

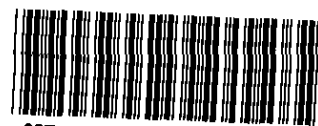
BRITISH ENERGY GENERATION (UK) LIMITED

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

for the year ended 31 March 2000

Company number SC 117121 --



SCT SAA01T9F 0210
COMPANIES HOUSE 22/08/00

COMPANIES HOUSE 15/08/00

Directors and Advisers

British Energy Generation (UK) Limited

DIRECTORS

Peter Hollins (Chairman)
Michael Kirwan
David Anderson
George Jenkins
Sir Robert Hill

SECRETARY

Robert Armour

REGISTERED OFFICE

3 Redwood Crescent
Peel Park
East Kilbride
G74 5PR

AUDITORS

PricewaterhouseCoopers
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

SOLICITORS

MacRoberts
152 Bath Street
Glasgow
G2 4TB

British Energy Generation (UK) Limited
Directors' Report
for the year ended 31 March 2000

FINANCIAL STATEMENTS

The Directors present their annual report and financial statements for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activity is the generation and sale of electricity.

RESULTS AND DIVIDENDS

The results for the Company are set out in the Profit and Loss Account on page 7. The Directors do not recommend the payment of a final ordinary dividend (1999: nil). The retained profit for the year of £68m was transferred to reserves.

RESEARCH AND DEVELOPMENT

During the year the Company invested £3m in research and development (1999: £7m). This is primarily scientific and engineering research activity which is directed towards securing further improvements in the reliability, performance and safety of its generating business and related activities.

DIRECTORS

The Directors of the Company at 31 March 2000 are listed on page 2.

The interests of the Directors in shares of British Energy plc are detailed in the accounts of that company, except for those of D Anderson and G E Jenkins which are detailed below. M Low resigned as a Director of the Company on 25 April 2000. Sir N Davies resigned as a Director of the Company on 15 July, 1999.

Ordinary Shares

	2000	1999
G Jenkins	12,495	6,500
D Anderson	1,777	1,984

	At 1 April 1999*	Granted	Exercised	At 31 March 2000	Option exercise price	Date from when exercisable	Expiry date
Executive Share Options							
G Jenkins	71,154	-	-	71,154	2.60	15/07/2000	15/07/2004
	11,538	-	-	11,538	2.60	15/07/2000	15/07/2007
	23,724	-	-	23,724	5.08	30/06/2001	30/06/2005
	-	29,575	-	29,575	5.30	25/06/2002	24/06/2006
	<u>106,416</u>	<u>29,575</u>	<u>-</u>	<u>135,991</u>			
D Anderson	53,077	-	-	53,077	2.60	15/07/2000	15/07/2004
	11,538	-	-	11,538	2.60	15/07/2000	15/07/2007
	18,620	-	-	18,620	5.08	30/06/2001	30/06/2005
	-	29,745	-	29,745	5.30	25/06/2002	24/06/2006
	<u>83,235</u>	<u>-</u>	<u>-</u>	<u>112,980</u>			

Exercise of these options is conditional on the achievement of an average annual growth in earnings per share of 3% per year ahead of inflation over three consecutive years.

**British Energy Generation (UK) Limited
Directors' Report
for the year ended 31 March 2000**

DIRECTORS (continued)

Sharesave Scheme

D Anderson	<u>10,781</u>	<u>-</u>	<u>-</u>	<u>10,781</u>	1.60	01/09/2001	31/03/2002
G Jenkins	<u>6,093</u>	<u>-</u>	<u>6,093</u>	<u>-</u>	1.60	01/09/1999	31/03/2000

* or date of appointment if later

The market price of G Jenkins' shares at 15 October 1999, date of exercise, was 403p.

POLICY ON PAYMENT OF CREDITORS

The Company supports the Prompt Payers' Code of the Confederation of British Industry. The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of these terms and to abide by the agreed terms. At 31 March 2000 the Company had £9m of trade creditors which equates to 35 days value of supplier purchases for the financial year. The supplier purchases exclude payments to BNFL, the Company's principal supplier, which are made against an agreed contract profile.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made charitable donations of £ 54,000 (1999: £92,000). No political donations were made.

EMPLOYEES

The Company is committed to involving 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 is committed to its equal opportunities policies, which includes promoting training and career development for all employees. Full and fair consideration for all vacancies and opportunities will be given to men and women, people with disabilities and those from ethnic minorities, regardless of marital status, age, religion or sexual orientation. The policy is supported by a Code of Practice on harassment which recognises that all employees have the right to be treated with dignity and respect.

EUROPEAN ECONOMIC AND MONETARY UNION

Although the majority of British Energy's income and expenditure is denominated in sterling, it recognises that the European Economic and Monetary Union (EMU) could have a significant impact on its commercial activities in the long term. The Company has not entered into euro denominated transactions to any significant extent to date.

YEAR 2000

Detailed reviews of all management information and technical control systems were performed in preparation for Year 2000, which passed without incident.

AUDITORS

A resolution proposing the re-appointment of PricewaterhouseCoopers will be put to the forthcoming Annual General Meeting.

**British Energy Generation (UK) Limited
Directors' Report
for the year ended 31 March 2000**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

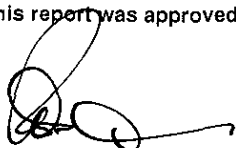
Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company, and of the results of the Company, for that period.

In preparing the financial statements, the Directors are required to

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

The Directors are responsible for maintaining 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board of Directors on 9 May 2000 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Robert Armour', written over a horizontal line.

**Robert Armour
Company Secretary**

**REPORT BY THE AUDITORS
to the members of British Energy Generation (UK) Limited**

We have audited the financial statements on pages 7 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
9 May 2000

British Energy Generation (UK) Limited
Profit and Loss Account
For the year ended 31 March 2000

	Notes	2000 Total £m	Exceptional Items (Note 1) £m	2000 Business Performance £m	1999 Business Performance £m	Exceptional Items (Note 1) £m	1999 Total £m
Turnover: continuing activities							
Operating costs	3	493	-	493	495	-	495
Operating profit: continuing activities	4	(349)	2	(351)	(379)	8	(371)
		144	2	142	116	8	124
Financing (charges)/ credits							
- revalorisation	7	(46)	-	(46)	(45)	22	(23)
- interest payable and similar charges	7	(3)	-	(3)	(11)	-	(11)
Profit on ordinary activities before taxation		95	2	93	60	30	90
Taxation on profit on ordinary activities	8	(27)	(1)	(26)	(23)	(9)	(32)
Retained Profit for the financial year	22	68	1	67	37	21	58

The Company had no recognised gains or losses other than the profits for the years.

Notes 1 to 28 form part of these financial statements.

British Energy Generation (UK) Limited
Balance Sheet
as at 31 March 2000

	Notes	2000 £m	1999 £m
Fixed assets			
Tangible assets	9	1,191	1,258
Investments	10	<u>2,100</u>	<u>2,100</u>
		<u>3,291</u>	<u>3,358</u>
Current assets			
Decommissioning fund	11	108	98
Stocks	12	121	127
Debtors	13	<u>62</u>	<u>82</u>
		291	307
Creditors: amounts falling due within one year			
- amounts owing to parent undertaking	14	(982)	(2,464)
- others	15	<u>(1,532)</u>	<u>(189)</u>
		(2,514)	(2,653)
Net current liabilities		<u>(2,223)</u>	<u>(2,346)</u>
Total assets less current liabilities		1,068	1,012
Creditors: amounts falling due after more than one year	15	(401)	(450)
Provisions for liabilities and charges	16	<u>(475)</u>	<u>(438)</u>
Net assets		<u>192</u>	<u>124</u>
Capital and reserves			
Called up share capital	21	-	-
Profit and loss account	22	<u>192</u>	<u>124</u>
Equity Shareholders' funds	23	<u>192</u>	<u>124</u>

The financial statements were approved by the Board of Directors on 9 May 2000 and signed on its behalf by:



Peter Hollins
Chairman

Notes 1 to 28 form part of these financial statements.

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

1 BASIS OF PREPARATION

To assist shareholders to compare the underlying financial performance of the Company, "business performance" profit and loss account figures are shown which exclude exceptional items.

2 ACCOUNTING POLICIES

(i) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The income recognised by the Company in respect of the long term rate of return of the decommissioning fund is unrealised and its recognition is a departure from one of the accounting principles set out in Schedule 4 of the Companies Act 1985. An explanation of this departure is given in note 2 (xiv) below.

The Company's results are consolidated within British Energy which produces publicly available Financial Statements which includes a cash flow statement. Accordingly the Company has elected to utilise the exemption provided by Financial Reporting Standard 1, Cash Flow Statements (Revised) and has not provided a cash flow statement.

The accounts were prepared on a going concern basis as the parent undertaking has indicated its intention to continue to financially support the Company for the foreseeable future.

(ii) Turnover

Turnover represents amounts receivable for sales of electricity and sales of 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.

(iii) Fuel costs - front end

Front end fuel costs comprise fixed and variable components. The fixed components are charged to the profit and loss account as incurred and the variable components, other than for unburnt fuel at shutdown, are charged to the profit and loss account in proportion to the amount of fuel burnt.

(iv) Fuel costs - back end

Spent fuel extracted from the reactors is sent for reprocessing and/or long term storage and eventual disposal of resulting waste products. Back end fuel costs comprise the estimated cost of this process at current prices discounted back to current value in respect of both the amount of irradiated fuel burnt during the year and an appropriate proportion of unburnt fuel which will remain in the reactors at the end of their lives. All back end fuel costs, other than for unburnt fuel at shutdown, are charged to the profit and loss account in proportion to the amount of fuel burnt.

(v) Unburnt fuel at shutdown

Due to the nature of the fuel process there will be some unburnt fuel in the reactors at station closure. The front end and back end costs of this fuel are charged to the profit and loss account over the estimated useful life of each station on a straight line basis.

(vi) Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

(vii) Pensions costs

Contributions to the Company's defined benefit pension schemes are assessed by qualified actuaries and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. Differences between the amounts funded and the amounts charged to the profit and loss account are included in the balance sheet.

(viii) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. 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.

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

2 ACCOUNTING POLICIES (continued)

(ix) Tangible fixed assets and depreciation, including decommissioning costs

Fixed assets comprise assets acquired or constructed by the Company. Expenditure incurred to improve operational performance or to improve safety in order to meet increased regulatory standards is also capitalised. 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 (other than assets in the course of construction) are stated in the balance sheet at cost less accumulated depreciation. Accumulated depreciation includes additional charges made where necessary to reflect permanent impairment in value. Assets in the course of construction are stated at cost and not depreciated until brought into commission.

The charge for depreciation of fixed assets is based on the straight line method so as to write off the costs of assets, after taking into account exceptional provisions for diminution in value, over their estimated useful lives. Depreciation starts from the year following the year of expenditure except for power stations which are depreciated from the date of commissioning.

The asset lives adopted are subject to regular review and for the year ended 31 March 2000 were:

AGR power stations	25-35 years
Other buildings	40 years
Other assets	5 years

During the financial year the life of one of the Company's power stations was reviewed and extended to 35 years (note 4).

The estimated costs for decommissioning the Company's power stations are provided for when stations begin operating commercially, are capitalised as part of the cost of construction and are depreciated over the same lives as the stations. These estimated costs are discounted having regard to the timescale whereby work will take place over many years after station closure. The estimated costs include the demolition and site clearance of the stations' radioactive facilities and the management of waste.

(x) Fixed asset investments

Investments in subsidiaries are stated at the nominal value of shares allotted. Fixed asset investments are stated at cost less amortisation or provisions for diminution in value.

(xi) Stocks of nuclear fuel, stores and spares

Stocks of nuclear fuel, stores and spares are valued at the lower of cost and net realisable value. The nuclear fuel stock is reduced by the provision for unburnt fuel at shutdown (note 2 (v)).

(xii) 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.

(xiii) Nuclear liabilities

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

(a) fuel costs - back end

The treatment of back end fuel costs in the profit and loss account has been dealt with in (iv) and (v) above. These accruals cover reprocessing and storage of spent nuclear fuel and the long term storage, treatment and eventual disposal of nuclear waste. They are based, as appropriate, on contractual arrangements or the latest technical assessments of the processes and methods likely to be used to deal with these obligations under the current regulatory regime. Where accruals are based on contractual arrangements they are included within creditors. Other accruals are based on long term cost forecasts which are reviewed regularly and adjusted where necessary, and are included within provisions.

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

2 ACCOUNTING POLICIES (continued)

(xiii) Nuclear liabilities (continued)

(b) decommissioning of nuclear power stations

The financial statements include provision for the full cost of decommissioning the Company's nuclear power stations. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. The technical assessments are reviewed regularly and the estimates of decommissioning costs are updated accordingly.

The provision established at the commencement of a power station's operating life is capitalised as part of the costs of the station.

Accruals and provisions for back end fuel costs and decommissioning are stated in the balance sheet at current price levels, discounted at a long-term real rate of interest of 3 per cent per annum to take account of the timing of payments. Each year the financing charges in the profit and loss account include the revalorisation of liabilities required to discharge one year's discount from provisions made in prior years and restate these provisions to current price levels.

(xiv) Decommissioning fund

The Company makes contributions into an independently administered fund to cover all costs of decommissioning nuclear power stations, except de-fuelling costs. The Company's annual contributions to the fund are assessed by qualified actuaries, taking into account the amount and timing of expected decommissioning costs and the periods until station closures. The value of the asset in the balance sheet represents the contributions made by the Company, together with an estimated actuarially determined long-term rate of return on the fund. The change in value arising from applying the estimated long-term rate of return is taken to the profit and loss account and disclosed as part of revalorisation.

The revalorisation of the decommissioning fund, which has been taken through the profit and loss account, is not a realised profit for the purposes of the Companies Act 1985 because the income is unrealised until the Company receives the related cash from the fund to reimburse decommissioning expenditure. The inclusion of this profit in the profit and loss account is a departure from the requirements of the Companies Act 1985. Revalorisation of the accrued decommissioning provision is charged to the profit and loss account each year and accordingly, in the opinion of the Directors, it is necessary to include the estimated annual long-term rate of return of the fund in the Company's profit and loss account in order for the financial statements to give a true and fair view.

The effect of the departure is to increase the reported profit for the year by £6m (1999: £5m) and net assets by £21m (1999: £15m).

(xv) Financial instruments and derivatives

Financial instruments and derivatives are used to hedge interest rate, foreign exchange and trading risks. Profits and losses on financial instruments and derivatives are reported in the profit and loss account in the period to which they relate.

3 TURNOVER

	2000	1999
	TWh	TWh
Output	19.0	18.7
	2000	1999
	£m	£m
Electricity generation	473	477
Transmission income	19	18
Miscellaneous income	1	-
	493	495

Electricity generation represents the sale of electricity to Scottish Power plc and Scottish and Southern Energy plc.

Transmission income is the recovery of transmission charges made to the Company by Scottish Power plc.

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

4 OPERATING COSTS

	2000 Total £m	Exceptional Items £m	2000 Business Performance £m	1999 Business Performance £m	Exceptional Items £m	1999 Total £m
Fuel						
- front end	71	(4)	75	83	(8)	75
- back end	49	(4)	53	61	-	61
Materials and services	109	-	109	104	-	104
Staff costs (note 5)	60	6	54	58	-	58
Depreciation	60	-	60	73	-	73
	<u>349</u>	<u>(2)</u>	<u>351</u>	<u>379</u>	<u>(8)</u>	<u>371</u>

On 11 May 1999 the Board decided to extend the accounting life of Torness by five years with effect from 1 April 1999. The accounting life of this station has therefore increased from 30 years to 35 years, changing the assumed closure date for accounting purposes from 2018 to 2023. As a result of this life extension there have been one-off exceptional credits of £4m to front end fuel and £4m to back end fuel. The impact of life extension on depreciation is being accounted for prospectively.

During 1999/00 there were exceptional staff costs of £6m, which were in respect of a restructuring provision.

	2000 £m	1999 £m
Operating costs are stated after charging:		
Research and development	3	7
"Year 2000" costs	2	3
	£'000	£'000
Auditors' remuneration		
- statutory audit	34	39

5 EMPLOYEE INFORMATION

(a) Staff costs

	2000 £m	1999 £m
Salaries	47	46
Social security costs	4	4
Pension costs (note 20)	3	7
Share option costs	1	2
Amounts capitalised	(1)	(1)
Business performance staff costs	<u>54</u>	<u>58</u>
Exceptional item (note 4)	<u>6</u>	<u>-</u>
Total staff costs	<u>60</u>	<u>58</u>

(b) Employee numbers

Average number of employees during the year	<u>1,211</u>	<u>1,343</u>
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Average number of full time equivalent employees by category during the year were:

	Number	Number
Managerial	25	30
Engineering	463	485
Industrial	548	605
Administrative	158	207
Trainees	<u>17</u>	<u>16</u>
	<u>1,211</u>	<u>1,343</u>

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

6 SUMMARY OF DIRECTORS' EMOLUMENTS

	2000 £'000	1999 £'000
Total emoluments, including pension contributions		
As directors	-	18
For management services:		
- salaries and other benefits	235	254
- performance related bonuses	33	67
- pension contributions	30	31
Compensation for loss of office		-
	<u>298</u>	<u>370</u>

The emoluments exclude those for directors who are also directors of British Energy plc. The emoluments for these directors are detailed in the Remuneration Report in the group accounts.

The above amounts for remuneration include the following in respect of the highest paid director.

	2000 £'000	1999 £'000
Emoluments	151	145
Pension contributions	16	13
	<u>167</u>	<u>158</u>

7 FINANCING CHARGES

	2000 Total £m	1999 Total £m
Revalorisation of nuclear liabilities:		
- changes in price levels	25	21
- discharge of one year's discount	27	29
	<u>52</u>	<u>50</u>
Revalorisation of decommissioning fund	(6)	(5)
Revalorisation charge before exceptional items	46	45
Exceptional item	-	(22)
Revalorisation Charge	<u>46</u>	<u>23</u>
Interest on amounts repayable within five years:		
- on bank term loan	1	-
- on amounts owed to BNFL	-	1
- on amounts owed to parent	2	10
Interest payable and similar charges	<u>3</u>	<u>11</u>

In 1998/99 there was an exceptional revalorisation credit of £22m resulting from the extension of the accounting life at Hunterston B.

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2000 £m	1999 £m
Deferred taxation on business performance profit before tax	26	23
Exceptional deferred tax charge	1	9
Deferred tax charge for the year (note 19)	<u>27</u>	<u>32</u>

There is no charge for UK corporation tax in the year because of the utilisation of capital allowances and tax losses, arising in the year and brought forward from prior years.

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

9 TANGIBLE FIXED ASSETS

	Power stations £m	Other Land and Buildings £m	Other plant and equipment £m	Total £m
Cost				
As at 1 April 1999	2,500	18	20	2,538
Additions	12	-	4	16
Disposals	(13)	-	(12)	(25)
As at 31 March 2000	2,499	18	12	2,529
Depreciation				
As at 1 April 1999	1,255	5	20	1,280
Life extension adjustment	14	-	-	14
Charge for the year	59	-	1	60
On disposals	(4)	-	(12)	(16)
As at 31 March 2000	1,324	5	9	1,338
Net book value				
As at 31 March 2000	1,175	13	3	1,191
As at 31 March 1999	1,245	13	-	1,258

Following the accounting life extension at Torness an adjustment of £14m has been made to depreciation at 1 April 1999 to reflect the accelerated write off of the station's decommissioning assets.

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

	2000 £m	1999 £m
Cost	549	549
Net book value	270	276

10 FIXED ASSET INVESTMENTS

	Shares in British Energy Generation Limited £m	Loans to United Kingdom Nirex Limited £m	Total £m
Cost			
As at 1 April 1999	2,100	12	2,112
Repayment	-	(1)	(1)
As at 31 March 2000	2,100	11	2,111
Provision for diminution in value			
As at 1 April 1999	-	12	12
Credit for the year	-	(1)	(1)
As at 31 March 2000	-	11	11
Net book value			
As at 31 March 2000	2,100	-	2,100
As at 31 March 1999	2,100	-	2,100

British Energy Generation (UK) Ltd own the entire ordinary share capital of British Energy Generation Ltd. The company has elected to utilise the exemption provided by Companies Act 1985 (Sec 228(1)(a)), and has not provided consolidated financial statements.

Loans have been made to United Kingdom Nirex Limited to fund development expenditure for building an intermediate level nuclear waste repository. These loans have been fully provided against in the Company's financial statements. During the year, £1m of its outstanding loans were repaid.

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

11 DECOMMISSIONING FUND

	£m
As at 1 April 1999	98
Regular contributions	4
Revalorisation (see note 7)	6
As at 31 March 2000	<u>108</u>

The decommissioning fund asset in the balance sheet represents the contributions made by the Company, together with an estimated actuarially determined long-term post-tax rate of return on the fund of 3.5% per annum. The change in value arising from applying the estimated long-term rate of return is taken to the profit and loss account as a revalorisation credit. The decommissioning fund asset is receivable in more than one year.

12 STOCKS

	2000 £m	1999 £m
Unburnt nuclear fuel in reactors	147	156
Provision for unburnt fuel at station closure	<u>(79)</u>	<u>(83)</u>
Net unburnt nuclear fuel in reactors	68	73
Other nuclear fuel	21	21
Stores	<u>32</u>	<u>33</u>
	<u>121</u>	<u>127</u>

13 DEBTORS

	2000 £m	1999 £m
Trade debtors	46	68
Other debtors	4	2
Prepayments	12	9
Amounts due from fellow subsidiary undertakings	<u>-</u>	<u>3</u>
	<u>62</u>	<u>82</u>

14 AMOUNTS OWING TO PARENT UNDERTAKING

	2000 £m	1999 £m
As at 1 April 1999	2,464	424
Amounts (repaid)/borrowed in the year	<u>(1,482)</u>	<u>2,040</u>
As at 31 March 2000	<u>982</u>	<u>2,464</u>

The loan from the parent undertaking is unsecured and is repayable on demand. Interest at 6.13% is payable on interest bearing element of the loan, which varied throughout the year.

15 OTHER CREDITORS

	2000 £m	1999 £m
<i>Amounts falling due within one year</i>		
Nuclear liabilities (note 17)	124	119
Bank loan	230	-
Trade creditors	9	7
Other taxes and social security	10	20
Accruals	46	43
Amount due to fellow subsidiary	<u>1,113</u>	<u>-</u>
	<u>1,532</u>	<u>189</u>
<i>Amounts falling due after more than one year</i>		
Nuclear liabilities (note 17)	<u>401</u>	<u>450</u>

The bank loan is unsecured and matures in less than one year. The loan is indexed to LIBOR with margin in the range of 22 to 47 basis points.

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

16 PROVISIONS FOR LIABILITIES AND CHARGES

	2000 £m	1999 £m
Nuclear liabilities (note 17)	386	373
Other provisions (note 18)	3	6
Deferred taxation (note 19)	86	59
	<u>475</u>	<u>438</u>

17 NUCLEAR LIABILITIES

	Back end fuel costs contracted £m	Back end fuel costs uncontracted £m	Decommissioning £m	2000 Total £m	1999 Total £m
As at 1 April 1999	569	155	218	942	980
Impact of asset life extensions	-	-	(14)	(14)	(4)
Charged to profit and loss account					
- operating costs	49	6	-	55	61
- revalorisation (note 7)	31	9	12	52	50
- exceptional items	(3)	-	-	(3)	(22)
Payments in the year	(121)	-	-	(121)	(123)
As at 31 March 2000	<u>525</u>	<u>170</u>	<u>216</u>	<u>911</u>	<u>942</u>

The year end balances of nuclear liabilities are included in the balance sheet as follows:

	2000 £m	1999 £m
Creditors:		
- amounts falling due within one year	124	119
- amounts falling due after more than one year	401	450
Provisions for liabilities and charges	<u>386</u>	<u>373</u>
	<u>911</u>	<u>942</u>

Fuel costs - back end

Accruals for fuel services relating to spent fuel are based on the terms of contracts with BNFL, most of which include fixed prices subject to indexation or the Company's estimates where no contracts exist. Provisions for services relating to the disposal of nuclear waste are based on cost estimates derived from the latest technical assessments.

Decommissioning

The costs of decommissioning the power stations have been estimated on the basis of technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. The estimates are designed to reflect the costs of making the sites of the power stations available for alternative use in accordance with the Company's decommissioning strategy.

Projected payment details

Based on current estimates of station lives and lifetime output projections, the following table shows, in current prices, the likely undiscounted payments, the equivalent sums discounted at 3 per cent per annum to the balance sheet date and the amounts accrued to date.

	Back end fuel costs contracted £bn	Back end fuel costs uncontracted £bn	Decommissioning £bn	2000 Total £bn	1999 Total £bn
Undiscounted	<u>1.6</u>	<u>1.0</u>	<u>1.3</u>	<u>3.9</u>	<u>3.7</u>
Discounted	<u>0.9</u>	<u>0.3</u>	<u>0.2</u>	<u>1.4</u>	<u>1.5</u>
Accrued to date	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	<u>0.9</u>	<u>0.9</u>

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

17 NUCLEAR LIABILITIES (continued)

The differences between the undiscounted and discounted amounts reflect the fact that the costs concerned will not fall due for payment for a number of years. The differences between the discounted amounts and those accrued to date will be charged to the profit and loss account over the remaining station lives since they relate to future use of fuel.

Under the terms of the contracts with BNFL referred to above and in accordance with the projected pattern of payments for decommissioning and other liabilities, taking account of the decommissioning fund arrangements described in note 2 (xiv), the undiscounted payments in current prices are expected to become payable as follows:

	Back end fuel costs contracted £m	Back end fuel costs uncontracted £m	Decommissioning £m	2000 Total £m	1999 Total £m
Within five years	456	33	22	511	557
6 - 10 years	138	91	16	245	300
11 - 25 years	362	194	103	659	707
26 - 50 years	340	135	17	492	239
51 years and over	335	579	-	914	776
	<u>1,631</u>	<u>1,032</u>	<u>158</u>	<u>2,821</u>	<u>2,579</u>

18 OTHER PROVISIONS

	Restructuring £m	Uninsured claims £m	2000 Total £m	1999 Total £m
As at 1 April 1999	5	1	6	10
Provided/(released) in the year	6	(1)	5	-
Payments in the year	(8)	-	(8)	(4)
As at 31 March 2000	<u>3</u>	<u>-</u>	<u>3</u>	<u>6</u>

The restructuring provision is a provision for redundancy and severance costs, based on the Company's existing restructuring programme. The amounts provided in the year relate to the cost reduction programme announced in November 1999.

The uninsured claims provision is in respect of compensation claims from employees for latent, non-radiation related illnesses. The provision relates to the period prior to the Company's privatisation, when no insurance for such claims was held. A time expired element of the provision was released during the year.

19 DEFERRED TAXATION

	2000			1999		
	Full Potential Liability £m	Amount Unprovided £m	Liability/ (Asset) Recognised £m	Full Potential Liability £m	Amounts Unprovided £m	Liability/ (Asset) Recognised £m
Accelerated capital allowances	323	(152)	171	333	(154)	179
Short term timing differences	(2)	-	(2)	(3)	-	(3)
Corporation tax losses	(83)	-	(83)	(117)	-	(117)
	<u>238</u>	<u>(152)</u>	<u>86</u>	<u>213</u>	<u>(154)</u>	<u>59</u>
						2000 £m
As at 1 April 1999						59
Charge for the year						<u>27</u>
As at 31 March 2000						<u>86</u>

The full potential liability for deferred tax has been calculated using the expected tax rate of crystallisation of 30% (1999: 30%).

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

20 PENSION OBLIGATIONS

On 1 October 1999 the Scottish Nuclear Pension Scheme (SNPS) was integrated with the Nuclear Electric Pension Group in the Electricity Supply Pension Scheme (ESPS). As a result the members, beneficiaries and assets of the SNPS were transferred to the Nuclear Electric Pension Group in the ESPS to form the British Energy Generation Group. The ESPS is a defined benefit scheme, externally funded and subject to triennial valuations. Each pension group which participates in the ESPS is financially independent from the other groups.

The British Energy Generation Group has not been subject to formal valuation since its formation. A Group's actuary has, however, confirmed that, as at the date of integration, there were sufficient assets in both predecessor schemes to cover its liabilities. The most recent actuarial funding valuation report of the SNPS was prepared as at 31 March 1998 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 8.75% p.a., the rate of salary increase would be 6% p.a., and the rate of pension increase would be 4.5% p.a. At the date of the valuation the market value of the assets of the Scheme was £323m. This represents 107% of the benefits accruing to members after allowing for expected future increases in earnings. The contribution rates of the Company and contributing members are 12% and 5% respectively of pensionable earnings.

The pension cost for the year ended 31 March 2000 was £3m (1999: £7m) net of surplus amortisation. At that date there was a prepayment of £11m (1999: £8m).

21 CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised		
100 (1999: 100) Ordinary Shares of £1 each	100	100
One special rights redeemable preference share of £1	<u>1</u>	<u>1</u>
	<u>101</u>	<u>101</u>
Allocated, called up and fully paid		
100 (1999: 100) Ordinary Shares of £1 each	100	100
One special rights redeemable preference share of £1	<u>1</u>	<u>1</u>
	<u>101</u>	<u>101</u>

The special rights redeemable preference share is redeemable at par at any time after 30 September 2006 at the option of the Secretary of State for Scotland, after consulting the Company. This share, which may only be held by a Minister of the Crown or other person acting on behalf of HM Government, does not carry any rights to vote at general meetings, but entitles the holder to attend and speak at such meetings. The special share confers no right to participate in the capital or profits of the Company beyond its nominal value. Certain matters, in particular, the alteration of specific sections of the Articles of Association of the Company (including the Article relating to limitations that prevent a person having the right to have an interest in 15% or more of the voting share capital), require the prior written consent of the holder of the special share.

22 PROFIT AND LOSS ACCOUNT

	2000 £m	1999 £m
As at 1 April 1999	124	66
Retained profit for the year	<u>68</u>	<u>58</u>
As at 31 March 2000	<u>192</u>	<u>124</u>

The profit and loss account of the Company at 31 March 2000 includes £21m of unrealised profits (see note 2(xiv)) (1999: £15m).

23 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2000 £m	1999 £m
As at 1 April 1999	124	66
Profit for the financial year	<u>68</u>	<u>58</u>
As at 31 March 2000	<u>192</u>	<u>124</u>

British Energy Generation (UK) Limited
Notes to the Financial Statements
for the year ended 31 March 2000

24 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.

The Company gives certain indemnities and guarantees in respect of its subsidiary undertakings in the ordinary course of business. These indemnities and guarantees are not considered to be material and no losses are anticipated to arise.

25 FINANCIAL COMMITMENTS

	2000 £m	1999 £m
Capital expenditure contracted but not provided	<u>4</u>	<u>1</u>

In addition to the reprocessing commitments there are commitments for fuel purchases totalling £518m, at current prices, over the next 10 years.

26 REGULATORY ACCOUNTS

In addition to the Report and Accounts, a separate set of regulatory accounts for the generation business will be available free of charge on request to the Company Secretary at the Registered Office: British Energy Generation (UK) Ltd, 3 Redwood Crescent, Peel Park, East Kilbride, G74 5PR.

27 ULTIMATE PARENT

The results of British Energy Generation (UK) Ltd have been consolidated within the accounts of its parent undertaking, and ultimate holding Company, and ultimate controlling party, British Energy plc. Copies of the Group accounts are available from the Company Secretary at the registered office: British Energy plc, 10 Lochside Place, Edinburgh EH12 9DF.

28 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under financial reporting standards not to disclose related party transactions with fellow members of the British Energy plc group. These transactions eliminate on consolidation in the Group accounts.