BRITISH ENERGY GROUP PLC
Form 20-F/A
July 25, 2005
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Mark One)

¨ Annual report pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934 (*Fee required*)

or

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2004** ***(No Fee required)***

or

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from N/A to N/A *(No Fee required)*

Commission file number 1-14990

BRITISH ENERGY LIMITED

(Exact Name of Registrant as Specified in Its Charter)

(Formerly British Energy plc)

Scotland

(Jurisdiction of Incorporation or Organization)

Systems House, Alba Campus, Livingston, EH54 7EG

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Ordinary shares of 44 28/43p each (ordinary shares)	

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares of 44 28/43p each	620,362,444 shares
A shares of 60p each	80,908,247 shares
Non voting deferred shares of 60p each	74,752,351 shares
Non-voting special rights redeemable Preference share of £1	1 share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) x (2) x

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 x

* Not for trading but only in connection with the registration of ADSs pursuant to the requirements of the Securities and Exchange Commission.

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Introduction

In this annual report, except as otherwise specified, British Energy , the British Energy Group , the Company , the Group , we , us our refer to British Energy plc and its subsidiaries and any of their respective predecessors in business, as the context may require. We were incorporated under the Companies Act 1985, as amended (the Companies Act) on December 13, 1995.

Our registered office is located at Systems House, Alba Campus, Livingston, EH54 7EG, Scotland, and our telephone number is 011 44 1506 408700. Our website address is www.british-energy.com. The information on our website is not a part of this annual report.

Amendments

The Company s annual report on Form 20-F for the year ended March 31, 2004 was filed with the SEC on September 30, 2004. At the time of the filing of the Form 20-F with the SEC, Mike Alexander was the Chief Executive Officer of the Company and Martin Gatto was Chief Financial Officer. Accordingly, Messrs. Alexander and Gatto signed the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002.

Stephen Billingham took over the full responsibilities of Chief Financial Officer on January 1, 2005, upon the departure of Martin Gatto. On March 3, 2005, the Company received a comment letter from the SEC Staff requesting that certain amendments be made to the Form 20-F. On March 20, 2005, Mike Alexander resigned as Chief Executive Officer of the Company and William Coley was subsequently appointed Chief Executive Officer. Messrs. Coley and Billingham were not the Company s Chief Executive Officer and Chief Financial Officer, respectively, at the time that the Form 20-F was prepared and filed. Accordingly, Messrs. Coley and Billingham were not responsible for establishing or maintaining the Company s disclosure controls and procedures for the period of this report. They became responsible for establishing and maintaining the Company s disclosure controls and procedures following their respective appointments as Chief Executive Officer and Chief Financial Officer and have continued to exercise that responsibility since the date of their appointment. They have signed this amended 20-F on that basis.

Exchange Rates

We publish our financial statements in pounds sterling. In this annual report, references to pounds sterling , £ , pence or p are to UK currency, references to US dollars , US$ or $ are to US currency and references to Canadian dollars , or C$ are to Canadian currency. Amounts in this annual report stated in US dollars, unless otherwise indicated, have been translated from pounds sterling solely for convenience and should not be construed as representations that the pound sterling actually represent such US dollar amounts or could be converted into US dollars at the rate indicated or any other rate. The Noon Buying Rate for pounds sterling on September 24, 2004 was £1.00 = $1.8031. For certain information about exchange rates between pounds sterling and US dollars, see Item 3. Key Information Exchange Rates .

Technical Terms

This annual report refers to certain technical terms used to measure output of electricity and the production of electricity over time. The basic unit for the measurement of electricity output is a kilowatt (kW). The basic unit for the measurement of electricity production is a kilowatt-hour (kWh); that is, one hour of electricity production at a constant output of one kilowatt. One thousand kilowatts are a megawatt (MW) or, in terms of production, a megawatt-hour (MWh). One thousand megawatts are a gigawatt (GW) or, in terms of production, a gigawatt-hour (GWh). One thousand gigawatts are a terawatt (TW) or, in terms of production, a terawatt-hour (TWh).

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Information Regarding Forward-looking Statements

This annual report contains certain forward-looking statements as defined in Section 21E of the US Securities Exchange Act of 1934. Such forward-looking statements include, among others:

- statements concerning our proposed restructuring and the effect of our proposed restructuring on our business and financial condition or results of operations,
- the anticipated development of the UK electricity industry, the future development of regulation of the UK electricity industry, the effect of these developments on our business, financial condition or results of operations, and
- other matters that are not historical facts concerning our business operations, financial condition and results of operations.

These forward-looking statements involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results or performance to differ materially from those expressed or implied by such forward-looking statements. For a discussion of some of the risks associated with these forward-looking statements, see Item 3. Key Information Risk Factors . Due to the uncertainties and risks associated with these forward-looking statements, which speak only as of the date hereof, we are claiming the benefit of the safe harbor provision referred to above.

Non-GAAP Financial Measures

EBITDA and EBITDA from Continuing Activities

EBITDA means earnings before interest, taxes, depreciation, amortization and related exceptional items. EBITDA and EBITDA from continuing activities are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, UK GAAP or US GAAP. EBITDA and EBITDA from continuing activities are not measurements of our financial performance or liquidity under UK GAAP or US GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with UK GAAP or US GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.

We present EBITDA and EBITDA from continuing activities because we believe that they are frequently used by certain of our investors and other interested parties in evaluating our financial performance. EBITDA and EBITDA from continuing activities can facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expense), extraordinary items and minority interests.

Nevertheless, EBITDA and EBITDA from continuing activities have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our financial condition or results of operations, as reported under UK GAAP. Some of these limitations are:

- EBITDA and EBITDA from continuing activities measures do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

- EBITDA and EBITDA from continuing activities measures do not reflect changes in, or cash requirements for, our working capital needs;

- EBITDA and EBITDA from continuing activities measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

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although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and EBITDA from continuing activities measures do not reflect any cash requirements for such replacements;

EBITDA and EBITDA from continuing activities measures do not reflect exceptional income/expense or any other non-cash items;

other companies in our industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, EBITDA and EBITDA from continuing activities should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our UK GAAP results and using EBITDA only as supplemental measures.

Realized Price

We calculate our realized price for electricity by dividing UK turnover (net of energy supply costs and miscellaneous and exceptional income) by total output. Realized price is not derived in accordance with UK GAAP or US GAAP and should not be exclusively relied upon when evaluating our business. Realized price constitutes a non-GAAP financial measure because we eliminate energy supply costs (i.e., the cost of transmitting electricity to our customers) and other exceptional items from total turnover. We make these adjustments to turnover because we believe that they allow our management team and our investors to better understand the net price that consumers are paying for our electricity.

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ITEM 3. KEY INFORMATION

RISK FACTORS

OPERATING RISKS

If we do not find alternative sources of income as our power stations start to close we may not be able to recover our costs from our sales revenue.

Five of our Advanced Gas Cooled Reactor (AGR) power stations (AGR power stations) are, based on current scheduled accounting closure dates, due to close by 2014. This will reduce our generating capacity by 61.5% of our current generating capacity. There can be no assurance that station lifetime extensions will be achievable at any of our AGR power stations or at our Pressurized Water Reactor (PWR) power station (PWR power station). Our ability to find alternative sources of income is restricted by the compensatory measures we have agreed to undertake in connection with the European Commission s approval of the State Aid elements of the Restructuring (as defined in Item 4) and certain other agreements to be entered into pursuant to the Restructuring. If our remaining assets do not generate income in line with our expectations (for example as a result of earlier than anticipated closure of a nuclear power station) our costs (including the costs of maturing pension schemes) may exceed our revenue and this may adversely affect our financial results and our ability to pay dividends in the future.

Our future profitability is dependent upon several factors, some of which are outside our control.

Costs structure and variable electricity prices

The operation of our nuclear power stations is characterized by high fixed costs. Additionally, some of our costs are not borne by our non-nuclear competitors because they are unique to the nuclear power generation industry.

Our ability to generate sufficient turnover at sufficient margin to cover our fixed costs is dependent, in part, on favorable electricity prices and our sales and trading strategy. Electricity prices depend on a number of market factors. Because our costs are primarily fixed in nature, they cannot be reduced in periods of low electricity prices. Therefore, in these circumstances it is possible that we may not produce sufficient revenue from our electricity sales and/or trading to cover our generation costs.

In addition, increasing vertical integration in the electricity sector is likely to affect the liquidity of the markets in which we trade and the volatility of those markets. This in turn may affect the revenue from our electricity sales or trading and may adversely impact our proposed trading going-forward.

Unplanned outages

Unplanned outages of our nuclear reactors result in lost generation and, due to our contractual obligations to deliver electricity at pre-established prices and quantities, we may, therefore, be required to purchase replacement electricity volume in the open market which may be at unfavorable prices. Given the complexity of operating nuclear power stations, we do not believe that we will be able to completely eliminate the risk of unplanned outages and we cannot predict the timing or impact of these outages with any certainty.

Therefore, there is no assurance that we will be profitable or generate sufficient cash to fund our operations or to meet our financial obligations as they fall due. For further risks relating to unplanned outages see Item 3. Risk Factors Unplanned outages at our nuclear power stations could adversely affect our revenues and profitability .

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Unplanned outages at our nuclear power stations could adversely affect our revenues and profitability.

Historically, our nuclear output has been adversely affected by unplanned outages and unplanned reductions in output. We believe that the loss of output is indicative of a deterioration of the materiel condition of plant over time in part caused by inadequate investment over the last few years which has resulted in an increase in our maintenance backlog and failure to carry out required maintenance on a timely basis.

Further, some of our unplanned outages flow from human errors in the operation and maintenance of our plant.

Plant unreliability can result in significant imbalance costs being incurred. In the medium term we have contracted to supply most of our electricity to customers at pre-agreed prices and volumes. If our stations fail to produce the amount of electricity that we have contracted to supply or have otherwise already balanced in the wholesale market, we may have to enter into the short-term market or accept the prices prevailing in the balancing mechanism to meet any such shortfall in output. Prices in the short-term market and imbalance mechanism may be very high, particularly in periods of tight capacity margins for generating plant in the UK, and the unplanned outages of our stations may raise demand and therefore raise prices in these markets.

The Performance Improvement Program (PIP) may be constrained by our cash resources and there is no certainty that the hoped for benefits of PIP will materalize. This may adversely affect our prospects in the long term.

Although we are attempting to improve our plant reliability through increased investment and the implementation of the PIP, there is no guarantee that we will be able to identify and/or remedy the causes of plant unreliability. Even if we can identify the causes, there is no certainty that we will be able to implement cost effective solutions or PIP in such a way as to maximize the potential benefits that PIP may afford due to the requirements to maximize the output of our plants. The amount we are able to spend on PIP will be affected by the availability of our cash resources and, in the future in certain circumstances, may be restricted or prohibited by our arrangements with the Nuclear Liabilities Fund (NLF). Furthermore, our ability to undertake the proposed capital expenditure may be affected by requirements to undertake urgent remedial work at one (or more) of our nuclear power stations.

In addition, our insurances contain standard exclusions and restrictions and the material damage and business interruption cover does not therefore provide cover for damage caused by, for example, losses due to erosion, corrosion, stress corrosion or cracking. Consequently we may not be able to claim under our material damage and business interruption cover in such circumstances.

Our nuclear stations utilize sea water for condensing the steam from the turbines and for cooling the reactor pressure vessel and turbine-generator auxiliaries. These systems are essential to support generation and a failure of them could result in lost generation, adversely affecting our revenues and profitability.

In 2003, the failure of a cast iron pipe carrying sea water at Heysham 1 resulted in unplanned losses of some 3.2 TWh. Hunterston B, Hartlepool and Hinkley Point B stations also use cast iron pipe work for carrying sea water.

To address the problem, we have developed a strategy to systematically replace the existing cast iron pipe work with steel pipe work coated with a corrosion resistant barrier at all these stations. The corrosive nature of sea water may affect other parts of our pipe work systems, although inspection and maintenance strategies are in place to mitigate this risk. This program of work is planned to take place

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in 2004/5, 2005/6 and 2006/7 and we have made allowances for additional outages to enable this work to take place. We cannot assure you that there will not be further unplanned losses if any failure occurs before the planned program of work is completed.

Problems of damaged pre-stressing tendons at certain of our AGR power stations could negatively affect our profitability or revenues.

At our AGR stations, steel wires (tendons) are used to maintain the integrity of the concrete pressure vessel. We have recently identified limited corrosion in a small number of these pressure vessel pre-stressing tendons at one of our AGR power stations. The access for repair to these tendons is straightforward, and hence repairs are considered to be undemanding.

However, similar steel pre-stressing wires are used to assure the integrity of the boiler closure units (which are housed within the concrete pressure vessels) at two of our AGR stations. As a result of the discovery of corrosion on the tendons (as described above), the Nuclear Installations Inspectorate (NII) has concluded boiler closure unit steel wires could also suffer from corrosion. These boiler unit wires are more difficult to inspect.

At three of our reactors (at two of our nuclear power stations) we are presently inspecting the boiler closure unit tendon top anchorages and testing to show that the tendons are intact and, as far as can be determined, free from corrosion. We expect to return these three reactors to service on completion of this work in September and October 2004.

We may wish, or be required by the NII to make, further more detailed inspections at these three reactors. Such inspections may be complex and invasive and may result in a substantial loss of output, which could adversely affect our financial condition. Until these inspections are completed we cannot give assurances as to the length of outages or the cost of work that may be required to complete the inspections or repairs.

A significant engineering fault or a design flaw at one of our power stations, or one which is generic to a class of nuclear plants, could decrease our revenues and increase our costs.

A major engineering fault at one of our nuclear power stations could result in the closure of that station ahead of its expected closure date. Furthermore, engineering faults or safety risks arising from a design problem that is generic to a particular type of nuclear plant could result in the closure of all our nuclear power stations of the same nuclear plant design ahead of their expected closure dates. The early closure of one nuclear power station or any one type of nuclear power station would result in a loss of planned future output and result in costs associated with the closure of the affected nuclear power station or stations.

To deal with the potential of a major engineering fault, we have extensive inspection and testing programs in place in order to evaluate the physical condition of our nuclear power stations. These programs periodically identify certain technical issues for resolution. However, there is no assurance that our inspection process will identify all significant problems and the identification of technical issues with respect to our nuclear power stations may require us to incur significant expenditure for repairs or replacement of parts or equipment. This may result in lost output due to the outages necessary to complete such repairs or replacements.

Problems of graphite core brick cracking and reduced boiler life could negatively affect our profitability and the lifetime of our AGR power stations.

Graphite core brick cracking and reduced boiler life could lead to prolonged outages for testing and, potentially, early station closures at certain of our AGR power stations. These risks are explained in greater detail below.

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Graphite core brick cracking

The graphite cores in the AGRs are made up of a number of graphite bricks arranged in layers. Over the course of the nuclear generation process, the graphite bricks suffer from degradation. Analysis has shown that this degradation can result in a significant number of the graphite bricks developing single or multiple cracks. We are not aware of any technique for eliminating the cracks. Such cracking can lead to the distortion of the core structure and the reduction of the AGRs operational capacity.

While our understanding of this issue continues to develop, there is uncertainty as to the level of tolerance of graphite bricks to multiple cracks that can be demonstrated and which may be acceptable to the NII. As such, the development of a safety case, and therefore the continued operation of the reactor, may not be possible. The potential impact of this risk is that currently assumed station lifetime may not be achieved, particularly at Hinkley Point B, Hunterston B, Heysham 2 and Torness, and extensions to station lifetime at these stations may not be possible.

We carry out periodic inspections on the AGR cores and continue to develop safety cases to attempt to demonstrate the tolerance of graphite core brick cracking. However, until we fully understand whether it is possible to devise ways to control or minimize further graphite core brick cracking (if at all), our plants may require more frequent inspection to support our safety cases, which could result in prolonged statutory or unplanned outages or a refusal by the NII to permit us to operate a particular reactor.

Boiler life

The boilers at our AGR power stations consist of multiple steel tubes over which the hot reactor gas flows in order to boil the water that flows through the tubes. Failure of any of the boiler tubes could result in prolonged outages in order to complete repairs or lead to station closure.

If a boiler tube fails, action is taken to permanently seal-off the leaking tube from the incoming water supply. This may result in a permanent reduction in boiler performance and, consequently, our ability to generate electricity if a material number of tubes are sealed. If, ultimately, we are not able to repair the boiler tubes, it may not be possible for us to maintain a safety case for the continued operation of that reactor and the currently assumed station lifetimes may not be achieved.

In addition to the general problem of boiler tube leaks at each of our AGR power stations, specific design issues at some of our stations could lead to further significant threats to boiler life. The design adopted for these stations is unique in that a central cylindrical segment called a spine supports the boiler. The spine construction incorporates the main water inlet and steam outlet, each fabricated from different materials selected to suit the specific operating conditions. The various elements that make up the spine are welded together to form one fabricated section. A small number of these welds are susceptible to high temperature re-heat cracking. Failure of these welds could result in collapse of the boiler with consequential damage to the reactor pressure vessel and other reactor internal components. The boiler spine design and layout makes physical inspection or repair of the vulnerable welds difficult. The safety case for boiler operations is therefore extremely complex and has required us to develop novel methods of analysis to establish the safety justification. If further material analysis and remote inspection fails to strengthen the current safety case, this could shorten station life at some of our power stations.

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Our Hartlepool and Heysham 1 stations may suffer additional outages as a result of flooding threats.

The potential for turbine hall flooding events at our Hartlepool and Heysham 1 stations resulting in consequential flooding of the reactor buildings was highlighted by the cast iron pipework failure at Heysham 1 in 2003.

It is possible that other unplanned incidents (in particular the possibility of turbine-alternator disintegration) could result in turbine hall flooding. At Hartlepool and Heysham 1 this could also result in flooding of the reactor buildings and may interfere with the electrical equipment that supports the gas circulators causing the gas circulators to become inoperable. Our current safety case requires that the gas circulators are operable when a reactor is shutdown, depressurized and with an air atmosphere.

On the occasions that we are required to shutdown and introduce an air atmosphere to a Hartlepool or Heysham 1 reactor our current safety case requires the threat from turbine hall flooding to be minimized and this is best achieved by shutting down the other reactor/turbine at that station to remove the threat from turbine-alternator disintegration.

We are currently amending our safety cases to avoid this requirement but until we have the necessary safety case in place there is the risk of increased outages which would adversely affect our profits.

Obsolescence of some of our equipment, component parts and computer systems that are required to operate our power stations and monitor plant stability could result in higher operating costs, unplanned losses or the closure of our power stations.

The first of our nuclear power stations became operational in 1976. As a result, it is becoming increasingly difficult to source replacement parts for some older equipment and to find engineers qualified to service certain equipment, in particular our aging computer and other information technology systems that were installed at or about the time the plants were constructed. We may not be able to maintain our older equipment on a cost effective basis or at all. We believe the increasing obsolescence of some of our parts and systems may result in an increase in unplanned losses, longer planned outages, significantly higher repair costs and/or the closure of our stations.

The condition of some of the plant, equipment and components at our power stations is subject to gradual deterioration over time.

The impact on the condition of some of the plant, equipment and components at our power stations of station operations and natural processes such as erosion and corrosion tends to increase as such plant, equipment and components grow older. While we attempt to implement inspection and maintenance practices such that we repair or replace such plant, equipment and components before they fail there is no guarantee that we will be successful and consequently we may experience unplanned losses which will adversely impact on our profitability.

The failure of our AGR fuel could result in decreases in our output and revenues.

Our AGR fuel is contained inside a stainless steel fuel can which acts as the primary barrier for any fission products produced by the fuel during operation. If the steel fuel can cracks, then the fission products will leak into the carbon dioxide gas that is used to cool the reactor. As many of these fission products are radioactive, any major leakage into the carbon dioxide gas will potentially contaminate large parts of the reactor which in turn will lead to major operational difficulties. It is therefore important to minimize fuel failures of this type.

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We have experienced on average one fuel failure per year across our fleet of AGR stations in the period 1975 to 2000. In 2001 and 2002, we experienced ten and nine failures respectively. In 2003 we experienced one fuel failure and we have not experienced any failures in the fiscal year ended March 31, 2004. The increase in fuel failure rates was attributable to fuel failures at our Dungeness B, Hunterston B, Torness, Heysham 1 and Hartlepool stations. We have determined the cause of the failures at Heysham 1 and Hartlepool and we have taken corrective action. We have received initial results on the cause of the fuel failures at Dungeness B which indicates that the cause is different from those at Heysham 1 and Hartlepool but is one that is known to us. Detailed examinations of the fuel failures at Hunterston B and Torness have yet to take place and the reasons for the failures cannot yet be confirmed. Dependent upon the cause of these failures, we may be required to remove fuel from the reactor earlier than anticipated or to operate our reactors at lower power levels to protect the fuel against further failures.

Based on the cause of fuel failures we may have to shut down one or more of our nuclear reactors until we have determined the cause of such failures. In order to do so, we are, in certain cases, reliant upon services provided to us by British Nuclear Fuels plc (BNFL) a company wholly owned by the UK Government (the Government). If they were unable or unwilling to provide such services, we may be unable to determine the cause of such failures. Any nuclear power station closure or prolonged outage could adversely affect our business and profitability.

Our business depends on equipment and service suppliers of a specialized nature, who may fail to provide necessary equipment and services on a timely basis, discontinue their products or services and/or seek to charge us prices that are not competitive. Any of these events could adversely affect our business and/or profitability.

We depend upon a small number of specialized suppliers for essential products and services which are unique or highly specialized to our industry. Consequently, if our suppliers are unable or unwilling to deliver products and services on a timely basis and at reasonable prices or if their products are found to be faulty, this may impact negatively on our ability to continue to operate our power stations economically (or at all), and would have an adverse effect on our financial condition and results of operations. In addition, as our plants age, the costs associated with the sourcing of spare parts are likely to increase.

Our AGR fuel is fabricated by BNFL, the only supplier of AGR fuel in the world. To protect against any short term disruptions in supply we maintain a stock of fuel elements at each of our sites. This, along with the fuel in our reactors, is sufficient to maintain normal operations for between three to six months. However, we cannot rule out a more extended disruption in fuel supply which could result in reductions in our output.

Our spent AGR fuel is delivered to BNFL which provides spent fuel management services. We are able to store approximately nine months arisings of spent fuel at each nuclear power station and, of that, have approximately three months additional capacity in the event of any short term interruptions in the movement of spent fuel to BNFL s Sellafield Site. If a station s spent fuel storage facilities became full, the station could theoretically continue to generate electricity but the volume of electricity produced would gradually reduce as the fuel in the reactor was consumed. It would not be possible to load additional fuel into the reactor until at least the equivalent quantity of stored spent fuel was despatched to Sellafield.

In the case of certain of our contracts for the provision of services, the liability of the service provider is capped and consequential losses that may be suffered by us are excluded. While these are not unusual contractual provisions, the consequences to us of a breach or non-performance by a service provider may be severe (for example certain agreements are required to be in place to meet nuclear site license requirements and may be difficult to replace) and we would almost certainly not be able to recover the loss it may suffer as a result of breach or non-performance by these counterparties.

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Our turbines, generators and certain other plant components are designed, manufactured and maintained by a small number of key suppliers. We are reliant upon certain of these suppliers for the supply of parts and for servicing and maintenance. If they fail to provide parts and/or perform servicing or maintenance, this could result in the shutdown of one or more of our turbines, generators or other plant components.

The unavailability of component parts could adversely affect our revenues and profitability.

The failure of certain components in use at our power stations could result in unplanned outages to affect repairs. The duration of the outages is influenced by, among other things, the lead-time required to manufacture and procure replacement components. Certain components (e.g. turbine rotors and transformers) are complex and may take several months to manufacture. To reduce the impact of the failure of such items we hold spare components at our power stations and in a central storage facility. We also participate in spares clubs where the cost of holding expensive replacement components is shared with other parties. Although we aim to optimize our spares holdings we cannot guarantee that we will always have ready access to the required component in the event of a failure and we may incur extended unplanned outages while we obtain the required component.

We continue to face liquidity risks associated with the seasonality of our business and the provision of collateral to our counterparties.

The UK electricity market is characterized by lower demand in the summer months and therefore comparatively lower market prices, which leads us, where possible, to plan statutory outages in this period. Accordingly, positive cash flow is reduced through the combined effect of lower prices and output. In addition, the historic high volatility of market prices increases the liquidity risk as a result of collateral calls due to increases in market prices. While we closely monitor these risks and continue to adopt mitigation strategies through trading and procurement operations, it is possible that these strategies will not be as effective in minimizing these risks as planned.

Lack of liquidity in the wholesale market may adversely affect or require us to alter our trading strategy.

Liquidity in the wholesale electricity market is dependent on there being a sufficient number of counterparties willing to trade actively in the market. Changes to the market structure, and in particular further consolidation of the existing generation and supply businesses, could result in a reduction in the number of active participants in the market. This could reduce the level of liquidity in the wholesale market to such an extent that we are no longer able to rely on wholesale market trading as a means of hedging our short to medium term exposure to wholesale electricity market prices and balancing our portfolio. We also rely on reported prices from a liquid wholesale market to deliver reliable reference prices which are used within a number of our indexed price contracts. Thus a lack of liquidity could result in us incurring higher hedging or balancing costs to achieve our trading objectives.

While our understanding of potential contaminated land liabilities at our power stations continues to grow, we have yet to fully implement risk management systems at all sites that will allow us to monitor liabilities at those sites and develop more informed assessments of any such liabilities. Consequently, we are currently unable to predict the likely cost of all our contaminated land liabilities.

With the exception of Dungeness B, where an extensive remedial operation in response to historic spillages of diesel to ground has now been completed, we currently have only limited data from physical site investigations to support our assessments of contaminated land liability at our power stations. However, an independent expert review was recently carried out to review the potential for any significant contaminated land at our nuclear power stations. This expert review, completed in

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January 2002, suggested that there were no obviously significant problems but it did highlight areas of vulnerability to contamination at a number of our sites and the need to establish groundwater monitoring networks and allied procedures at each.

A ground contamination risk assessment carried out at the Eggborough power station has concluded that the site has significant potential to affect local groundwater quality and is vulnerable to contamination migrating from neighboring landfill sites. Although no significant contamination problems have been observed at the Eggborough power station to date, we cannot be certain that none will occur in the future and therefore cannot exclude the risk of significant unforeseen clean-up costs.

Certain types of nuclear liabilities arising at our power stations will not be covered by the scope of the Nuclear Liabilities Funding Agreement (NLFA) or the HLFA under the NLFA and/or the HLFA.

These nuclear liabilities include those which are not connected with nuclear decommissioning and those which are adjudged to have arisen as a result of our safety and environmental compliance standards falling below those of the minimum performance standard or minimum contracting standard agreed under the NLFA or HLFA respectively or by the implementation of operational changes made by us other than to meet current or reasonably anticipated legal or regulatory requirements or to comply with practices and procedures both considered by, and acceptable to, the relevant regulators will not be covered by the NLFA and HLFA and will thus remain for our account. While the definitions of minimum performance standard or minimum Contracting Standard may be known it is not currently certain how such minimum performance standards would be interpreted or applied. It may also be difficult to be certain whether the implementation of operational changes would be considered to meet reasonably anticipated legal or regulatory requirements or to comply with practices and procedures both considered by, and acceptable to, the relevant regulators. Consequently, the nature or amount of these liabilities is uncertain.

The potential hazards of nuclear operations (including nuclear operations carried out by other operators in the UK and elsewhere in the world) could expose us to the risk of material liabilities, lost revenues, increased expenses or reputational damage.

Our operations use and generate radioactive and hazardous substances that have the potential to seriously impact human health and the environment. There are particular risks associated with the operation of nuclear power stations. These include accidents, the breakdown or failure of equipment or processes or human performance, including our safety controls, and other catastrophic events that could result in the dispersal of radioactive material over large areas, thereby causing injury or loss of life and extensive property or environmental damage. Certain of these events, including those arising as a result of third party acts, such as acts of terrorism or war, are not within our control. Liabilities we may incur, and interruptions in the operation of a power station caused by these events or associated with any of the radioactive or hazardous materials involved, could significantly reduce our revenues and increase our expenses and result in negative publicity and significant reputational damage. Insurance proceeds may not be adequate to cover all liabilities incurred, lost revenue or increased expenses. Analogous incidents occurring at other nuclear power stations elsewhere in the world may result in negative publicity and reputational damage regardless of our having no control or influence over such incidents.

The continued operation of the Eggborough power station is subject to a number of factors which could increase our costs and decrease our revenues. In particular, the introduction of the EU Emissions Trading Scheme (ETS) and Large Combustion Plant Directive (LCPD) are major environmental initiatives which will have an important impact on the Eggborough power station as they seek to reduce carbon dioxide and other emissions.

The Eggborough power station was constructed in the 1960 s and is approaching the end of its originally anticipated operating life. The Eggborough power station has been, and will continue to be,

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subject to routine and other maintenance and repair. In order to continue its economic operation, and to comply with environmental and other regulations, it has also been, and may in future be, necessary to make modifications to the Eggborough power station. We believe that we are likely to be required to make further repairs and/or modifications to the Eggborough power station as its age increases and, insofar as such requirements are currently understood, such requirements are already in our plans.

We cannot guarantee that we will be able to make any required repairs or modifications to the Eggborough power station either economically or at all (including pursuant to our legal obligations under the documentation entered into in connection with our Restructuring). Similarly, we cannot be certain that any such repairs or modifications will successfully rectify any problems and/or allow the continued operation of the Eggborough power station without interruption or at all. This may result in lost output and could adversely affect our revenues and profitability.

The ETS is due to be implemented in January 2005 and will limit pollution by the Eggborough power station. The LCPD is due to become effective on January 1, 2008 and, in replacing the previous Large Combustion Plants Directive (1988/609/EEC), will further restrict the limits of permitted pollution by the Eggborough power station. The full extent of the possible implications of this legislation are not yet known and therefore we cannot be certain of: (i) the impact on output; (ii) the likely costs associated with any required engineering or structural changes to the Eggborough power station which may be required to ensure compliance; or (iii) how the legislation will affect the electricity generation market and, in particular, the price of electricity in the medium to long-term.

We have entered into a trading strategy that seeks to reduce the price risk associated with the cost of our electricity generation. However, this has reduced our ability to benefit from increasing market prices in the medium-term and may also result in an increase in collateral requirements as market prices rise. In addition, should various other unforeseen events occur which place demands on cash flow, our financial resources may prove to be insufficient.

We have entered into short-term and medium-term trading contracts with market counter parties and short-term and medium-term sales contracts with other industrial and commercial customers to hedge a significant proportion of our output against downward movements in market price. However, as a result of this, our cash flow benefits from market price increases are reduced while the level of collateral calls made by trading counter parties increases to cover their mark to market exposure.

We are reviewing our trading strategy to attempt to maintain an appropriate balance between the importance to us of maintaining a high degree of certainty of our revenues and collateral requirements, as well as continuing to take steps to identify and manage cash flow risks and manage cash resources. However, we cannot be certain that the level of funding available to us will be sufficient to meet our future needs.

Our business is subject to extensive and unique regulations.

As an owner and operator of nuclear and coal-fired power stations, we are subject to extensive governmental regulations. We are subject to, among others, nuclear safety, electricity market and environmental regulations of the UK, the EU and other governmental authorities. Unexpected or adverse changes in these regulatory regimes could adversely impact our business and profitability. Changes in regulations or personnel governing nuclear safety in the UK may result in the modification, suspension or revocation of our licenses to operate nuclear power stations, or require us to incur substantial additional cost for capital expenditure and/or services and labor.

A feature of the nuclear licensing regime is that we must conduct Periodic Safety Reviews at each of our nuclear power stations which may affect how we operate our stations and may result in significant additional costs. We must also obtain the approval of the NII to restart a nuclear power station after a statutory outage. In granting permission to re-start, the NII take comfort from the level of

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British Energy s knowledge and understanding of reactor performance. Consequently, wherever outage inspections indicate potential issues outside of the predicted norm, there is a heightened risk that delays to re-start may occur as a result of the regulator s intervention. The refusal of the NII to approve, or any delay in gaining approval from the NII, to continue or restart the operation of any of our nuclear power stations, would adversely affect future revenues and reduce our ability to trade profitably.

We are revising certain aspects of the safety cases at our AGR power stations in the light of developing regulatory standards. Whilst we are dedicating significant resources to resolving these outstanding safety case points, there can be no assurance that one of these issues may not lead the NII to refuse consent to restart one of our reactors following a statutory or unplanned outage or cause it to communicate to us that it would oppose our restarting a reactor on its return from a refueling outage. If the NII takes such action, this, too, would affect future revenues and reduce our ability to trade profitability.

We have agreed, in some cases informally, with certain of our suppliers to defer payments due to them.

We have reached, in some cases informal, agreements with certain of our suppliers to defer payments due to them from the summer months until later in the financial year. Cash balances are therefore likely to be higher for the remainder of the financial year as a result. The amount of our trade creditors will however continue to reflect the amount owed to these creditors and will accrue late payment interest in accordance with the terms of the underlying agreements with creditors. In cases where this has not been formalized, we can give no assurance that our creditors will not seek to enforce their respective contractual rights to have the amount due to them paid strictly in accordance with the payment terms of their respective agreements with us. Demands for payments to be made in advance of an agreed deferral schedule by a supplier may reduce the cash available to other parts of our business and may affect our investment, trading or operational decisions which may in turn affect our financial condition or profitability adversely. Since we have already sought deferrals from a number of our creditors this may reduce the likelihood of our being able to achieve further deferrals at other times in the financial year when our cash resources may benefit from some flexibility from our suppliers with regard to payment terms.

A failure to comply with, or the incurrence of liabilities under, environmental, health and safety laws and regulations to which we are subject, or a failure to obtain or maintain required environmental, health and safety regulatory approvals, could adversely affect our business or our ability to trade profitably.

We are subject to various environmental and health and safety laws and regulations governing, amongst other things: (i) the generation, storage, handling, release, use, disposal and transportation of hazardous and radioactive materials; (ii) the emission and discharge of hazardous materials into the ground, air or water; and (iii) decommissioning and decontamination of our facilities and the health and safety of the public and our employees. Regulators in the UK, including the NII, Environment Agency (the EA) and the Scottish Environment Protection Agency (SEPA), administer these laws and regulations.

We are also required to obtain environmental and safety permits from various governmental authorities for our operations. Certain permits require periodic renewal or review of their conditions and we cannot predict whether we will be able to renew such permits or whether material changes in permit conditions will be imposed. Therefore, we may not have been, or may not at all times in the future be, in complete compliance with such laws, regulations and permits. Violations of these laws, regulations or permits could result in plant shutdowns, fines and/or litigation being commenced against us or other sanctions. Other liabilities under environmental laws, including clean-up of radioactive or hazardous substances, can be costly to discharge. Environmental liabilities or failure to comply with environmental laws could also lead to negative publicity and significant damage to our reputation.

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While we cannot predict with any certainty the nature of developments in environmental regulation and control, we anticipate that the direction of future changes will be toward stricter controls. In view of the age and history of many sites we own or operate, we may incur liability in respect of sites that are found to be contaminated, together with increased costs of managing or cleaning up such sites. Site values could be affected and potential liabilities and clean-up costs may make disposal of potentially contaminated sites more difficult. It is possible that any clean-up costs would have an adverse effect on our business or our financial condition or results of operations.

Environmental and health and safety laws are complex, change frequently and have tended to become more stringent over time. Whilst we have budgeted for future capital and operating expenditures to comply with current environmental and health and safety laws, it is possible that any of these laws will change or become more stringent in the future. Therefore, our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, radioactive or hazardous substances, could adversely affect our business or our operating or financial performance.

The proximity of certain of our nuclear power stations to Magnox stations could result in potentially harmful materials in the ground migrating across the boundary onto our own sites. UK law currently provides that, unless we can provide adequate evidence to the contrary, any liability associated with such material under our sites would belong to us even though its initial occurrence there is beyond our control. Radiological contamination from neighboring Magnox plant may render one of our sites radioactive and would prevent its operation.

Each of Hunterston B, Dungeness B, Hinkley Point B and Sizewell B is located close to Magnox nuclear power stations operated by the British Nuclear Group and its subsidiary companies. Groundwater monitoring networks are now in place at Hunterston B, Dungeness B and Sizewell B that should allow the migration of potentially contaminating material from the neighboring sites to be identified. Although the need has been identified, an equivalent network has yet to be established at Hinkley Point B.

The statutory regime governing contaminated land in the UK provides, broadly, that if the person who is alleged to have caused a contaminated land liability cannot be identified, the land owner/occupier will be held liable for the costs of remedying the problem. Therefore, we cannot be certain that the costs of complying with this regime will not adversely affect our business or our operating or financial performance as it may not always be possible to identify another operator as a responsible party.

Further changes to the regulatory environment in the UK market and introduction of the British Electricity Transmission and Trading Arrangements (BETTA) may adversely affect our cash reserves.

BETTA is due to be implemented in April 2005 and will introduce a single Great Britain-wide set of arrangements for trading energy and for access to and use of a single Great Britain transmission system. The current CUSC Framework Agreement, BSC Framework Agreement and the Grid Code will continue to take effect but amendments will be made to them in line with the new regime and the extension of the BSC, CUSC and Grid Code to Scotland. Thus British Energy Generation Limited (BEG) as an existing signatory to these agreements will not need to sign any additional documents but British Energy Generation (UK) Limited (BEG UK) will need to accede to the framework agreements and the Grid Code by following the steps specified in the respective codes.

The introduction of BETTA is expected to result in changes to the terms and conditions that existing parties have in place for connection to or use of the transmission system and for trading electricity. In the main, the arrangements under BETTA will be

based on those currently prevailing in England and Wales. As a consequence, the changes are likely to be particularly significant for those connected to/using the transmission system in Scotland. It is also anticipated that The Office of Gas

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and Electricity Markets (Ofgem)/The Department of Trade and Industry (DTI) will modify all electricity generation, supply and distribution licenses to oblige the holders to comply with the Grid Code. The introduction of BETTA may also require, among other things, an increase in the amount of cash collateral necessary to support our generation, supply and trading operations. Consequently, it is possible that our cash reserves may also be adversely affected.

Our current sales contract for generation from our two Scottish nuclear stations will expire in April 2006 or earlier upon the implementation of BETTA which may adversely affect our cash reserves.

We currently sell all the output from our Scottish nuclear power stations to Scottish Power and Scottish and Southern Energy under the terms of the Nuclear Energy Agreement (NEA). The NEA will continue in operation until the introduction of BETTA or, if earlier, April 1, 2006. BETTA is due to be introduced on April 1, 2005 but it is possible that its introduction will be delayed. Upon the expiry of the NEA, we will need to make alternative sales arrangements for this output and/or constrain output. Alternative sales arrangements may not be available at that time on similar financial terms to the current sales contract. This may also require an increase in the amount of cash collateral necessary to support our generation supply and trading operations. Consequently it is possible that our cash reserves may be adversely affected.

Proposed arrangements governing the cost of electricity transmission in the UK could reduce our ability to trade profitably in the future.

In May 2001, the Gas and Electricity Markets Authority, or GEMA, proposed a number of possible reforms to the market arrangements governing electricity transmission system access and transmission losses in England and Wales. Transmission losses occur from the electricity that is lost to the network in the form of heat as it is transmitted. If GEMA were to implement its proposals in the form which it originally proposed, this would result in a significant redistribution of transmission costs between electricity market participants. Under the proposals, some generators would pay for a proportion of transmission losses for which they were not previously responsible. The proposal would be unfavorable to generating plants located in the North of England and Scotland, which make up a significant portion of our generating capacity.

On January 17, 2003, GEMA directed that a modification should be implemented to the Balancing and Settlement Code, to introduce zonal marginal transmission losses, with effect from April 2004 in England and Wales. On January 30, 2003, the Government issued a consultation paper on whether these changes were appropriate for Great Britain as a whole, and concluded, on June 27, 2003, that they were not. However, there is a risk that a new proposal to introduce zonal charging for losses will be made if the arrangements under BETTA are introduced in April 2005. These charging arrangements for access to and use of the transmission network are not yet finalized and therefore there is a risk that we might be adversely affected by them given the geographical distribution of our power stations.

We are involved in several disputes that if resolved or determined against our interests could adversely affect our profitability and our available cash.

Bruce Power

On February 12, 2004, the consortium that purchased our 82.4% interest in Bruce Power served a notice on us alleging a breach of certain warranties and representations relating to tax and to the condition of plant at the Bruce power station.

The tax claim relates to the treatment of expenditures at the Bruce plant during the period of our ownership which is currently under review by the Canadian tax authorities. While we have proposed a treatment that could result in a material tax rebate, the consortium claims that the allowance of the expenditures for that period would cause it to lose future deductions.

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The claim relating to the condition of the plant is based upon alleged erosion of certain parts of the steam generators including support plates through which boiler tubes pass. It is alleged that this erosion resulted in an extended outage at one unit at the plant in order to carry out repair works and loss of revenues and costs of approximately C$64.5 million. The consortium also claims that the alleged erosion may reduce the operating life of the unit and/or or result in expenditures for further repairs. We have rejected the foregoing claims and intend to defend them if they are pursued further and thus further losses. In accordance with accounting standards, no provision has been made in the financial statements at June 30, 2004 for either claim.

AmerGen

We are involved in a dispute with Exelon arising in connection with the sale of our 50 per cent. interest in AmerGen to Exelon. Under the terms of the AmerGen sale agreement, we gave certain indemnities and guarantees in connection with the sale of our interest. As a result of an accounting adjustment made by Exelon to the value of nuclear fuel contained in AmerGen s balance sheet dated December 21 2003, we may be required to make a payment to Exelon of up to US$13.7 million. British Energy disputes such claim. We served a dispute notice on Exelon on June 4 2004 to preserve our rights and the parties are endeavoring to resolve the matter amicably. The agreement with Exelon for the sale of AmerGen requires that, prior to instituting any litigation or other dispute resolution procedure, the companies will in good faith seek to resolve any dispute. Furthermore, we are reviewing with Exelon the effect on the working capital adjustment resulting from a change to the estimated tax recoverable for the prior periods made after the consummation of the sale, and this, if agreed may result in a reduction in the purchase price payable by Exelon. The reduction in the purchase price is currently estimated to be in the range of up to US$6.3 million.

If either of the Bruce claims or the AmerGen dispute is resolved against us, it could have a adverse effect on our results of operation and our available cash.

We do not currently own the rights of support for the land under the Eggborough Station.

The Eggborough Station does not enjoy a protected right of support. As a result, there is presently no restriction on coal mining taking place in circumstances whereby the stability of the Eggborough Station could be affected. We have tried, without success, to negotiate with UK Coal Mining Limited (UKC) (the holders of a license from the Coal Authority to mine coal) a pillar of support agreement.

If UKC were to mine under or in proximity to the Eggborough station in circumstances affecting its stability, then extensive liabilities would fall on UKC pursuant to the Coal Mining Subsidence Act 1991. Under this Act, the coal operator is required to carry out remedial works and/or make payments for the consequences of the mining damage.

We have submitted an application to the Secretary of State pursuant to the Mines (Working Facilities and Support) Act 1966 for restrictions to be imposed on the working of minerals under part of the Eggborough Station, and land adjacent to it as may be necessary to secure sufficient support for that area. If the Secretary of State is satisfied that a case has been established, the application will be referred to court. The court can only grant the application if it is considered to be in the national interest that restrictions on mining should be imposed. In order to limit our potential liability to pay compensation, we have only applied for the restriction of mine working of the area covered by a previous notice served earlier in 2004.

There can be no guarantee that our application to the Secretary of State to refer this matter to the court will be successful, or that if it is, that the court will find in our favor. We believe that if the court were to find in our favor, compensation is unlikely to be payable to UKC. If our application is not successful, or the court does not find in our favor, UKC would be permitted to mine in the area beneath the power station and the stability of the Eggborough Station might be adversely affected. If this were to occur, it may not be possible to continue the operation of the Eggborough Station, or substantial repairs could be required, and the compensation that UKC would be required to pay under the Coal Mining Subsidence Act might adversely affect our financial condition.

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Our right to title to certain ash and water pipelines which benefit Gale Common and the Eggborough power station is not registered with the Land Registry and is based solely on statutory declarations. In the event that we cannot establish title by long use of these pipelines, we would be unable to continue to benefit from them and the operation of Gale Common and the Eggborough power station would be adversely affected.

Title to the use of much of the ash pipeline at the Eggborough power station, the water pipeline from Gale Common to the River Aire and sections of the Eggborough cooling water pipes is not granted by deed nor referred to on the relevant registers at the Land Registry and is based solely on statutory declarations for a period from 1974 (in relation to the water pipelines) and from 1983 (in relation to the ash pipelines and cooling water pipes). The evidence contained in the statutory declarations will only be an effective step towards establishing title by long use provided that no contrary evidence comes to light which cannot be satisfactorily explained and no arguments are upheld based on lack of relevant knowledge of the existence of the pipelines by landowners. We cannot guarantee that we will be able to establish title by long use and therefore that if the pipelines were disconnected, that the work required to relocate them would not be detrimental to the operation of Eggborough power station.

In addition, title to the use of the remainder of the ash pipeline is based on the grant of licenses, many of which are terminable on notice of various lengths but frequently of six months or less.

The cost of providing pensions benefits to employees is subject to changes in pension fund values and changing demographics, and might have a material adverse effect on our financial results.

We operate two pension schemes that provide defined benefits to eligible recipients. Our actuaries are undertaking actuarial valuations of the two pension schemes as at March 31, 2004 and these are expected to be completed in October 2004. The combined funding deficiencies (on the actuarial bases used for the valuations) in the two pension schemes is expected to be £385 million. The investment performance of our pension fund assets may have an adverse effect on our business. The cost of providing pension benefits could increase as a result of changes in pension fund values and changing demographics, including longer life expectancy of the schemes beneficiaries. We may be required to recognize a charge to our profit and loss account to the extent that the pension fund values are less than the total anticipated liability under the plan. In addition, we may be required to contribute additional amounts to our pension funds to address any difference between pension fund values and accrued liabilities. We cannot assure you that such charges or payments will not have an adverse effect on our financial condition.

Our inability to attract and retain senior management and employees who are highly qualified nuclear specialists could adversely affect our business.

The success of our operations depends largely on our ability to attract and retain senior management and employees who are highly skilled in nuclear sciences or have exceptional experience operating nuclear power plants and suitably qualified finance staff. There is a limited pool of candidates with these credentials and, because competition among employers for these candidates is intense, we may not always be successful in hiring or retaining them.

Our trading contracts and certain of our other contracts may be subject to credit support obligations, such as the posting of collateral. Trading without the constraints of available collateral may increase our exposure to both fluctuations in wholesale electricity prices and potential disruptions to our generation business. We may have to post additional amounts of cash as collateral to support our trading activities, which could reduce the amount of cash available for other purposes or exceed our available cash resources. Certain counterparties require other types of collateral which would increase our requirements for third party finance or, if not provided, may affect their willingness to trade with us.

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As our credit rating is below investment grade, we have needed to establish alternative credit support to a parent company guarantee in respect of our obligations under certain trading contracts by posting collateral to support our obligations under these agreements. In the case of a significant proportion of our contracts, the financial obligations to be covered by the alternative credit support are generally related to the prevailing wholesale price of electricity. During a period of rising market prices, the amount of collateral that we are required to post will generally increase. In periods of rising market prices, the increase in the level of collateral that we could be required to post may result in us having to reduce expenditures in other areas, including capital expenditures and could exceed our available cash resources. Since notification of the EC State Aid decision on September 22, 2004 no incremental collateral can be posted under the Government Facility and therefore incremental collateral requirements are being provided by a charge over cash deposits in certain of our accounts. Although we are satisfied that generally deposits in such accounts will represent reasonably acceptable alternative credit support, in certain cases other types of collateral may be required and no assurance can be given that the provision of such charge arrangements for such collateral requirements will not affect the willingness of certain counterparties to trade with us. This may increase our requirements for third party finance and may adversely affect our financial results. For further details on the Government Facility see Item 4 Information on the Company the Government Facility .

Given our circumstances and the Restructuring, certain of our contracts may be capable of being terminated.

Given our circumstances certain contracts including GTMAs may be capable of being terminated. Although we have faced financial difficulties for some two years, we continue to have trading relationships with a high proportion of our contracted counterparties from 2002 and our circumstances and the Restructuring have been widely known for many months. We would likely vigorously resist attempts by counterparties to terminate contracts on these grounds. However, no assurance can be given that counterparties will not successfully exercise termination or other default rights on these grounds even after completion of the Restructuring, in which case we may be liable for termination payments or payments may be withheld from us or supplies of goods or services to our business may be interrupted, any of which could have an adverse affect on our cash flows or our operations.

The amount of insurance cover we are mandatorily required to maintain in relation to nuclear liabilities by virtue of the Nuclear Installations Act will increase significantly, and there is no assurance that cover for nuclear liability for acts of terrorism will be available from the nuclear pool in future.

In early 2004 the Government signed an international treaty amending the existing international Conventions dealing with third party liability in the field of nuclear energy with the effect that, amongst other things, the liability of nuclear operators for events involving nuclear material or ionising radiation which cause damage or personal injury is likely to be increased to 700 million. Furthermore, the definition of nuclear damage is likely to be expanded to include, amongst other things, economic loss. It is likely that the NIA will be amended to increase the level of insurance cover we are required to maintain from the existing £140 million to 700 million. While the directors believe the insurance market will have sufficient capacity to offer cover for these increased limits, there is no assurance that such cover will be available when required nor that the cost of the insurance will increase in line with the increases in liability limit on a straight-line basis. Our insurers may also seek exclusions and/or higher levels of retention which may affect the ability to make a claim if required to do so.

Cover for nuclear liability sustained by acts of terrorism has been obtained for the year ending March 30, 2005 from the nuclear pool. The limit for this cover and the right of recovery by insurers mirrors that under the NIA in respect of nuclear liability. The Nuclear Pool indicated following the terrorist attacks in the World Trade Center in New York that it would not provide cover for nuclear liability without agreement from the Government that the Government would provide reinsurance cover. This arrangement is subject to annual review and has been forthcoming for the last three years. There is no assurance that the Government will be able to do so in the future.

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RISKS RELATING TO COMPLETION OF THE RESTRUCTURING

The Restructuring remains subject to a large number of significant uncertainties and important conditions, and if we do not complete the Restructuring, we may have to initiate insolvency proceedings.

The Restructuring remains subject to a number of significant uncertainties and important conditions. These include settling certain documents with creditors, approval of the relevant UK court and listing of the new shares and new bonds. The Restructuring is also conditional on there being no material adverse change affecting us as a whole or Eggborough Power Limited (EPL) and no material adverse effect on the value of the creditors entitlements under the Restructuring. Furthermore, the Secretary of State is entitled not to proceed with the Restructuring if, in her opinion, we will not be viable in all reasonably foreseeable conditions without access to additional financing beyond that which is committed and will continue to be available when required. Also, for listing purposes, the restructured British Energy will need to have sufficient working capital for its present requirements from listing of the new shares and new bonds. The Restructuring is conditional on the restructuring and standstill arrangements not being terminated in accordance with their terms. Furthermore, to the extent the Members Scheme of Arrangement lapses and the disposal of our assets for the purposes of the Restructuring is not approved by shareholders, the Restructuring is also conditional on the delisting of the Company from the Official List of the UK Listing Authority (UKLA). For additional information regarding the contracts governing the Restructuring and the delisting, see Item 10. Material Contacts and Item 4. Information on the Company Impact of the Restructuring on Existing Shareholders and Recent Developments Requisitioned Extraordinary General Meeting and Delisting . Some uncertainties which may affect the cash flow position, performance or outlook are described in Item 5. Operating and Financial Review and Prospects.

If the conditions to the Restructuring are not fulfilled, or if our cash generating initiatives are not achieved in each case within the time scales envisaged or required, or if there is a material deterioration in our cash flow position, performance or outlook or if the restructuring and standstill arrangements which we have entered into with certain of our creditors are terminated, we may be unable to meet our financial obligations as they fall due and consequently we may have to take appropriate insolvency proceedings, in which case the distributions, if any, to unsecured creditors may represent only a small fraction of their unsecured liabilities and it is highly unlikely there will be any return to shareholders. Further details on the Restructuring are contained in note 1 to our audited consolidated financial statements.

The decision of the European Commission (the Commission) that, insofar as the Restructuring involves the grant of State aid by the Government, such State aid is compatible with the common market (the Decision), may be appealed against by interested third parties in the EC Court resulting in the annulment in whole or in part of the Decision, or the possible imposition of further conditions on the Company; third parties may also seek an order from the EC Court suspending the grant of State aid by the Government. Interested third parties may also complain to the Commission or bring actions in the Courts in the UK alleging that the Company or the Government are not complying with any of the conditions in the Decision. Any of these events could adversely affect our business or profitability.

On September 22, 2004, we announced the receipt by the Secretary of State of the Decision. The Decision may be appealed to the Court of First Instance of the European Communities (the CFI) by any interested third parties provided that they can show that they are directly and individually concerned by the Decision. A party will be individually concerned by a State aid decision if it can show, for example that its competitive position in the market was or may be adversely affected by the

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Decision. The Decision may also be appealed to the Court of Justice of the European Communities (the ECJ) by the government of any other EC Member State. In each case the application for the appeal must be filed within two months and ten days from either (a) the date when the Government or any interested third party receives a full copy of the Decision from the Commission or (b) from the date of the publication of the Decision in the Official Journal of the European Communities, where the interested third party has not already received a copy of the Decision from the Commission.

An appeal to either the CFI or the ECJ may result in the Decision being annulled in whole or in part. In addition, upon application and upon satisfaction of the legal requirements, the CFI or the ECJ may suspend the Decision, or apply other interim measures, pending a final ruling on the appeal.

In the event of the Decision being annulled, the Commission would be required to issue a new decision taking into account the judgement of the ECJ or CFI. This further decision could either impose additional conditions on us depending on the reasons for the annulment of the Decision, or conceivably not approve the State Aid at all or approve only parts of it. Any judgment of the CFI can be appealed to the ECJ, but only on points of law.

Furthermore, any interested third party may also complain at any time to the Commission alleging that either we or the Government are in breach of any of the conditions imposed by the Decision. There can be no assurance that the Commission may not, as a result of any investigation it makes into the complaint, order the recovery of any aid which has been unlawfully given as a result of a breach and/or modify the conditions of the Decision or impose additional ones.

Any interested third party which can show sufficient interest (under English law) or both title and interest to sue (under Scottish law) can also bring an action in a Court in the appropriate jurisdiction alleging that either we or the Government are in breach of any of the conditions imposed by the Decision. The Court could decide to consult with the Commission or to refer questions to the ECJ in so far as it considers them to be necessary to interpret or apply the provisions of the Decision that may be in dispute. There can be no assurance that the Court would not order that the arrangements whereby the Government provides aid to the Company be suspended pending compliance with the Decision. Furthermore, the Court could order any aid given in breach of the Decision to be recovered from the Company by the Government. Any such appeals or procedures may have an adverse effect on the Company and our shareholders.

The proposed Creditors Scheme of Arrangement with the holders of our bonds (the Bondholders) due in 2003, 2006 and 2016 respectively and the Royal Bank of Scotland plc RBS) requires the approval of the relevant UK court; without such approval, our Restructuring will not be able to proceed.

To become effective, the Creditors Scheme of Arrangement requires the approval of the relevant UK court that supervises the scheme. Before the court gives its approval, the court must satisfy itself that the proposed arrangements are fair. We cannot assure you that the court will determine that the restructuring arrangements contemplated by the Creditors Scheme of Arrangement are fair, or that the court will not conclude that there are other reasons why it should not approve the Creditors Scheme of Arrangement. If the relevant UK court does not approve the Creditors Scheme of Arrangement, we may not be able to complete our Restructuring as envisaged. It is possible for a person with an interest in the Creditors Scheme of Arrangement (whether a scheme creditor, a bondholder or another person) to raise objections or, after receipt of the court order, to appeal against the granting of the court order approving the Creditors Scheme of Arrangement. There can be no assurance that such objections or appeals will not delay or possibly prevent the Restructuring.

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If certain timing deadlines are not satisfied, the Restructuring may not be implemented.

In order for the Creditors Scheme of Arrangement to be effective, the outstanding conditions and uncertainties must be satisfied or resolved and the Creditors Scheme of Arrangement must receive the sanction of the court. The timing of the court process is in the discretion of the court and accordingly there can be no assurance that the court process to effect the Creditors Scheme will be completed by the earlier of 120 days after the satisfaction of the initial conditions and January 31, 2005 (or such later date as the Company and parties to the Restructuring may agree) as required by the documentation entered into in connection with the Restructuring. In the event that the Creditors Scheme is not effective by such date, the Creditor Restructuring Agreement will automatically terminate and the standstill period under the standstill arrangements will expire.

If the Nuclear Liabilities Fund (the NLF) does not become effective, we may be required to make substantial payments to meet the long-term post-closure costs of decommissioning our existing nuclear power stations in the UK.

In the UK we established the Decommissioning Fund to accumulate funds to meet certain long-term post-closure costs of decommissioning our UK nuclear assets. We made, and until the NLF is operational, will continue to make, quarterly contributions to the Decommissioning Fund that are subject to adjustment for inflation. However, there is no certainty that the Decommissioning Fund will be sufficient to cover all the liabilities to which it relates. Furthermore, other substantial decommissioning liabilities are currently unfunded and the value of the Decommissioning Fund is subject to the volatility and fluctuations of the equity markets. As part of the Restructuring, the Decommissioning Fund will be enlarged and renamed NLF to which we will make fixed contributions as well as an initial contribution of £275 million aggregate principal amount by way of new bonds. Additionally we will contribute £150,000 (indexed to the retail price index) for every ton of uranium loaded into Sizewell B our Pressurised Water Reactor nuclear power station, or PWR, after completion of the Restructuring, and payments amounting (initially and subject to adjustment) up to 65% of our consolidated annual cash flow net of tax, financing costs, cash reserves and a forecast expenditure reserve. However, we expect that as part of the establishment of the NLF, the Government will fund contracted liabilities associated with our historic spent fuel as well as certain uncontracted nuclear liabilities and decommissioning costs of our nuclear power stations to the extent that the assets of the NLF are insufficient to meet those liabilities as they fall due. Furthermore, as a condition of the NLF, we will be required to continue to operate our nuclear power stations in compliance with applicable law and the practices and the procedures acceptable to the safety and environmental regulatory authorities. If we fail to do so, we may in certain circumstances incur additional liabilities over and above those which we currently expect to bear under the NLF.

If the NLF does not become effective, we will be required to continue to make contributions to the Decommissioning Fund pursuant to our obligations under our nuclear site licenses, and will be required to meet other historic unfunded liabilities and certain decommissioning liabilities, which may in turn significantly reduce our ability to trade profitably.

Our revised contracts with BNFL are contingent upon completion of the Restructuring, and our reliance on BNFL as our single supplier for AGR fuel and spent fuel management services could lead to increased costs and decreased profitability upon termination of the revised contracts if the Restructuring is not completed.

We currently rely on BNFL to supply fuel fabrication and spent fuel management services for our Advanced Gas Cooled Reactor, or AGR, stations. BNFL is currently the sole supplier of AGR fuel worldwide. On May 16, 2003, we announced that we had entered into a series of contracts with BNFL, replacing our then current contracts covering the fabrication of fuel for our AGR power stations, known

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as front-end fuel cycle services, and the disposal of AGR fuel used by our AGR power stations, known as back-end fuel cycle services. The front-end fuel cycle contracts became effective as of April 1, 2003, but, with the exception of the new arrangements for the supply of uranics, may be terminated if, among other things, the Restructuring is not completed. The back-end fuel cycle contracts are conditional upon completion of the Restructuring, although, in accordance with the terms of the standstill agreement, our payments to BNFL for back-end fuel cycle services are made as if the back-end contracts had become effective on April 1, 2003.

Under these contracts, prices for a certain proportion of front-end and back-end fuel cycle services are linked to the prevailing market price for electricity, thereby reducing our exposure to downward fluctuations in market price, conversely if market prices rise above certain levels, a proportion of our costs under the revised BNFL contracts will increase.

If we do not complete the Restructuring, and our revised contracts with BNFL are terminated (or do not take effect), we would be required to rely upon our prior front-end and back-end fuel cycle contracts with BNFL. Consequently, we would be unable to realize the operating cost benefits associated with our revised contracts with BNFL. Furthermore, our current contract with BNFL for the supply of front-end fuel cycle services for the majority of our AGR stations expires in 2006. If the revised contracts with BNFL are terminated (or do not take effect) and if BNFL is unable or unwilling to continue to supply fuel to our AGR stations, we would need to seek a new source of supply for AGR fuel. A new supplier of fuel for our AGR stations would need to retool its production systems in order to be able to produce AGR fuel. The costs of such a retooling would probably be passed on to us, resulting in significantly increased operating costs and reduced profitability.

If we complete the Restructuring, our shareholders will suffer a very significant dilution of their interests in British Energy plc.

Under the Restructuring, we will undertake a court sanctioned scheme of arrangement, referred to as the Creditors Scheme of Arrangement, to restructure our obligations with respect to the Bondholders and RBS, as provider of a letter of credit to the bank syndicate that provided financing for our Eggborough coal-fired power station (referred to collectively as the Eggborough Banks). As part of the Restructuring, we will also undertake a court sanctioned scheme of arrangement, referred to as the Members Scheme, for our shareholders to effect the cancellation of our ordinary shares and the issuance of ordinary shares in British Energy Group plc, the proposed holding company of the restructured group. The Restructuring also includes arrangements to restructure our obligations to the Eggborough Banks and our significant trade creditors; Teesside Power Limited, Total Gas & Power Limited and Enron Capital & Trade Europe Finance LLC (Teesside Power Limited, Total Gas & Power Limited and Enron Capital & Trade Europe Finance LLC are referred to collectively as the Significant Creditors). The Significant Creditors have since transferred their interests to Deutsche Bank. As a result of these arrangements, the new shares issued to the Bondholders, RBS, the Eggborough Banks and the Significant Creditors will represent substantially all of the share capital of the restructured British Energy. In the event that the Members Scheme is implemented we expect that our current shareholders will receive 2.5% of the issued share capital of the restructured British Energy and warrants exercisable for up to a further 5% of the thereby diluted issued share capital of the restructured British Energy immediately following completion of the Restructuring. If the Members Scheme is not approved, but instead our shareholders approve the disposal by us of all of our subsidiaries and other assets to British Energy Holdings plc (a wholly-owned subsidiary of British Energy Group plc) in consideration for it agreeing to discharge our liabilities (the Disposal) the shareholders will receive the warrants exercisable for ordinary shares of British Energy Group plc but no shares. If shareholders do not vote in favor of either proposal they would receive no shares or warrants. Consequently, if the Restructuring is completed, our current shareholders will suffer a significant dilution of their interests.

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Certain shareholders have threatened action to prevent the Restructuring occurring.

On September 3, 2004 Polygon Investment Partners LLP (Polygon) and Brandes Investment Partners LLC (Brandes) and their respective associates as owners of 10.22% of our ordinary shares requisitioned an extraordinary general meeting of shareholders (the Requisitioned EGM) to consider five resolutions. The resolutions were in brief summary: (1) to prevent the Company delisting from the Official List of the UKLA; (2) to prevent the Company from amending or extending the Creditors Restructuring Agreement; (3) to prevent the Company from disposing of its business or issuing shares in itself or any of its subsidiaries; (4) advising the board to seek to negotiate better terms for shareholders than those set out in the Restructuring; and (5) advising the board not to delist from the Official List of the UKLA. In response to the requisition, we have summoned an extraordinary general meeting of shareholders to be held on October 22, 2004. We are taking steps, described in a circular issued by us to shareholders on September 24, 2004, to enable us to implement the Restructuring even if some or all of the resolutions are passed. However no assurances can be given that such steps will be successfully implemented. On September 30, 2004, Polygon announced that in light of the recent circulars that we sent to shareholders, it had agreed to vote the ordinary shares of the Company owned by it against the proposed resolutions at the Requisitioned EGM and not to further oppose the Restructuring. While Polygon also announced on September 30, 2004 that it believes there is no commercial logic in proceeding with the Requisitioned EGM or supporting the proposed resolutions, the Requisitioned EGM will still take place on October 22, 2004 as described in the notice contained in the relevant circular mailed to our shareholders, and no assurance can be given that Brandes or other shareholders (acting individually or as a group) will be unable, through any shareholder action, exercise of voting rights, lobbying or court action, to prevent the Restructuring being implemented. If shareholders are able to prevent the Restructuring from being implemented as currently structured, we may be subject to significant liability under the Creditor Restructuring Agreement and may be unable to meet our financial obligations as they fall due. As such, we may have to take appropriate insolvency proceedings, in which case the distributions, if any, to unsecured creditors may represent only a small fraction of their unsecured liabilities and there is highly unlikely to be any return to shareholders. For further details on the Restructuring, see Item 4 Restructuring and note 1 to our audited consolidated financial statements starting on page F-1.

Our financial statements have been prepared on the basis that British Energy is a going concern. If we cease to be a going concern, we may be required to adjust the monetary value of assets, reassess our provisions for future liabilities and reclassify fixed assets and long-term liabilities as current assets and liabilities.

Our financial statements have been prepared on the basis that British Energy is a going concern. The going concern basis assumes that we will continue in operational existence for the foreseeable future. The validity of this assumption depends upon a number of factors that are beyond our control, including those discussed above. If for any reason we are unable to complete the Restructuring and cease to be a going concern, we may be required to adjust the monetary value of assets, reassess our provisions for future liabilities and reclassify fixed assets and long-term liabilities as current assets and liabilities. Such adjustments, reassessments and reclassifications may result in a material adverse change to the statement of our financial condition from that currently set forth in our financial statements. For additional information, see note 1 to our audited consolidated financial statements.

Selected Financial Data

The following summary consolidated financial information for British Energy, insofar as it relates to profit and loss and cash flow for the fiscal years ended March 31, 2004, 2003, and 2002, and balance sheets as of March 31, 2004 and 2003 is derived from the audited financial statements appearing elsewhere in this annual report.

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Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United Kingdom, or UK GAAP, which differs in certain significant respects from generally accepted accounting principles in the United States, or US GAAP. A full description of the significant differences between UK GAAP and US GAAP as they apply to us and a reconciliation of profit/(loss) after tax (or net income/(loss)) and equity shareholders funds (or deficit on equity shareholders funds) under UK GAAP to those under US GAAP are set out in note 36, (as restated), to our consolidated financial statements and in Item 5. Operating and Financial Review and Prospects Critical Accounting Policies.

Our financial statements have been prepared on the basis that we are a going concern. The going concern basis assumes that we will continue in operational existence for the foreseeable future. The validity of this assumption depends upon a number of factors that are beyond our control, including those discussed above. If for any reason we are unable to complete our proposed Restructuring and cease to be a going concern, we may be required to adjust the monetary value of assets, reassess our provisions for future liabilities and reclassify fixed assets and long-term liabilities as current assets and liabilities. Such adjustments, reassessments and reclassifications may result in a material adverse change to the statement of our financial condition from that currently set forth in our financial statements. You should read the following summary consolidated financial information in conjunction with our audited consolidated financial statements and the notes thereto appearing elsewhere in this annual report as well as Item 4. Information on the Company Restructuring and Item 5. Operating and Financial Review and Prospects.

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	Year ended March 31,					
	2004[5]	2004	2003	2002	2001	2000
				(restated)[1]		
	(in millions, except earnings and dividends per share and per ADS and weighted average shares)					
Profit and Loss Account Information:						
UK GAAP						
Turnover	$ 2,774	£ 1,516	£ 1,903	£ 2,049	£ 2,124	£ 2,058
Turnover continuing operations	2,774	1,516	1,528	1,701	2,124	2,058
Turnover discontinued operations[4]			375	348		
Operating profit/(loss)	622	340	(3,802)	(281)	280	412
Operating profit/(loss) continuing operations	622	340	(3,899)	(333)	280	412
Operating profit/(loss) discontinued operations[4]			97	52		
Profit/(loss) before taxation	425	232	(4,292)	(493)	57	225
Taxation	4	2	368	(25)	(48)	(118)
Profit/(loss) after taxation	429	234	(3,924)	(518)	9	107
Dividends[2]				(48)	(48)	(48)
Basic earnings/(loss) per ordinary share(s)	71.2	38.9p	(654.7)p	(88.5)p	1.2p	16.4p
Basic earnings/(loss) per ordinary share(s) continuing operations	71.2	38.9p	(670.8)p	(97.2)p	1.2p	16.4p
Basic earnings/(loss) per ordinary share(s) discontinued operations[4]			16.1p	8.7p		
Basic earnings/(loss) per ADS[3]	5,339	2,918p	(49,103)p	(6,638)p	90p	1,230p
Basic earnings/(loss) per ADS[3] continuing operations	5,339	2,918p	(50,310)p	(7,290)p	90p	1,230p
Basic earnings/(loss) per ADS[3] discontinued operations[4]			1,208p	652.5p		
Diluted earnings/(loss) per ordinary share(s)	71.2	38.9p	(654.7)p	(88.5)p	1.2p	16.1p
Diluted earnings/(loss) per ordinary share(s) continuing operations	71.2	38.9p	(670.8)p	(97.2)p	1.2p	16.1p
Diluted earnings/(loss) per ordinary share(s) discontinued operations[4]			16.1p	8.7p		
Diluted earnings/(loss) per ADS[3]	5,339	2,918p	(49,103)p	(6,638)p	90p	1,208p
Diluted earnings/(loss) per ADS[3] continuing operations	5,339	2,918p	(50,310)p	(7,290)p	90p	1,208p
Diluted earnings/(loss) per ADS[3] discontinued operations[4]			1,208p	652.5p		
Dividends per ordinary share, net[2]				8.0p	8.0p	8.0p
Dividends per ADS, net[2][3]				600.0p	600.0p	600.0p

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	Year ended March 31,					
	2004[5]	2004	2003	2002	2001	2000
	(restated)[7]	(restated)[7]	(restated)[6]	(restated)[1][6]		
	(in millions, except earnings and dividends per share and per ADS and weighted average shares)					
US GAAP						
Turnover	$ 2,774	£ 1,516	£ 1,903	£ 2,049	£ 2,124	£ 2,058
Turnover continuing operations	2,774	1,516	1,528	1,701	2,124	2,058
Turnover discontinued operations[4]			375	348		
Profit/(loss) after taxation	13,839	7,562	(7,800)	(343)	(124)	40
Pro forma net (loss)/income as if FAS 143 has been applied effective April 1, 2001[8]			(4,660)	112		
Basic and diluted earnings/(loss) per ordinary share(s)	2,298	1,256p	(1,296)p	(57.4)p	(21.0)p	6.3p
Basic and diluted earnings/(loss) per ordinary share(s) continuing operations	(24)	(13)p	(1,305)p	(45.8)p	(21.0)p	6.3p
Basic and diluted earnings/(loss) per ordinary share(s) discontinued operations[4]			9p	2.8p		
Basic and diluted earnings/(loss) per ordinary share(s) arising from cumulative effect of change in accounting	2,322	1,269p		(14.4)p		
Basic and diluted earnings/(loss) per ADS[3]	172,386	94,200p	(97,176)p	(4,302)p	(1,575)p	472.5p
Basic and diluted earnings/(loss) per ADS[3] continuing operations	(1,784)	(975)p	(97,836)p	(3,432)p	(1,575)p	472.5p
Basic and diluted earnings/(loss) per ADS[3] discontinued operations[4]			660p	210p		
Basic and diluted earning/(loss) per ADS[3] arising from cumulative effect of change in accounting	174,170	95,175p		(1,080)p		
Weighted average number of ordinary shares(millions)	602	602	602	598	597	651

	As at March 31,					
	2004[5]	2004	2003	2002	2001	2000
			(restated)[1]			
			(in millions)			
Balance sheet information:	&nbs					