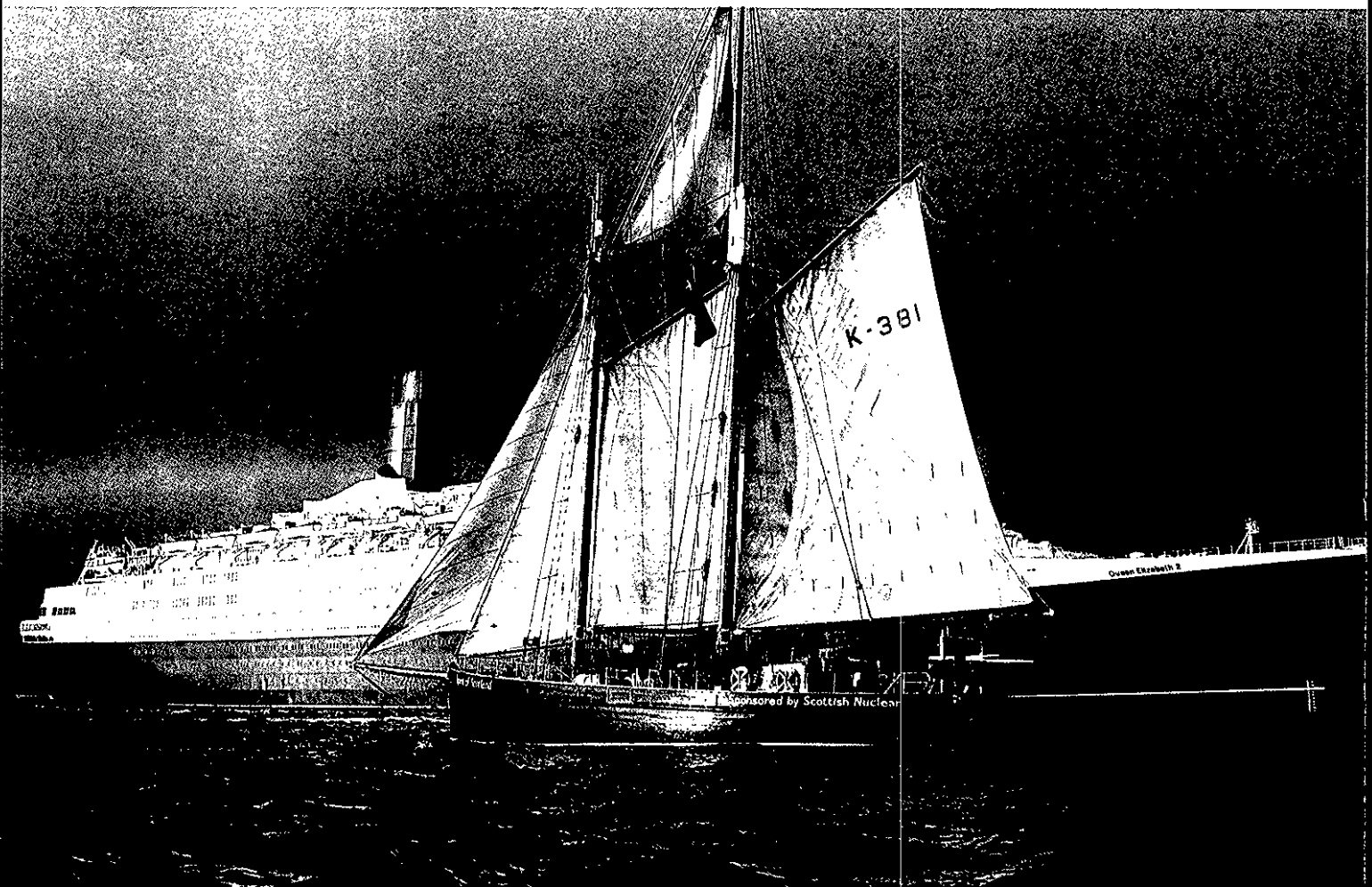
The Company employs around 1700 staff at Hunterston, Torness and at the Company's head office at Peel Park, East Kilbride.

The Company is committed to safety, quality and excellence.

Our target is to become a world class nuclear generating company, with an outstanding safety record, commercially competitive and accepted by the public.



**Scottish
Nuclear**



**"Spirit of Scotland" meets
the QE2 on the River Clyde.
With Scottish Nuclear's help
hundreds of young people
have been able to take
advantage of the personal
development training on
"Spirit of Scotland".**

Our Innovative Approach

The achievement of a generating cost of 2.2 p/kWh was ensured on 30 March 1995 when Scottish Nuclear signed contracts worth £4 billion with British Nuclear Fuels plc (BNFL) which covered an innovative fuel cycle package and obviated the need to build dry stores. Through this arrangement, Scottish Nuclear has secured substantial savings well into the 21st century.

There is no doubt that having led the development of dry store technology in the UK, Scottish Nuclear was in a powerful bargaining position when BNFL approached the Company with new proposals to reduce the cost of managing spent fuel.

The contract negotiated by Scottish Nuclear included, for the first time, the long-term surface storage of spent fuel at Sellafield together with a fuel purchase and fabrication arrangement.

We are pleased that Scottish Nuclear has been at the forefront of developments which mean that the UK now has three economically acceptable and safe solutions for the management of spent fuel: dry and wet surface storage and reprocessing.

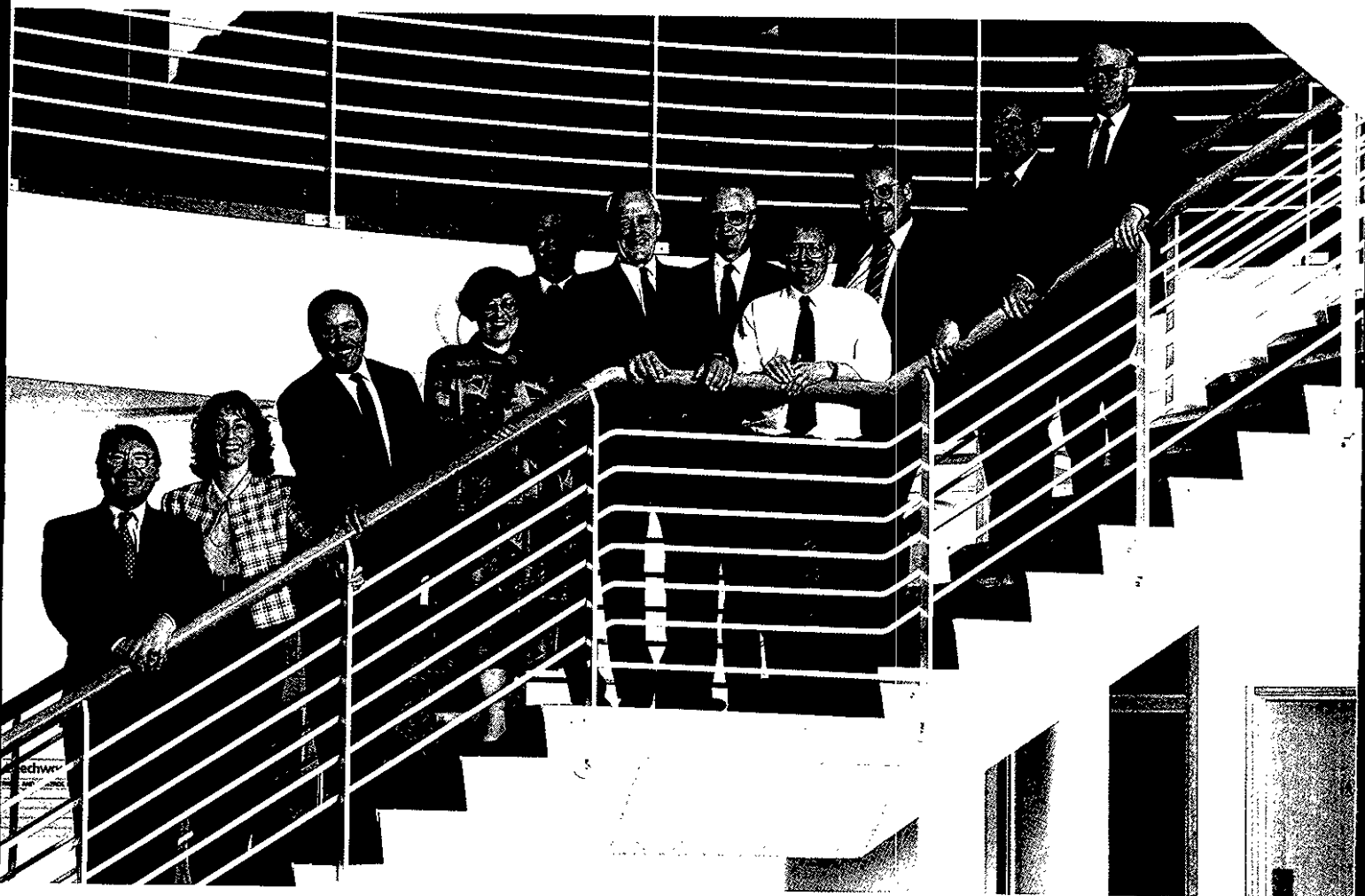
Our Future - The Nuclear Review

1995 was the year when the outcome of the Government's review of the nuclear industry was published. We welcomed the opportunity it gave us to outline the success Scottish Nuclear has achieved through a process of commercialisation and to present our views on the continuing role of nuclear power within a balanced energy framework. We submitted evidence to the Government in July 1994 and a White Paper was published by Government in May 1995.

Scottish Nuclear welcomed the decision by the Government to privatise the nuclear generators (our own company and Nuclear Electric) in a form intended to secure the jobs of people in the Company and indeed to bring further jobs to Scotland. Privatisation will allow the proposed holding company and Scottish Nuclear, as one of its subsidiaries, to develop without the constraints experienced within the public sector.



Scottish Nuclear agrees a new £4 billion agreement with BNFL for a complete fuel cycle package including some further reprocessing and long term storage of spent fuel at Sellafield. Commercial benefits to Scottish Nuclear are expected to exceed £45m per year.



Scottish Nuclear's Executive Team.
From Left to Right, John Kennedy, Irene Currie,
Robert Armour, Jean MacDonald, Neil Stewart,
James Hann, Jim Grant, Robin Jeffrey,
Richard Barnes, Peter Robson and
John McKeown.

**Working together, focusing on
operating our business in a
competitive commercial
environment.**



Executive Team Members
Bill Doig and Richard Killick.

Central to the decision to privatise the nuclear generators has been the cost of nuclear generated electricity and managing the nuclear liabilities, including decommissioning. Results year on year demonstrate our ability to reduce costs and at the same time operate to very stringent safety and environmental standards. In our submission to the Review we made it clear that privatisation is not an end in itself, but a means to an end.

The costs of nuclear electricity generation are clearly shown in our accounts, as are the provisions for dealing with our liabilities, including decommissioning. These costs will be covered in greater detail in the Company's Annual Radioactive Waste and Decommissioning Report which will be published in late 1995. On decommissioning we have a successful track record, with Hunterston A now completely defuelled, ahead of schedule and within budget.

It is worth noting again that a substantial element of our costs, the equivalent of approx 0.9 p/kWh, has now been fixed through our arrangements with BNFL and the cost of decommissioning our stations is clear from the accounts - about 0.07 p/kWh of electricity generated.

Scottish Nuclear also made a separate submission to the Department of the Environment's review of radioactive

waste management during 1994. It is expected that the outcome of this review will clarify the Government's policy on the management of radioactive waste and, in particular, provide backing for a final repository for nuclear waste. Scottish Nuclear continues to support UK Nirex Ltd in its task of providing an operational deep repository early in the 21st century.

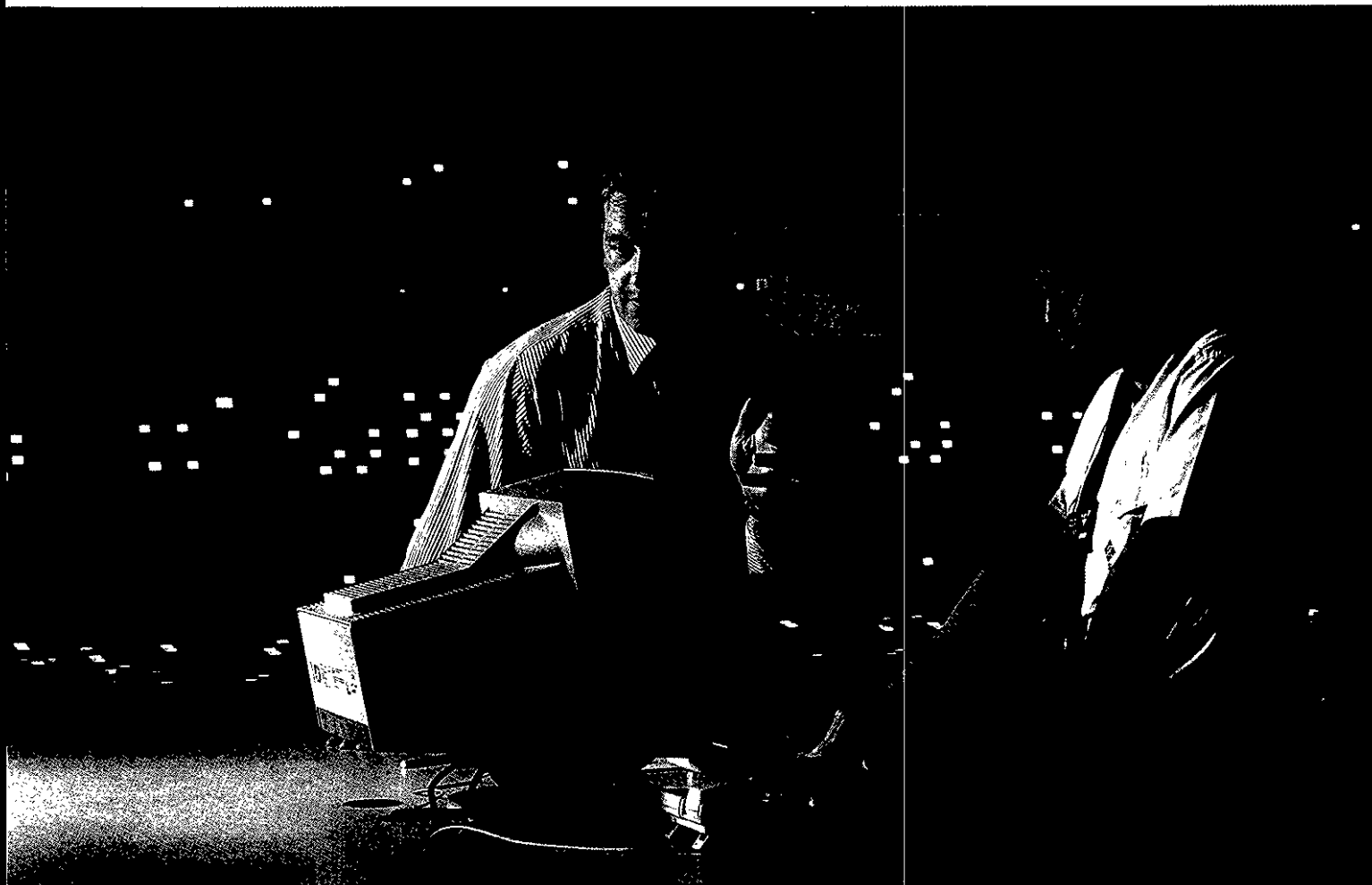
Our Role on the International Scene

Internationally, Scottish Nuclear has been gearing up to take advantage of its expected commercial freedom. 1994 saw the birth of a new subsidiary company, Scottish Nuclear International (SNI), to handle the Company's growing overseas business.

In December 1994 SNI signed a contract worth some £2m in fees to carry out on-site assistance and plant upgrade work at Smolensk Nuclear Power Plant in Russia, funded through the European Union's TACIS programme.



The 30th anniversary of the Royal opening of Hunterston A by the Queen Mother was used to celebrate formally the defuelling of the station ahead of schedule and within budget. The station established and maintained its lead as one of the world's top performers over the 25 years of its operating life.



From Left to Right, Brian Lyndsay and David Bell.

Torness Central Control Room,
ensuring the highest safety
standards are met while
maximising the efficiency of
the station.

This continues Scottish Nuclear's commitment to the transfer of technology and experience between the West and Eastern Europe, including the Commonwealth of Independent States (CIS). Scottish Nuclear also has a "twinning" arrangement between Torness and Smolensk NPP and a similar understanding between Khmelnytskyi NPP in the Ukraine and our Hunterston B station.

The worldwide power market is witnessing some strong competition. Although generation is a mature industry in the West, emerging economies have significant potential for growth. In the Pacific Rim and China, nuclear generation is seen as a viable option to fossil fuel fired generation due to a lack of natural resources and an unwillingness to be dependent upon oil and gas producing regions for raw materials. Worldwide, 126 nuclear plants are being built or are in the advanced planning stage.

Scottish Nuclear's staff have been active in working with their opposite numbers in many countries to improve safety standards and to learn of new opportunities which can be developed in coming years.

The reputation that Scottish Nuclear has been developing over the last few years together with growing international experience means that the Company is well placed to secure an increasing number of contracts on the international scene.

Our Role in the Community

Scottish Nuclear, in addition to supplying around half of Scotland's electricity, is one of the country's largest engineering companies, providing quality, skilled jobs directly at our three sites as well as many more in local communities and through contracts placed with Scottish companies.

We assist the business community by observing the CBI Prompt Payment Code. This is aimed at helping ease the risk to businesses which can arise from adverse cash flows.

During this financial year 85% of payments to suppliers were made within the terms of credit and we are now taking steps to improve this performance still further.



The successful twinning arrangement between Torness and Smolensk NPP has seen a number of reciprocal exchange visits taking place over the past three years.

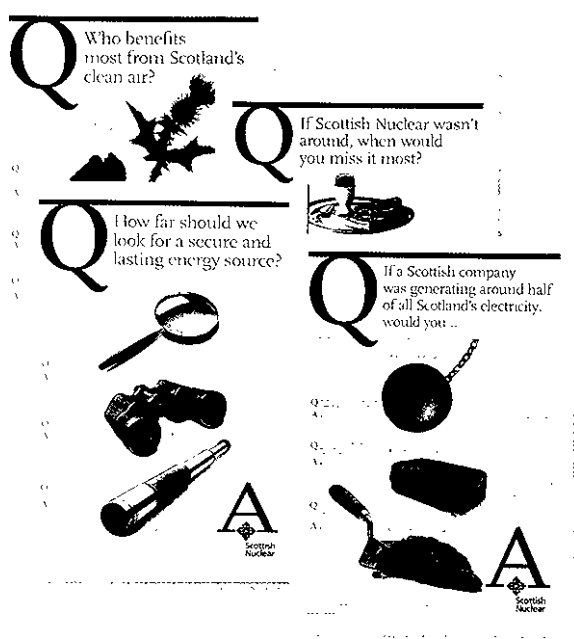
We play an active role in supporting the wider community through a series of initiatives centred upon fostering links between business and education. Encouraging a culture where enterprise and innovation is highly regarded is essential to the continued prosperity of this country. For example, our ongoing commitment to provide educational materials to Scottish secondary schools is an investment in our next generation of scientists and engineers.

Our wider commitment to the community can best be demonstrated by our sponsorship of local projects such as a research programme into metal pollutants at the Marine Biological Research Station at Millport on Great Cumbrae and the St Abbs and Eyemouth Voluntary Marine Reserve on the East Lothian coast.

Our ongoing commitment to the sponsorship of the Fairbridge Trust's gaff-rigged sail training schooner "Spirit of Scotland" is our main sponsorship activity. Every year this vessel provides over 400 under privileged youngsters with a confidence building experience; meeting the challenges of sailing on Scotland's west coast provides ample opportunity for developing a team spirit.

These are just a few of our activities nationally and locally. Overall, we have continued to raise public awareness and understanding of the role Scottish Nuclear and nuclear power plays in contributing to a healthier environment with the number of people responding to our invitation to "Come & See" increasing by 52% compared with 1993/94. Around 130,000 people have now visited our power stations and the number of talks requested by interested groups has almost doubled. Our mobile exhibition has also helped to explain our important role in the community as it travels around Scotland, attracting around 80,000 visitors last year alone.

On a daily basis we are demonstrating our commitment to openness and the safety and excellence of our operations, and this has paid healthy dividends. A survey carried out independently by MORI during December 1994 and January 1995 showed that 44% of adults surveyed in Scotland accept the need for



Scottish Nuclear's press campaign appearing in national publications answers the public's questions on Scottish Nuclear and nuclear power, helping to raise awareness, understanding and acceptance.

nuclear power to continue to supply a proportion of Scotland's electricity; within areas around our three sites, this figure rose to 65%. A later survey carried out by MORI in May 1995 showed that support had increased to 58% across Scotland.

Looking to the Future

The outcome of the nuclear review is recognition of the results achieved by all the people in our company. Scottish Nuclear's achievements are a testimony to the commercial acumen of our executive and management teams, our highly skilled and motivated workforce and strong relationships with our shareholder, customers and the trade unions.

The Government's White Paper very clearly summarises the progress that Scottish Nuclear and, indeed, Nuclear Electric have made over the past five years. The decision to privatise the two generators could not have been taken without the hard work of everyone involved in both companies.

At Scottish Nuclear we look forward to working with the new Chairman designate of the holding company and the team he appoints. We are also looking forward to building on the strong business links which we have already forged with Nuclear Electric in order to ensure a successful privatisation and the future success of the new UK nuclear generating company.

Our People

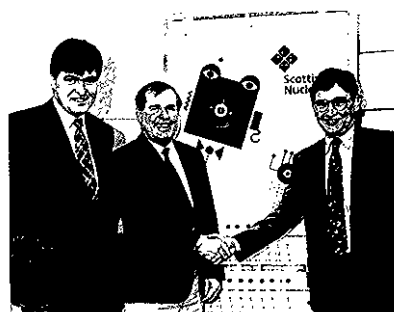
The nuclear review has involved a period of uncertainty for our people and I would like to thank them all for their meaningful support during a most challenging period and to congratulate everyone on their achievements during 1994/95.

The process of privatisation over the coming year will provide Scottish Nuclear with new challenges but I am confident that we can count on everyone's support to meet the future challenges and to succeed in the private sector.

James Hann

James Hann CBE
25 May 1995

James Hann



From Left to Right, Brian Donohoe MP, Peter Robson and Brian Wilson MP. The 1995/96 "Come & See" programme was launched at Hunterston using the character Joules. Joules has been developed to raise awareness and understanding of nuclear power with young people and is used on "Come & See" and educational material.

Chief Executive's Statement

The Commercial Challenge

"The Company's mission is to become a world class nuclear generating company with an outstanding safety record, commercially competitive and accepted by the public." I believe that we are making significant progress towards that goal and the results achieved to date will provide a sound basis for moving the Company into the private sector.

1994/95 has been a successful year with all key targets being met and a growing awareness developing within the Company about the way in which everyone can contribute to meeting the commercial challenge facing Scottish Nuclear. During the last year we achieved record production levels; met challenging cost targets; received BS EN ISO 9001:1994, Quality systems certification for Engineering, Projects and Safety; completed the defuelling of our retired Hunterston A Magnox station ahead of programme and improved upon an already excellent safety record.



Scottish Nuclear employees look towards the 2 pence per kilowatt hour generating cost.

Furthermore I am delighted to report that in 1994/95 we achieved a generating cost of 2.2 p/kWh, exceeding the target of 2.5 p/kWh set three years ago. It is now our plan to work towards reducing our generating cost down to 2.0 p/kWh. The generating cost includes all the normal recurring operating costs such as staff wages, consumables, new fuel, disposal of spent fuel and operational waste in addition to decommissioning charges and depreciation.

Our financial success is particularly rewarding in this, the first year in which the progressive decline of the premium element of the Nuclear Energy Agreement (NEA) reduced the price we received through the sale of electricity. We have set and met the target of being the first UK nuclear generator to record a profit without any subsidy.

Turning to our cash position during the year, the Company generated net cash of £43m after investing £35m in capital expenditure. This was also after the expenditure of £68m on Magnox reprocessing and decommissioning activities. The year end cash balances amounted to £64m.

Long-term finance is provided through loans from the National Loans Fund. At the year-end, after repayment of £3m, total loans amounted to £194m.



**"Results year on year
demonstrate our ability to
reduce costs and at the same
time operate to stringent safety
and environmental standards"**

Robin Jeffrey, Chief Executive

In the forthcoming year, tight financial and cost control will continue to be central to our management strategy.

The commercial realities which now operate in our nuclear business were further demonstrated with the signing of the £4 billion deal we negotiated with BNFL which covered a complete fuel cycle package and provided substantial savings for Scottish Nuclear. The agreement covers new fuel during the lives of our two stations and, importantly, reprocessing of some spent fuel arisings and storage of the balance of spent fuel from our stations to the year 2086. It also involves the transfer of significant commercial and regulatory risk to BNFL. Negotiations to convert heads of agreement into formal contracts were completed within a month, a testament to the teamwork and the commercial skills of all those involved at Scottish Nuclear.

The savings associated with the fuel cycle package are equivalent to 0.3 p/kWh of our generating cost in 1994/95.



Scottish Nuclear presented its submission to the Government's review of the nuclear industry. The document provides sound proposals for taking the Company into the 21st Century.

Additional benefits are provided through the freeing-up of management time, allowing us to focus attention on other aspects of the business.

Looking to the longer-term development of our business we have continued to invest in our plant at both Hunterston B and Torness and this is already paying dividends. Our output increased from 14.2 TWh last year to 16.9 TWh this financial year, a 19% improvement. Productivity at 9.1 GWh per employee is up 47% since March 1991 and is another key measure of performance.

Some of our goals are yet to be achieved, for example on load refuelling at Torness and extending the life of Hunterston B. When achieved these will further strengthen Company results.

Through ongoing negotiation between management, trade unions and staff, we have continued our programme of reductions in permanent manpower by voluntary means. Staff levels have decreased from a peak at 31 March 1993 of 2,100 to 1737 at 31 March 1995.

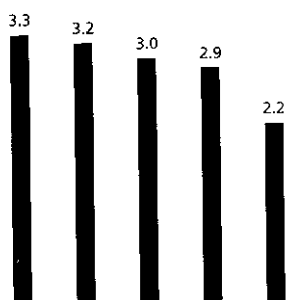
During the year, we negotiated important new staff agreements within Government public sector pay guidelines, which introduced a revised grading structure, a single salary spine and provided improved flexibility through performance and competency related salary progression.

Our commitment to our staff has not faltered. We recognise that their contribution is essential to the ongoing success of the Company. The Company invested almost 100,000 hours in training in 1994/95. We are committed to developing the skills and knowledge of our employees and have decided to seek accreditation from Investors in People in order to put in place an auditable scheme which recognises the priority that we attach to training and development.

Commitment to Continuous Improvement

Throughout Scottish Nuclear there is an accepted goal of continuous improvement fostered by our quality programme "Target Outstanding Performance" (TOP). TOP is a programme which encourages teamwork across our three sites, concentrates on the needs of the customer and aims to stimulate innovation and initiative leading to improvement in every aspect of how we conduct our business.

Unit Generating Cost * p/kWh



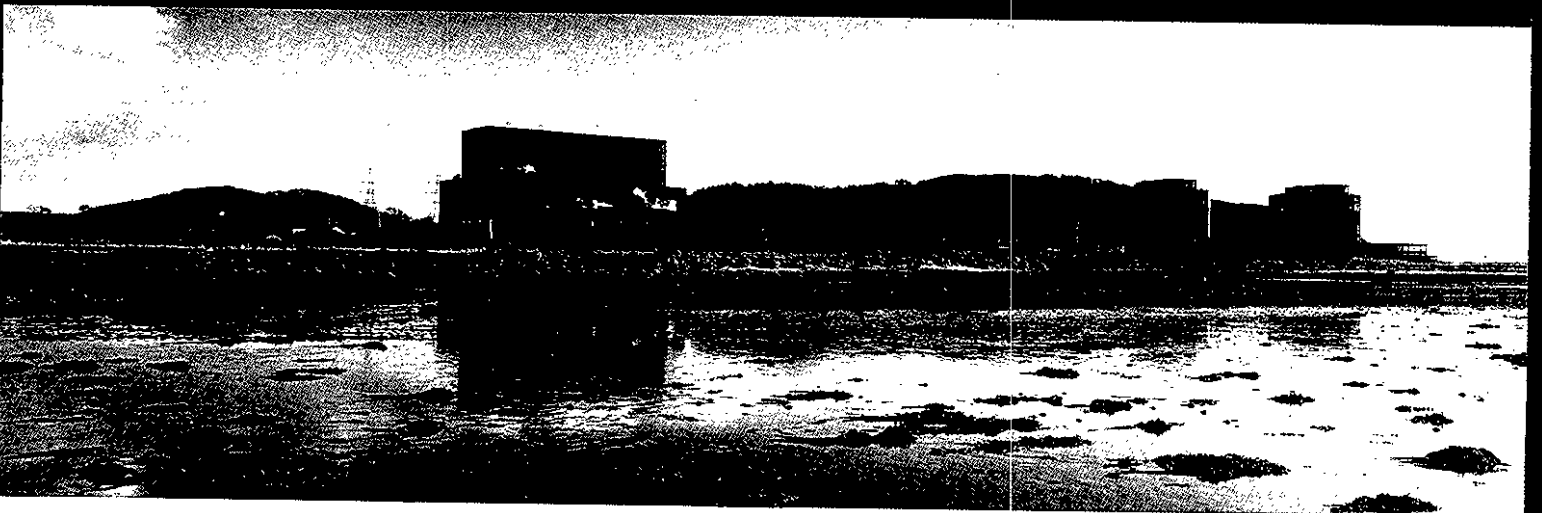
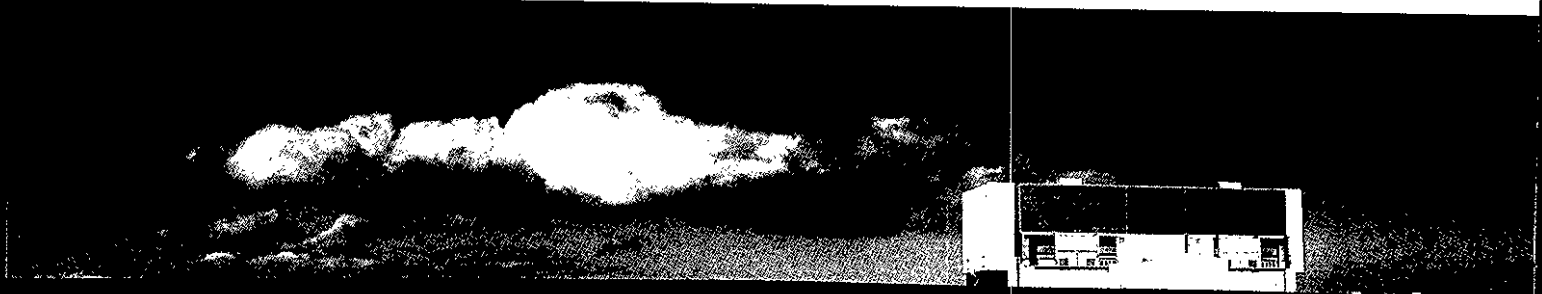
1990/91 1991/92 1992/93 1993/94 1994/95

* 1994/95 money values

TOP principles were at work when the Company staff incentive scheme, Gainshare, was developed by staff across the three sites and then implemented during 1994/95. It focused everyone's attention on the Company's goals and on how each individual can contribute and offered a share of the rewards associated with meeting Company targets. There is no doubt that Gainshare has played a major role in ensuring that our business targets for 1994/95 were not only met, but were surpassed. At the end of the year the majority of staff received a flat rate payment of up to £2,000 in recognition of their contribution to outstanding results.



1994/95 - a record year for output and a substantial reduction in controllable costs ensure the Gainshare targets have been met.



Torness Power Station
Hunterston Power Station

Scottish Nuclear, which generates around half of Scotland's electricity is setting new standards with record output, enhanced productivity and competitive costs.

I feel sure that given the same support of the Gainshare team and all our people during 1995/96, challenging Gainshare targets can again be met and help ensure we move closer to the "two pence a unit" generation cost target that we have set ourselves.

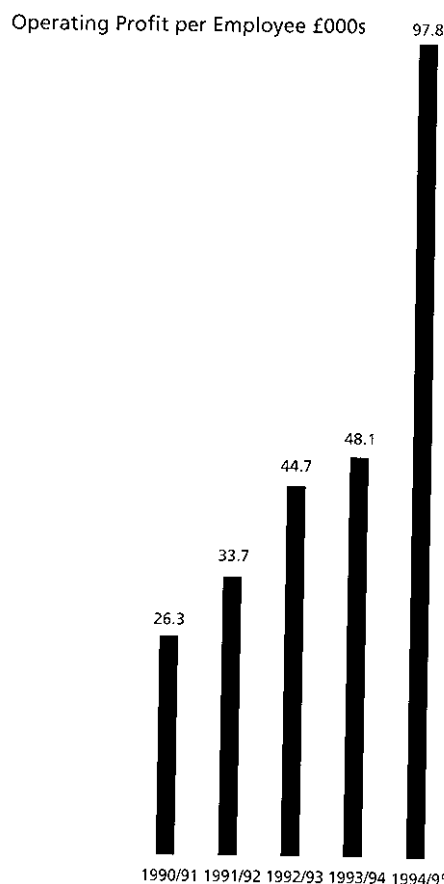
Technical Success and Safety

During 1994/95 the UK advanced gas-cooled reactor (AGR) nuclear power stations held the record of best performing reactor type in the world. The measure used was load factor which indicates the efficiency of the reactor in turning fuel into electricity. At Scottish Nuclear the Company's overall load factor was almost 80%.

Both stations surpassed their electricity output Gainshare targets for the year set for each at 8.25 TWh. Hunterston B achieved 8.37 TWh and Torness 8.48 TWh.

These excellent results depended not only on technical successes, but also, and most importantly, on our commitment to safety. Safety is paramount in reaching targets and increasing profits. High standards of safety lead to a reduction in costs associated with injury and plant shutdowns and increase electricity

production and profitability. Our commitment to continuous improvement of our safety record is demonstrated by including and meeting safety-related targets which are part of our Gainshare scheme. Safety, Quality and Excellence targets sit alongside those of increased output and reduced costs.





From Left to Right, Colin McDougall, Brenden Donnelly and Alan Holden.

Members of a Hunterston TOP team consider the most efficient options for start up procedures.

Within the Company, our industrial safety performance continues to improve. Our accident frequency rate (lost time accidents per 100,000 hours), has significantly reduced from 1.26 at 31 March 1991, to 0.7 last year and to 0.4 at 31 March 1995.

Scottish Nuclear was honoured in 1995 with the Royal Society for the Prevention of Accidents awards for the Company as a whole and for the two stations individually. This is the second consecutive year that the Company and its stations have received Gold awards, in recognition for demonstrating a continuing overall improvement in safety. A further occupational safety award was received from Scottish Engineering.

Scottish Nuclear has also won the Wellness Forum "Working for Health" award for large companies - the premier category in this UK award scheme.

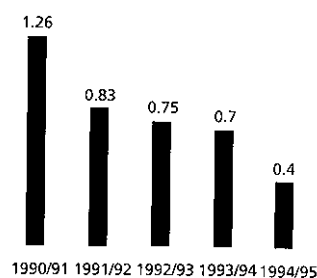
Our health programmes have been dictated by the realisation that our staff are our greatest asset and the award demonstrates our real commitment to health and safety, which is paramount in everything we do at Scottish Nuclear.

TOP was successfully used at both stations to reduce significantly the amount of time to complete an outage - when the reactor is taken out of production for routine testing and also refuelling. Each station completed outages in record time; 58 days at Hunterston and 47 days at Torness.

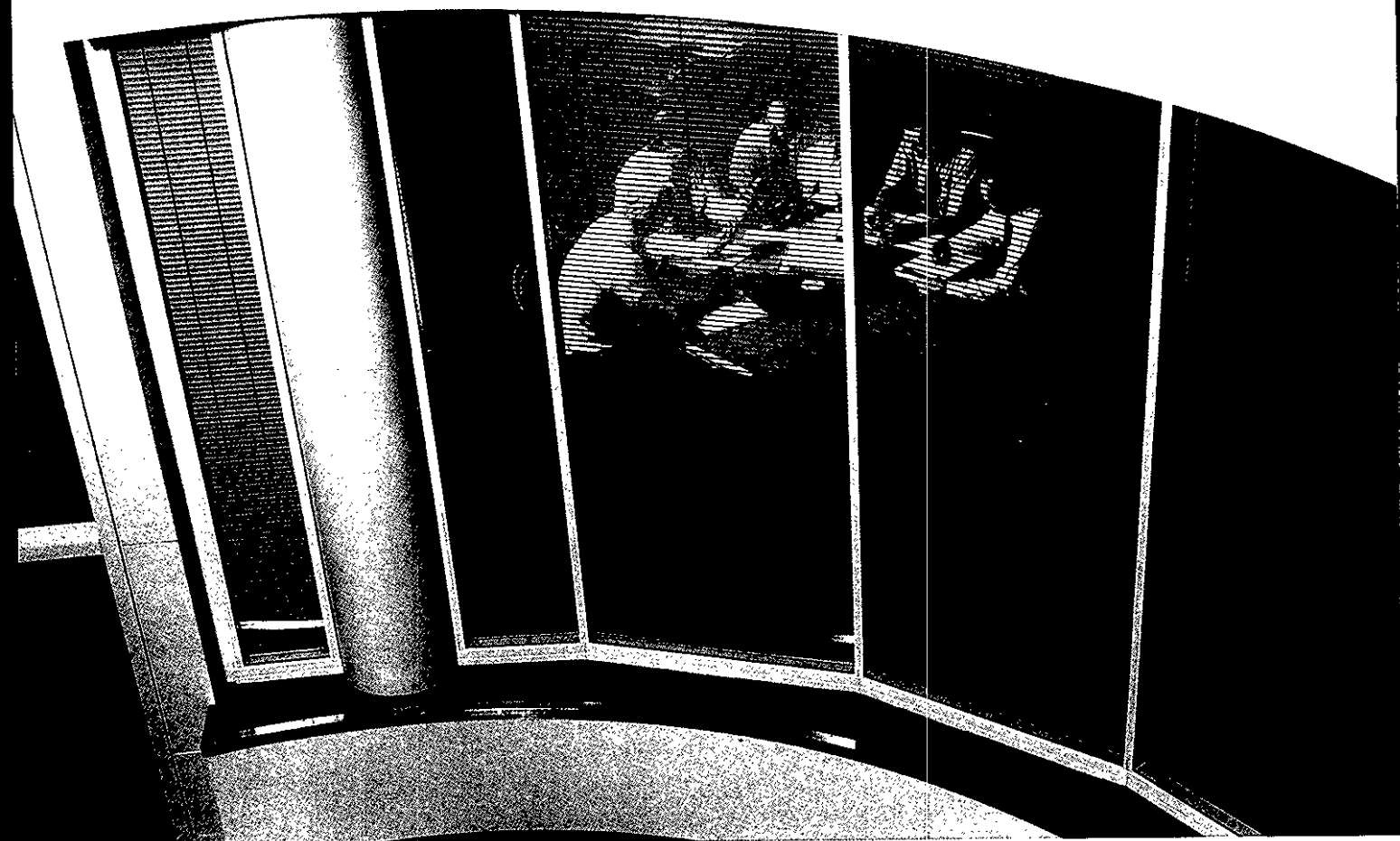
The Company is poised to introduce on load refuelling at Torness in 1995. Over the past year, work has continued on the necessary safety cases so that modifications can be completed to carry out the refuelling process while the reactors are on low power. This will significantly reduce downtime and improve output from the station.

The Company will continue to seek safe and innovative ways of optimising reactor output and fuel efficiency in order to help it achieve its target generation cost of 2.0 p/kWh. To this end, a contract for major turbine enhancements at Hunterston B has recently been let and work will progress over the coming year.

Industrial Accident Frequency Rate *



* Lost time accidents per 100,000 hours



From Left to Right, Mark Northrop, Phil Blackburn,
Sandy Mackay, Keith Fox and Willie Waddell.

**Some members of the Torness
management team meet to
assess operational and
environmental targets.**

Managing Waste and Decommissioning Safely

The Company continues to manage all of its waste products safely. The cost of this is included in our generating cost and met from the income we receive from selling our electricity, spreading the cost over the life of our stations.

The decommissioning of Hunterston A is now well underway with the first stage of defuelling the reactors, and with it removal of around 99.9% of the radioactivity from the site, completed ahead of programme and within budget. The next phase in the decommissioning process will be the early dismantling of the ancillary reactor plant, cleaning of the fuel storage pond and fixing of wet wastes. Final removal of the reactor core will take place once the radioactivity has decreased significantly, around 100 years later.

In all we do the Company has a duty to care for the environment.

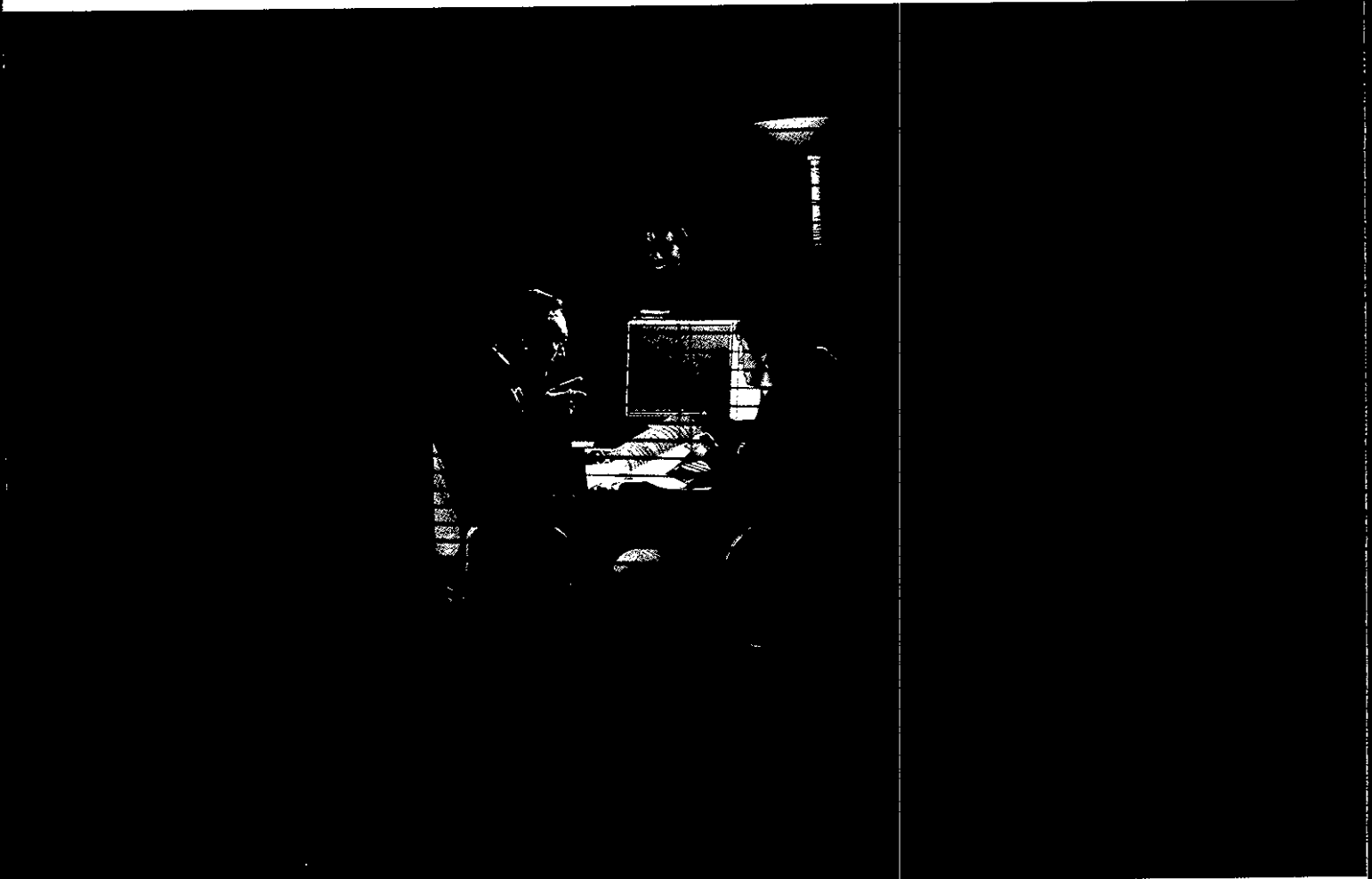
During 1994/95, we operated both our power stations well within all the discharge limits set by HM Industrial Pollution Inspectorate and introduced a number of initiatives to improve environmental awareness amongst our staff. Through our Gainshare scheme we have reinforced our position by

meeting targets to reduce the amount of water used at our plants, reducing the volume of low level waste and increasing energy efficiency. Gainshare targets in 1995/96 will include a further series of environmental targets which will account for up to 10% of the payout formula.

Scottish Nuclear's ability to manage its environmental liabilities was evaluated in 1994/95 by the Centre for the Study of Financial Innovation (CSFI). This was an innovative approach by the CSFI aimed at assessing the environmental and financial management of any company and ultimately providing it with a rating which could be understood by investors and other interested bodies. Scottish Nuclear volunteered to be the guinea pig for the project, demonstrating once again our confidence in the way we operate our business. The Company was awarded an "A" rating, denoting "a company with large but well identified environmental liabilities and sufficient financial and management strength to absorb all but exceptional risks."



In April 1994 the Operational Safety Review Team evaluated Hunterston B's operational safety against internationally recognised safety standards.



From Left to Right, Alistair Aitchison, Anne Girvan and Linda Whittle.

**Gainshare team members
setting the targets to ensure
staff are able to contribute to
improvements across the
company.**

The CSFI report independently confirms that safety and environmental considerations are vital in everything we do and the report acknowledges that our safety record is exceptionally high. The report is a welcome recognition of our policies to safeguard the environment and to finance fully our waste and decommissioning commitments.

Looking Ahead

The future holds many challenges. Privatisation will mean the end of the public sector constraints which prevents Scottish Nuclear from developing its business to the benefit of the people who work for the Company, the economy and the wider community. Our people have shown their ability to pull together to meet the business and commercial challenges which have already faced the Company. I believe that through teamwork we will continue to meet our business objectives.

RC Jeffrey *RC Jeffrey*
Robin Jeffrey
25 May 1995



Scottish Nuclear was honoured in 1995 with the Royal Society for the Prevention of Accidents awards for the Company as a whole and for the two stations individually. A further occupational safety award was received from Scottish Engineering.



Peel Park, Scottish Nuclear's head office in East Kilbride.

Corporate Governance

Scottish Nuclear is a private limited company and as such is not obliged to comply with the Code of Best Practice. Furthermore, its shares are wholly owned by the Secretary of State for Scotland who also is a shadow director of the Company as defined in the Companies Act.

Nonetheless, the Board of Directors of Scottish Nuclear recognise the need to discharge its accountabilities and responsibilities for the conduct of the affairs of the Company in accordance with the very highest standards.

The Board is able to confirm that the Company continues to comply in all material regards with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance. However, in respect of the provisions of the Code relating to reporting on internal controls, this is not covered in this statement as guidance was not effective for the year ended 31 March 1995. The Auditors have confirmed to the Directors that they are satisfied that this statement appropriately reflects the Company's compliance with the Code.

In the light of the agreement with the Secretary of State for Scotland referred to in the Basis of Accounting on page 36, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these Accounts.

The Auditors have also confirmed that, with respect to the Directors' comments on going concern outlined above, the Directors have provided the disclosures required by paragraph 4.6 of the Code and such a statement is not inconsistent with the information of which they are aware based on their audit work on the accounts.

The Board of Scottish Nuclear comprises two executive Directors, three non-executive Directors and an independent Chairman. The posts of Chairman and Chief Executive are separate and have distinct responsibilities. The non-executive Directors have a special role to play in bringing their independent views and external experience to bear in scrutinising the work of the Company and contributing to its activities. The full membership of the Board is set out on page 29.

The Board of Directors meets not less than ten times per annum. The Board also convenes or is represented at separate meetings devoted exclusively to the development of Company strategy and policy. In addition, mechanisms exist to permit decision making and consultation between meetings.

Day-to-day management of the Company is delegated to the Chief Executive, in consultation with the Chairman and, where appropriate, Directors and senior managers.

A number of matters, material to the Company, have however been expressly reserved for decision by the Board. These include expenditure in excess of prescribed levels, matters expressly reserved for the Board in its Articles of Association of a strategic or policy nature or which have a bearing on the Company's objectives. Additionally, a number of matters are reserved for the Board subject to consent of the Secretary of State for Scotland as Shareholder. Regular meetings between representatives of the Shareholder and the Company, and less frequently the non-executive Directors, take place to ensure that the Shareholder is kept fully informed of the Company's performance.

There are two standing committees reporting to the Board, the Audit and Remuneration Committees.

The Audit Committee is responsible for ensuring that the appropriate and professional relationship between the Company and its internal and external auditors is maintained and supported at all times and reflected in corporate accounting and financial practices. The Remuneration Committee is responsible for reviewing the remuneration of the Chairman, Chief Executive and Main Board Directors and for making the appropriate recommendations to the Shareholder. It also reviews the performance objectives of the executive

Directors and general remuneration provisions for managers within the Company. The membership is made up entirely from the non-executive Directors and the independent Chairman. These committees and their membership are listed on page 29.

The Safety Supervisory Board which also reports directly to the Main Board has a remit to monitor safety and environmental matters. It is chaired by John Moreland, a non-executive Director and Sir Michael Livesay, also a non-executive Director, is a member.

The report of our auditors on our compliance with the recommendations of the Committee on Financial Aspects of Corporate Governance is set out on page 27.

Report by the Auditors to the Directors of Scottish Nuclear Limited on Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed your statement on pages 25 and 26, concerning the Company's compliance with the paragraphs of the Code of Best Practice specified by the London Stock Exchange for review by auditors of listed companies. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to the Bulletin 1995/1 "Disclosures relating to Corporate Governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's Corporate Governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

In our opinion, your statement on going concern on page 25 has provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and is not inconsistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion, based on enquiry of certain directors and officers of the Company and examination of relevant documents, your statement on pages 25 and 26 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse

Price Waterhouse

Price Waterhouse

Chartered Accountants

25 May 1995



From Left to Right, Sir Michael Livesay KCB, John Moreland OBE, Robin Jeffrey, James Hann CBE, Robert Armour, Peter Stevenson and Richard Barnes.

Scottish Nuclear's Board setting objectives to ensure the Company meets the commercial challenges ahead.

Directors and Advisers

James Hann CBE

(Chairman) Age 62

Appointed independent Chairman in March 1990. Also Chairman of Hickson International plc, independent Director of William Baird plc and NFU Mutual and Avon Group and Commissioner of the Northern Lighthouse Board.

Robin Jeffrey FEng.

(Chief Executive) Age 56

Appointed Chief Executive of Scottish Nuclear in March 1992. Previously Managing Director of the Engineering Resources Division of ScottishPower plc.

Richard N. Barnes FCA.

(Finance Director) Age 50

Appointed Finance Director of Scottish Nuclear in November 1993. Previously Finance Director of British Aerospace (Military Aircraft) Company.

Sir Michael Livesay KCB Age 59

Appointed a non-executive Director in October 1993. Also Director of InterExec Edinburgh Limited

John S. Moreland OBE Age 64

Appointed a non-executive Director in March 1990. Ventures Manager of BP Exploration Limited (1987-1990). Member of the Board of Cumbernauld Development Corporation since 1976. Visiting Professor to the Faculty of Engineering at the University of Glasgow.

Peter D. Stevenson MA Age 48

Appointed a non-executive Director in May 1990. Chairman of Mackays Stores (Holdings) plc, and founder of London Clydeside Holdings plc.

Secretary

Robert M. Armour WS MBA LLB

Registered Office

3 Redwood Crescent,
Peel Park,
East Kilbride,
Glasgow G74 5PR

Registered Number

117121

Bankers

Royal Bank of Scotland plc,
98 Buchanan Street,
Glasgow G1 3BA

Auditors

Price Waterhouse,
1 Blythswood Square,
Glasgow G2 4AD

Solicitors

MacRoberts,
152 Bath Street,
Glasgow G2 4TB

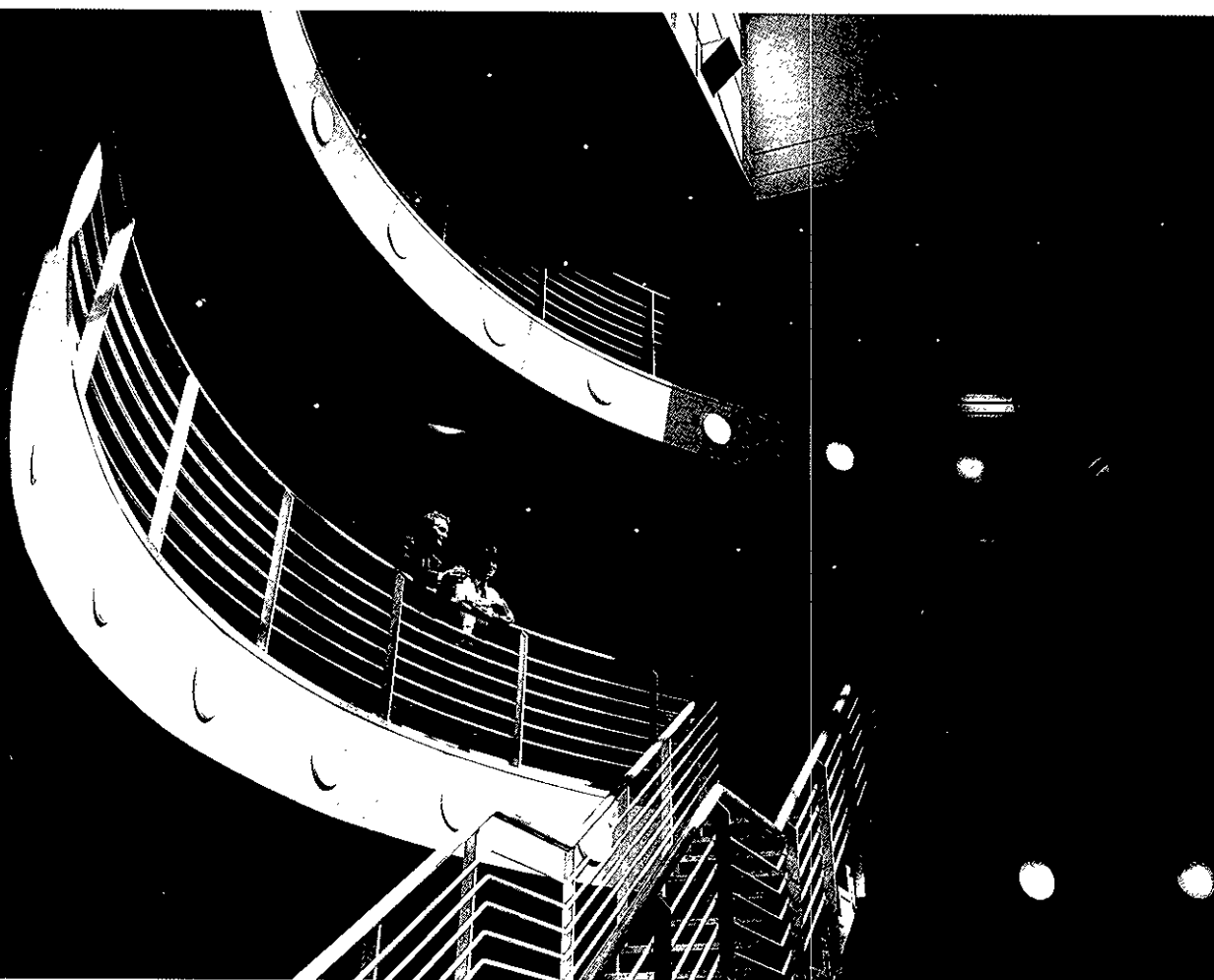
Membership of the Board Committees is as follows:

Audit Committee

Peter D. Stevenson (Chairman)
James Hann CBE
John S. Moreland OBE
Sir Michael Livesay KCB

Remuneration Committee

Sir Michael Livesay KCB (Chairman)
Peter D. Stevenson
James Hann CBE
John S. Moreland OBE



Neil Stewart and Alex Ramsey.

The design of the Company's head office ensures open communication between departments.

Directors' Report

Activities

Scottish Nuclear's principal business is to generate and sell electricity. The Company operates Hunterston B and Torness AGR nuclear power stations. The output from these power stations is sold to ScottishPower and Hydro-Electric in the proportions of 74.9 per cent and 25.1 per cent respectively in accordance with the terms of the Nuclear Energy Agreement between the Company, ScottishPower and Hydro-Electric. The Company is also undertaking the decommissioning of Hunterston A, the Magnox nuclear power station which closed in March 1990, the first stage of which has now been completed. A review of Company performance and future developments are contained in the Chairman's Statement and Chief Executive's Statement.

Results and Dividends

The profit for the year was £150 million (1993/94 £72 million) and this amount has been transferred to reserves. The Directors do not recommend the payment of a dividend.

Directors and their Interests

The directors who served the Company throughout the year were:-

James Hann CBE
Robin Jeffrey
Richard N. Barnes
Sir Michael Livesay KCB
John S. Moreland OBE
Peter D. Stevenson

The Secretary of State for Scotland was a Shadow Director of the Company in terms of Section 741 of the Companies Act 1985 throughout the year and continues to be so.

The Company is wholly owned by the Secretary of State for Scotland. None of the other Directors had any beneficial interest in the share capital of the Company at any time during the year, nor did any Director have any material interest in a contract which was significant to the business of the Company.

Tangible Fixed Assets

Expenditure on tangible fixed assets during the year is summarised in Note 9 and was principally incurred on plant and machinery at Torness and Hunterston B power stations.

Research and Development

Research and Development to support the Company's core business is carried out in-house and on a collaborative basis with other organisations in the UK nuclear industry.

Charitable Donations

During the year donations made by the Company for charitable purposes amounted to £91,885 (1993/94 £110,539).

Employees

The Company is firmly committed to the involvement of employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well-established formal consultation procedures.

The Company's policy is to promote training and career development for all employees and to give full and fair consideration to any suitable person, including disabled persons, for all vacancies and opportunities. The Company operates an equal opportunities policy.

Insurance

The Company maintains Directors' & Officers' Liability Insurance cover for members of the Board and Senior Officers.

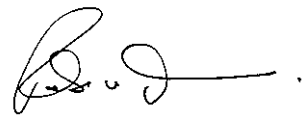
Auditors

Price Waterhouse have expressed their willingness to continue as auditors of the Company. A resolution for their appointment will be proposed at the Annual General Meeting.

By Order of the Board



Robert M. Armour
Company Secretary
25 May 1995



Statement of accounts

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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 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 apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- confirm that 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 to 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 for taking reasonable steps to prevent and detect fraud and other irregularities.

Report of the Auditors

Report of the Auditors to the Members of Scottish Nuclear Limited

We have audited the accounts on pages 36 to 57. The historical cost accounts on pages 40 to 54 have been prepared on the basis of the accounting policies set out on pages 36 to 39, and the current cost accounts on pages 55 to 57 have been prepared under the current cost convention as described in the notes thereto.

Respective Responsibilities of Directors and Auditors

As described on page 34, the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company at 31 March 1995 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Price Waterhouse
Chartered Accountants and
Registered Auditors
1 Blythswood Square
GLASGOW
G2 4AD

25 May 1995

Basis of Accounting

In approving the presentation of these accounts on the going concern basis, the Directors have taken into account an agreement with the Secretary of State for Scotland under Schedule 12 of the Electricity Act 1989. This agreement relieves Scottish Nuclear of some of its long-term liabilities in relation to qualifying expenditure incurred or to be incurred in respect of Magnox stations of up to £716 million. The Secretary of State for Scotland has undertaken that this and other arrangements will be kept under review with a view to ensuring that the Company continues to be in a position to meet the tests of solvency normally applied by the courts under the Insolvency Act.

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

Accounting Policies

Provisions

In matching the costs of generating electricity against the income from sales, provision is made for the costs of storage and reprocessing of irradiated fuel, the decommissioning of stations and the disposal of waste products.

Many of the liabilities being provided for will not crystallise for many years and, in accordance with the practice of the nuclear industry, these provisions are expressed at current price levels and are discounted, where appropriate, at a real rate of interest to take account of the delay in meeting the expenditure.

Calculations of the provisions are based on the latest technical assessments of the processes and methods likely to be used in the future and represent estimates derived from a combination of technical knowledge available, existing legislation and regulations and commercial agreements.

The estimates are reviewed annually and any consequential changes to the provisions that are required, including price level changes, are accounted for in the year in which they arise, together with the recognition of a real rate of return on past provisions which have been discounted.

Provision is made on the following bases:-

(i) The costs associated with decommissioning the Company's power stations are provided for over the respective lives of the stations, calculated on a unit of output basis, and are discounted using appropriate assumptions which recognise the uncertainty of the incidence of payment of the expenditure. It is assumed that a certain amount of the work is postponed until 100 years after closure.

The provisions cover the costs of demolition and site clearance of the stations' radioactive facilities and the management of both decommissioning and operational wastes.

(ii) Annual provision is made for the storage, reprocessing, waste treatment and disposal of irradiated fuel discharged from the reactors using the expected lifetime cost per unit of output. Included in the expected lifetime cost are the estimated costs of reprocessing, storage, and waste management of the irradiated fuel removed from the reactors during decommissioning.

Accounting Policies (continued)

(iii) The Company maintains provisions for the estimated costs of meeting liabilities for decommissioning certain nuclear facilities owned by British Nuclear Fuels plc.

(iv) Government grants, which the Secretary of State for Scotland has agreed to pay when required, under Schedule 12 of the Electricity Act 1989, are recognised in the profit and loss account in a manner consistent with provisions for the associated costs.

Fuel Costs

The charge to profit and loss account comprises certain fixed annual charges together with a variable amount calculated on a unit of output basis, using the expected variable costs of fuel production over the operating life of the power station.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation.

The cost of the initial fuel loaded during the commissioning of power stations is capitalised.

Depreciation is charged on AGR power generation on the unit of output basis over a 30 year and 35 year operating life for Hunterston B and Torness respectively. A review of the operating life of Hunterston B is ongoing. The depreciation charge commences from the date of commissioning and this method ensures the matching of depreciation to production.

Depreciation on other tangible fixed assets is calculated on the straight-line method based on estimates of their useful economic operational lives which are between 4 and 20 years.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Investments

Investments are stated at cost less provision for any anticipated reduction in value. Income from such investments is included in the accounts to the extent of dividends received.

Accounting Policies (continued)

Deferred Taxation

Provision is made for taxation on timing differences between profits computed for taxation purposes and those disclosed in the accounts, only if there is a reasonable probability that such taxation will become payable in the foreseeable future.

Pensions

The cost of providing pensions and related benefits is charged to the profit and loss account over employees' working lives with the Company. The difference between the charge to the profit and loss account and the actual contributions paid to the pension scheme is included as an asset or liability in the balance sheet.

Research and Development

Expenditure on tangible fixed assets used for research and development is written off over the estimated useful economic operational life of the relevant asset. All other research and development expenditure is charged to the profit and loss account as incurred.

Subsidiary Undertakings

In accordance with Section 229 (2) of the Companies Act 1985 consolidated accounts have not been prepared as the Company's subsidiary undertakings are not material to the accounts. The interests of the Company in subsidiary undertakings are shown in the balance sheet at cost.

Profit and Loss Account

For the year ended 31 March 1995

	Note	1994/95 £ million	1993/94 £ million As restated (Note 1)
Turnover	2	<u>580</u>	<u>537</u>
Operating Costs			
Transmission		16	17
Fuel		80	81
Reprocessing	1	69	103
Station Costs		69	69
Depreciation		73	65
Decommissioning	1	12	12
Other Costs	6	<u>79</u>	<u>91</u>
		<u>398</u>	<u>438</u>
Operating Profit		182	99
Net Interest and Financing Charges	3	<u>(32)</u>	<u>(27)</u>
Profit for the Financial Year	17	<u>150</u>	<u>72</u>

The profit for the financial year is derived from AGR power generation. There is no profit or loss arising from Magnox activities as explained in Note 4.

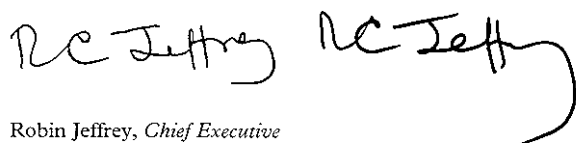
The Company has no gains or losses other than those shown above.

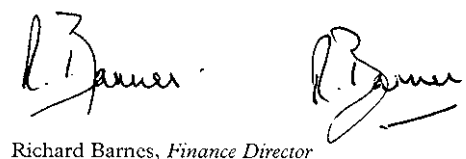
Balance Sheet

At 31 March 1995

	Note	1995 £ million	1994 £ million As restated (Note 1)
Fixed Assets			
Tangible Assets	9	1956	1994
Investments	10	9	13
		<u>1965</u>	<u>2007</u>
Current Assets			
Stocks	11	500	495
Debtors	12	84	82
Cash at Bank and in Hand		64	21
		<u>648</u>	<u>598</u>
Creditors			
<i>Amounts due within one year</i>	13	365	282
Net Current Assets		<u>283</u>	<u>316</u>
Total Assets less Current Liabilities		<u>2248</u>	<u>2323</u>
Creditors			
<i>Amounts due after more than one year</i>	14	96	194
Provisions for Liabilities and Charges	15	1726	1853
Capital and Reserves			
Called up Share Capital	16	-	-
Profit and Loss Account and Shareholder's Funds	17,18	426	276
		<u>2248</u>	<u>2323</u>

Approved by the Board of Directors on 25 May 1995


Robin Jeffrey, Chief Executive


Richard Barnes, Finance Director

Cash Flow Statement

For the year ended 31 March 1995

	1994/95 £ million			1993/94 £ million		
	AGR	Magnox	Total	AGR	Magnox	Total
Net Cash Flow from Operating Activities	388	-	388	291	-	291
Returns on Investments and Servicing of Finance						
Interest Received	16	-	16	13	-	13
Interest Paid	-	(23)	(23)	-	(22)	(22)
Net Cash Flow from Returns on Investments	16	(23)	(7)	13	(22)	(9)
Investing Activities						
Net Acquisition of Tangible Fixed Assets	(35)	-	(35)	(45)	-	(45)
Investment in Subsidiary	-	-	-	(3)	-	(3)
Net Cash Flow from Investing Activities	(35)	-	(35)	(48)	-	(48)
Net Cash Flow Before Financing	369	(23)	346	256	(22)	234
Financing						
Repayment of Loans	(3)	-	(3)	(2)	-	(2)
Provisions Discharged:						
Nuclear	(243)	(45)	(288)	(116)	(72)	(188)
Other	(12)	-	(12)	(17)	-	(17)
Net Cash Flow from Financing	(258)	(45)	(303)	(135)	(72)	(207)
Net Cash Inflow/(Outflow) from Ordinary Activities	111	(68)	43	121	(94)	27
Increase in Cash and Cash Equivalents			43			27

Notes to the Cash Flow Statement

For the year ended 31 March 1995

i. Reconciliation of operating profit to net cash flow from operating activities.

	1994/95	1993/94
	£ million	£ million
Operating Profit	182	99
Depreciation	73	65
Provisions	87	122
Provision against investment	4	-
Decrease in stocks	25	5
(Increase)/Decrease in debtors	(2)	7
Increase/(Decrease) in creditors	19	(7)
	<u>388</u>	<u>291</u>

ii. Analysis of changes in cash and cash equivalents during the year as shown in the balance sheet:-

	1994/95	1993/94
	£ million	£ million
Balance at 1 April	21	(6)
Net cash inflow	<u>43</u>	<u>27</u>
Balance at 31 March	<u>64</u>	<u>21</u>

iii. Analysis of changes in financing during the year.

	Provisions		Loans
	Nuclear	Others	
	£ million	£ million	£ million
Balance at 1 April 1994	2060	16	197
Increase in provisions			
excluding allocated interest	134	8	-
Cash outflow excluding interest	<u>(288)</u>	<u>(12)</u>	<u>(3)</u>
Balance at 31 March 1995	<u>1906</u>	<u>12</u>	<u>194</u>

Notes to the Accounts

For the year ended 31 March 1995

1 Changes to Comparative Figures

On 30 March 1995, the Company signed contracts with BNFL for the provision of fuel, and the reprocessing and wet storage of all spent fuel arising over the lifetimes of Hunterston B and Torness power stations. Completion of these contracts enables the Company to determine more accurately its reprocessing and lifetime storage liabilities for spent AGR fuel.

The charge to the Profit and Loss Account for these liabilities continues to be based on lifetime levelised costs. At any point in time the liabilities due under these contracts may differ from the costs charged on that basis and therefore the provisions recorded in the Balance Sheet (Note 15) are based on the contractual liability and the unamortised portion of these costs is included in the cost of fuel cycle stocks (Note 11).

These contracts have retrospective effect from 1 April 1989 and therefore certain figures reported in the prior year's accounts have been restated to ensure that they are comparable with the amounts reported in the current year accounts.

In addition, the costs charged for and the provisions relating to the reprocessing and the waste management of the irradiated fuel removed from reactors during decommissioning have been reclassified from decommissioning to reprocessing costs and liabilities. Comparative amounts have been restated.

The restatement of the amounts reported in the accounts for the year ended 31 March 1994 is:

(a) Balance Sheet

	Provisions for Liabilities and Charges (AGR) (Note 15)			Stocks (Note 11)	
	Reprocessing Liabilities £ million	Decommissioning Liabilities £ million	Total Provisions £ million	Fuel Cycle £ million	Total Stock £ million
As previously reported	609	344	1819	215	238
Revision to reprocessing estimates	257	-	257	257	257
Reclassification	189	(189)	-	-	-
As restated	1055	155	2076	472	495

(b) Profit and Loss Account

	Reprocessing Costs £ million	Decommissioning Costs £ million	Total Costs Charged £ million
1993/94 Accounts	90	25	115
1993/94 Restated	103	12	115

Notes to the Accounts

For the year ended 31 March 1995 (continued)

2 Turnover

Turnover arises from the sale of electricity in Scotland from AGR power generation, the Company's principal activity, and represents the net amounts invoiced to customers exclusive of value added tax.

	1994/95 £ million	1993/94 £ million
Sales of Electricity	562	519
Transmission Income	15	17
Other Income	3	1
	<u>580</u>	<u>537</u>

Transmission income is the recovery from customers of the transmission charges made to the Company by ScottishPower.

3 Net Interest and Financing Charges

	AGR	1994/95 £ million Magnox	Total	AGR	1993/94 £ million Magnox	Total
Interest on loans payable within 5 years	21	-	21	20	-	20
Interest on loans repayable by instalments	2	-	2	2	-	2
Interest on Magnox expenditure (Note A)	(33)	33	-	(26)	26	-
Interest receivable	<u>(16)</u>	<u>-</u>	<u>(16)</u>	<u>(13)</u>	<u>-</u>	<u>(13)</u>
Net interest	(26)	33	7	(17)	26	9
Maintenance of Provisions (Note B)	58	84	142	44	66	110
Schedule 12 Grant (Note A)	<u>-</u>	<u>(117)</u>	<u>(117)</u>	<u>-</u>	<u>(92)</u>	<u>(92)</u>
Total	<u>32</u>	<u>-</u>	<u>32</u>	<u>27</u>	<u>-</u>	<u>27</u>

Note A

Interest on Magnox expenditure represents deemed interest on funds provided by the AGR business to discharge Magnox liabilities. The finance charges in respect of Magnox provisions are fully offset by Schedule 12 grant.

Note B

This charge is required to maintain the opening provision balances at current price levels together with a real rate of return on amounts previously discounted.

Notes to the Accounts

For the year ended 31 March 1995 (continued)

4 Magnox Activities

The Company's Hunterston A Magnox power station was shut down on 30 March 1990 and moved into the first stage of decommissioning. The costs of the decommissioning activity together with associated support costs and deemed interest on funding the expenditure have been charged to the decommissioning provisions which were created over the operating life of the station. The expenditure amounting cumulatively to £473 million at 31 March 1995 (£395 million at 31 March 1994) has been funded from the Company's cash flows from AGR power generation.

In addition, the Company is required to maintain provisions for certain Magnox facilities owned by British Nuclear Fuels plc.

There is no charge to the Profit and Loss Account for Magnox activities as credit has been taken for future Schedule 12 grant receipts to offset the effect of price level adjustments and the deemed interest on funds provided by the AGR business. To date £705 million of Schedule 12 grant has been utilised. The timing of receipt of payment of the grant has not yet been determined. The transactions relating to Magnox activities are as follows:-

	1994/95 £ million	1993/94 £ million
Maintenance of Provisions	84	66
Deemed Interest Charge on Magnox Expenditure	33	26
	<u>117</u>	<u>92</u>
Write Back of Decommissioning Provisions	-	(130)
Write Back of Schedule 12 Grant	-	130
Utilisation of Schedule 12 Grant for the Year	<u>(117)</u>	<u>(92)</u>
	<u>-</u>	<u>-</u>

The write back of decommissioning provisions in 1993/94 of £130 million arose from an adjustment to take account of a revised estimate of the costs involved in decommissioning the Company's Hunterston A power station and resulted in an equivalent reduction in the accumulated utilisation of Schedule 12 grant.

Notes to the Accounts

For the year ended 31 March 1995 (continued)

5 Employees

Employee costs are analysed as follows:-

	1994/95 £ million	1993/94 £ million
Wages and Salaries	55	55
Social Security Costs	4	4
Other Pension Costs (Note 20)	11	8
	<u>70</u>	<u>67</u>
Less:-		
Amounts Capitalised	(2)	(1)
Amounts Charged to Provisions	(12)	(12)
	<u>56</u>	<u>54</u>
Charge to Profit and Loss Account		
	<u>1860</u>	<u>2060</u>
	1994/95 Number	1993/94 Number
The average number of staff employed by the Company during the year was:-		

6 Other Costs

Other costs include:-

	1994/95 £ million	1993/94 £ million
Research and Development	11	24
Rates and Insurance	21	21
Amounts provided against investments	4	-

Auditors' Remuneration £46000 (1993/94 £44000)

Fees paid to auditors for services other than statutory audit during the year amounted to £237000 (1993/94 £95000).

Notes to the Accounts

For the year ended 31 March 1995 (continued)

7 Directors' Emoluments

(a) The total emoluments of the Directors in 1994/95 were £333333 (1993/94 £526721) which included £2889 (1993/94 Nil) to a former director of the Company.

(b) Details of emoluments paid to individuals who were Directors in both years.

		1994/95 £	1993/94 £
Non Executive Directors	Fees	31500	30625
Chairman & Executive Directors	Salaries	215498	208303
	Performance Related Pay	13571	51155
	Pension Contributions	32971	33268
	Benefits and Other Emoluments	36904	19432

(c) The Chairman and executive Directors participate in a discretionary performance related incentive scheme, payments under which are determined by the Shareholder. The scheme provided for payments in respect of 1993/94, up to a maximum of 30% of each participant's salary, to be made by reference to the achievement targets which are proposed by the Remuneration Committee and set by the Shareholder at the beginning of each financial year. In 1993/94 the targets set covered output, return on capital employed, cost control and cash generation and, where achieved, relevant payments were made during the financial year 1994/95. A similar scheme applied for financial year 1994/95.

(d) The Chairman works on a part time basis and his emoluments were as follows:-

	1994/95 £	1993/94 £
Salary	45498	41362
Performance Related Bonus	3309	10595
Pension Contribution	6961	6328
Benefits and Other Emoluments	10886	10981

(e) The emoluments of the highest paid Director, excluding pension contributions, was £114161 (1993/94 £142741).

(f) The emoluments, excluding pension contributions, of the Directors, other than the Chairman and highest paid Director, fell into the following categories.

	1994/95 Number	1993/94 Number
£5001-£10000	-	2
£10001-£15000	3	2
£35001-£40000	-	1
£90001-£95000	1	-
£125001-£130000	-	1

Notes to the Accounts

For the year ended 31 March 1995 (continued)

8 Corporation Tax

No liability to taxation arises during the year. Accumulated losses arising in prior periods are carried forward to offset against future taxable profits. The full potential deferred taxation asset calculated at the rate of 33 per cent resulting from timing differences is made up as follows:-

	1995	1994
	£ million	£ million
Accelerated Capital Allowances	492	550
Corporation Tax Losses	(652)	(556)
Short Term Timing Differences	(11)	(2)
Long Term Timing Differences	(93)	(22)
	<u>(264)</u>	<u>(30)</u>

The corporation tax losses noted above have been increased from that reflected in prior years as a result of discussions with the Inland Revenue. It should be noted that the Secretary of State, at his discretion, may cancel taxation losses brought forward of £1.368 billion (tax of £451 million) included in corporation tax losses noted above.

9 Tangible Fixed Assets

	Freehold Land and Buildings £ million	Plant and Machinery £ million	Furniture, Fittings, Tools and Equipment £ million	Total £ million
Cost				
At 1 April 1994	548	1895	21	2464
Additions	1	31	4	36
Disposals	(1)	-	-	(1)
At 31 March 1995	<u>548</u>	<u>1926</u>	<u>25</u>	<u>2499</u>
Depreciation				
At 1 April 1994	83	377	10	470
Charge for the Year	15	54	4	73
On Disposals	-	-	-	-
At 31 March 1995	<u>98</u>	<u>431</u>	<u>14</u>	<u>543</u>
Net Book Value				
At 31 March 1995	<u>450</u>	<u>1495</u>	<u>11</u>	<u>1956</u>
At 31 March 1994	<u>465</u>	<u>1518</u>	<u>11</u>	<u>1994</u>

Notes to the Accounts

For the year ended 31 March 1995 (continued)

10 Fixed Asset Investments

	Shares in Subsidiary Undertakings £ million	Other Investments £ million	Total £ million
Cost			
At 1 April 1994 and 31 March 1995	3	10	13
Amounts provided			
At 1 April 1994	-	-	-
Provision made during year	-	4	4
At 31 March 1995	-	4	4
Net Book Value			
At 31 March 1995	3	6	9
At 31 March 1994	3	10	13

Subsidiary Undertakings

The Company owns the entire ordinary share capital of the following companies, both of which are registered in Scotland.

Activity

Huntor Ltd
Scottish Nuclear International Ltd

Land Holding
Consultancy Services

Other Investments

The Company has a 20 per cent holding in Electricity Producers Insurance Co. Ltd (EPIC), a company incorporated in the Isle of Man. The Company's share of EPIC's accumulated distributable and contingency reserves as at 31 March 1995 was £23 million (31 March 1994 £21 million).

The Company has a beneficial interest in 20 per cent of the shares of Power Resources Incorporated (PRI), a company incorporated in the USA. The Company has provided £4 million against the carrying value of this investment. The Company's share of PRI's accumulated distributable reserves as at 31 March 1995 was £1 million (31 March 1994 £1 million).

In the opinion of the Directors it is estimated that these investments, which are not listed on a recognised stock exchange, have a market value at least equal to their net book value.

11 Stocks

	1995 £ million	1994 £ million
Fuel Cycle Costs	477	472
Stores	23	23
	<u>500</u>	<u>495</u>

1993/94 comparative figures have been restated (Note 1)

Notes to the Accounts

For the year ended 31 March 1995 (continued)

12 Debtors

	1995 £ million	1994 £ million
Trade Debtors	67	61
Other Debtors	1	1
Prepayments and Accrued Income	16	20
	<u>84</u>	<u>82</u>

13 Creditors

Amounts due within one year

	1995 £ million	1994 £ million
Unsecured Loans (Note 14)	98	3
Trade Creditors	4	2
Other Creditors Including Taxation and Social Security	9	19
Accruals and Deferred Income	62	35
Provisions (Note 15)	192	223
	<u>365</u>	<u>282</u>

14 Creditors

Amounts due after more than one year

	1995 £ million	1994 £ million
Unsecured Loans from Secretary of State for Scotland		
Repayable within 5 years other than by instalments		
11 ³ / ₈ per cent 1995/96	95	95
11 ¹ / ₄ per cent 1996/97	85	85
Repayable by Instalments		
11 ¹ / ₈ per cent 1990/91 - 1998/99	14	17
	<u>194</u>	<u>197</u>
Less amounts due within one year (Note 13)	<u>(98)</u>	<u>(3)</u>
	<u>96</u>	<u>194</u>

Notes to the Accounts

For the year ended 31 March 1995 (continued)

15 Provisions for Liabilities and Charges

	Balance 1 April 1994 £ million	Increase to Provisions £ million	Utilised within the Year £ million	Balance 31 March 1995 £ million
Magnox				
Reprocessing	513	33	(22)	524
Decommissioning	361	20	(17)	364
BNFL Plant	564	31	(6)	589
Sub Total	1438	84	(45)	1477
Interest	-	33	(33)	-
Schedule 12 Grant taken to account	(588)	(117)	-	(705)
Total	850	-	(78)	772
AGR				
Reprocessing	1055	146	(243)	958
Decommissioning	155	21	-	176
Total	1210	167	(243)	1134
Total Nuclear Provisions	2060	167	(321)	1906
Other Provisions	16	8	(12)	12
	2076	175	(333)	1918
Analysed as:				
Creditors due within one year (Note 13)	223			192
Provisions	1853			1726
	2076			1918

Notes to the Accounts

For the year ended 31 March 1995 (continued)

15 Provisions for Liabilities and Charges (Continued)

The increase to provisions is included under the following headings:-

	1994/95 £ million	1993/94 £ million
Operating Costs		
Reprocessing	67	86
Decommissioning	12	25
Fuel and other operating costs	8	11
	<u>87</u>	<u>122</u>
Net Interest and Financing Charges	<u>58</u>	<u>44</u>
Total Charge to Profit and Loss Account	145	166
Adjustment to Fuel Cycle Costs	<u>30</u>	<u>(9)</u>
	<u>175</u>	<u>157</u>

Grants under Schedule 12 of the Electricity Act 1989 in respect of expenditure which is eligible for grant are deducted from the Magnox provisions made by the Company. The timing of cash receipts in respect of these grants has not yet been determined.

The following table shows the undiscounted payments, in current prices, still to be made by the Company, the equivalent sum discounted at 2 per cent to the balance sheet date and the amounts provided to date. These are analysed between Magnox and AGR activities and are based on current station lives and lifetime output projections.

	Total Payable		Provided
	Undiscounted	Discounted	to date
	£ million	£ million	£ million
At 31 March 1995			
Magnox	1920	1477	1477
AGR	<u>4070</u>	<u>2210</u>	<u>1134</u>
Total	<u>5990</u>	<u>3687</u>	<u>2611</u>
At 31 March 1994	<u>6640</u>	<u>4300</u>	<u>2391</u>

The differences between the undiscounted and discounted amounts represent the estimated interest to be earned on provisions set aside in respect of costs which do not fall due for payment for some years. The differences between the discounted amounts and those provided to date reflect the future charges against profits in respect of costs pertaining to electricity production over the remaining station lives.

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 this suggested 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 with an equivalent increase to tangible assets.

The Company considers that such an interpretation of FRS5 deserves wider debate with interested parties and, accordingly, the Company has not altered its existing accounting policy in respect of decommissioning provisions in these accounts.

1993/94 comparative figures have been re-stated (Note 1).

Notes to the Accounts

For the year ended 31 March 1995 (continued)

16 Called up Share Capital

	1993/94 and 1994/95	
	Number	£
Ordinary Shares of £1 each, authorised, allotted and fully paid	100	100

17 Profit and Loss Account

	£ million
Balance at 1 April 1994	276
Profit for the financial year	150
Balance at 31 March 1995	426

18 Reconciliation of Movements in Shareholder's Funds

	1994/95 £ million	1993/94 £ million
Profit for the financial year	150	72
Opening shareholder's funds	276	204
Closing shareholder's funds	426	276

19 Capital Commitments

	1995 £ million	1994 £ million
Capital expenditure that has been authorised but has not been provided for in the accounts	7	9

20 Pension Obligations

The Company established the Scottish Nuclear Pension Scheme with effect from 1 April 1993. The Scheme is a funded arrangement which provides defined benefits based on final pensionable salary. The assets of the Scheme are held separately from those of the Company in an independently administered fund.

The initial actuarial funding valuation report of the Scheme was prepared by an independent actuary using the Projected Unit Method. The principal assumptions adopted in the valuation were that, over the long term, the investment rate of return would be 9% p.a., the rate of salary increase would be 7% p.a. and the rate of pension increase would be 5% p.a. The valuation, which made no allowance for the tax credit reduction arising from the March 1993 Budget, was based on the December 1991 membership data used for the valuation of the ScottishPower Pension Scheme in which the Company was a participating employer until April 1993.

The actuary has certified, using the assumptions above, that the assets of the Scheme existing at 1 April 1993, including the bulk transfer of £163 million from the ScottishPower Pension Scheme on 1 April 1993, fully covered its liabilities at that date.

The pension cost for the year ended 31 March 1995, determined using the Projected Unit Method, was £11 million including the costs of provision of early retirement of certain employees. The Company's contributions to the Scheme during 1994/95 amounted to £15 million, and at 31 March 1995 a prepayment of £9 million existed.

Current Cost Accounts

Profit and Loss Account For the Year Ended 31 March 1995

	Note	1994/95 £ million	1993/94 £ million
Operating Profit - Historic Cost Basis		<u>182</u>	<u>99</u>
Current Cost Adjustments			
Additional Depreciation	1	(59)	(50)
Cost of Sales	2	(3)	(3)
Monetary Working Capital	3	<u>-</u>	<u>(1)</u>
		<u>(62)</u>	<u>(54)</u>
Operating Profit		120	45
Net Interest and Financing Charges		<u>(32)</u>	<u>(27)</u>
Profit for the Financial Year		<u>88</u>	<u>18</u>

Current Cost Accounts (continued)

Balance Sheet as at 31 March 1995

	Note	1995 £ million	1994 £ million
Fixed Assets			
Tangible Assets	4	3110	3050
Investments		9	13
		<u>3119</u>	<u>3063</u>
Current Assets			
Stocks	5	535	515
Debtors		84	82
Cash at Bank and in Hand		64	21
		<u>683</u>	<u>618</u>
Creditors			
<i>Amounts due within one year</i>		<u>365</u>	<u>282</u>
Net Current Assets		<u>318</u>	<u>336</u>
Total Assets less Current Liabilities		<u>3437</u>	<u>3399</u>
Creditors			
<i>Amounts due after more than one year</i>		96	194
Provisions for Liabilities and Charges		1726	1853
Capital and Reserves			
Called up Share Capital		-	-
Current Cost Reserve	6	1585	1410
Profit & Loss Account		30	(58)
		<u>1615</u>	<u>1352</u>
		<u>3437</u>	<u>3399</u>

Current Cost Accounts (continued)

Notes

(1) The depreciation adjustment of £59 million (1993/94 £50 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.

(2) The method of accounting for nuclear fuel costs 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 Business Statistics Office (BSO) indices which have been re-based during the year.

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

(4) The gross current cost of tangible fixed assets has been derived by revaluing original cost figures using appropriate BSO indices which have been re-based during the year.

(5) Stocks and stores are valued at current estimated replacement cost.

(6) Current Cost Reserve:-

	£ million
Balance at 1 April 1994	1410
Net increase arising during the year on restatement of assets to current cost	
Fixed Assets	157
Stock	18
Monetary working capital adjustment	-
Balance at 31 March 1995	<u>1585</u>

(7) Corresponding amounts for 31 March 1994 are shown in values relating to that date.

Five Year Financial Summary

	1995	1994	1993	1992	1991
	£ million	£ million	£ million	£ million	£ million
Turnover	<u>580</u>	<u>537</u>	<u>524</u>	<u>477</u>	<u>423</u>
Operating Profit	182	99	97	69	52
Net interest and financing charges	<u>(32)</u>	<u>(27)</u>	<u>(31)</u>	<u>(55)</u>	<u>(85)</u>
Profit/(Loss) for financial year	<u>150</u>	<u>72</u>	<u>66</u>	<u>14</u>	<u>(33)</u>
Assets Employed	<u>2248</u>	<u>2323</u>	<u>2089</u>	<u>2148</u>	<u>2194</u>
Financed by					
Loans	96	194	197	199	201
Provisions for liabilities and charges	1726	1853	1688	1811	1869
Profit and Loss Account	<u>426</u>	<u>276</u>	<u>204</u>	<u>138</u>	<u>124</u>
	<u>2248</u>	<u>2323</u>	<u>2089</u>	<u>2148</u>	<u>2194</u>
Capital Expenditure	<u>36</u>	<u>45</u>	<u>55</u>	<u>44</u>	<u>36</u>

The above amounts are expressed at outturn money values

Generating cost per unit

Operating Costs	398	447	449	445	433
Less: Transmission costs	(16)	(17)	(17)	(17)	(18)
Non-recurring costs	<u>(10)</u>	<u>(21)</u>	<u>(4)</u>	<u>(21)</u>	<u>(16)</u>
	<u>372</u>	<u>409</u>	<u>428</u>	<u>407</u>	<u>399</u>
Units Sold (GWh)	<u>16850</u>	<u>14167</u>	<u>14335</u>	<u>12694</u>	<u>12170</u>
Generating cost per unit (p/kWh)	<u>2.21</u>	<u>2.89</u>	<u>2.99</u>	<u>3.20</u>	<u>3.28</u>

Generation costs include all recurring operating costs associated with AGR power generation, excluding transmission costs recovered from customers. All costs are expressed in 1994/95 money values.