

Registered Number: 3782700

EGGBOROUGH POWER LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006



Registered Office:

Barnett Way
Barnwood
Gloucester
GL4 3RS

Eggborough Power Limited

Directors and Advisers

DIRECTORS

Robert Armour
Stephen Billingham
Neil O'Hara

SECRETARY

Robert Armour

REGISTERED OFFICE

Barnett Way
Barnwood
Gloucester
GL4 3RS

AUDITORS

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

SOLICITORS

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Eggborough Power 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 BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Company is the generation of electricity on demand to complement the electricity generated by the Group's fleet of nuclear power stations. The Company's results have been prepared under the revised Capacity Tolling Agreement (CTA) under which British Energy Power and Energy Trading Limited, a fellow subsidiary company, reimburses the Company for its qualifying capital expenditure, operating and maintenance costs.

It is the intention of the Directors that the Company will continue to operate its coal-fired power station.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. A discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Financial Review on pages 14 to 21 of the Group's Annual Report and Accounts for the year ended 31 March 2006, which does not form part of this report.

KEY PERFORMANCE INDICATORS

The Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Eggborough Power Limited. The development, performance and position of Eggborough's coal-fired power station is discussed within the Review of Operating Performance on pages 9 to 13 of the Group's Annual Report and Accounts for the year ended 31 March 2006, which does not form part of this report.

SHARE CAPITAL

Details of the Company's share capital are included at note 18.

RESULTS AND DIVIDENDS

The result for the year is set out in the profit and loss account on page 7. The Company's loss for the year of £32m (2005: profit £472m) was transferred to reserves.

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
Neil O'Hara	-	-

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
Neil O'Hara	-	12,092	-	-	12,092	nil	03/08/05	03/08/15

Eggborough Power 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 (formerly British Energy plc). 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 (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 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:

	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	2.6000	12.08.00	11.08.07
	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>91,889</u>	<u>-</u>	<u>-</u>	<u>(11,392)</u>	<u>80,497</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.

POLICY ON 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 DONATIONS

The Company made charitable donations during the year of £1,955 (2005: £5,247) in support of the community. No political donations were made during the year (2005: £nil).

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 that recognises that all employees have the right to be treated with dignity and respect.

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 25 September 2006 and signed on its behalf by:



Robert Armour
Director

Eggborough Power Limited Directors' Report

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 those 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.

Eggborough Power Limited
'Independent Auditors' Report to the Members of Eggborough Power Limited
for the year ended 31 March 2006

We have audited the financial statements of Eggborough Power Limited for the year ended 31 March 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profit 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

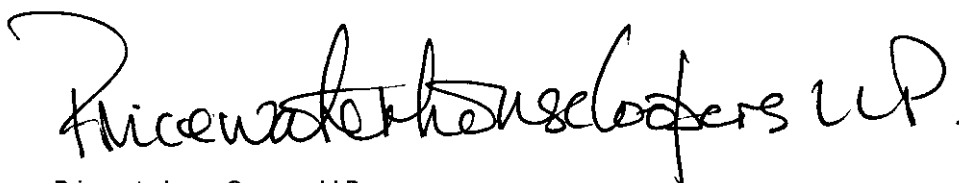
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 loss 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

26 September 2006

Eggborough Power Limited
Profit and Loss Account
for the year ended 31 March 2006

	Note	2006 £m	2005 £m
Turnover	2	84	127
Operating costs	3	(86)	(102)
Exceptional item	3	-	477
Operating (loss)/profit on ordinary activities before taxation		(2)	502
Financing charges	6	(9)	(33)
(Loss)/profit on ordinary activities before taxation		(11)	469
Taxation	7	(21)	3
(Loss)/profit for the financial year	19	(32)	472

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

	Note	2006 £m	2005 £m
(Loss)/profit for the year		(32)	472
Impairment reversal/(charge) of fixed asset valuation	8	9	(9)
Deferred tax on impairment reversal of fixed asset valuation	11	(3)	-
Actuarial gain	17	1	-
Total recognised gains and losses relating to the year		(25)	463

Note of Historical Cost Profits and Losses
for the year ended 31 March 2006

	2006 £m	2005 £m
Reported (loss)/profit on ordinary activities before taxation	(11)	469
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	(1)	3
Historical cost (loss)/profit on ordinary activities before taxation	(12)	472
Historical cost (loss)/profit for the year after taxation	(33)	475

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

Eggborough Power Limited
Balance Sheet
as at 31 March 2006

	Note	2006 £m	2005 £m
Tangible fixed assets	8	<u>143</u>	<u>134</u>
Current assets			
Stocks	9	12	12
Debtors:	10		
amounts falling due within one year		183	22
amounts falling due after more than one year		123	134
Investments - liquid funds		<u>6</u>	<u>2</u>
		324	170
Creditors: amounts falling due within one year	12	<u>(376)</u>	<u>(198)</u>
Net current liabilities		<u>(52)</u>	<u>(28)</u>
Total assets less current liabilities		91	106
Creditors: amounts falling due in more than one year	13	(123)	(134)
Provisions for liabilities and charges	15	(30)	(7)
Deferred income	16	<u>(2)</u>	<u>(2)</u>
Net liabilities excluding retirement benefits liability		(64)	(37)
Retirement benefits - liability	17	<u>(6)</u>	<u>(8)</u>
Net liabilities including retirement benefits liability		<u>(70)</u>	<u>(45)</u>
Capital and reserves			
Called up share capital	18/19	1	1
Share premium	19	56	56
Revaluation reserve	19	126	120
Profit and loss account	19	<u>(253)</u>	<u>(222)</u>
Equity shareholders' deficit		<u>(70)</u>	<u>(45)</u>

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

The financial statements were approved by the Board of Directors on 25 September 2006 and signed on its behalf by:



Robert Armour
Director

Eggborough Power Limited
Notes to the Financial Statements
for the year ended 31 March 2006

1. ACCOUNTING POLICIES

(i) Basis of Preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, 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 the provisions of the revised Capacity and Tolling Agreement and the CTA global bond receivable (discussed further in note 10), which became effective on Restructuring of the Group on 14 January 2005. Under the revised Capacity and Tolling Agreement, British Energy Power and Energy Trading Limited, a fellow subsidiary company, has committed to reimburse the Company for its qualifying capital expenditure, operating and maintenance costs. This agreement is operational until 31 March 2010, unless an event of default occurs. The CTA global bond receivable is due from British Energy Holdings plc and the profile and value of the principal and interest receipts match the principal and interest payable to the Eggborough Banks under the Company's Amended Credit Agreement. From 14 January 2005, the Company has, and will continue to, immediately utilise all receipts under the CTA global bond receivable to fund the amounts payable to the Eggborough Banks.

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 the most appropriate. A number of the policies require the Company to use a variety of estimation techniques.

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) Turnover

Turnover represents amounts receivable from British Energy Power and Energy Trading Limited under the revised Capacity and Tolling Agreement (CTA), net of value added tax. The amounts recognised as turnover principally relate to the reimbursement of the Company's power station operating and maintenance costs.

(iii) Fuel Costs

Fuel costs for oil are determined on a weighted average cost basis.

(iv) Pensions and other post retirement benefits

The Company provides for pension costs in accordance with FRS 17 - Post Retirement Benefits (FRS 17). Contributions to the Company's defined benefit pension scheme are assessed by qualified actuaries. Pension plan assets are measured using market values. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the Company's defined benefit pension plan expected to arise from employee service in the period is charged against operating profit. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

(v) Tangible Fixed Assets and Depreciation, including Decommissioning Costs

The Company's principal fixed asset is the Eggborough power station and related strategic spares, which under FRS 11 is carried at the higher of value in use and net realisable value. As a result of the contractual arrangements which came into force on the completion of the Group's Restructuring, the asset is now carried at net realisable value, which is the discounted value of the total consideration that would be receivable on exercise of the options, as discussed in note 16 on deferred income. This carrying value is not adjusted for depreciation in the period to 31 March 2010, which is the potential exercise date of the options. Capital investment incurred post Restructuring is not recorded as a fixed asset to the extent that it is reimbursed by British Energy Power and Energy Trading Limited under the Capacity and Tolling Agreement, as it has no impact on the amount realisable through exercise of the options.

No depreciation has been charged since 14 January 2005 in line with the above accounting policy, however, the asset lives adopted were subject to regular review and for the period to 31 March 2006 were:

Coal power station

10 years

The costs of decommissioning the power station have been estimated on the basis of ongoing assessments of the processes and methods likely to be used for decommissioning. The estimate provided in note 15, is designed to reflect the costs of making the site available for alternative use.

(vi) Stocks of Stores and Spares

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

Eggborough Power Limited
Notes to the Financial Statements
for the year ended 31 March 2006

(vii) 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 assets will be realised.

(viii) Liquid Funds

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

(ix) Debt Instrument

All borrowings are stated at cost with issue costs being charged to profit and loss account on purchase. The interest payable on debt is charged to the profit and loss account over the life of the borrowing. Premiums and discounts arising on early repayment of borrowings are recognised in the profit and loss account as incurred and received.

2. TURNOVER

	2006 £m	2005 £m
Turnover	<u>84</u>	<u>127</u>

All income is attributable to continuing activities in the United Kingdom.

3. OPERATING COSTS

	2006 £m	2005 £m
Operating costs before exceptional item		
Fuel	8	4
Materials and services	65	76
Staff costs	13	12
Depreciation	-	10
Operating costs before exceptional item	<u>86</u>	<u>102</u>
Exceptional item	-	(477)
Operating costs/(income) after exceptional item	<u>86</u>	<u>(375)</u>

Analysis of exceptional operating item

Write back of the provision for doubtful debts (note 10)	<u>-</u>	<u>(477)</u>
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The auditors' remuneration for audit services was £41,000 (2005: £60,000) which was borne by British Energy Limited.

In the year ended 31 March 2005 the £477m provision against group receivables was reversed to reflect the improved recoverability of these balances following Restructuring.

4. STAFF COSTS

a) Staff costs

	2006 £m	2005 £m
Salaries	10	10
Social security costs	1	1
Pension costs (note 17)	2	1
Total staff costs	<u>13</u>	<u>12</u>

b) Employee numbers

	No.	No.
Average number of employees during the year	<u>262</u>	<u>260</u>

Eggborough Power Limited
Notes to the Financial Statements
for the year ended 31 March 2006

Average number of full time equivalent employees by category during the year was:

	2006 No.	2005 No.
Operations	222	227
Business Services	31	25
	<u>253</u>	<u>252</u>

5. DIRECTORS' EMOLUMENTS

	2006 £000	2005 £000
Total emoluments, including pension contributions:		
For management services:		
- salaries and other benefits	1,151	900
- performance related bonuses	790	463
- pension contributions	80	49
	<u>2,021</u>	<u>1,412</u>
- compensation for loss of office	654	-
	<u>2,675</u>	<u>1,412</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, except for one Director whose emoluments are borne by British Energy Power and Energy Trading 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 ending 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: 5) Directors under a defined benefits scheme.

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

	2006 £000	2005 £000
Emoluments	546	418
Performance related bonus	374	-
Pension contributions	27	15
	<u>947</u>	<u>433</u>

6. FINANCING CHARGES/(CREDITS)

	2006 £m	2005 £m
Revalorisation charge - unwind of one year's discount	1	1
Interest payable on bank loans	10	37
Interest payable on amounts owed to group undertakings	18	2
	<u>28</u>	<u>39</u>
Interest receivable on deposits	-	(5)
Interest receivable on amounts owed by group undertakings	(19)	(2)
	<u>(19)</u>	<u>(7)</u>
Expected return on assets in the pension scheme	(3)	(2)
Interest on pension scheme liabilities	2	2
	<u>(1)</u>	<u>-</u>
	<u>9</u>	<u>33</u>

7. TAXATION

Tax charged to the profit and loss account

	2006 £m	2005 £m
Deferred tax (charge)/credit for the year	(21)	3

Eggborough Power Limited
Notes to the Financial Statements
for the year ended 31 March 2006

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

	2006 £m	2005 £m
Tax (credit)/charge on (loss)/profit at standard rate of 30%	(3)	140
Capital investment in period in excess of capital allowances	4	(2)
Movement in pension provision	(1)	-
Generation of tax losses	-	6
Credits not chargeable for tax purposes	-	(144)
Current tax charge for year	<u>-</u>	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Power station £m
Valuation	
As at 1 April 2005	166
Impairment reversal	9
As at 31 March 2006	<u>175</u>
Depreciation	
As at 1 April 2005 and 31 March 2006	<u>32</u>
Net book value	
As at 31 March 2006	<u>143</u>
As at 31 March 2005	<u>134</u>

If land and buildings, within the power station, category had not been revalued they would have been included at the following amounts:

	2006 £m	2005 £m
Cost	10	10
Depreciation	(3)	(3)
Net book value	<u>7</u>	<u>7</u>

Included within the power station category is freehold land with a cost of £105,000.

As a result of the contractual arrangements, which came into force on the completion of the Group's Restructuring, the power station asset is now carried at net realisable value, which is the value of the consideration that would be payable on exercise of the asset purchase option held over the Company's power station (as discussed in note 16), discounted at a rate of 7%. This discount rate is a long-term rate and is based on the Directors' assessment of the associated risk of the cash flows. This valuation is not adjusted for depreciation or capital expenditure investment, because they have no impact on the net realisable value (as discussed in note 1 (v)).

9. STOCKS

	2006 £m	2005 £m
Spares	9	9
Oil	1	1
Consumables	2	2
	<u>12</u>	<u>12</u>

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

Eggborough Power Limited
Notes to the Financial Statements
for the year ended 31 March 2006

10. DEBTORS

	2006 £m	2005 £m
Amounts due from fellow subsidiary undertakings	170	11
Amounts due from parent undertaking - CTA global bond receivable	134	145
Other taxes and social security	2	-
	<u>306</u>	<u>156</u>

Included in the CTA global bond receivable is an amount of £123m which is due after more than one year (2005: £134m). The CTA global bond receivable bears interest at 7% and is repayable from British Energy Holdings plc.

Amounts due from fellow subsidiary undertakings which originated post Restructuring bear interest at LIBOR plus 2% and are repayable on demand. Amounts due from fellow subsidiary undertakings which originated prior to Restructuring bear no interest and are repayable on demand.

As a result of the Restructuring, £477m of the provision relating to amounts due from group undertakings was released during the year to 31 March 2005.

11. DEFERRED TAXATION

	2006 £m	2005 £m
Accelerated capital allowances	23	(14)
Short term timing differences	(2)	(3)
Taxation losses	-	(6)
Undiscounted deferred tax liability/(asset)	<u>21</u>	<u>(23)</u>
Asset not recognised	-	20
Undiscounted deferred tax liability/(asset)	<u>21</u>	<u>(3)</u>
		£m
As at 1 April 2005		(3)
Deferred tax charge:		
- disclosed in Profit and Loss Account		21
- disclosed in Statement of Total Recognised Gains and Losses		3
As at 31 March 2006		<u>21</u>

	2006 £m	2005 £m
Included in:		
Retirement benefits (note 17)	(2)	(3)
Provisions for liabilities and charges (note 15)	<u>23</u>	<u>-</u>
	<u>21</u>	<u>(3)</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £m	2005 £m
Amounts owed to parent undertakings	298	152
Amounts owed to fellow subsidiary undertakings	49	11
Retentions	1	6
Accruals	17	18
Bank loan (note 14)	<u>11</u>	<u>11</u>
	<u>376</u>	<u>198</u>

£161m (2005: £152m) of amounts owed to parent undertakings represents amounts payable to Eggborough Power (Holdings) Limited at 14 January 2005 plus interest of £9m (2005: £2m) charged at LIBOR plus 1%.

Other amounts due to group undertakings which originated post Restructuring bear interest at LIBOR plus 2% and are repayable on demand. Amounts due to group undertakings which originated prior to Restructuring bear no interest and are repayable on demand.

Eggborough Power Limited
Notes to the Financial Statements
for the year ended 31 March 2006

13. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2006 £m	2005 £m
Bank loan (note 14)	<u>123</u>	<u>134</u>

14. BORROWINGS

The Company's borrowings in the form of bank loans at 31 March 2006 were repayable as follows:

	2006 £m	2005 £m
Less than 1 year	11	11
Between 1 and 2 years	12	11
Between 2 and 5 years	42	39
Over 5 years	69	84
	<u>134</u>	<u>145</u>

Total debt at 31 March 2006 comprises a long-term project finance loan of £134m (2005: £145m) secured on the coal-fired power station owned by the Company. The loan bears interest at 7% (2005: 7%).

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation	Site restoration £m	Other £m	Total £m
As at 1 April 2005	-	6	1	7
Revalorisation	-	1	-	1
Accelerated capital allowances (note 11)	23	-	-	23
Utilised	-	-	(1)	(1)
As at 31 March 2006	<u>23</u>	<u>7</u>	<u>-</u>	<u>30</u>

The site restoration provision is to provide for all costs of the eventual decommissioning of Eggborough Power Station.

16. DEFERRED INCOME

The deferred income of £2m (2005: £2m) recorded relates to consideration received for an option granted as part of the Restructuring that allows the participants in the Eggborough project finance loan to acquire the Eggborough power station assets on 31 March 2010. None of the deferred income will be realised until that date, unless an event of default occurs under the Amended Credit Agreement between the Company and the Eggborough Banks, which is the bank syndicate that provided the financing for the Eggborough coal-fired power station.

17. POST RETIREMENT BENEFIT OBLIGATIONS

Eggborough Power Limited contributes to the pension arrangement operated by British Energy Combined Group (BECG) 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 that participates in the ESPS is financially independent from the other groups.

The most recent triennial valuation of the BECG scheme was carried out at 31 March 2004 by the independent ESPS actuary. The valuation for accounting purposes has been carried out by a separate independent actuary using the projected unit method.

The Company contributed 19.7% (2005: 15.3%) to the BECG pension scheme as employer's normal contributions for the year ended 31 March 2006. Members who do not participate in the salary conversion arrangement and who are required to pay employee contributions contribute 6% to the BECG scheme. Members who participate in the salary conversion arrangements have their salaries reduced by 6%, these monies being paid to the BECG scheme as additional employer contributions.

The Company made additional employer contributions of £1m (2005: £nil) to the BECG scheme in the year and will continue to make additional employer contributions towards the funding deficiency, having regard to appropriate funding advice.

The major assumptions used by the actuaries for the defined benefit plan were:

	2006 % pa	2005 % pa	2004 % pa
Price inflation	2.75	2.75	2.75
Rate of general increase in salaries	4.25	4.25	4.25
Rate of increase of pensions in payment	2.75	2.75	2.75
Discount rate	5.00	5.50	5.50

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The assets and liabilities of the scheme and the expected rates of return are:

	Rate of return %	Value at 31 March 2006 £m	Rate of Return %	Value at 31 March 2005 £m	Rate of Return %	Value at 31 March 2004 £m
Equities	7.90	44	8.20	30	8.25	26
Bonds	4.40	5	4.70	3	4.75	3
Others	4.00	-	4.00	3	3.75	2
Total market value of plan assets		49		36		31
Present value of plan liabilities		(57)		(47)		(42)
Pension liability before deferred tax		(8)		(11)		(11)
Related deferred tax asset		2		3		-
Net pension liability		(6)		(8)		(11)

No deferred tax asset was recognisable on the pension deficit in 2004 based on application of the Company's deferred tax accounting policy.

Movement in plan deficit is analysed as follows:

	2006 £m	2005 £m
Deficit in plan at beginning of the year	(11)	(11)
Contributions paid	3	1
Current service cost	(2)	(1)
Other finance income	1	-
Actuarial gain	1	-
Deficit in the plan at the end of the year	(8)	(11)

The history of experience gains and losses is as follows:

	2006 £m	2005 £m	2004 £m	2003 £m
Consolidated statement of total recognised gains and losses				
Actual return less expected return on post employment plan assets	7	1	5	7
As % of plan assets at end of year	14%	3%	16%	30%
Experience gains/(losses) arising on plan liabilities	-	1	(4)	-
As % of plan liabilities at end of year	-	2%	10%	-
Changes in assumptions (financial & demographic)	(6)	(2)	(4)	-
As % of plan liabilities at end of year	11%	4%	10%	-
Actuarial gain/(loss) recognisable in consolidated statement of total recognised gains and losses (before tax)	1	-	(3)	7
As % of plan liabilities at end of year	2%	-	7%	23%

18. CALLED UP SHARE CAPITAL

	2006 £m	2005 £m
Authorised 1,000,001 (2005: 1,000,001) ordinary shares of £1 each	1	1
Allotted, called up and fully paid 1,000,001 (2005: 1,000,001) ordinary shares of £1 each	1	1

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19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £m	Share premium £m	Revaluation reserve £m	Profit and loss account £m	Total £m
As at 1 April 2004	1	56	129	(694)	(508)
Profit for year	-	-	-	472	472
Impairment of fixed assets	-	-	(9)	-	(9)
As at 31 March 2005	1	56	120	(222)	(45)
Loss for year	-	-	-	(32)	(32)
Impairment reversal of fixed asset valuation	-	-	6	-	6
Actuarial gain	-	-	-	1	1
As at 31 March 2006	1	56	126	(253)	(70)

20. COMMITMENTS

At 31 March 2006, the Company had capital commitments of £3m (2005: £5m). The Company had no lease commitments.

21. 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.

22. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Eggborough Power (Holdings) 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.