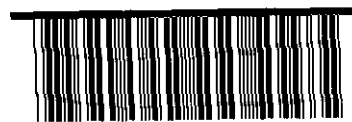


Registered Number: 3782700

EGGBOROUGH POWER LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2001

Registered Office:

3 Redwood Crescent  
Peel Park  
EAST KILBRIDE  
G74 5PR



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**Eggborough Power Limited  
Directors' Report and Accounts  
For the Period Ended 31 March 2001**

**DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2001**

The Directors present their report and the accounts of the Company for the period from 4 March 2000 to 31 March 2001, with comparatives for the period from 4 June 1999 to 3 March 2000, hereinafter referred to as the period ended 31 March 2001, and the period ended 3 March 2000, respectively.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is the generation and sale of electricity. With effect from 13 September 2000, the Company entered into a tolling arrangement whereby it receives tolling fees from British Energy Power and Energy Trading Limited. British Energy Power and Energy Trading Limited is responsible for selling the power station output and for purchasing fuel used by the station.

**REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

Both the level of business and the period end financial position were satisfactory, and the Directors expect that the present level of activity will be sustained for the foreseeable future.

**RESULTS AND DIVIDEND**

The result for the period is set out in the profit and loss account on page 5.

The Directors do not recommend the payment of a dividend (2000: £3.09 per ordinary share).

**DIRECTORS AND THEIR INTERESTS**

The Directors of the Company at 31 March 2001 are listed below.

Robert Armour  
Michael Kirwan  
Peter Hollins  
Michael Langley  
Terry Brookshaw

Michael Langley was appointed a Director of the Company on 29 June 2000. Terry Brookshaw was appointed a director on 26 January 2001. The other Directors held office throughout the period. None of the Directors had an interest in the shares of the Company during the period.

The interests of Peter Hollins and Michael Kirwan in the shares of the ultimate holding company, British Energy plc, are disclosed in the accounts of that company. The other Directors at 31 March 2001 had the following interests in the ordinary shares of British Energy plc:

	Shares		Share Options		Executive Share Options	
	31 March 2001	4 March 2000 or date of appointment	31 March 2001	4 March 2000 or date of appointment	31 March 2001	4 March 2000 or date of appointment
Robert Armour	1,427	1,427	10,781	10,781	111,312	67,789
Michael Langley	5,867	5,867	881	881	121,194	76,248
Terry Brookshaw	-	-	-	-	-	-

Michael Langley holds 481 'A' shares (4 March 2000: 481) in British Energy plc.

**EMPLOYEE INVOLVEMENT**

The senior management team is committed to the continuous development of staff at all levels of the organisation, and the Company has been accredited with 'Investors in People' (IiP) status. The process and practices that have been introduced to achieve the IiP standard are regularly reviewed and improved to allow the business and employees to gain the maximum benefit, and staff are encouraged to maintain personal development plans.

**EQUAL OPPORTUNITIES**

The Company operates an Equal Opportunities Policy providing employees with the chance to share equally in opportunities for training, career development and promotion.

**Eggborough Power Limited  
Directors' Reports and Accounts  
For the Period Ended 31 March 2001**

**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 payments with suppliers when agreeing the terms of each transaction, to ensure suppliers are made aware of these terms and to abide by the agreed terms. At 31 March 2001 the Company had no trade creditors. Suppliers were paid on an average of 35 days for the financial period (3 March 2000: 35 days).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

**AUDITORS**

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed to the forthcoming Annual General Meeting.

**BY ORDER OF THE BOARD**



**ROBERT ARMOUR**  
Secretary

15 May 2001

Registered in Scotland 3892700  
Registered Office: 3 Redwood Crescent  
Peel Park  
EAST KILBRIDE  
G74 5PR

**Eggborough Power Limited  
Directors' Reports and Accounts  
For the Period Ended 31 March 2001**

**AUDITORS' REPORT TO THE MEMBERS OF EGGBOROUGH POWER LIMITED**

We have audited the financial statements on pages 5 to 11.

**Respective responsibilities of Directors and auditors**

The Directors are responsible for preparing the accounts. As described on page 3, 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.

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.

**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 2001 and of its profit for the period from 4 March 2000 to 31 March 2001 and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Edinburgh

15 May 2001

**Eggborough Power Limited**  
**Directors' Reports and Accounts**  
**For the Period Ended 31 March 2001**

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2001**

	<b>Note</b>	<b>Period Ended 31 March 2001 £'000</b>	<b>Period Ended 3 March 2000 £'000</b>
Turnover	2	185,716	15,995
Operating costs	3	<u>(147,566)</u>	<u>(11,429)</u>
Operating profit		38,150	4,566
Net interest payable	7	<u>(21,726)</u>	<u>-</u>
Profit on ordinary activities before taxation		16,424	4,566
Tax on profit on ordinary activities	8	<u>(973)</u>	<u>(1,478)</u>
Profit for the period		15,451	3,088
Dividend payable – equity shares	9	-	(3,088)
Retained profit for the period	17	<u>15,451</u>	<u>-</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 MARCH 2001**

	<b>Note</b>	<b>Period Ended 31 March 2001 £'000</b>	<b>Period Ended 3 March 2000 £'000</b>
Profit for the period		15,451	3,088
Revaluation of fixed assets	17	<u>567,906</u>	<u>-</u>
Total recognised gains and losses		<u>583,357</u>	<u>3,088</u>

Notes 1 to 21 form part of these financial statements.

**NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE PERIOD ENDED 31 MARCH 2001**

	<b>Note</b>	<b>Period Ended 31 March 2001 £'000</b>	<b>Period Ended 3 March 2000 £'000</b>
Reported profit on ordinary activities before taxation		15,451	4,566
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.		<u>28,395</u>	<u>-</u>
Historical cost profit on ordinary activities before taxation		<u>43,846</u>	<u>4,566</u>
Historical cost profit for the year retained after taxation and dividends.		<u>43,846</u>	<u>-</u>

**Eggborough Power Limited**  
**Directors' Reports and Accounts**  
**For the Period Ended 31 March 2001**

**BALANCE SHEET AS AT 31 MARCH 2001**

	Note	31 March 2001 £'000	3 March 2000 £'000
<b>Tangible fixed assets</b>	10	603,767	57,586
Stocks	11	4,543	2,749
Debtors	12	1,114,418	15,732
Investments		21,000	-
Cash at bank and in hand		1,442	-
<b>Current assets</b>		<u>1,141,403</u>	<u>18,481</u>
<b>Creditors: amounts falling due within one year</b>	13	(595,834)	(19,391)
<b>Net current assets / (liabilities)</b>		<u>543,569</u>	<u>(910)</u>
<b>Total assets less current liabilities</b>		1,149,336	56,676
<b>Creditors: amounts falling due in more than one year</b>	14	(509,303)	-
<b>Provisions for liabilities and charges</b>	15	(104)	(104)
<b>Net assets</b>		<u>639,929</u>	<u>56,572</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,000	1,000
Share premium account	17	55,572	55,572
Revaluation reserve	17	567,906	-
Profit and loss account	17	15,451	-
<b>Shareholders' funds – equity</b>		<u>639,929</u>	<u>56,572</u>

Notes 1 to 19 form part of these financial statements.

The financial statements on pages 5 to 11 were approved by the Board of Directors on 15 May 2001 and signed on its behalf by:



M R Kirwan  
Director

**Eggborough Power Limited**  
**Directors' Reports and Accounts**  
**For the Period Ended 31 March 2001**

**NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2001**

**1. STATEMENT OF ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Company's financial statements.

**Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention as adjusted for the revaluation of certain fixed assets and in accordance with applicable accounting standards.

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

The Company has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose related party transactions with fellow members of the British Energy plc group. These transactions eliminate on consolidation in the Group Accounts.

**Turnover**

Turnover comprises primarily sales to the electricity trading market in England and Wales of electricity generated by the Company and income received under a capacity and tolling agreement with a fellow subsidiary of British Energy plc as described on page 2.

**Pension costs**

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

**Tangible fixed assets.**

The Company's principal fixed asset is the power station which is carried at directors' valuation, based on the fair value assigned by British Energy plc following its acquisition of the Company. In accordance with British Energy plc group accounting policies, the fair value assigned to the power station is annually reviewed for impairment.

Tangible fixed assets are stated at original cost or valuation less accumulated depreciation. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Buildings and original generation plant	- 20 years
Other plant and machinery	- 5 years

Capital refurbishment and improvement of the original generation plant is capitalised and depreciated over the remaining life of the original plant. Freehold land, and assets under construction are not depreciated.

**Stock**

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

**Investments**

Cash which is placed on term deposits which mature more than one day after the end of the period or invested in commercial paper is classified under current asset investments in the balance sheet.

**Taxation**

Corporation tax payable is provided on taxable profits at the current rate and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

**Bank borrowings**

Bank borrowings are carried at their issue proceeds net of issue costs less amounts repaid. Issue costs are allocated over the period of the borrowing to achieve a constant rate on the carrying amount.

**Eggborough Power Limited**  
**Directors' Reports and Accounts**  
**For the Period Ended 31 March 2001**

**2. TURNOVER**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Generation sales	98,211	15,995
Tolling income	82,764	-
Miscellaneous sales	4,741	-
	<u>185,716</u>	<u>15,995</u>

**3. OPERATING COSTS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Fuel	42,412	7,555
Materials and services	61,575	3,033
Staff costs	10,166	549
Depreciation	33,413	292
	<u>147,566</u>	<u>11,429</u>

Fuel costs relate to the period from 4 March 2000 to 13 September 2000 (see page 2). The auditors' remuneration for audit services was £15,000.

**4. STAFF COSTS**

The average number of employees during the period (including executive directors) analysed by category was:

	<b>2001</b>	<b>2000</b>
	<b>Number</b>	<b>Number</b>
Operations	225	220
Business Services	26	32
	<u>251</u>	<u>252</u>

Their aggregate remuneration comprised.

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	8,679	484
Social security costs	699	40
Other pension costs	788	25
	<u>10,166</u>	<u>549</u>

**5. DIRECTORS' REMUNERATION, INTERESTS AND TRANSACTIONS**

The Directors are all employed by other companies in the British Energy plc group. None of the Directors received any remuneration for services provided to the Company during the period.

**6. PENSION OBLIGATIONS**

The employees are members of the British Energy Combined Pension Group within the Electricity Supply Pension Scheme (ESPS). The ESPS is a defined benefit scheme, which is externally funded and subject to triennial actuarial valuation. Each pension group which participates in the ESPS is financially independent from the other groups. A formal valuation of the British Energy Combined Pension Scheme has not yet been undertaken. The Company contributes 12% to the British Energy Combined Pension Group. Contributing members make normal contributions of 6%. Any deficiency disclosed following an actuarial valuation has to be made good by British Energy.

Formal valuation of the scheme at 31 March 2001 is currently being undertaken, but the results of these valuations will not be finalised until later in 2001.

The Company's pension cost for the period ended 31 March 2001 was £Nil (2000 : £25,000).



**Eggborough Power Limited**  
**Directors' Reports and Accounts**  
**For the Period Ended 31 March 2001**

**7. NET INTEREST PAYABLE**

	2001 £'000	2000 £'000
Interest payable on overdrafts and bank loans	21,320	-
Interest payable on other loans	1,386	-
	22,706	-
Interest receivable	980	-
	<u>21,726</u>	<u>-</u>

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax charge comprises:

	2001 £'000	2000 £'000
UK corporation tax at 30% (3 March 2000: 30%)	973	309
Group relief – National Power PLC	-	1,115
Deferred taxation	-	54
	<u>973</u>	<u>1,478</u>

The corporation tax charge for the period relates to a period when taxable profits could be covered by group relief from fellow subsidiaries.

**9. DIVIDEND PAYABLE**

	2001 £'000	2000 £'000
Final dividend of nil per ordinary share (2000: £3.09)	<u>-</u>	<u>3,088</u>

**10. TANGIBLE FIXED ASSETS**

	Land and buildings £'000	Plant and machinery £'000	Assets under construction £'000	Plant Spares £'000	Total £'000
<b>Cost or valuation</b>					
At 4 March 2000	7,725	38,119	1,519	10,515	57,878
Revaluation	567,856	-	-	-	567,856
Additions	2,046	4,770	6,391	-	13,207
Transfers	-	-	(1,519)	-	(1,519)
At 31 March 2001	<u>577,627</u>	<u>42,889</u>	<u>6,391</u>	<u>10,515</u>	<u>637,422</u>
<b>Depreciation</b>					
At 4 March 2000	50	242	-	-	292
Revaluation	(50)	-	-	-	(50)
Charge for the period	28,761	4,007	-	645	33,413
At 31 March 2001	<u>28,761</u>	<u>4,249</u>	<u>-</u>	<u>645</u>	<u>33,655</u>
<b>Net Book Value</b>					
At 31 March 2001	<u>548,866</u>	<u>38,640</u>	<u>6,391</u>	<u>9,870</u>	<u>603,767</u>
At 3 March 2000	<u>7,675</u>	<u>37,877</u>	<u>1,519</u>	<u>10,515</u>	<u>57,586</u>

Following the acquisition of the Company by British Energy plc on 3 March 2000, the Company's fixed assets were revalued to reflect their fair value at the date of acquisition.

If land and buildings had not been revalued they would have been included in the following amounts.

	31 March 2001 £'000	3 March 2000 £'000
Cost	9,771	7,725
Depreciation	416	50
Net book value	<u>9,355</u>	<u>7,675</u>

Freehold land, with a cost of £105,000, has not been depreciated.

**Eggborough Power Limited**  
**Directors' Reports and Accounts**  
**For the Period Ended 31 March 2001**

**11. STOCKS**

	31 March 2001 £'000	3 March 2000 £'000
Oil	1,268	1,418
Consumables	3,275	1,331
	<u>4,543</u>	<u>2,749</u>

There is no material difference between the balance sheet value of stocks and their replacement value.

**12. DEBTORS**

	31 March 2001 £'000	3 March 2000 £'000
Trade Debtors	14,941	15,732
Amounts owed by group undertakings	1,099,477	-
	<u>1,114,418</u>	<u>15,732</u>

**13. CREDITORS; AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 March 2001 £'000	3 March 2000 £'000
Trade creditors	-	14,087
Amounts owed to group undertakings	545,687	-
Retentions	131	120
Other tax and social security	7,260	309
Accruals and deferred income	8,629	1,787
Proposed dividends	-	3,088
Bank loan (see note 14)	34,127	-
	<u>595,834</u>	<u>19,391</u>

**14. CREDITORS; AMOUNTS FALLING DUE IN MORE THAN ONE YEAR**

	31 March 2001 £'000	3 March 2000 £'000
Bank Loan	<u>509,303</u>	<u>-</u>

The Company entered into a project finance loan for £550m, which attracts arrangement fees of £7m. The loan is secured by a fixed and floating charge over the assets of the Company. The loan is repayable by instalments over an eleven year period and bears interest at LIBOR plus 1%. The maturity of borrowings is set out below:

	31 March 2001 £'000	3 March 2000 £'000
Less than 1 year	34,127	-
Between 1 and 2 years	36,799	-
Between 2 and 5 years	132,718	-
Over 5 years	339,786	-
	<u>543,430</u>	<u>-</u>

**Eggborough Power Limited**  
**Directors' Reports and Accounts**  
**For the Period Ended 31 March 2001**

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred Taxation £'000	Asset removal provision £'000	Total £'000
At 4 March 2000 and 31 March 2001	<u>54</u>	<u>50</u>	<u>104</u>

The deferred taxation provision arises due to timing differences on capital allowances and depreciation.

The asset removal provision relates to a commitment to remove National Grid assets held at Eggborough on the eventual closure of the station.

**16. CALLED-UP SHARE CAPITAL**

	Notes	31 March 2001 £'000	3 March 2000 £'000
Authorised 1,000,001 ordinary shares of £1 each		<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 1,000,001 ordinary shares of £1 each		<u>1,000</u>	<u>1,000</u>

**17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
At 4 March 2000	1,000	55,572	-	-	56,572
Profit for financial period	-	-	-	15,451	15,451
Revaluation Reserve	-	-	567,906	-	567,906
At 31 March 2001	<u>1,000</u>	<u>55,572</u>	<u>567,906</u>	<u>15,451</u>	<u>639,929</u>

**18. COMMITMENTS**

At 3 March 2001 the Company had capital commitments of £13,686,000 (3 March 2000: £1,646,000). The Company had no lease commitments.

**19. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is Eggborough Power (Holdings) Limited. The results of Eggborough Power Limited have been consolidated within the accounts of its 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, 3 Redwood Crescent, Peel Park, East Kilbride, G74 5PR.