

BRITISH ENERGY TECHNICAL SERVICES LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005

Registered Office:

Systems House  
Alba Campus  
Livingston  
EH54 7EG



**Directors and Advisers**

**DIRECTORS**

Robert Armour  
Stephen Billingham (appointed 3 October 2005)  
Bill Coley (appointed 20 March 2005)  
Jean MacDonald

**COMPANY SECRETARY**

Robert Armour

**REGISTERED OFFICE**

Systems House  
Alba Campus  
Livingston  
EH54 7EG

**AUDITORS**

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

**SOLICITORS**

MacRoberts  
152 Bath Street  
Glasgow  
G2 4TB

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2005.

#### PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

On 14 January 2005, British Energy Group plc acquired British Energy Limited (formerly British Energy plc) and consequently became the new ultimate holding Company of the British Energy Group of Companies (the Group) of which the Company is a member.

The Company did not trade during the year and exists for the purpose of paying off outstanding creditors, closing down the overseas offices and collecting outstanding debts. It is the intention of the Directors that the Company will continue to collect outstanding debts.

#### SHARE CAPITAL

Details of the Company's share capital are included at note 7.

#### RESULTS AND DIVIDENDS

The result for the year is set out in the profit and loss account on page 6. The profit for the year of £501,000 (2004: loss of £551,000) was transferred to reserves.

The Directors do not recommend the payment of a dividend (2004: £nil).

#### DIRECTORS AND THEIR INTERESTS

The Directors of the Company throughout the year and at 31 March 2005 are listed on page 2.

None of the Directors had an interest in the shares of the Company during the year.

The interests of the Directors at 31 March 2005 in the ordinary shares of the ultimate holding Company, British Energy Group plc (BEG plc), are detailed in the financial statements of that Company, except for those which are detailed below:

##### Ordinary Shares in British Energy Group plc

31 March 2005  
No. of shares

Robert Armour	193
Jean MacDonald	86

The interests of the Directors at 1 April 2004 in the ordinary shares of the then ultimate holding Company, British Energy plc (now called British Energy Limited) were detailed in the financial statements of that Company, except for those which are detailed below:

##### Ordinary Shares in British Energy Limited (formerly British Energy plc)

1 April 2004  
No. of shares

Robert Armour	12,282
Jean MacDonald	4,515

Details of Share Options Schemes are set out in the Remuneration Committee Report of British Energy Group plc. Share options were granted in previous years by British Energy Limited (formerly British Energy plc). Legal advice has been obtained to the effect that the changes in the corporate structure of British Energy Group plc as a result of the Restructuring did not trigger the early exercise provisions under these options. The holders of options in British Energy Limited (formerly British Energy plc) have not been permitted to roll them over into options over shares in British Energy Group plc. The options granted by British Energy Limited (formerly British Energy plc) are still capable of exercise, but immediately on exercise the shares will be converted into shares in British Energy Group plc in the ratio of 50:1. Accordingly the effective exercise price of the options is significantly higher than the current share price and it is unlikely the options will be exercised. Directors' interests in Executive and SAYE share options over ordinary shares in British Energy Limited (formerly British Energy plc) are as follows:

**Executive Share Options in British Energy Limited (formerly British Energy plc)**

	At 1 April 2004	Granted during the year	Exercised during the year	Options lapsed during the year	At 31 March 2005	Option exercise price (£)	Date from when exercisable	Expiry date
Robert Armour	11,538	-	-	-	11,538	2.6000	12.08.00	11.08.07
	19,423	-	-	(19,423)	-	2.6000	12.08.00	11.08.04
	11,392	-	-	-	11,392	5.0800	29.06.01	28.06.05
	25,436	-	-	-	25,436	5.2950	25.06.02	24.06.06
	43,523	-	-	-	43,523	2.4125	14.07.03	13.07.07
	<u>111,312</u>	<u>-</u>	<u>-</u>	<u>(19,423)</u>	<u>91,889</u>			
Jean MacDonald	10,000	-	-	-	10,000	2.6000	15.07.00	14.07.07
	788	-	-	-	788	5.0800	29.06.01	28.06.08
	4,212	-	-	-	4,212	5.0800	29.06.01	28.06.05
	3,000	-	-	-	3,000	5.2950	25.06.02	24.06.06
	16,476	-	-	-	16,476	2.4125	14.07.03	13.07.07
	<u>34,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,476</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.

**Sharesave Scheme**

	At 1 April 2004	Granted during the year	Exercised during the year	Options lapsed during the year	At 31 March 2005	Option exercise price (£)	Date from when exercisable	Expiry date
Jean MacDonald	502	-	-	-	502	1.36	01.09.05	28.02.06

**POLICY PAYMENT OF CREDITORS**

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. The Company had no trade creditors at 31 March 2005 (2004: £nil).

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Company made no charitable or political donations during the year (2004: £nil).

**AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

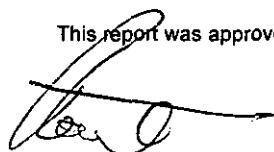
In preparing the financial statements, the Directors are required to:

- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. Further details of the basis of preparation of the financial statements are set out in note 1.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 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 20 January 2006 and signed on its behalf by:



**ROBERT ARMOUR**  
Company Secretary

We have audited the financial statements which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

#### **Respective responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

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 Companies Act 1985. 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Director's Report.

#### **Basis of audit opinion**

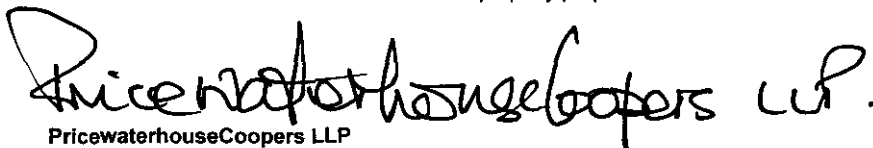
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 affairs of the Company at 31 March 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Edinburgh

20 January 2006

**British Energy Technical Services Limited**  
**Profit and Loss Account**  
**for the year ended 31 March 2005**

	<b>Note</b>	<b>2005 £000</b>	<b>2004 £000</b>
Operating costs before exceptional item	2	(46)	(4)
Exceptional operating item	2	<u>547</u>	<u>(547)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>501</b>	<b>(551)</b>
Taxation	4	<u>-</u>	<u>-</u>
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>501</b>	<b>(551)</b>
<b>Profit/(loss) for the financial year</b>	8	<b><u>501</u></b>	<b><u>(551)</u></b>

All activities are continuing.

**Statement of Total Recognised Gains and Losses**  
**for the year ended 31 March 2005**

There were no recognised gains or losses other than those included in the profit and loss account above.

The accompanying notes are an integral part of these financial statements.

**British Energy Technical Services Limited**  
**Balance Sheet**  
**as at 31 March 2005**

	Note	2005 £000	2004 £000
<b>Current assets</b>			
Debtors	5	702	46
<b>Creditors: amounts falling due within one year</b>			
Amounts payable to group undertakings	6	(1,643)	(1,488)
<b>Net liabilities</b>		<u>(941)</u>	<u>(1,442)</u>
<b>Capital and reserves</b>			
Called up share capital	7	-	-
Profit and loss account	8	(941)	(1,442)
<b>Equity shareholder's deficit</b>	8	<u>(941)</u>	<u>(1,442)</u>

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 20 January 2006 and signed on its behalf by:

  
**STEPHEN BILLINGHAM**  
 Director

## **1. ACCOUNTING POLICIES**

### **(i) Basis of Accounting**

The financial statements are prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom. The Directors recognise that the Company has net liabilities recorded on its balance sheet, however, they consider that it is appropriate to continue to prepare the financial statements of the Company on a going concern basis because of ongoing financial support provided by the Group.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

In accordance with FRS 18 – Accounting Policies, the Directors have reviewed the Company's accounting policies and confirm that they continue to be most appropriate.

On 14 January 2005, the Company's parent Company British Energy Limited (formerly British Energy plc) was acquired by British Energy Group plc. In order to align the accounting policies with those adopted by British Energy Group plc, the Company has changed its deferred tax policy to account for deferred tax on an undiscounted basis rather than a discounted basis as in prior years. This policy change has not required any revisions to the primary financial statements in either the current or prior years.

In accordance with FRS1 (Revised) – Cash Flow Statements, a cash flow statement is not presented since the Company is a wholly owned subsidiary.

### **(ii) 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 retranslated into Sterling at the rate of exchange ruling at the date of the balance sheet or at the contracted rate if applicable. All differences are taken to the profit and loss account.

### **(iii) Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax, in the future have occurred. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where it is more likely than not that the asset will be realised.



## 2. OPERATING (CREDITS) / COSTS

	2005 £000	2004 £000
Operating (credits)/costs before exceptional items		
Bad debt provided/(recovered)	46	(12)
Foreign exchange loss	-	16
	<u>46</u>	<u>4</u>
Exceptional operating item		
(Write back)/provision for doubtful debts (note 5)	<u>(547)</u>	<u>547</u>

Auditors' remuneration was borne by British Energy Limited.

The £547,000 provision against group receivables has been reversed to reflect the improved recoverability of these balances following Restructuring.

The Company has no employees (2004: nil).

## 3. SUMMARY OF DIRECTORS' EMOLUMENTS

	2005 £000	2004 £000
Total emoluments, including pension contributions:		
For management services:		
- salaries and other benefits	284	261
- performance related bonuses	179	93
- pension contributions	31	34
	<u>494</u>	<u>388</u>

Emoluments for those Directors who are also Directors of British Energy Group plc are detailed in the Remuneration Committee Report in the British Energy Group plc report and accounts. Emoluments of all the Directors are borne by British Energy Limited but are included in the above amounts. None of the Directors received emoluments for their services as Directors to this Company in the year ended 31 March 2005 (2004: £nil) since the services supplied to this Company are considered to be incidental to those supplied to the Group.

Retirement benefits accrue to 2 (2004: 2) Directors under a defined benefits scheme.

The above amounts for remuneration include the following in respect of the highest paid Director:

	2005 £000	2004 £000
Emoluments	310	228
Pension contributions	15	17
	<u>325</u>	<u>245</u>

## 4. TAXATION

	2005 £000	2004 £000
UK corporation tax charge	-	-

A reconciliation of the effective tax rate for the current year tax charge is set out below.

	2005 £000	2004 £000
Tax charge/(credit) on profit/(loss) at standard rate of 30%	150	(165)
(Credits)/expenses not (chargeable)/deductible for tax purposes	<u>(150)</u>	<u>165</u>
	-	-

## 5. DEBTORS

	2005 £000	2004 £000
Trade debtors	-	46
Amounts due from group undertakings	702	-
	<u>702</u>	<u>46</u>

As a result of the Restructuring, £547,000 of the provision relating to amounts due from group undertakings has been released during the year to 31 March 2005.

Amounts due from group undertakings bear no interest and are repayable on demand.

## 6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £000	2004 £000
Amounts due to group undertakings	<u>1,643</u>	<u>1,488</u>

Amounts due to group undertakings bear no interest and are repayable on demand.

## 7. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised: 100 (2004: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid: 2 (2004: 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

## 8. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 April 2003	-	(891)	(891)
Loss for the year	-	(551)	(551)
At 1 April 2004	-	(1,442)	(1,442)
Profit for the year	-	501	501
At 31 March 2005	-	(941)	(941)

## 9. RELATED PARTIES

The Company has taken advantage of the exemption under FRS 8 – Related Parties not to disclose related party transactions with fellow members of the Group. These transactions eliminate on consolidation in the Group financial statements. The Company has not transacted with any other related parties during the year.

## 10. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is British Energy International Limited.

The Directors consider that the ultimate parent undertaking and controlling party is British Energy Group plc, which is the parent undertaking of the largest group to consolidate these financial statements. British Energy Holdings plc is the parent undertaking of the smallest group to consolidate these financial statements. Copies of the consolidated financial statements of British Energy Group plc and British Energy Holdings plc can be obtained from the Company Secretary at British Energy Group plc, or British Energy Holdings plc, Systems House, Alba Campus, Livingston, EH54 7EG.