

BRITISH ENERGY GROUP PLC
Form 6-K
September 28, 2005
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the month of September 2005

BRITISH ENERGY GROUP PLC

Systems House, Alba Campus,
Livingston, EH54 7EG
Scotland

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Edgar Filing: BRITISH ENERGY GROUP PLC - Form 6-K

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in the Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- .

Table of Contents

BRITISH ENERGY GROUP PLC

QUARTER ENDED JULY 3, 2005

INDEX

<u>Item</u>	
<u>Introduction</u>	1
<u>Exchange Rates</u>	1
<u>Technical Terms</u>	1
<u>Information Regarding Forward-Looking Statements</u>	1
<u>Non-GAAP Financial Measures</u>	1
<u>PART I - FINANCIAL INFORMATION</u>	
1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets as of July 3, 2005 and March 31, 2005</u>	3
<u>Consolidated Statements of Operations for the Three-Months Ended July 3, 2005 (Successor) and June 30, 2004 (Predecessor)</u>	4
<u>Consolidated Statements of Cash Flows for the Three-Months Ended July 3, 2005 (Successor) and June 30, 2004 (Predecessor)</u>	5
<u>Consolidated Statement of Shareholders' Equity/(Deficit) and Comprehensive Income/(Loss) as of July 3, 2005 (Successor) and June 30, 2004 (Predecessor)</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
2. <u>Management's Discussion and Analysis of Financial Conditions and Results of Operations</u>	14
3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
4. <u>Controls and Procedures</u>	23
<u>PART II - OTHER INFORMATION</u>	
1. <u>Legal Proceedings</u>	24
<u>Signatures</u>	25
<u>PART III</u>	
<u>Interim Report and Results for the Three Months Ended 3 July 2005 (IFRS)</u>	30

Table of Contents

Introduction

In this quarterly report, except as otherwise specified, British Energy, the British Energy Group, the Company, the Group, we, us or our British Energy Group plc, or, in the context of events on or prior to January 14, 2005 (Restructuring Effective Date), British Energy plc (the former ultimate holding company of the Group now re-registered as a private limited company and re-named British Energy Limited (BE Ltd)) and its subsidiaries, and any of their respective predecessors in business, as the context may require. We were incorporated under the United Kingdom Companies Act 1985, as amended (the Companies Act) on July 2, 2004. References in the consolidated financial statements to Predecessor are to BE Ltd. References to Successor are to the Company.

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 quarterly report.

Exchange Rates

We publish our financial statements in pounds sterling. In this quarterly report, references to pounds sterling, £, pence or p are to UK currency. References to US dollars, US\$ or \$ are to US currency, references to Canadian dollars, or C\$ are to Canadian currency and reference to Euro are to the currency of the European Union.

Technical Terms

This quarterly 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).

Unless stated otherwise, references to statutes, regulations, government or regulatory bodies or officers of government refer to the appropriate statutes, regulations, and bodies of officers of the United Kingdom.

Information Regarding Forward-Looking Statements

Certain statements in this quarterly report are forward-looking statements as defined in Section 21E of the US Securities Exchange Act of 1934. Such forward-looking statements include, among others:

Edgar Filing: BRITISH ENERGY GROUP PLC - Form 6-K

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 the section entitled "Item 3. Key Information - Risk Factors" in our Form 20-F for the year ended March 31, 2005 filed on July 28, 2005. Due to the uncertainties and risks associated with these forward-looking statements, which apply only as of the date hereof, we are claiming the benefit of the safe harbor provision contained in Section 21E of the US Securities Exchange Act of 1934.

Non-GAAP Financial Measures

Realized Price

We calculate our realized price for electricity by dividing revenue (before energy supply costs recharged to customers and miscellaneous income) by total output for the period. Realized price is not derived in accordance with Generally

Table of Contents

Accepted Accounting Principles in the United States (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, which are recharged to our customers, and miscellaneous income from total revenue. We make these adjustments to revenue because we believe that they allow our management team and our investors to better understand the net price that customers are paying for our electricity.

EBITDA

EBITDA means earnings before interest, taxes, depreciation and amortization. EBITDA is a supplemental measure of our liquidity that is not required by, or presented in accordance with, US GAAP. EBITDA is not a measurement of our liquidity under US GAAP and should not be considered as an alternative to cash flow from operating activities as a measure of our liquidity.

Nevertheless, EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our financial condition or results of operations, as reported under US GAAP. Some of these limitations are:

EBITDA measure does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

EBITDA measure does not reflect changes in, or cash requirements for, our working capital needs;

EBITDA measure does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

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 measure does not reflect any cash requirements for such replacements;

EBITDA measure does not reflect certain non-cash items; and

other companies in our industry may calculate these measures differently from us, limiting their usefulness as a comparative measure.

Because of these limitations, EBITDA 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 focusing on our US GAAP results and using EBITDA only as supplemental measures.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****BRITISH ENERGY GROUP PLC****CONSOLIDATED BALANCE SHEETS (unaudited)**

	<u>July 3, 2005</u>	<u>March 31, 2005</u>
	(In £ millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	255	230
Restricted cash	255	226
Accounts receivable net	81	105
Unbilled revenues	196	166
Inventory net	56	64
Prepaid assets	31	21
Other current assets	19	40
	<u>893</u>	<u>852</u>
Total current assets	893	852
Property, Plant and Equipment net	3,895	3,923
Nuclear liabilities fund	840	782
Nuclear liabilities receivable	2,303	2,312
Other assets	68	7
	<u>7,999</u>	<u>7,876</u>
Total Assets	7,999	7,876
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Long-term debt due within one year	50	50
Accounts payable	128	129
Accrued expenses	260	255
Asset retirement obligations due within one year	185	181
Other current liabilities	433	270
	<u>1,056</u>	<u>885</u>
Total current liabilities	1,056	885
Long-Term Debt net of current portion	626	626
Deferred Credits and Other Liabilities		
Asset retirement obligations	4,244	4,215
Pension obligation	451	456
Deferred tax		57
Other long-term obligations	490	220

Edgar Filing: BRITISH ENERGY GROUP PLC - Form 6-K

Total deferred credits and other liabilities	5,185	4,948
Commitments and Contingencies		
Shareholders' Equity		
Common stock, £0.10 par value, 2,800,000,000 shares authorized 566,039,567 issued and outstanding at July 3, 2005 and 561,315,459 issued and outstanding at March 31, 2005	57	56
Additional paid in capital	1,449	1,435
Warrants	42	51
Retained losses	(413)	(122)
Treasury stock, 434,701 shares of common stock, par value £0.10 at July 3 and March 31, 2005, respectively	(3)	(3)
Total shareholders' equity	1,132	1,417
Total Liabilities and Shareholders' Equity	7,999	7,876

See the accompanying notes to Consolidated Financial Statements.

Table of Contents**BRITISH ENERGY GROUP PLC****CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**

	<u>Successor</u>	<u>Predecessor</u>
	Three-months ended	Three-months ended
	July 3, 2005	June 30, 2004
	(In £ millions, except per-share amounts)	
Operating Revenues		
Operating revenues	517	372
Operating Expenses		
Fuel costs	(137)	(155)
Staff costs	(78)	(78)
Operating and maintenance expense	(89)	(111)
Depreciation and amortization	(81)	(29)
Energy supply costs	(82)	(70)
Loss from movements in derivative contracts	(458)	(91)
Other operating income	3	
Total operating expenses	(922)	(534)
Operating Loss	(405)	(162)
Interest income	5	5
Interest expense	(12)	(20)
Loss before Income Tax Benefit	(412)	(177)
Income tax benefit	121	18
Net Loss	(291)	(159)
Loss per share basic and diluted (£)	(0.52)	(0.26)

See the accompanying notes to Consolidated Financial Statements.

Table of Contents**BRITISH ENERGY GROUP PLC****CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

	<u>Successor</u>	<u>Predecessor</u>
	<u>Three-months ended</u>	<u>Three-months ended</u>
	<u>July 3, 2005</u>	<u>June 30, 2004</u>
(In £ millions)		
Cash Flows from Operating Activities		
Net loss	(291)	(159)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Depreciation and amortization	81	29
Net loss on sale of equity investments and other assets		(4)
Loss on disposal of property, plant and equipment	1	
Deferred tax	(121)	(18)
Pension expense	(5)	10
Employee severance provision	(1)	8
Loss from movements in derivative contracts and interest rate swaps	458	87
Loss from movements in other contracts	(3)	
Accretion of nuclear liabilities	70	85
Changes in operating assets and liabilities:		
Accounts receivable	14	27
Unbilled revenues	(30)	
Nuclear liabilities receivable	9	
Liabilities discharged	(47)	(37)
Liabilities incurred	10	
Inventory	8	(3)
Other assets	(49)	
Fuel asset	(12)	
Accounts payable and accrued expenses	4	(77)
Other liabilities	6	(4)
	<u>102</u>	<u>(56)</u>
Net cash provided by/(used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of investments		4
Amounts placed on restricted use term deposit	(29)	(24)
Contribution to nuclear liabilities fund	(11)	(5)
Purchase of property, plant and equipment	(42)	(15)
	<u>(82)</u>	<u>(40)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	5	
	<u>5</u>	
Net cash provided by financing activities		
Net increase/(decrease) in cash and cash equivalents	25	(96)
Cash and cash equivalents at beginning of period	230	276

Cash and cash equivalents at end of period	<u>255</u>	<u>180</u>
---	------------	------------

See the accompanying notes to Consolidated Financial Statements.