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# Half Year Review 1999

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**10 November 1999**  
**British Energy plc**

# Interim Results

(1 April – 30 September 1999)

## Highlights

- **Earnings per share up 22% to 5.5p.**
- **Interim dividend up 7.5% to 5.7p per share.**
- **Acquisition of the Swalec electricity and gas supply businesses approved by DTI.**
- **Terms agreed by AmerGen for the acquisition of five further US nuclear plants, and the first profit contribution received from North America.**
- **Further cost savings of £25m p.a. identified.**

	6 months ended 30 Sep 1999 £m	6 months ended 30 Sep 1998 £m	Year ended 31 Mar 1999 £m
Turnover	<b>913</b>	935	2,067
Profit before tax	<b>55</b>	46	298
Net operating cash flow	<b>106</b>	119	479
Net (debt)/funds	<b>(137)</b>	(26)	176

Note: To enable a meaningful comparison to be made, this review is based on "business performance" figures which exclude exceptional items, except where otherwise stated.

## **Commenting on the results, Sir John Robb, Chairman, said:**

"British Energy has continued to make good progress in the last six months. We have increased profits before tax and earnings per share by 20% and 22% respectively. We have also agreed terms to make acquisitions both in the UK and the United States.

The Board has announced an interim dividend of 5.7p per share, up 7.5% on last year. In addition, we fulfilled our earlier commitment by returning £432m of value to shareholders.

The profit improvement was achieved despite a temporary reduction in output caused by abnormal technical problems. We achieved a reduction in operating costs and benefited from lower financing charges.

The proposed acquisition of the Swalec electricity and gas supply businesses was approved by the DTI in September and should be completed shortly.

The results include the first contribution to profits from our North American activities. AmerGen, our joint venture in the USA, is close to completing the acquisition of the Three Mile Island-1 plant and has agreed terms for the acquisition of five further nuclear plants. We are confident that these investments will, in due course, make a substantial contribution to British Energy's earnings. In view of the growth of our US activities, we intend to obtain a listing of British Energy's shares in ADR form on the New York Stock Exchange.

Looking to the future, we are confident that our UK generation business can continue to increase output and reduce operating costs. Our preparations for the new trading arrangements due to be introduced next year are well advanced.

British Energy continues to generate strong cash flow and has a robust balance sheet. We are therefore well placed to invest as suitable opportunities arise."

## Business and Financial Review

Turnover, comprising generation sales, direct supply sales and miscellaneous income, was £913m, a reduction of £22m compared with the first half of 1998-99. Generation sales were £773m, a reduction of £57m.

Output was 31.4 TWh, 4% lower than a year ago. There were a number of technical problems in the period of which the most significant was a faulty rotor which caused a long unscheduled outage at Heysham 2. In addition, the performance of Dungeness B was affected by its major investment programme and Periodic Safety Review related work.

Of the six statutory outages scheduled for the current financial year, three were completed in the first half, two were completed in October and the remaining one at Dungeness B is due to be completed in November.

We achieved an average selling price of 2.42p/kWh, compared with 2.48p/kWh in the same period last year. Ahead of anticipated changes in electricity trading arrangements, we increased the level of our contract cover in England and Wales. The long-term electricity trading alliance with Scottish and Southern Energy plc continues to be an important part of our contracting arrangements. We also increased our direct supply sales from £100m to £128m in line with our strategy to build up our business with industrial and commercial customers.

Miscellaneous income of £12m includes £6m representing British Energy's share of five months' net income from the management contract at Clinton power station in the USA.

Operating costs (excluding electricity purchases) were £638m, a reduction of £30m. This reduction largely consists of a £26m saving in fuel costs, and a reduction of £10m in depreciation charges following the five year station life extensions at Heysham 2 and Torness, with effect from 1 April 1999. Materials and services costs were £215m, unchanged from a year ago.

Staff costs were £120m, up £6m due primarily to an £8m charge in respect of share purchases for the British Energy Employee Share Trust. Staff numbers for the UK core business have continued to reduce and we expect to achieve our target of 5,000 before March 2000.

Unit operating costs were slightly down at 2.03p/kWh. Operating profit excluding exceptional items was £148m, down 17%.

Within financing costs, the revalorisation charge was £37m lower at £104m mainly because inflation was 1.3% in the period compared with 2.2% a year ago.

Profit before tax and exceptionals was £55m compared with £46m. After a tax charge of £18m, profit after tax but before exceptionals was £37m compared with £31m. The corresponding earnings per share were 5.5p, compared with 4.5p, an improvement of 22%.

Exceptional items totalled £11m, comprising a £17m credit in respect of accounting life extensions, less a £6m charge in respect of shares issued to the Qualifying Employee Share Trust during 1997-98 to cover employee share options. Profit after tax and exceptionals was £45m.

Lower turnover led to net operating cash flow falling by £13m to £106m. Following the return of value there was net debt of £137m at 30 September 1999 compared with net funds of £176m at 31 March 1999.

### Dividend

An interim dividend of 5.7p per share has been declared by the Board, an increase of 7.5%. This dividend represents a total cost of £35m, based on 607 million shares, which excludes all shares held in respect of the Company's option schemes. The interim dividend will be paid on 28 January 2000 to shareholders on the register on 26 November 1999. The shares will become ex-dividend on 22 November 1999.

## **Business and Financial Review (continued)**

### **Health and Safety**

Safety has been and always will be British Energy's top priority. We have continued to invest significantly in our plant, people and processes to enhance safety. Highlights in the period included further progress in improving our ratings against the International Safety Rating System and the publication by the Nuclear Installations Inspectorate (NII) of their positive findings following the 10 year Periodic Safety Reviews for Hartlepool and Heysham 1 power stations. Following an audit by the NII, British Energy has given assurances concerning the maintenance of engineering expertise and resources.

### **Year 2000 Compliance**

We have completed all investigation and remedial work on potentially affected items. These are all confirmed as Millennium ready. Safety cases for our eight stations were provided to our regulator in July and no significant areas of concern were identified. Millennium specific contingency plans have been developed which build on and complement existing arrangements.

A review of our key suppliers and service providers has confirmed the quality of their programmes and the ability to deliver the required service throughout the critical period. We are co-operating fully with other organisations to increase the resilience of the entire UK electricity industry.

### **Environment**

British Energy's generation plants continue to avoid the release of millions of tonnes of carbon dioxide that would otherwise be emitted by fossil generation. In association with BP Amoco and Shell, British Energy is supporting a new Commission on Sustainable Consumption, which is being set up by the Oxford Centre for Environment, Ethics and Society.

### **Business Strategy**

Our business strategy is to develop a broadly based international energy company whilst maintaining the profitability of our UK nuclear generation business.

### **UK Business**

We continue to focus strongly on increasing output from our nuclear power stations. Despite the one-off operational difficulties experienced in the last six months, we are confident that the potential remains to increase average load factors from 81% achieved last year to at least 85%. We plan to move to this level over the next three years by shortening statutory outages and reducing unplanned outages at all power stations, and by obtaining improved performance from Dungeness B following completion of the current investment programme there.

We intend to compete effectively by being one of the lowest cost producers. We are confident that the initiatives we already have underway and the others planned will enable us to reduce our unit operating costs at least as fast as any likely fall in selling prices. One such initiative is the fuel management programme which has already contributed to lower fuel costs in the current year, with further savings planned. Another initiative is the investment of some £100m in new information systems covering all aspects of the business to improve staff effectiveness. We will also continue to regularly review the accounting lives of our stations.

Following the second stage of our review of administrative and support activities, we have established detailed plans for efficiency improvements that are expected to yield eventual savings of around £25m p.a. – somewhat higher than indicated at the AGM in July. The savings will include a reduction in our staff of some 250 over a period of two years. These staff reductions will be achieved on a voluntary basis working through our well established consultative process which fully involves staff, trade unions and the NII. One-off restructuring costs will amount to some £20m, for which there will be an exceptional charge in the second half of the current year.

Ofgem has recently issued a number of consultation papers proposing changes in the UK electricity market, of which the proposed new England and Wales trading arrangements, due to be implemented in October 2000, are the most far-reaching. We are confident that the changes we are making in our trading function, including investment in new information systems, will put us in a strong position to trade successfully. We welcome Ofgem's initiatives to bring the trading arrangements in Scotland more closely in line with those in England and Wales. The average prices that British Energy currently receives in Scotland are closely aligned with the corresponding prices that we receive for our output in England and Wales, and we expect this relationship to continue.

## **Business and Financial Review (continued)**

### **Business Development – UK**

The proposed acquisition of the Swalec electricity and gas supply businesses is our first step in developing a national energy supply business. Together with our existing direct supply business, Swalec will give us a 6% share in the England and Wales electricity supply market, equivalent to one third of our output there. We will continue to explore suitable opportunities to acquire a second supply business.

We are also determined to acquire flexible generating plant which will allow us to offer more profiled output to our customers.

### **Business Development – International**

Our growth strategy is based on exploiting our expertise, developed in the UK, in selected overseas markets.

AmerGen, our joint venture in the USA with PECO Energy, has made significant progress. AmerGen has agreed terms for the prospective acquisition of five further nuclear plants – Clinton (930 MW), Nine Mile Point Units 1 (614 MW) and 2 (1140 MW; 59% interest), Oyster Creek (619 MW) and Vermont Yankee (510 MW). Together with Three Mile Island-1 (TMI-1) they will give AmerGen a total nuclear capacity of some 4 GW, of which British Energy will have a 50% share, equivalent to 20% of our existing UK capacity. The total cost of this investment is around £100m and it provides British Energy with a significant base in the USA.

The interim results include a £6m contribution from a contract to manage the Clinton power station since the station's restart in May. This is the first return from our North American activities and a substantial increase is expected in the second half of the year.

The completions of the purchases of TMI-1 and Clinton are expected shortly. We anticipate that these stations will each provide an average pre-tax profit contribution of some £10m p.a. to British Energy. It is expected that all the other acquisitions will obtain regulatory clearance for completion within the next 12 months.

In September, PECO announced a proposed merger with Unicom, a US utility which operates ten nuclear plants. AmerGen is seen as a key element in the merged group's nuclear growth strategy.

The success of AmerGen's strategy has been recognised by the FT Electricity Global Award for the "Boldest Successful Investment Decision for 1999".

In Canada, the Ontario Provincial Government has indicated its interest in selling a number of its nuclear stations. British Energy is well placed to pursue this.

In line with our strategy to develop into broader energy related areas, we are examining potential opportunities arising from the deregulating US electricity markets.

### **Return of Value to Shareholders**

As part of its return of value scheme, British Energy implemented a reorganisation of its share capital in August. Under the scheme, shareholders were given the opportunity to receive 60p for each 'A' share through a range of options.

Together with the subsequent further repurchase offer, British Energy has now returned some £384m cash in total to shareholders, with £285m returned by 30 September.

### **Outlook**

This financial year will benefit from the life extensions at Torness and Heysham 2, and the contribution from our North American activities. In the absence of any unforeseen circumstances the Board expects an acceptable profit outcome for the full year despite the likely reduction in annual output.

Looking further forward, we are confident that British Energy is in good shape to compete successfully. The challenge now is to integrate and grow our UK retail supply business and develop further overseas opportunities.

# Group Profit and Loss Account

for the six months ended 30 September 1999

6 months ended 30 Sep 99 £ million	6 months ended 30 Sep 98 £ million	Year ended 31 Mar 99 £ million		Notes	Business Performance (see Note 1)		
					6 months ended 30 Sep 99 £ million	6 months ended 30 Sep 98 £ million	Year ended 31 Mar 99 £ million
<b>913</b>	<b>935</b>	<b>2,067</b>	<b>Turnover</b>	2	<b>913</b>	<b>935</b>	<b>2,067</b>
<b>(765)</b>	<b>(757)</b>	<b>(1,594)</b>	Operating costs before exceptional items	3	<b>(765)</b>	<b>(757)</b>	<b>(1,594)</b>
<b>11</b>	<b>15</b>	<b>8</b>	Exceptional operating credits	3	<b>—</b>	<b>—</b>	<b>—</b>
<b>(754)</b>	<b>(742)</b>	<b>(1,586)</b>	Operating costs after exceptional items		<b>(765)</b>	<b>(757)</b>	<b>(1,594)</b>
<b>159</b>	<b>193</b>	<b>481</b>	<b>Operating profit</b>		<b>148</b>	<b>178</b>	<b>473</b>
<b>(93)</b>	<b>(132)</b>	<b>(175)</b>	Financing (charges)/credits:				
			Revalorisation and net interest	4	<b>(93)</b>	<b>(132)</b>	<b>(175)</b>
<b>—</b>	<b>36</b>	<b>(30)</b>	Exceptional financing credits/(charges)	4	<b>—</b>	<b>—</b>	<b>—</b>
<b>66</b>	<b>97</b>	<b>276</b>	<b>Profit on ordinary activities before taxation</b>		<b>55</b>	<b>46</b>	<b>298</b>
<b>(21)</b>	<b>(32)</b>	<b>(90)</b>	Taxation	5	<b>(18)</b>	<b>(15)</b>	<b>(97)</b>
<b>45</b>	<b>65</b>	<b>186</b>	<b>Profit on ordinary activities after taxation</b>		<b>37</b>	<b>31</b>	<b>201</b>
<b>(35)</b>	<b>(36)</b>	<b>(110)</b>	Dividends:				
			Ordinary interim/annual 'A' shares (relating to return of value)	9			
<b>(45)</b>	<b>—</b>	<b>—</b>					
<b>(35)</b>	<b>29</b>	<b>76</b>	<b>(Loss)/retained profit for the period</b>				
<b>6.7</b>	<b>9.4</b>	<b>27.1</b>	Earnings per share (p):				
<b>6.5</b>	<b>9.2</b>	<b>26.1</b>	Basic	6	<b>5.5</b>	<b>4.5</b>	<b>29.3</b>
			Diluted	6	<b>5.4</b>	<b>4.4</b>	<b>28.2</b>
<b>5.7</b>	<b>5.3</b>	<b>16.0</b>	Dividends per ordinary share (p):				
			Interim/annual				

# Group Balance Sheet

at 30 September 1999 (unaudited)

	Notes	30 Sep 99 £ million	31 Mar 99 £ million
<b>Fixed assets</b>			
Tangible assets and investments		4,832	4,882
<b>Current assets</b>			
Decommissioning fund		342	323
Stocks		549	558
Debtors		262	214
Investments – short-term deposits		213	582
Cash at bank and in hand		58	2
		1,424	1,679
Creditors: amounts falling due within one year	7	(653)	(637)
<b>Net current assets</b>		771	1,042
<b>Total assets less current liabilities</b>		5,603	5,924
Creditors: amounts falling due after more than one year	7	(2,442)	(2,467)
Provisions for liabilities and charges	7	(1,803)	(1,773)
<b>Net assets</b>		1,358	1,684
<b>Capital and reserves</b>			
Called up share capital		435	720
Share premium		76	76
Capital Redemption Reserve		285	–
Profit and loss account		562	888
<b>Shareholders' funds</b>	9	1,358	1,684

# Group Cash Flow Statement

for the six months ended 30 September 1999 (unaudited)

	Notes	6 months ended 30 Sep 99 £ million	6 months ended 30 Sep 98 £ million	Year ended 31 Mar 99 £ million
<b>Net cash inflow from operating activities</b>	10	<b>159</b>	<b>158</b>	<b>557</b>
<b>Net interest received/(paid)</b>		<b>20</b>	<b>15</b>	<b>(1)</b>
<b>Taxation paid</b>		<b>(9)</b>	<b>(8)</b>	<b>(43)</b>
Payments to acquire tangible fixed assets		<b>(53)</b>	<b>(39)</b>	<b>(78)</b>
Payments to acquire financial investments		<b>(75)</b>	<b>(25)</b>	<b>(30)</b>
<b>Capital expenditure and financial investment</b>		<b>(128)</b>	<b>(64)</b>	<b>(108)</b>
<b>Equity dividends paid</b>		<b>(74)</b>	<b>(137)</b>	<b>(173)</b>
<b>Management of liquid resources</b>		<b>369</b>	<b>91</b>	<b>(232)</b>
<b>Financing (Return of Value)</b>		<b>(281)</b>	<b>-</b>	<b>1</b>
<b>Increase in cash</b>		<b>56</b>	<b>55</b>	<b>1</b>

# Notes to the Accounts

for the six months ended 30 September 1999 (unaudited)

## 1. BASIS OF PREPARATION

These interim financial statements have been prepared on the basis of accounting policies consistent with those set out in the Group financial statements for the year ended 31 March 1999. New accounting standards effective since the date of the last accounts have been implemented and have no material impact. Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

To assist shareholders to compare the underlying business performance of the Group, "business performance" profit and loss account figures are shown which exclude exceptional items.

The interim financial statements are unaudited but have been formally reviewed by the auditors and their report to the Company is set out on page 13. The figures for the year ended 31 March 1999 have been extracted from the full financial statements for that year, which have been delivered to the Registrar of Companies and on which the auditors have made an unqualified report.

## 2. TURNOVER

	6 months ended 30 Sep 99 TWh	6 months ended 30 Sep 98 TWh	Year ended 31 Mar 99 TWh
Output	31.4	32.8	69.1
	£ million	£ million	£ million
Generation sales	773	830	1,839
Direct supply sales	128	100	219
Miscellaneous income	12	5	9
	913	935	2,067

# Notes to the Accounts

for the six months ended 30 September 1999 (unaudited)

## 3. OPERATING COSTS

	6 months ended 30 Sep 99 £ million	6 months ended 30 Sep 98 £ million	Year ended 31 Mar 99 £ million
<b>Operating costs before exceptional items</b>			
Front end fuel (procurement and manufacture)	105	122	252
Back end fuel (management of spent fuel and waste)	69	78	166
Materials and services	215	215	454
Staff costs	120	114	227
Depreciation	129	139	278
	638	668	1,377
Electricity purchases for direct supply sales	127	89	217
	765	757	1,594
<b>Exceptional operating (credits)/charges</b>			
Front end fuel	(10)	(14)	(14)
Back end fuel	(7)	(9)	(9)
Staff costs	6	8	15
	(11)	(15)	(8)

On 11 May 1999 the Board decided to extend the accounting lives of Heysham 2 and Torness power stations by five years with effect from 1 April 1999. The accounting lives of these stations have therefore increased from 30 years to 35 years, changing the assumed closure dates for accounting purposes from 2018 to 2023. As a result of the life extensions there were one-off exceptional credits of £10m to front end fuel and £7m to back end fuel. In accordance with FRS 12 the one-off reductions in decommissioning liabilities were credited directly against the decommissioning assets within the power station assets, rather than credited to the profit and loss account.

During 1998-99 the accounting lives of Hinkley Point B and Hunterston B power stations were increased by five years from 30 years to 35 years. As a result of these life extensions there were one-off exceptional credits of £14m to front end fuel, £9m to back end fuel and £36m to revaluation (see note 4).

There are further exceptional staff costs of £6m in respect of shares issued to the British Energy Qualifying Employee Share Trust ("the QUEST") during 1997-98. The difference between the Sharesave Scheme option prices and the subscription price paid for the Company's shares by the QUEST is being charged to the profit and loss account over the minimum lives of the options.

## Notes to the Accounts

for the six months ended 30 September 1999 (unaudited)

### 4. FINANCING CHARGES/(CREDITS)

	6 months ended 30 Sep 99 £ million	6 months ended 30 Sep 98 £ million	Year ended 31 Mar 99 £ million
Revalorisation of nuclear liabilities			
changes in price levels	49	85	79
release of discount for the period	55	56	112
	104	141	191
Revalorisation of decommissioning fund	(10)	(10)	(17)
	94	131	174
Interest payable less receivable	(1)	1	1
	93	132	175

In the six months ended 30 September 1999 there was an exceptional revalorisation credit of £36m resulting from the extension of the accounting lives at Hinkley Point B and Hunterston B power stations (see note 3). The year ended 31 March 1999 included this exceptional revalorisation credit and an exceptional charge of £66m which resulted from the repayment and reissue of long-term bonds.

### 5. TAXATION

The taxation charges reflect the anticipated effective tax rates relating to the underlying business performance and the exceptional operating credits for the year ending 31 March 2000.

### 6. EARNINGS PER SHARE

The earnings per share for the period have been calculated on the basis of a profit on ordinary activities after taxation of £45m (30 September 1998: £65m; 31 March 1999: £186m); and by reference to a weighted average of 670 million ordinary shares (30 September 1998: 689 million ordinary shares; 31 March 1999: 687 million ordinary shares). The business performance earnings per share were based on a profit after tax of £37m (30 September 1998: £31m; 31 March 1999: £201m).

The weighted average of ordinary shares used for calculating the diluted total earnings per share and diluted business performance earnings per share is 689 million (30 September 1998: 706 million; 31 March 1999: 712 million).

# Notes to the Accounts

for the six months ended 30 September 1999 (unaudited)

## 7. CREDITORS AND PROVISIONS

	Nuclear liabilities (see note 8) £ million	Debt £ million	Deferred tax £ million	Other creditors and provisions £ million	Total £ million
Creditors:					
Amounts falling due within one year	299	–	–	354	653
Amounts falling due after more than one year	2,034	408	–	–	2,442
Provisions for liabilities and charges	1,440	–	261	102	1,803
<b>As at 30 September 1999</b>	<b>3,773</b>	<b>408</b>	<b>261</b>	<b>456</b>	<b>4,898</b>
As at 31 March 1999	3,762	408	240	467	4,877

## 8. NUCLEAR LIABILITIES

	30 Sep 99 £ million	31 Mar 99 £ million
Back end fuel	<b>2,916</b>	2,905
Decommissioning	<b>857</b>	857
	<b>3,773</b>	3,762

## Projected Payment Details

Based on current estimates of station lives and lifetime output projections, the following table shows, in current prices, the likely undiscounted payments, the equivalent sums discounted at 3 per cent per annum to the balance sheet date and the amounts accrued to date.

	Back end fuel costs contracted £ billion	Back end fuel costs uncontracted £ billion	Decommissioning £ billion	30 Sep 99 Total £ billion	31 Mar 99 Total £ billion
Undiscounted	5.2	3.9	4.6	<b>13.7</b>	13.6
Discounted	3.5	0.9	0.9	<b>5.3</b>	5.3
Accrued	2.3	0.6	0.9	<b>3.8</b>	3.8

## 9. SHAREHOLDERS' FUNDS

On 15 June 1999 the Directors issued a circular outlining proposals for a return of value by the Company, which were approved by shareholders at an Extraordinary General Meeting on 15 July 1999. This resulted in 43 new ordinary shares of 44<sup>28</sup>/<sub>43</sub>p and 48 'A' shares of 60p being issued for every 48 existing ordinary shares of £1 registered on 6 August 1999. The shareholders had the option of selling their 'A' shares to the Company for 60p per share, receiving a single dividend of 60p per 'A' share, with the 'A' share becoming an unlisted deferred share with negligible monetary value, or keeping their 'A' shares and receiving a sub-LIBOR dividend payable annually from 10 August 2000, on the principal of 60p per share.

As a result of the options taken by shareholders, the Company had the following issued share capital structure at 30 September 1999.

	£ million
645,357,463 Ordinary shares of 44 <sup>28</sup> / <sub>43</sub> p each	<b>288</b>
170,907,467 'A' shares of 60p each	<b>102</b>
74,741,066 Deferred shares	<b>45</b>
	<b>435</b>

## Notes to the Accounts

for the six months ended 30 September 1999 (unaudited)

### 9. SHAREHOLDERS' FUNDS (continued)

Following the repurchase of 474,750,496 'A' shares on 13 August 1999 the Company created a Capital Redemption Reserve of £285m.

A dividend of 60p per share was paid on 6 October 1999 to 74,741,066 'A' shareholders who opted for the immediate dividend, and these shares became deferred shares.

On 29 October 1999 the Company repurchased a further 89,999,220 'A' shares at 60p per share leaving 80,908,247 'A' shares outstanding.

A reconciliation of the movement in shareholders' funds at 30 September 1999 is set out below.

	30 Sep 99 £ million
At 1 April 1999	1,684
Profit for the period	45
Ordinary dividend	(35)
Repurchase of 'A' shares	(285)
'A' share dividends (relating to return of value)	(45)
Costs relating to return of value written off to reserves	(6)
At 30 September 1999	1,358

### 10. RECONCILIATION OF OPERATING CASH FLOW

	6 months ended 30 Sep 99 £ million	6 months ended 30 Sep 98 £ million	Year ended 31 Mar 99 £ million
Operating profit	159	193	481
Exceptional items	(11)	(15)	(8)
Operating profit excluding exceptional items	148	178	473
Depreciation	129	139	278
Nuclear liabilities charged to operating costs	69	78	166
Nuclear liabilities discharged	(128)	(152)	(332)
Movements in other provisions	(1)	(11)	(28)
Regular contributions to the decommissioning fund	(9)	(8)	(17)
(Increase)/decrease in working capital	(49)	(66)	17
<b>Net cash inflow from operating activities</b>	<b>159</b>	<b>158</b>	<b>557</b>
Payments to acquire tangible fixed assets	(53)	(39)	(78)
<b>Net cash inflow from operating activities net of capital expenditure</b>	<b>106</b>	<b>119</b>	<b>479</b>

### 11. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£ million
Increase in cash in the period	56
Decrease in liquid resources	(369)
Decrease in net funds	(313)
Net funds at 1 April 1999	176
Net debt at 30 September 1999	(137)

# Independent Review Report to British Energy plc

## Introduction

We have been instructed by the Company to review the financial information set out on pages 5 to 12 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

## Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Listing Rules of The London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of British Energy plc management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 1999.

**PricewaterhouseCoopers**

**Chartered Accountants**

**9 November 1999**

## Financial Calendar

### Financial Calendar

Ex-dividend date for 1999-2000 interim dividend	22 November 1999
Payment of 1999-2000 interim dividend to shareholders registered on 26 November 1999	28 January 2000
Announcement of 1999-2000 Preliminary results	10 May 2000
Ex-dividend date for 1999-2000 final dividend	22 May 2000
Annual General Meeting	13 July 2000
Payment of 1999-2000 final dividend to shareholders registered on 26 May 2000	End July 2000

### Further information:

#### Investor Relations

Paul Heward	0131 527 2250
Sonia Boggis	020 7389 3489

#### Media

Doug McRoberts	0131 527 2020
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