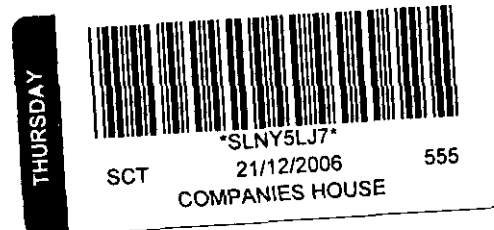


Registered Number SC 152227

BRITISH ENERGY TECHNICAL SERVICES LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2006

Registered Office

Systems House  
Alba Campus  
Livingston  
EH54 7EG



# **British Energy Technical Services Limited**

## **Directors and Advisers**

### **DIRECTORS**

Robert Armour  
Stephen Billingham (appointed 3 October 2005)  
Bill Coley  
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

# British Energy Technical Services Limited Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2006

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

The Company did not trade during the year and exists for the sole purpose of paying off outstanding creditors and collecting outstanding debts

It is the intention of the Directors that the Company will continue to collect outstanding debts

References to the Group are to British Energy Group plc, the ultimate holding company of British Energy Technical Services Limited, and its subsidiaries including this Company

The Company has taken advantage of the small companies exemption with regard to Statutory Instrument 2005/1011 Companies Act 1985 (Operating and Financial Review and Directors' Report etc) Regulations 2005. Accordingly, an enhanced business review has not been presented in these financial statements

## 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 7. The Company made neither a profit nor a loss for the year ended 31 March 2006 (2005: profit of £501,000)

The Directors do not recommend the payment of a dividend (2005: £nil)

## DIRECTORS AND THEIR INTERESTS

The Directors of the Company throughout the year and at 31 March 2006 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 2006 in the ordinary shares of the ultimate holding company, British Energy Group plc, are detailed in the Group's Annual Report and Accounts for the year ended 31 March 2006, except for those which are detailed below

### Ordinary Shares in British Energy Group plc

	31 March 2006 No. of shares	31 March 2005 No. of shares
Robert Armour	193	193
Jean MacDonald	86	86

### Executive Share Options in British Energy Group plc

Details of British Energy Group plc Share Options Schemes are set out in the Remuneration Committee Report of that company, except for those which are detailed below

	At 1 April 2005	Granted during the year	Exercised during the year	Options lapsed during the year	At 31 March 2006	Option exercise price (£)	Date from when exercisable	Expiry date
Robert Armour		12,276			12,276	nil	03 08 05	03 08 15

**British Energy Technical Services Limited**  
**Directors' Report**

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

Share options were granted in previous years by British Energy Limited. Legal advice has been obtained to the effect that the changes in the corporate structure of the Group as a result of the Restructuring did not trigger the early exercise provisions under these options. The holders of options in British Energy Limited have not been permitted to roll them over into options over shares in British Energy Group plc. The options granted by British Energy Limited 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 are as follows:

	At 1 April 2005	Granted during the year	Exercised during the year	Options lapsed during the year	At 31 March 2006	Option exercise price (£)	Date from when exercisable	Expiry date
Robert Armour	11,538				11,538	2.60	12.08.00	11.08.07
	11,392			(11,392)		5.08	29.06.01	28.06.05
	25,436				25,436	5.30	25.06.02	24.06.06
	43,523				43,523	2.41	14.07.03	13.07.07
	<u>91,889</u>			<u>(11,392)</u>	<u>80,497</u>			
Jean MacDonald	10,000				10,000	2.60	15.07.00	14.07.07
	788				788	5.08	29.06.01	28.06.05
	4,212			(4,212)		5.08	29.06.01	28.06.05
	3,000				3,000	5.30	25.06.02	24.06.06
	16,476				16,476	2.41	14.07.03	13.07.07
	<u>34,476</u>			<u>(4,212)</u>	<u>30,264</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 2005	Granted during the year	Exercised during the year	Options lapsed during the year	At 31 March 2006	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 2006 (2005: £nil).

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Company made no charitable or political donations during the year (2005: £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.

**DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 2. Having made enquiries of fellow Directors and of the auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their Report of which the auditors are unaware, and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the Board of Directors on 21 December 2006 and signed on its behalf by:



**ROBERT ARMOUR**  
Company Secretary

**British Energy Technical Services Limited**  
**Statement of Directors' Responsibilities**  
**for the year ended 31 March 2006**

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

**British Energy Technical Services Limited**  
**Independent Auditors' Report to the Members of British Energy Technical Services Limited**  
**for the year ended 31 March 2006**

We have audited the financial statements of British Energy Technical Services Limited for the year ended 31 March 2006, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of Directors and auditors**

As described in the Statement of Directors Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

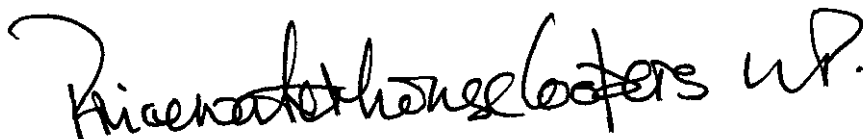
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



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

21 December 2006

**British Energy Technical Services Limited**  
**Profit and Loss Account**  
**for the year ended 31 March 2006**

	Note	2006 £000	2005 £000
Operating costs before exceptional item	2		(46)
Exceptional operating item	2		547
<b>Profit on ordinary activities before taxation</b>			<b>501</b>
Taxation	4		
<b>Profit for the financial year</b>	8		<b>501</b>

**Statement of Total Recognised Gains and Losses**  
**for the year ended 31 March 2006**

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 2006**

	Note	2006 £000	2005 £000
<b>Current assets</b>			
Debtors	5	702	702
<b>Creditors amounts falling due within one year</b>	6	(1,643)	(1,643)
<b>Net liabilities</b>		<u>(941)</u>	<u>(941)</u>
<b>Capital and reserves</b>			
Called up share capital	7		
Profit and loss account	8	(941)	(941)
<b>Equity shareholder's deficit</b>	8	<u>(941)</u>	<u>(941)</u>

The accompanying notes are an integral part of these financial statements

The financial statements were approved by the Board of Directors on 21 December 2006 and signed on its behalf by



**STEPHEN BILLINGHAM**  
 Director



**British Energy Technical Services Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2006**

**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.

In accordance with FRS 1 (Revised) – Cash Flow Statements, a cash flow statement is not presented since the Company is a wholly owned subsidiary.

**(ii) 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 COSTS**

	2006 £000	2005 £000
<b>Operating costs before exceptional item</b>		
Bad debt provided		46
<b>Exceptional operating item</b>		
Write back of provision for doubtful debts		(547)

Auditors' remuneration was borne by British Energy Limited.

The Company has no employees (2005: nil).

The £547,000 provision against group receivables was reversed in the year ended 31 March 2005 to reflect the improved recoverability of these balances following Restructuring.

**3 SUMMARY OF DIRECTORS' EMOLUMENTS**

	2006 £000	2005 £000
<b>Total emoluments, including pension contributions</b>		
For management services		
salaries and other benefits	1,271	284
performance related bonuses	693	179
pension contributions	67	31
	<u>2,031</u>	<u>494</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 Annual 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 2006 (2005: £nil) since the services supplied to this Company are considered to be incidental to those supplied to the Group.

Retirement benefits accrue to 3 (2005: 2) Directors under a defined benefits scheme.

**British Energy Technical Services Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2006**

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

	2006 £000	2005 £000
Emoluments	925	310
Pension contributions		15
	<u>925</u>	<u>325</u>

**4 TAXATION**

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

	2006 £000	2005 £000
Tax charge on profit at standard rate of 30%		150
Credits not chargeable for tax purposes		(150)
	<u></u>	<u></u>

**5 DEBTORS**

	2006 £000	2005 £000
Amounts due from group undertakings	<u>702</u>	<u>702</u>

Amounts due from group undertakings which originated prior to Restructuring bear no interest and are repayable on demand

**6 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2006 £000	2005 £000
Amounts due to group undertakings	<u>1,643</u>	<u>1,643</u>

Amounts due to group undertakings which originated prior to Restructuring bear no interest and are repayable on demand

**7 CALLED UP SHARE CAPITAL**

	2006 £	2005 £
<b>Authorised</b>		
100 (2005 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
2 (2005 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 2004		(1,442)	(1,442)
Profit for the prior financial year		501	501
At 31 March 2005 and 31 March 2006	<u></u>	<u>(941)</u>	<u>(941)</u>

**9 RELATED PARTIES**

The Company has taken advantage of the exemption under FRS 8 – Related Party Disclosures 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.

**British Energy Technical Services Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2006**

**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.