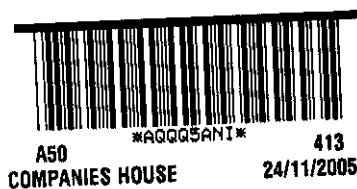


Registered Number: 3782700

EGGBOROUGH POWER LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005

Registered Office:

Barnett Way  
Barnwood  
Gloucester  
GL4 3RS



# **Eggborough Power Limited**

## **Directors and Advisers**

### **DIRECTORS**

Robert Armour	
Stephen Billingham	(appointed 24 September 2004)
Neil O'Hara	(appointed 3 May 2004)
Mike Alexander	(resigned 20 March 2005)
Terry Brookshaw	(resigned 31 July 2004)
Keith Lough	(resigned 31 March 2004)

### **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 2005.

### **PRINCIPAL ACTIVITY, REVIEW OF 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. References to the Eggborough Banks relate to the bank syndicate that provided financing for the Eggborough coal-fired power station.

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.

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

### **SHARE CAPITAL**

Details of the Company's share capital are included at note 17.

### **RESULTS AND DIVIDENDS**

The result for the year is set out in the profit and loss account on page 7. The Company's profit for the year of £472m (2004: loss £48m) 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
Neil O'Hara	-

The interests of the Directors at 1 April 2004 or their date of appointment in the ordinary shares of the then ultimate holding company, British Energy plc (now called British Energy Limited), were as follows:

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

**1 April  
2004  
or date of  
appointment  
No. of shares**

Robert Armour	12,282
Neil O'Hara	-
Terry Brookshaw	-
Stephen Billingham	-
Mike Alexander	-

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 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 1:50. 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:

# Eggborough Power Limited Directors' Report

## 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>			

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
Terry Brookshaw	6,465	-	-	(6,465)	-	2.6100	01.09.04	28.02.05

## 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 2005 (2004: £nil).

## CHARITABLE AND POLITICAL DONATIONS

The Company made charitable donations during the year of £5,247 (2004: £nil) in support of the community. No political donations were made during the year (2004: £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.

**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.

This report was approved by the Board of Directors on 22 November 2005 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Stephen R', followed by a long horizontal line extending to the right.

**STEPHEN BILLINGHAM**  
Director

**Eggborough Power Limited**  
**Independent Auditors' Report to the Members of Eggborough Power Limited**  
**for the year ended 31 March 2005**

We have audited the financial statements 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 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) 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

22 November 2005

**Eggborough Power Limited**  
**Profit and Loss Account**  
**for the year ended 31 March 2005**

	Note	2005 £m	2004 £m
<b>Turnover</b>	2	127	147
Operating costs	3	(102)	(112)
Exceptional items	3	477	(61)
<b>Operating profit/(loss) on ordinary activities before taxation</b>		502	(26)
Financing charges	5	(33)	(25)
Exceptional financing credits	5	-	3
<b>Profit/(loss) on ordinary activities before taxation</b>		469	(48)
Taxation	6	3	-
<b>Profit/(loss) for the financial year</b>	18	472	(48)

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

	Note	2005 £m	2004 £m
Profit/(loss) for the year		472	(48)
Impairment (charge)/reversal of fixed asset valuation	7	(9)	13
<b>Total recognised gains and losses relating to the year</b>		463	(35)
Prior year adjustment	1	(11)	
<b>Total recognised losses since last financial statements</b>		452	

**Note of Historical Cost Profits and Losses**  
**for the year ended 31 March 2005**

	2005 £m	2004 £m
Reported profit/(loss) on ordinary activities before taxation	469	(48)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	3	4
<b>Historical cost profit/(loss) on ordinary activities before taxation</b>	472	(44)
<b>Historical cost profit/(loss) for the year after taxation</b>	475	(44)

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

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**Eggborough Power Limited**  
**Balance Sheet**  
**as at 31 March 2005**

	Note	2005 £m	2004 Restated £m
<b>Tangible fixed assets</b>	7	<u>134</u>	<u>153</u>
<b>Current assets</b>			
Stocks	8	12	12
Debtors	9	156	1
Investments - liquid funds		<u>2</u>	<u>15</u>
		170	28
<b>Creditors: amounts falling due within one year</b>	11	<u>(198)</u>	<u>(259)</u>
<b>Net current liabilities</b>		<u>(28)</u>	<u>(231)</u>
<b>Total assets less current liabilities</b>		106	(78)
<b>Creditors: amounts falling due in more than one year</b>	12	(134)	(388)
<b>Provisions for liabilities and charges</b>	14	(7)	(31)
<b>Deferred income</b>	15	<u>(2)</u>	<u>-</u>
<b>Net liabilities excluding retirement benefits liability</b>		<u>(37)</u>	<u>(497)</u>
Retirement benefits - liability	16	<u>(8)</u>	<u>(11)</u>
<b>Net assets liabilities including retirement benefits liability</b>		<u>(45)</u>	<u>(508)</u>
<b>Capital and reserves</b>			
Called up share capital	17	1	1
Share premium	18	56	56
Revaluation reserve	18	120	129
Profit and loss account	18	<u>(222)</u>	<u>(694)</u>
<b>Equity shareholders' deficit</b>		<u>(45)</u>	<u>(508)</u>

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

The financial statements were approved by the Board of Directors on 22 November and signed on its behalf by:

  
**Stephen Billingham**  
**Director**



**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2005**

**1. ACCOUNTING POLICIES**

**(i) Basis of Preparation and Changes in Accounting Policies**

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 9), 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.

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 adopted FRS 17 - Post Retirement Benefits (FRS 17), reclassified its strategic spares from stock to the power station category within fixed assets, and has changed its deferred tax policy to account for deferred tax on an undiscounted basis rather than a discounted basis as in prior years. Comparative figures have been restated to reflect these changes in policy. The effect of the change in each of these policies is detailed below.

The change in accounting policy following the adoption of FRS 17 has resulted in shareholder funds at 31 March 2003 being reduced by £8m. The profit for the year ended 31 March 2005 and the loss for the year ended 31 March 2004 have not been revised because the charge to the profit and loss account in these years under SSAP 24 equalled the FRS 17 charge. At 31 March 2005, a net pension liability of £8m (2004: £11m), which is stated net of a £3m (2004: £nil) deferred tax asset, has been recognised. In line with the Company's deferred tax policy, no taxation impact has been recognised on the pension liability, or the actuarial loss, for years ending 31 March 2004 and 2003. Total recognised gains and losses for the year to 31 March 2005 are not impacted, but for the year to 31 March 2004 an actuarial loss of £3m has been recognised within the £11m prior year adjustment in the statement of total recognised gains and losses.

The strategic spares change in accounting policy has resulted in stocks of spares being reduced by £7m (2004: £4m) and fixed assets being increased by £7m (2004: £4m). There has been no change to the profit for the current period or loss for the prior period. The obsolescence costs for the period to 14 January 2005 for strategic spares of £98,000 (2004: £109,000) have been reclassified from materials and services to depreciation.

The deferred tax change in accounting policy has not required any revisions to the primary financial statements in either the current or prior years, as a result of the Company's unrecognised deferred tax asset position.

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 Capacity and Tolling Agreements (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. 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.

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2005**

**(v) Interest rate swaps**

As part of the Group Restructuring, interest rate swap provisions in respect of swap contracts were converted to loans and exchanged, as part of the novation of debt, for the reduction of an existing intercompany debtor due from Eggborough Power (Holdings) Limited.

Prior to Restructuring, interest rate swaps were used to manage debt interest rate exposure. Amounts payable or receivable in respect of interest rate swaps were recognised as adjustments to the net interest charge over the term of the contracts. Where derivatives used to manage interest rate risk or to hedge other anticipated cash flows were terminated before the underlying debt matured, the resulting gain or loss was deferred on the balance sheet and amortised to the profit and loss account to match the timing and accounting treatment of the underlying debt. If the debt was subsequently terminated any unamortised deferred gain or loss was recognised immediately in the profit and loss account. Where interest rate swaps were no longer considered effective hedging instruments, any cumulative losses relating to the fair value of the derivatives were taken to the profit and loss account in accordance with FRS 12.

**(vi) 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 15 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 definite impact on the amount realisable through exercise of the options.

Prior to Restructuring the power station was carried at Directors' valuation based on the fair value assigned by British Energy plc (now called British Energy Limited) following its acquisition of the Company. This valuation was adjusted for subsequent depreciation and additional changes to reflect impairment in value.

During the period to 14 January 2005 and for the year ended 31 March 2004, all capital expenditure investment that would previously have been capitalised as fixed assets was expensed as operating costs following the fixed asset impairment review carried out in the year ended 31 March 2003. This arose because it was not possible to demonstrate that this expenditure enhanced the value of the Company's fixed assets after taking account of the impairment review.

The asset lives adopted were subject to regular review and for the period to 14 January 2005 were:

Coal power station	11 years
Computer and office equipment	5 years

No depreciation has been charged since 14 January 2005 in line with the above accounting policy, however, the asset lives remain consistent with those noted above at 31 March 2005.

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 14, is designed to reflect the costs of making the site available for alternative use.

**(vii) Stocks of stores and spares**

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

**(viii) 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.

**(ix) 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.

**(x) 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.

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**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2005**

**2. TURNOVER**

	<b>2005</b> <b>£m</b>	<b>2004</b> <b>£m</b>
Turnover	<u>127</u>	<u>147</u>

**3. OPERATING COSTS**

	<b>2005</b> <b>£m</b>	<b>2004</b> <b>Restated</b> <b>£m</b>
<b>Operating costs before exceptional items</b>		
Fuel	4	3
Materials and services	76	87
Staff costs	12	11
Depreciation	10	13
Sundry insurance proceeds	-	(2)
Operating costs before exceptional items	<u>102</u>	<u>112</u>
Exceptional items ((credits)/charges)	<u>(477)</u>	<u>61</u>
Operating costs after exceptional items	<u>(375)</u>	<u>173</u>
	<b>2005</b> <b>£m</b>	<b>2004</b> <b>£m</b>
<b>Analysis of exceptional operating item</b>		
(Write back)/provision for doubtful debts (note 9)	<u>(477)</u>	<u>61</u>

The auditors' remuneration for audit services was £60,000 (2004: £22,000) which was borne by British Energy Limited.

The £477m provision against group receivables has been reversed to reflect the improved recoverability of these balances following Restructuring.

**4. STAFF COSTS**

The average number of employees during the year analysed by category was:

	<b>2005</b> <b>Number</b>	<b>2004</b> <b>Number</b>
Operations	227	232
Business Services	<u>25</u>	<u>26</u>
	<u>252</u>	<u>258</u>

Their aggregate remuneration comprised:

	<b>2005</b> <b>£m</b>	<b>2004</b> <b>£m</b>
Wages and salaries	10	9
Social security costs	1	1
Pension costs (note 16)	<u>1</u>	<u>1</u>
	<u>12</u>	<u>11</u>

The emoluments of those Directors who are also Directors of British Energy Group plc are detailed in the Remuneration Report in the Group financial statements. None of the Directors receive emoluments for their services to this Company, since the services supplied are considered to be incidental to those to the Group.

The emoluments of those Directors who are also Directors of British Energy Power and Energy Trading Limited are detailed in those financial statements. These Directors do not receive emoluments for their services to this Company as the services provided are deemed to be incidental to those supplied to British Energy Power and Energy Trading Limited.

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2005**

**5. FINANCING CHARGES/(CREDITS)**

	2005 £m	2004 £m
Revalorisation charge - unwind of one year's discount	1	-
Interest payable on overdrafts and bank loans	37	37
Interest payable on amounts owed to group undertakings	2	3
	39	40
Interest receivable on deposits	(5)	(15)
Interest receivable on amounts owed by group undertakings	(2)	-
	(7)	(15)
Expected return on assets in the pension scheme	(2)	(2)
Interest on pension scheme liabilities	2	2
	-	-
	33	25
Exceptional financing items		
- interest rate swaps	-	(3)

At 31 March 2004, the value of the interest rate swaps were marked to market. As a result the provision required for the out of the money element was lower than the previous year and part of the provision was released in the year as an exceptional credit of £3m for the year ended 31 March 2004.

**6. TAXATION**

	2005 £m	2004 Restated £m
Deferred tax credit for the year	3	-

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

	2005 £m	2004 Restated £m
Tax charge/(credit) on profit/(loss) at standard rate of 30%	140	(14)
Current year movement in deferred taxation	3	-
Movement in unrecognised deferred taxation	1	(1)
(Credits)/expenses not (chargeable)/deductible for tax purposes	(144)	22
Group relief	-	(7)
Current tax charge for year	-	-

**7. TANGIBLE FIXED ASSETS**

	Land and buildings £m	Power station Restated £m	Total £m
<b>Cost or valuation</b>			
As at 1 April 2004	72	103	175
Transfer	(72)	72	-
Impairment	-	(9)	(9)
As at 31 March 2005	-	166	166
<b>Depreciation</b>			
As at 1 April 2004	5	17	22
Charge for the year	4	6	10
Transfer	(9)	9	-
As at 31 March 2005	-	32	32
<b>Net Book Value</b>			
As at 31 March 2005	-	134	134
As at 31 March 2004	67	86	153

**Eggborough Power Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2005**

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

	2005 £m	2004 £m
Cost	10	10
Depreciation	(3)	(2)
Net book value	<u>7</u>	<u>8</u>

Included within the power station category is freehold land with a cost of £105,000, which has not been depreciated.

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 15), 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 (vi)). In the period from 1 April 2004 to 14 January 2005 and in the period from 15 January 2005 to 31 March 2005, the capital investment expenditure of £6m and £1m respectively was not capitalised in line with the Company's accounting policy. Additionally the fixed assets included in land and buildings, which had a net book value of £63m, have been transferred to the power station category. The transfer was performed to reflect the fact that the net realisable value, which was assessed, relates to the power station assets as a whole and there is no longer a distinction in the values attributable to land and buildings and plant and machinery.

At 31 March 2004, the Directors re-assessed the fixed asset carrying values, in line with the requirements of FRS 11, to determine whether any revisions to fixed asset carrying values were appropriate. In carrying out such a review the Directors concluded that, pending completion of the Restructuring, it was appropriate to carry out a full review of valuations rather than the more limited reviews which are sometimes permissible under FRS 11. As a result of this review, the value of its fixed assets was increased by £13m. The basis of the valuation of Eggborough at 31 March 2004 was its net realisable value based on the value attributed as part of the Restructuring.

**8. STOCKS**

	2005 £m	2004 Restated £m
Spares	9	9
Oil	1	1
Consumables	<u>2</u>	<u>2</u>
	<u>12</u>	<u>12</u>

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

**9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005 £m	2004 £m
Trade debtors	-	1
Amounts due from fellow subsidiary undertakings	11	-
Amounts due from parent undertaking - CTA global bond receivable	<u>145</u>	-
	<u>156</u>	<u>1</u>

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

Included in the CTA global bond receivable is an amount of £134m which is due after more than one year (2004: £nil). The CTA global bond receivable bears interest at 7% and is repayable from British Energy Holdings plc.

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

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**10. DEFERRED TAXATION**

	<b>2005 £m</b>	<b>2004 Restated £m</b>
Accelerated capital allowances	(14)	(8)
Short term timing differences	(3)	(3)
Taxation losses	(6)	-
Undiscounted deferred tax asset	(23)	(11)
Asset not recognised	20	11
Undiscounted deferred tax asset	(3)	-
		<b>2005 £m</b>
As at 1 April 2004		-
Deferred tax credit		(3)
As at 31 March 2005		(3)
Included in retirement benefits		(3)

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2005 £m</b>	<b>2004 £m</b>
Amounts owed to parent undertakings	152	130
Amounts owed to fellow subsidiary undertakings	11	-
Retentions	6	4
Other tax and social security	-	5
Accruals	18	33
Bank loan (note 13)	11	87
	<u>198</u>	<u>259</u>

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

**12. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR**

	<b>2005 £m</b>	<b>2004 £m</b>
Bank Loan (note 13)	<u>134</u>	<u>388</u>

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**13. BORROWINGS**

The Company's borrowings in the form of bank loans at 31 March 2005 were repayable as follows:

	2005 £m	2004 £m
Less than 1 year	11	87
Between 1 and 2 years	11	48
Between 2 and 5 years	39	168
Over 5 years	84	172
	<u>145</u>	<u>475</u>

On 14 January 2005, the existing credit agreement in respect of the project finance loan was amended and restated such that £150m of principal remained outstanding on payment terms and conditions identical to those attached to the CTA global bond receivable. The remaining debt of £325m, together with obligations to the Eggborough Banks in respect of interest rate swap contracts of £24m, was further reduced by £2m as consideration for the asset option granted to the Eggborough Banks (as discussed in note 15). The remaining amount of £347m was exchanged, as part of the novation of debt, for the reduction of an existing intercompany debtor due from Eggborough Power (Holdings) Limited.

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

At 31 March 2004, the long-term project finance loan was secured on the assets of Eggborough Power Limited. The final instalment of loan principal was repayable in 2011 and the interest charged on the loan was LIBOR plus 1.25%. British Energy Limited (formerly British Energy plc) also provided a subordinated loan facility to EPL. These arrangements ceased as part of the Restructuring of the Group. The analysis of maturity of borrowings as at 31 March 2004 was prepared based on the dates when the borrowings matured under the then existing contractual arrangements. However, the standstill arrangements which were put in place had the effect of deferring the payments of certain amounts due until the Eggborough project finance loan was replaced as part of the restructuring of the Group or earlier termination of the standstill.

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	Site restoration £m	Interest rate swaps £m	Other £m	Total £m
As at 1 April 2004	3	28	-	31
Provided in year	2	-	1	3
Revaluation	-	(4)	-	(4)
Revalorisation	1	-	-	1
Reclassified as loans	-	(24)	-	(24)
As at 31 March 2005	<u>6</u>	<u>-</u>	<u>1</u>	<u>7</u>

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

As part of the Group Restructuring, interest rate swap provisions in respect of swap contracts were converted to loans and exchanged, as part of the novation of debt, for the reduction of an existing intercompany debtor due from Eggborough Power (Holdings) Limited, as discussed in note 13 above.

**15. DEFERRED INCOME**

The deferred income of £2m (2004: £nil) 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.

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**16. 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 15.3% to the BECG pension scheme during the year. Contributing members contributed 6% to the BECG pension scheme. The Company's pension costs for the year to 31 March 2005 were £1m (2004: £1m).

From 1 April 2005 the rate of employer's regular contributions for future service benefits under the Combined Group increased from 15.3% to 19.7%. The Group will also be making additional employer contributions towards the Combined Group funding deficiency, having regards to appropriate funding advice.

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	% pa	% pa	% pa
Price inflation	<b>2.75</b>	2.75	2.25
Rate of general increase in salaries	<b>4.25</b>	4.25	3.75
Rate of increase of pensions in payment	<b>2.75</b>	2.75	2.25
Discount rate	<b>5.50</b>	5.50	5.50

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

	<b>Rate of return %</b>	<b>Value at 31 March 2005 £m</b>	<b>Rate of Return %</b>	<b>Value at 31 March 2004 £m</b>	<b>Rate of Return %</b>	<b>Value at 31 March 2003 £m</b>
Equities	<b>8.20</b>	<b>30</b>	8.25	26	8.50	21
Bonds	<b>4.70</b>	<b>3</b>	4.75	3	4.50	-
Others	<b>4.00</b>	<b>3</b>	3.75	2	3.75	2
Total market value of plan assets		<b>36</b>		31		23
Present value of plan liabilities		<b>(47)</b>		(42)		(31)
Pension liability before deferred tax		<b>(11)</b>		(11)		(8)
Related deferred tax asset		<b>3</b>		-		-
Net pension liability		<b>(8)</b>		(11)		(8)

No deferred tax asset was recognisable on the pension deficit in 2004 and 2003, based on application of the Company's deferred tax accounting policy.

Movement in plan deficit is analysed as follows:

	<b>2005 £m</b>	<b>2004 £m</b>
Deficit in plan at beginning of the year	<b>(11)</b>	(8)
Contributions paid	<b>1</b>	1
Current service cost	<b>(1)</b>	(1)
Actuarial loss	<b>-</b>	(3)
<b>Deficit in the plan at the end of the year</b>	<b>(11)</b>	(11)



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The history of experience gains and losses is as follows:

	2005 £m	2004 £m	2003 £m
<b>Consolidated statement of total recognised gains and losses</b>			
Actual return less expected return on post employment plan assets	1	5	7
As % of plan assets at end of year	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)	(2)	(4)	-
As % of plan liabilities at end of year	4%	10%	-
<b>Actuarial loss recognisable in consolidated statement of total recognised gains and losses (before tax)</b>	<b>-</b>	<b>(3)</b>	<b>7</b>
As % of plan liabilities at end of year	-	7%	23%

**17. CALLED UP SHARE CAPITAL**

	2005 £m	2004 £m
Authorised 1,000,001 (2004: 1,000,001) ordinary shares of £1 each	1	1
Allotted, called up and fully paid 1,000,001 (2004: 1,000,001) ordinary shares of £1 each	1	1

**18. 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 2003	1	56	116	(635)	(462)
Prior year adjustment	-	-	-	(8)	(8)
Restated as at 1 April 2003	1	56	116	(643)	(470)
Loss for the year	-	-	-	(48)	(48)
Reversal of impairment	-	-	13	-	13
Actuarial loss	-	-	-	(3)	(3)
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)

**19. COMMITMENTS**

At 31 March 2005, the Company had capital commitments of £5m (2004: £7m). The Company had no lease commitments.

**20. POST BALANCE SHEET EVENTS**

On 21 September 2005, the Department for Environment Food and Rural Affairs issued an update regarding the implementation of the Large Combustion Plant Directive (LCPD) pending a formal decision by the Government expected before the end of this year. The update indicated that the Government will apply emission limit values to control emissions of sulphur dioxide, nitrogen oxides and particulates from power stations in the UK from January 2008. The update repeated the European Commission's view that existing plants whose waste gases are discharged through a common stack should be considered as a single plant for the purposes of the LCPD, however it gave no further clarification of whether multiple generating units each with their own separate flue (as at Eggborough) can be treated as separate plants for the purposes of the LCPD pending further discussions with the European Commission.

If the final decision is to consider the four units at Eggborough as a single plant for LCPD purposes then there could be a requirement to materially restrict the operations of the two non-FGD units from 2008 in order to comply with the proposed emission limit values.

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**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.