

BRITISH ENERGY PLC

Form 6-K

November 30, 2004

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

November 30, 2004

BRITISH ENERGY PLC

(Registrant's name)

3 REDWOOD CRESCENT, PEEL PARK, EAST KILBRIDE G74 5PR

SCOTLAND

(Address of principal executive offices)

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

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Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form 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):

EXHIBIT INDEX

The following documents (bearing the exhibit numbers listed below) have been posted to shareholders of British Energy plc in connection with its proposed Restructuring and are furnished herewith pursuant to the General Instructions for Form 6-K:

<u>Exhibit</u>	<u>Description</u>
No. 20.1	Members Scheme Circular of British Energy plc dated November 29, 2004
No. 20.2	Prospectus of British Energy Group plc and British Energy Holdings plc dated November 29, 2004

Contact:

Andrew Dowler	020 7831 3113	(Media Enquiries)
John Searles	01355 26 2202	(Investor Relations)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 30, 2004

BRITISH ENERGY PLC

By: /s/ Robert Armour

Name: Robert Armour
Title: General Counsel and Company Secretary

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EXHIBIT 20.1

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, seek advice from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your existing British Energy Shares, please forward this document, together with the accompanying Prospectus, Form(s) of Proxy, Form(s) of Election and reply paid envelope, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be forwarded to or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws in such jurisdiction.

A document comprising: (i) listing particulars in relation to the issue of the New Shares and Warrants pursuant to the Schemes and other arrangements with certain of the Creditors; (ii) a prospectus in relation to the issue of Warrants pursuant to the Disposal; and (iii) listing particulars in relation to the issue of New Bonds (together, the Prospectus) prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000, has been delivered for registration to the Registrar of Companies in Scotland for registration pursuant to section 83 of the Financial Services and Markets Act 2000.

This document should be read in conjunction with the Prospectus. All information contained in the Explanatory Statement of this document should be read in conjunction with the risk factors outlined in Part III of this document and Part II of the Prospectus: Risk factors .

BRITISH ENERGY PLC

(Registered in Scotland with number 162273)

Restructuring proposals

involving a members scheme of arrangement

(pursuant to section 425 of the Companies Act 1985)

or

the disposal of the business and assets of British Energy plc

Citigroup Global Markets Limited is advising British Energy plc, British Energy Group plc and British Energy Holdings plc and no one else in connection with Admission and the Restructuring described in this document and will not be responsible to anyone other than British Energy plc,

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British Energy Group plc and British Energy Holdings plc for providing protections afforded to their clients nor for providing any advice in relation to Admission or the Restructuring.

HSBC Bank plc is advising British Energy plc, British Energy Group plc and British Energy Holdings plc and no one else in connection with Admission and the Restructuring described in this document and will not be responsible to anyone other than British Energy plc, British Energy Group plc and British Energy Holdings plc for providing protections afforded to their clients nor for providing any advice in relation to Admission or the Restructuring.

A letter from the chairman of the Company recommending that you vote in favour of the proposals appears on pages 19 to 34 of this document. The action you are recommended to take is set out on pages 32 and 33.

Application has been made to: (i) the UK Listing Authority (the UKLA) for the New Shares, the New Bonds and the Warrants to be admitted to the Official List; and (ii) to the London Stock Exchange for the New Shares, the New Bonds and the Warrants to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission of the New Shares, the New Bonds and the Warrants to the Official List will become effective and dealings for normal settlement will commence on the London Stock Exchange at 8.00 a.m. on the dealing day immediately following the Restructuring Effective Date.

Following an application by the Company for the UKLA to cancel the listings of the British Energy Shares from the Official List, the UKLA cancelled the British Energy Share listings with effect from 8.00 a.m. on 21 October 2004 and the last day of dealings in British Energy Shares on the London Stock Exchange was 20 October 2004.

Notices of meetings of Ordinary Shareholders and A Shareholders of the Company convened by order of the Court and of an Extraordinary General Meeting of the Company to be held at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ on 22 December 2004 commencing respectively at 10.30 a.m., 11.30 a.m. and 12 noon (or, in the case of the A Share Court Meeting, as soon as the Ordinary Share Court Meeting concludes or is adjourned and in the case of the Extraordinary General Meeting as soon as the A Share Court Meeting concludes or is adjourned) are set out on pages 92 to 96 of this document. **Whether or not you intend to be present at the meetings, please complete and sign (all) the Form(s) of Proxy accompanying this document (green for the Ordinary Share Court Meeting, blue for the A Share Court Meeting and white for the Extraordinary General Meeting) and return it/them to the Registrars, Lloyds TSB Registrars, SEA 9441, The Causeway, Worthing BN99 6ED as soon as possible, and in any event by 20 December 2004 and not later than 48 hours before the relevant meeting. Forms of Proxy for the Ordinary Share Court Meeting and the A Share Court Meeting may, alternatively, be delivered in person to the chairman of the relevant meeting. The return of a completed Form of Proxy will not prevent you from attending the Ordinary Share Court Meeting and/or the A Share Court Meeting and/or the Extraordinary General Meeting and voting in person if you wish.**

If you have any questions relating to the proposals described in this document or the completion and return of the Form(s) of Proxy or Form(s) of Election, please contact our helpline on freephone 0800-035-0844 (or if calling from outside the UK +44 (0) 1295-225-285 (calls charged at applicable rates)), Monday to Friday 9.00 a.m. to 5.00 p.m. (UK time). The helpline cannot provide advice on the merits or otherwise of the matters described in this document, nor give any financial advice.

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A circular in relation to the Creditors Scheme has been issued to relevant Creditors in connection with the Restructuring.

IMPORTANT INFORMATION FOR OVERSEAS SHAREHOLDERS

The attention of overseas shareholders is drawn to paragraph 13 of the Explanatory Statement in Part II of this document. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, securities in any jurisdiction in which such offer or solicitation is unlawful.

Shareholders in the US

The New Shares and Warrants to be issued to Shareholders under the Members Scheme have not been and will not be registered under the US Securities Act of 1933, as amended (the **Securities Act**) or any state securities laws and will be distributed pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, including the exemption provided by Section 3(a)(10) thereof. The Warrants to be issued to Shareholders if the Members Scheme does not become Effective and the Disposal Resolution is passed have not been and will not be registered under the Securities Act and will only be issued pursuant to exemptions from, or in transactions not subject to the registration requirements under the Securities Act, including pursuant to the exemption provided by Section 4(2) of the Securities Act, and outside the US in reliance on Regulation S under the Securities Act. Further information relating to US securities regulations may be found in paragraph 13 of the Explanatory Statement.

Neither the US Securities and Exchange Commission (the **SEC**) nor any state securities commission in the US or any other US regulatory authority has approved or disapproved these securities or determined if this document is truthful or complete. Any representation to the contrary is a criminal offence.

Shareholders in Australia, Canada or Germany

No steps have been taken, nor will any be taken, to enable the New Shares or Warrants to be offered in compliance with the applicable securities laws of Australia, Canada or Germany and any offer or invitation in relation to the New Shares and Warrants is not available, directly or indirectly, to persons in, or with registered addresses in, Australia, Canada or Germany. This document is being sent to Shareholders with registered addresses in Australia, Canada or Germany solely in connection with the Court Meetings and the Extraordinary General Meeting. Shareholders in, or with registered addresses in, Australia, Canada or Germany will not receive any New Shares and/or Warrants under or in connection with the Restructuring and instead may only receive cash if the Members Scheme or the Disposal is approved by Ordinary Shareholders (as outlined in paragraph 13 of the Explanatory Statement).

Shareholders in Ireland

This document shall be first published or issued in the UK. Neither this document nor the information contained herein constitutes an offer to the public of the New Shares or Warrants and accordingly, this document is not a prospectus within the meaning of the Irish Companies Act, 1963 (as amended) or the Irish European Communities (Transferable Securities and Stock Exchange) Regulations, 1992.

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INDICATIVE TIMETABLE OF PRINCIPAL EVENTS¹

Latest time and date for receipt of green Form of Proxy for the Ordinary Share Court Meeting ²	10.30 a.m. on 20 December 2004
Latest time and date for receipt of blue Form of Proxy for the A Share Court Meeting ³	11.30 a.m. on 20 December 2004
Latest time and date for receipt of white Form of Proxy for the Extraordinary General Meeting	12 noon on 20 December 2004
Voting Record Time ^{4,5,6}	6.00 p.m. on 20 December 2004
Ordinary Share Court Meeting	10.30 a.m. on 22 December 2004
A Share Court Meeting ⁷	11.30 a.m. on 22 December 2004
Extraordinary General Meeting ⁷	12 noon on 22 December 2004
Creditors Scheme Meeting	12.30 p.m. on 22 December 2004
Election Return Time ⁸	6.00 p.m. on 13 January 2005
Scheme Record Time ⁹	6.00 p.m. on 13 January 2005
Disposal Record Time ¹⁰	6.00 p.m. on 13 January 2005
Date of Court hearing of Petition to sanction the Members Scheme Restructuring Effective Date ¹¹	14 January 2005
New Shares and Warrants admitted to the Official List and dealings commence	8.00 a.m. on the dealing day immediately following the Restructuring Effective Date
Listing of New ADRs on the New York Stock Exchange, if possible ¹²	9.30 a.m. (New York time) on the trading day immediately following the Restructuring Effective Date
Crediting of New Shares and/or Warrants to CREST accounts where a valid Form of Election has been received ¹³	the dealing day immediately following the Restructuring Effective Date
Date of Court hearing to sanction the New British Energy Reduction ¹⁴	18 January 2005
Date on which the New British Energy Reduction becomes Effective ¹⁴	18 January 2005
Despatch of New Share certificates and/or Warrant certificates where a valid Form of Election has been received	within 14 days of the Restructuring Effective Date
Despatch of cheques and crediting of CREST accounts in respect of proceeds of sale of New Shares and/or Warrants where no valid Form of Election has been received	within 14 days of the sale of the New Shares and/or Warrants

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- 1 These times and dates (including the Restructuring Effective Date and the date of Admission) are indicative only, are based on the Company's current best case expectation and will depend, amongst other things, on the timetable fixed by the Court, whether either of the Court Meetings or the Extraordinary General Meeting are adjourned, the date upon which the Court allocates a hearing for the sanction of the Members' Scheme, whether objections are lodged in respect of the Members' Scheme or Creditors' Scheme, and the date on which steps are taken to make the Members' Scheme Effective. If any of these times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement on a Regulatory Information Service and on the Company's website at www.british-energy.com. All times stated in this document are London times.
- 2 Forms of Proxy for the Ordinary Share Court Meeting not returned by this time may be handed to the chairman at the Ordinary Share Court Meeting.
- 3 Forms of Proxy for the A Share Court Meeting not returned by this time may be handed to the chairman at the A Share Court Meeting.
- 4 Only those Ordinary Shareholders who are entered on the relevant register of members of the Company as holders of Ordinary Shares at the Voting Record Time will be entitled to vote at the Ordinary Share Court Meeting.
- 5 Only those A Shareholders who are entered on the relevant register of members of the Company as holders of A Shares at the Voting Record Time will be entitled to vote at the A Share Court Meeting.
- 6 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and the articles of association of the Company, only those Ordinary Shareholders entered on the relevant register of members of the Company as at the Voting Record Time shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after the Voting Record Time shall be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting.
- 7 To commence at the time fixed or, if later, immediately following the conclusion or adjournment of the preceding Court Meeting.
- 8 New Shares and/or Warrants will only be issued to Shareholders who return valid Forms of Election before this time.
- 9 Only Scheme Shareholders entered on the relevant register of members of the Company at the Scheme Record Time as holders of Ordinary Shares or A Shares will be entitled to New Shares and Warrants if the Members' Scheme becomes Effective.
- 10 Only Shareholders entered on the relevant register of members of the Company at the Disposal Record Time as holders of Ordinary Shares or A Shares will be entitled to Warrants if the Members' Scheme does not become Effective but the Disposal Resolution is passed.
- 11 This date is indicative only and is based upon the Company's current best case expectation and may change as a result of, amongst other things, any of the factors outlined in note 1 above.
- 12 On 28 September 2004, the NYSE suspended trading in British Energy ADRs and commenced proceedings to permanently delist British Energy ADRs from the NYSE. British Energy has appealed the NYSE's decision. If the Members' Scheme does not become Effective or if neither British Energy nor New British Energy are able to meet the NYSE's relevant listing criteria on or prior to Admission, New ADRs will not be issued or listed on the NYSE on Admission of the New Shares. In that event, New British Energy has agreed to take all reasonable steps to apply for a listing of New ADRs on the NYSE at such time following Admission as New British Energy satisfies the NYSE listing criteria. In such circumstances, however, New British Energy will be required to satisfy the NYSE's listing criteria for new securities, including minimum public float and minimum shareholder eligibility requirements that New British Energy may not be able to satisfy immediately after Admission.
- 13 New Shares and/or Warrants will only be credited to CREST accounts on this date if the relevant Shareholder has made a valid Shareholder Election. Warrants in respect of Shareholders who have made a Deemed Election will be credited to CREST accounts within 14 days of the

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Restructuring Effective Date.

- ¹⁴ The New British Energy Reduction, which is more fully described in paragraph 10 of the Explanatory Statement in Part II of this document, requires the sanction of the Court and the Court order confirming the New British Energy Reduction to be filed with the Companies Registrar and registered by him. It is anticipated that these steps will take place on the dates indicated although the dates may change depending on, amongst other things, the timetable fixed by the Court.

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DEFINITIONS

The following definitions shall apply throughout this document, unless the context otherwise requires:

A Share Court Meeting	the meeting of holders of A Shares convened by order of the Court pursuant to section 425 of the Act to consider and, if thought fit, approve the Members Scheme, and any adjournment thereof
A Shareholders	the holders of A Shares
A Shares	the A Shares of 60p each in the capital of the Company
Act	the Companies Act 1985 (as amended)
Admission	admission of the New Shares, Warrants and New Bonds to the Official List of the UKLA and their admission to trading on the London Stock Exchange plc's market for listed securities
ADR Depository	JPMorgan Chase Bank
AGR	advanced gas-cooled reactor
Amended Credit Agreement	the credit agreement originally dated 13 July 2000 as amended and/or restated on 8 September 2000, 24 October 2000, 12 December 2000, 5 February 2001 and on or about the Restructuring Effective Date between, amongst others, EPL, Barclays Bank PLC as agent and security trustee and certain financial institutions
AmerGen	AmerGen Energy Company, LLC
Barclays	Barclays Bank plc
BEG	British Energy Generation Limited
BEG UK	British Energy Generation (UK) Limited
BEPET	British Energy Power and Energy Trading Limited
BNFL	British Nuclear Fuels plc
Board	the board of directors of the Company or a duly appointed committee thereof
Bondholder	the holder of the ultimate beneficial interest in a Bond
Bondholder Meetings	the separate meetings of the holders of each series of Bonds at which the Bondholder Resolutions will be proposed
Bondholder Resolutions	the resolutions which will be proposed to Bondholders to, amongst other things, authorise the Bond Trustees to vote in respect of the Creditors Scheme
Bondholder Restructuring Agreement	the agreement entered into on 14 February 2003 between the Company, BEG and BEG UK and certain Bondholders as amended and/or extended from time to time

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Bonds	all or any of the outstanding £109,861,000 5.949 per cent. guaranteed bonds of the Company due 2003 (the 2003 Bonds); the £163,444,000 6.077 per cent. guaranteed bonds of the Company due 2006 (the 2006 Bonds); and the £134,586,000 6.202 per cent. guaranteed bonds of the Company due 2016 (the 2016 Bonds)
Bond Trustees	in relation to the 2003 Bonds, the Law Debenture Trust Corporation p.l.c., in relation to the 2006 Bonds, the Law Debenture Intermediary Corporation plc and in relation to the 2016 Bonds, Law Debenture Trustees Limited
Brandes	Brandes Investment Partners, LLC
British Energy ADRs	American depositary receipts evidencing American depositary shares issued by the ADR Depositary pursuant to the terms of the British Energy ADR Deposit Agreement. Each such American depositary share represents a beneficial interest in 75 British Energy Shares
British Energy ADR Deposit Agreement	the agreement by and among British Energy, the ADR Depositary and the holders from time to time of British Energy ADRs issued thereunder dated as of 18 March 2003
British Energy Group	prior to the Restructuring Effective Date, British Energy and its subsidiaries from time to time
British Energy Group plc Share Plans	the British Energy Group plc Executive Plan, the British Energy Group plc Employee Plan, the British Energy Group plc Share Incentive Plan and an associated trust, the British Energy Group plc Sharesave Scheme, the LT Plan and the Interim Bonus Plan
British Energy Option Schemes	the British Energy No. 1 Share Option Scheme (an Inland Revenue approved discretionary executive share option scheme), the British Energy No. 2 Share Option Scheme (an unapproved discretionary executive share option scheme), the British Energy No. 3 Share Option Scheme (an Inland Revenue approved discretionary executive share option scheme) and the British Energy Sharesave Scheme (an all employee savings-related option scheme for British Energy employees)
British Energy or Company	British Energy plc incorporated in Scotland with registered number 162273
British Energy Shares	the Ordinary Shares and the A Shares
Bruce Power	Bruce Power Limited Partnership
Business	the entire business of the Company, including all of its assets (except for the non-voting shares held by it in each of New British Energy and Holdings plc) and shares in its subsidiaries
Business Day	a day on which banks are open for general business (other than a Saturday or Sunday) in London and Edinburgh
Business Transfer Agreement	the agreement dated 8 October 2004 between the Company and Holdings plc to effect the Disposal

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Commission	the European Commission
common market	the common market established through the Economic Community Treaty which came into force in 1958, as amended from time to time
Companies Registrar	the registrar or other officer performing under the Act the duty of registration of companies in Scotland and including a deputy registrar
Consenting Bondholder	each Bondholder who is either a party to the Creditor Restructuring Agreement or agrees to be bound by the terms of the Creditor Restructuring Agreement as if he were a party thereto and Consenting Bondholders means all of them
Continuing Group	following completion of the Disposal, British Energy
Convertible Shares	the convertible ordinary shares of 10p each in the capital of New British Energy which will be issued to the NLF pursuant to the exercise of the NLF Conversion Right
Court	the Court of Session, Parliament House, Parliament Square, Edinburgh EH1 1RF
Court Meetings	the Ordinary Share Court Meeting and the A Share Court Meeting
Creditor Restructuring Agreement	the agreement dated as of 30 September 2003 entered into by, amongst others, the Company, BEG, BEG UK and the Creditors (as amended or extended from time to time)
Creditors	the Significant Creditors, RBS, Bondholders, the Eggborough Banks and BNFL
Creditors Order	the order of the Court sanctioning the Creditors Scheme
Creditors Scheme	the scheme of arrangement under section 425 of the Act pursuant to which the Scheme Creditors will compromise their claims (including the claims of Bondholders) against the Company in return for, amongst other things, the issue of New Shares and New Bonds
Creditors Scheme Circular	the circular to Scheme Creditors containing an explanatory statement in relation to the Creditors Scheme in compliance with section 426 of the Act
Creditors Scheme Meeting	the meeting of Scheme Creditors convened by order of the Court pursuant to section 425 of the Act to consider and, if thought fit, approve the Creditors Scheme, and any meeting reconvened following an adjournment thereof
CREST	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST Regulations)
CRESTCo	CRESTCo Limited
CREST Regulations	the Uncertificated Securities Regulations 2001 (S.I. 2001/3755) including any modifications thereof or any regulations in substitution therefor

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CTA Bonds	the £150 million 7 per cent. bond issued by Holdings plc pursuant to the Restructuring and to be held by EPL
Decommissioning Default Payment	the payment which may become immediately due and payable if, in any financial period, BEG, BEG UK, New British Energy, Holdings plc, any of the guarantors under the Guarantee and Indemnity or any of the guarantors of the New Bonds is subject to an event of default under the Contribution Agreement
Deemed Election	(a) if the Members Scheme becomes Effective, the deemed election by a Scheme Shareholder to have the Warrants to which such Scheme Shareholder will be entitled registered in his or her name if the Company or New British Energy is advised that the Share Price is less than the Subscription Price; or (b) if the Members Scheme does not become Effective but the Disposal Resolution is passed, the deemed election by a Shareholder to have the Warrants to which such Shareholder will be entitled registered in his or her name if the Company or New British Energy is advised that the average price which could reasonably be expected to be obtained for the sale of the New Shares arising from the exercise of the Warrants to be sold is less than the Subscription Price
Directors	the directors of the Company, whose names appear on page 71 of this document
Disposal	the sale by British Energy of its Business to Holdings plc
Disposal Record Time	6.00 p.m. on the Business Day immediately prior to the Restructuring Effective Date
Disposal Resolution	the ordinary resolution to approve the Disposal which holders of Ordinary Shares are being invited to pass at the Extraordinary General Meeting
Disposed Group	the subsidiaries of the Company to be sold to Holdings plc pursuant to the Disposal
ECTEF	Enron Capital & Trade Europe Finance LLC
Effective	the making of the Creditors Scheme or the Members Scheme (as the case may be) effective by delivering the Creditors Order to the Companies Registrar or by the delivery to, and the registration by, the Companies Registrar of the Members Order
Eggborough Banks	the lenders and swap providers in the syndicate of banks under the Amended Credit Agreement
Eggborough Station	the coal-fired power station in North Yorkshire, England owned by EPL

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Election Return Time	the latest time by which (a) Form(s) of Election need(s) to be returned to the Registrars, being 6.00 p.m. on the Business Day immediately prior to the Restructuring Effective Date (or such later date as the Company may agree)
Employee Options	the options or other entitlements to New Shares under the British Energy Group plc Share Plans
EPHL	Eggborough Power (Holdings) Limited
EPL	Eggborough Power Limited
Euratom Treaty	the treaty of 1955 establishing the European Atomic Energy Community, as amended
Exelon	Exelon Generation Company, LLC
Explanatory Statement	the explanatory statement in relation to the Members Scheme in compliance with section 426 of the Act and which can be found in Part II of this document
Extraordinary General Meeting or EGM	the extraordinary general meeting of the Company to be held at 12 noon on 22 December 2004 and any adjournment thereof
Filing Conditions	the conditions which need to be satisfied before the necessary steps may be taken to make the Creditors Scheme Effective and, if the Members Scheme is approved by Shareholders, before the necessary steps may be taken to make the Members Scheme Effective, as set out in Part IV of this document
Form(s) of Proxy	the form(s) of proxy in relation to each of the Court Meetings and the EGM accompanying this document
Form(s) of Election	the form(s) of election in relation to the Shareholder Election accompanying this document
Government	Her Majesty's Government of the UK
Government Facility	the credit facility which was granted to the Group on 9 September 2002 in order to provide working capital and to support trading operations (as amended and restated from time to time)
Government Restructuring Agreement	the agreement entered into between, amongst others, British Energy, the Secretary of State, NDF (to be renamed the NLF) and the trustees of the Nuclear Trust on 1 October 2003, setting out the circumstances in which the Secretary of State will support the Restructuring (as amended or extended from time to time)
Group	as the context requires, prior to the Restructuring Effective Date, the British Energy Group and from the Restructuring Effective Date, the New British Energy Group
Holdings plc	British Energy Holdings plc incorporated in Scotland with registered number 270186
Initial Conditions	the conditions which had to be satisfied before the Schemes could be proposed to Scheme Creditors and Scheme Shareholders respectively

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Initial Shareholder	Robert Armour (Company Secretary of the Company and New British Energy) and his nominee
Interim Bonus Plan	the British Energy Group plc 2005 Interim Deferred Bonus Plan
Lapses or Lapsed	in relation to the Members Scheme the failure to: (a) obtain approval of the requisite majority of Scheme Shareholders; or (b) obtain the sanction of the Court; or (c) make the Members Scheme Effective, in circumstances where the Company, acting reasonably, decides that as a result the Members Scheme is not capable of becoming Effective in accordance with its terms before the Restructuring Long Stop Date
Listing Rules	the rules and regulations made by the UKLA under Part VI of the Financial Services and Markets Act 2000, as amended from time to time
London Stock Exchange	London Stock Exchange plc, a company registered in England and Wales with registered number 2075721
LT Plan	the British Energy Group plc Long Term Deferred Bonus Plan
Material Adverse Change	(a) a material adverse change in the current or future business or operations, the financial or trading position, profits or prospects of: (i) the Group as a whole; or (ii) EPL; or (b) a change in the current or future business or operations, the financial or trading position, profits or prospects relating to the Group as a whole which is likely to have a material adverse effect on the value of the New Bonds, CTA Bonds, New Shares or the New EPL Arrangements
Material Company	BritishEnergy, BEG, BEG UK, BEPET or EPL
Members Order	the order of the Court sanctioning the Members Scheme

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Members Scheme

the scheme of arrangement under section 425 of the Act in the form set out at the end of this document or with or subject to any modification, addition, term or condition approved or imposed by the Court

Members Scheme Resolution

the special resolution approving, amongst other things, the Members Scheme and disapplying shareholders' statutory pre-emption rights under section 89 of the Act for the purposes of giving effect to the Members Scheme, which the Ordinary Shareholders are being asked to pass

NDF

Nuclear Generation Decommissioning Fund Limited incorporated in Scotland with registered number 164685 (to be enlarged and renamed NLF)

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New ADR Deposit Agreement	the agreement by and among New British Energy, the ADR Depository and the holders from time to time of New ADRs issued thereunder
New ADRs	American depository receipts representing a beneficial interest in American depository shares issued by the ADR Depository pursuant to the terms of the New ADR Deposit Agreement, and each American depository share represents a beneficial interest in four New Shares
New Bonds	up to £550 million 7 per cent. guaranteed bonds due 2005 to 2022 issued by Holdings plc
New British Energy	British Energy Group plc incorporated in Scotland with registered number 270184
New British Energy Group	from the Restructuring Effective Date, New British Energy and its subsidiaries from time to time
New British Energy Reduction	the reduction of the share premium account of New British Energy which is to follow the Restructuring Effective Date and is intended to eliminate the deficit (if any) in the distributable reserves of New British Energy which is expected to arise as a result of the Restructuring and to provide some distributable reserves for New British Energy
New EPL Arrangements	the agreements pursuant to which the secured claims of the Eggborough Banks will be compromised, which are summarised in Part VI of the Prospectus: Further information relating to the Restructuring
New Shares	the ordinary shares of 10p each in the capital of New British Energy
New Standstill Agreement	the agreement entered into on 13 February 2004 in place of the previous standstill agreement in which RBS, Barclays Bank PLC, the Eggborough Banks, the Significant Creditors and BNFL agreed, amongst other things, that they would not take any steps to initiate insolvency proceedings or demand or accelerate any amounts due and payable by British Energy parties
NLF	Nuclear Liabilities Fund Limited (presently NDF)
NLF Cash Sweep Payment	the annual payment to be made to the NLF pursuant to the Contribution Agreement being, initially, 65 per cent. of the Group's adjusted net cash flow
NLF Conversion Right	the right of the NLF from time to time to convert all or part of the NLF Cash Sweep Payment into Convertible Shares
Non-voting Deferred Shares	the non-voting deferred shares of 60p in the capital of the Company
Notified Filing Date	the day, notified by the Company to the Creditors, on which the Company expects to file a copy of the Creditors' Order with the Companies Registrar

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Nuclear Decommissioning Agreement	the nuclear decommissioning agreement dated 29 March 1996 between Nuclear Electric (now BEG), Scottish Nuclear (now BEG UK) and the NDF
Nuclear Deed of Trust	the deed of trust dated 27 March 1996 between British Energy and the Secretary of State constituting the Nuclear Trust
NII (HM Nuclear Installations Inspectorate)	a part of the Nuclear Safety Division Directorate of the Health and Safety Executive, which administers a nuclear site licence
Nuclear Liabilities Agreements	<p>(a) the historic liabilities funding agreement to be dated on the Restructuring Effective Date and made between the Secretary of State, BEG, BEG UK, New British Energy and Holdings plc (the HLFA);</p> <p>(b) the nuclear liabilities funding agreement to be dated on the Restructuring Effective Date and made between NLF, BEG, BEG UK, the Secretary of State, the Company, New British Energy and Holdings plc (the NLFA);</p> <p>(c) the contribution agreement to be dated on the Restructuring Effective Date and made between the Secretary of State, NLF, BEG, BEG UK, New British Energy and Holdings plc (the Contribution Agreement);</p> <p>(d) the option agreement to be dated on the Restructuring Effective Date and made between the Secretary of State, BEG, BEG UK, New British Energy and Holdings plc;</p> <p>(e) the Nirex option agreement to be dated on the Restructuring Effective Date and made between the Secretary of State, BEG, BEG UK and New British Energy;</p> <p>(f) the guarantee and indemnity to be dated on the Restructuring Effective Date and made between the Guarantors (as defined therein), NLF and the Secretary of State (the Guarantee and Indemnity);</p> <p>(g) the standard security over Hunterston B power station to be dated on the Restructuring Effective Date and made between BEG UK and the NLF;</p> <p>(h) the standard security over Torness power station to be dated on the Restructuring Effective Date and made between BEG UK and the NLF;</p> <p>(i) the debenture in relation to the Decommissioning Default Payment to be dated on the Restructuring Effective Date and made between the Secretary of State, the NLF and the Obligor (as defined therein);</p> <p>(j) the deed of amendment to the Nuclear Deed of Trust to be dated on the Restructuring Effective Date made between the trustees of the Nuclear Trust, the Secretary of State and the Company;</p>

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	(k) the deed of termination in relation to the Nuclear Decommissioning Agreement to be dated on the Restructuring Effective Date and made between, amongst others, BEG, BEG UK, the Company and the NDF; and
	(l) the amended memorandum and articles of association of NDF to be adopted on the Restructuring Effective Date and the written resolution effecting the relevant changes
NYSE	the New York Stock Exchange
Official List	the Official List of the UKLA
Ordinary Share Court Meeting	the meeting of holders of Ordinary Shares convened by order of the Court pursuant to section 425 of the Act to consider and, if thought fit, approve the Members Scheme, and any adjournment thereof
Ordinary Shareholders	the holders of Ordinary Shares
Ordinary Shares	the ordinary shares of 44 ²⁸ /43p each in the capital of the Company
Petition	the formal document lodged with the Court to apply for sanction of the Members Scheme
PFIC	a passive foreign investment company, as determined in accordance with US federal income tax laws
Polygon	Polygon Investment Partners LLP
Polygon and Brandes	Polygon, Brandes and their respective associates
Prospectus	a document comprising: (i) listing particulars in relation to the issue of the New Shares and Warrants pursuant to the Schemes and other arrangements with certain of the Creditors; (ii) a prospectus in relation to the issue of Warrants pursuant to the Disposal; and (iii) listing particulars in relation to the issue of New Bonds
RBS	The Royal Bank of Scotland plc
RBS Letter of Credit	the letter of credit issued on 1 December 2000 by RBS in favour of Barclays Bank PLC (as facility agent) relating to the debt service reserve obligations of EPL under the Amended Credit Agreement (as amended or restated from time to time)
Registrars	the registrars of the Company, being Lloyds TSB Registrars
Reporter	a solicitor appointed by the Court to report on the facts and circumstances of the Petition
Requisitioned EGM	the extraordinary general meeting requisitioned by Polygon and Brandes which was held on 22 October 2004

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Restricted Overseas Person

(a) a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in or any person New British Energy reasonably believes to be in, or resident in:

(i) Australia, Canada or Germany; or

(ii) any other jurisdiction (other than the UK and New Zealand) in respect of which New British Energy is advised that the allotment or issue of New Shares and/or Warrants would or might infringe the laws of that jurisdiction or would or might require compliance with any governmental or other consent or any registration, filing or other formality, which the Company or New British Energy is unable to comply with or regards as unduly onerous; or

(b) with respect only to the Warrants to be issued if the Members Scheme does not become Effective but the Disposal Resolution is passed, a US person (as defined in Regulation S under the Securities Act), unless an exemption from the registration requirements of the Securities Act, including an exemption pursuant to Section 4(2) of the Securities Act, is available

Restructuring

the restructuring of the British Energy Group pursuant to the Creditor Restructuring Agreement and the Government Restructuring Agreement

Restructuring Condition

(a) the registration by the Companies Registrar of a copy of the Members Order and the delivery of a copy of the Creditors Order to the Companies Registrar for registration; or

(b) the Members Scheme having Lapsed, the delivery of a copy of the Creditors Order to the Companies Registrar for registration and the passing of the Disposal Resolution or confirmation from the UKLA that no such resolution is required; or

(c) the Members Scheme having Lapsed, the delivery of a copy of the Creditors Order to the Companies Registrar for registration where the foregoing condition has not been satisfied

Restructuring Effective Date

the date on which the Restructuring Condition is satisfied

Restructuring Long Stop Date

12 noon on 31 January 2005 (or such later date and subject to such intermediate milestones as are agreed in writing, in the case of the first such later date, by the Company, BNFL, the requisite majorities of Creditors and the Secretary of State and, in the case of any second or subsequent later date, all the parties to the Creditor Restructuring Agreement and the Secretary of State)

RPI

the Retail Price Index, used to measure the retail price inflation in the UK

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Scheme A Shareholder	each person who appears as a holder of one or more Scheme A Shares in the relevant register of members of the Company at the Scheme Record Time
Scheme A Shares	all of the A Shares: (a) in issue at the date of the Members Scheme; (b) (if any) issued thereafter and prior to the Voting Record Time; and (c) (if any) issued at or after the Voting Record Time and before the making of the order by the Court for the reduction of capital which forms part of the Members Scheme in respect of which the original or any subsequent holder shall be bound by the Members Scheme or shall have agreed in writing to be bound by the Members Scheme
Scheme Creditors	RBS and each Bond Trustee, or any of them (as the case may be)
Scheme Ordinary Shareholder	each person who appears as a holder of one or more Scheme Ordinary Shares in the relevant register of members of the Company at the Scheme Record Time
Scheme Ordinary Shares	all of the Ordinary Shares: (a) in issue at the date of the Members Scheme; (b) (if any) issued thereafter and prior to the Voting Record Time; and (c) (if any) issued at or after the Voting Record Time and before the making of the order by the Court for the reduction of capital which forms part of the Members Scheme in respect of which the original or any subsequent holder shall be bound by the Members Scheme or shall have agreed in writing to be bound by the Members Scheme
Scheme Record Time	6.00 p.m. on the Business Day immediately prior to the Restructuring Effective Date
Scheme Shareholder	a Scheme A Shareholder or a Scheme Ordinary Shareholder
Schemes	the Members Scheme and the Creditors Scheme
Scheme Shares	the Scheme A Shares and the Scheme Ordinary Shares
SDRT	stamp duty reserve tax

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Secretary of State

Her Majesty's Secretary of State for Trade and Industry

Securities Act

the United States Securities Act of 1933, as amended

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Shareholder Election	the election which a Shareholder will be required to make by completing a Form of Election in order to have New Shares and/or Warrants (as applicable) issued to him or her or his or her nominee if the Members' Scheme becomes Effective or if the Disposal Resolution is passed
Shareholders	the holders for the time being of British Energy Shares
Share Price	the average price reasonably expected by the person determined by New British Energy pursuant to the Members' Scheme to be obtained for the New Shares to be sold pursuant to the terms of the Members' Scheme
Significant Creditors	ECTEF, TPL and Total, and their respective successors in title
Special Share	as the context requires, the special rights redeemable preference share of £1 held: (a) jointly by the Secretary of State and the Secretary of State for Scotland in each of New British Energy, Holdings plc and British Energy; (b) by the Secretary of State in BEG; or (c) by the Secretary of State for Scotland in BEG UK
State Aid	the classification of assistance granted by the Government pursuant to the Restructuring, whereby the Government undertakes to pay for: (a) certain of British Energy's liabilities under the historic spent fuel contracts with BNFL; and (b) certain decommissioning and uncontracted nuclear liabilities in so far as the NLF is unable to meet these liabilities, as being of a type which requires authorisation from the Commission before it can be granted
State Aid Approval	the decision of the Commission of 22 September 2004 as notified to the Government on 24 September 2004 that in so far as the Restructuring involves the grant of State Aid by the Government to the Group such aid is compatible with the common market and the objectives of the Euratom Treaty subject to certain conditions and compensatory measures which are set out in Part VI of the Prospectus: Further information relating to the Restructuring
Subscription Price	the amount payable in respect of a New Share for which a holder of a Warrant is entitled upon exercise of a Warrant to require subscription, such amount being 98p or such

other amount as may from time to time be applicable in accordance with the conditions of the Warrants set out in Part VIII of the Prospectus: Conditions of the Warrants

Takeover Code

The City Code on Takeovers and Mergers

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Target Amount	the target amount for the cash reserves which is required to be funded out of New British Energy Group's adjusted net cash flow in order to support the Group's collateral and liquidity requirements post-Restructuring. The initial Target Amount for the cash reserves is £490 million plus the amount by which cash employed as collateral exceeds £200 million
Total	TotalFinaElf Gas and Power Limited (now Total Gas & Power Limited)
TPL	Teesside Power Limited
UKLA or UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 as amended or any successor act
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
VAT	value added tax
Voting Record Time	6.00 p.m. on the second day before the date of the Court Meetings or, if either the Ordinary Share Court Meeting or the A Share Court Meeting are adjourned, 48 hours before the time appointed for the relevant adjourned meeting
Warrant Instrument	the instrument by way of deed poll constituting the Warrants
Warrants	the warrants to be issued by New British Energy pursuant to the Restructuring entitling the holder to subscribe for New Shares

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PART I

LETTER FROM THE CHAIRMAN OF BRITISH ENERGY

BRITISH ENERGY PLC

(Registered in Scotland No. 162273)

Registered Office:

3 Redwood Crescent

Peel Park

East Kilbride

G74 5PR

Directors:

Adrian Montague CBE

Mike Alexander

Roy Anderson

Stephen Billingham

William Coley

Pascal Colombani

John Delucca

Ian Harley

David Pryde

Clare Spottiswoode CBE

Sir Robert Walmsley

29 November 2004

To shareholders of British Energy plc

Dear Shareholder,

Proposed Restructuring of British Energy plc

1. Introduction

On 1 October 2003, we announced that we had entered into two conditional agreements with certain of our key creditors and the Secretary of State setting out the terms of the Restructuring of the British Energy Group. These agreements are the Creditor Restructuring Agreement and the Government Restructuring Agreement.

Pursuant to the Restructuring, certain creditors of the British Energy Group have agreed to extinguish their claims against companies within the British Energy Group in exchange for the issue to them of New Shares and New Bonds. In order to implement the Restructuring, it is proposed that we become a wholly-owned subsidiary of New British Energy by means of the Members Scheme which will require the approval of our Ordinary and A Shareholders, and sanction by the Court. If the Members Scheme is not approved, then we are required to implement the Restructuring by disposing of all of our Business to Holdings plc (a subsidiary of New British Energy) in exchange for Holdings plc agreeing to assume all of our liabilities. In view of its size, the Disposal would, if we were listed at the time of such Disposal, constitute a Class 1 transaction for the purposes of the Listing Rules requiring the approval of our Ordinary Shareholders. Even though we are no longer listed we are seeking this approval at the Extraordinary General Meeting.

On 3 September 2004, two groups of shareholders together holding 10.22 per cent. of our Ordinary Shares, requisitioned an extraordinary general meeting of the Company. The resolutions proposed by Polygon and Brandes sought to stop us from taking certain actions which may be necessary to implement the Restructuring. In response, certain of

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our Bondholders commenced proceedings in London against Polygon and Brandes for, amongst other things, the tort of procuring or inducing a breach of the Creditor Restructuring Agreement or otherwise interfering with its due performance. We too commenced proceedings against Polygon and its associates in New York in relation to an SEC filing required to be made by Polygon in relation to its interests in British Energy.

On 23 September 2004, we sent you a circular notifying you of our intention to apply for the UKLA to cancel the listings of the British Energy Shares and on the following day we sent a further circular to you containing the notice of the Requisitioned EGM. Having considered our recent circulars, on 30 September 2004 Polygon stated that it now believed that there was no commercial logic for it supporting the resolutions to be considered at the Requisitioned EGM and consequently confirmed that it would vote against the resolutions to be put to the Requisitioned EGM and that it would not further oppose the Restructuring. On that day, we announced that we would be withdrawing our action against Polygon in New York and that the Bondholders had agreed terms to stop the proceedings in London insofar as they related to Polygon.

Brandes subsequently announced on 6 October 2004 that it was not going to pursue the matter further for the time being but that it would continue to monitor events so that it may take appropriate steps to promote the legitimate interests of its clients.

Following our application for the UKLA to cancel the listings of the British Energy Shares from the Official List, the UKLA cancelled those listings with effect from 8.00 a.m. on 21 October 2004 and 20 October 2004 was the last day of dealings in British Energy Shares on the main market of the London Stock Exchange. Although we are, therefore, exempt from the continuing obligation provisions of the Listing Rules which apply to issuers of equity securities, we are intending to comply with these obligations (other than the requirement to seek shareholder approval for significant transactions such as the Disposal) as if the listings had not been cancelled. As the listings of the Bonds have not been cancelled, we do remain subject to the continuing obligation provisions of the Listing Rules which apply to issuers of specialist debt securities.

The Requisitioned EGM was held on 22 October 2004 following which we announced that none of the resolutions that had been proposed at the Requisitioned EGM had been passed.

On 12 October 2004, we announced that the Initial Conditions had been satisfied, including the receipt by the Secretary of State of State Aid Approval. However, even though the Initial Conditions have been satisfied the Restructuring does remain subject to a number of significant uncertainties and the satisfaction of a number of other important conditions which are set out in Part IV of this document.

The purpose of this letter is to explain the reasons for the Restructuring, how it will be implemented, how it will affect you and what action you need to take. This document comprises an Explanatory Statement in relation to the Members' Scheme. It contains details of the Restructuring, the Members' Scheme and the Disposal and together with the Prospectus is designed to provide you with sufficient information to make an informed decision on whether or not to approve the Members' Scheme and the Disposal.

References to we, us, our or the Company in this letter are to British Energy.

This document should be read in conjunction with the accompanying Prospectus which contains information about the New British Energy Group.

2. Background to and reasons for the Restructuring

We are the UK's largest generator of electricity, producing over one fifth of the UK's electricity and employing approximately 5,100 staff in the UK. The Group owns and operates eight nuclear power stations in the UK, with a combined capacity of 9,600 MW,

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and the Eggborough Station, a coal-fired power station in North Yorkshire, England, with a capacity of 1,960 MW. For a more detailed description of our business see Part I of the Prospectus: Description of the New British Energy Group .

On 5 September 2002, we announced that we had initiated discussions with the Government with a view to seeking immediate financial support and to implement a longer-term financial restructuring in the face of:

- the failure of our negotiations with BNFL which had been initiated by us to link prices paid under our fuel contracts with BNFL to wholesale electricity prices, with the aim of reducing the proportion of our costs which were fixed; and
- the Board's review of the longer term prospects of the Group.

The discussions with the Government in September 2002 resulted in the Government providing the British Energy Group with the Government Facility, intended to provide working capital for the British Energy Group's immediate requirements and to allow the British Energy Group to stabilise its trading position. (The Government Facility ceased to be available for drawing by the Group on 22 September 2004 following the issue of State Aid Approval).

On 28 November 2002, we announced that we had agreed certain restructuring principles with the Government, intended to achieve the longer-term financial viability of the Group. At that time we highlighted some of the commercial and structural factors which had caused or compounded our financial difficulties some of which the Restructuring seeks to address. These are set out in detail in paragraph 3 of the Explanatory Statement in Part II of this document.

The principles agreed in November 2002 formed the basis for the Restructuring and included a timetable agreed by the Board and the Government, requiring us: (i) to reach agreement in principle with Creditors on the restructuring of their claims against the Group by 14 February 2003; and (ii) to enter into a binding agreement in this regard by 30 September 2003. These principles also required us, amongst other things, to dispose of our North American assets namely, Bruce Power and AmerGen.

In accordance with the agreed timetable, on 14 February 2003 we announced that we had entered into standstill agreements and reached agreement in principle with certain Creditors for the compromise and restructuring of their claims. On that date we also announced that we had completed the disposal of our interest in Bruce Power.

Following further discussions, on 1 October 2003 we announced that we had entered into the binding Creditor Restructuring Agreement with the Creditors and the Government Restructuring Agreement with the Secretary of State, setting out the terms of the Restructuring of the British Energy Group and the circumstances in which the Secretary of State would support the Restructuring (in the event the Secretary of State allowed a one day extension to the agreed timetable to allow the agreement reached on 30 September to be documented). By 31 October 2003, the Creditor Restructuring Agreement had been acceded to by all the Eggborough Banks and Bondholders representing in aggregate with RBS 88.8 per cent. of the combined amount owing to the Bondholders and RBS.

On 23 December 2003, we announced that we had completed the disposal of our interest in AmerGen.

The Board believes that, had we not met the Government requirements for the Restructuring in accordance with the agreed timetable, we would have had to commence insolvency proceedings. The Board took the view that, had we commenced insolvency proceedings, it would have been unlikely that Shareholders would have received any return and distributions to unsecured creditors may have represented only a small fraction of their unsecured liabilities.

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The Restructuring remains subject to a number of significant uncertainties and important conditions. In particular, the Restructuring is subject to conditions and termination events, the application or occurrence of which could prevent the implementation of the Restructuring. Admission is also conditional upon the Restructuring being implemented. A summary of the remaining conditions to the implementation of the Restructuring and termination events (including the long stop dates for completion) is set out below in Part IV. We are seeking an extension of the long stop dates for completion of the Restructuring and more information about this is given in paragraph 4 below.

3. Summary of the Restructuring

Creditors

The key features of the Restructuring are as follows:

- Creditors (other than BNFL) have agreed to extinguish their unsecured claims against the Group in exchange for £275 million of New Bonds to be issued by Holdings plc and at least 97.5 per cent. of the New Shares to be issued by New British Energy;
- NLF will fund the New British Energy Group's qualifying uncontracted nuclear liabilities and qualifying costs of decommissioning the Group's nuclear power stations. The Secretary of State will fund qualifying decommissioning costs and qualifying uncontracted liabilities to the extent they exceed the assets of the NLF, as well as qualifying contracted liabilities for historic spent fuel;
- in consideration for the assumption of the nuclear liabilities and decommissioning costs referred to above, Holdings plc will issue £275 million of New Bonds to the NLF and will also make further annual periodic payments to the NLF, including the NLF Cash Sweep Payment;
- the Eggborough Banks as lenders and swap providers with security over the Eggborough Station and the shares of EPL, have agreed to replace their existing secured claims with the right to receive payments under the Amended Credit Agreement equivalent to those payable to holders of £150 million of New Bonds (including interest and capital). In addition, they will have an option to acquire the shares in, or assets of, EPL on 31 March 2010 or, prior to 31 August 2009, on or after the occurrence of an event of default that is continuing under the Amended Credit Agreement. The Eggborough Banks will also be repaid £37.5 million pursuant to the RBS Letter of Credit; and
- the BNFL contracts for front-end and back-end related fuel services to the Group's AGR stations have been amended, amongst other things, in order to link certain elements of payments under those contracts to wholesale electricity prices.

Shareholder allocation

In addition, if the Restructuring is completed, New British Energy will issue a mix of New Shares and Warrants to Shareholders on the following basis:

- if the Members' Scheme is approved by Shareholders and it becomes Effective, Shareholders will receive New Shares representing 2.5 per cent. of the issued share capital of New British Energy immediately following implementation of the Restructuring and Warrants entitling them to subscribe for New Shares equal to 5 per cent. of New British Energy's thereby diluted share capital immediately following completion of the Restructuring (excluding the impact of the Employee Options and conversion of the NLF Cash Sweep Payment);
- if the Members' Scheme is not approved by Shareholders (or it otherwise Lapses) but Ordinary Shareholders approve the Disposal, then Shareholders will not receive any New Shares but will receive Warrants entitling them to subscribe for New Shares equal to 5 per cent. of New British Energy's thereby diluted share capital immediately following completion of the Restructuring (excluding the impact of the Employee Options and conversion of the NLF Cash Sweep Payment); and

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- if Shareholders do not vote in favour of the Members Scheme (or it otherwise Lapses) and Ordinary Shareholder approval in respect of the Disposal is not obtained, Shareholders will receive no New Shares or Warrants.

A further summary of the Restructuring is contained in paragraph 3 of the Explanatory Statement in Part II of this document and a more detailed description of the Restructuring is contained in Part VI of the Prospectus: Further information relating to the Restructuring .

4. Implementation of the Restructuring

The Restructuring entails, amongst other things, a debt for equity and debt swap involving the creation of two new holding companies, New British Energy and its subsidiary, Holdings plc. British Energy, New British Energy and Holdings plc will have the same directors. New British Energy will issue New Shares and Warrants, and Holdings plc will issue New Bonds as set out in paragraph 3 above.

Members Scheme

In order to implement the Restructuring, it is proposed that we will become a wholly-owned subsidiary of New British Energy by means of the Members Scheme. The Members Scheme requires the approval of the Ordinary Shareholders and A Shareholders and must thereafter be sanctioned by the Court. A summary of the principal terms of the Members Scheme and the requirements for its approval are set out in paragraphs 5 and 6 of the Explanatory Statement in Part II of this document.

Disposal

If the Members Scheme is not approved, then we intend to implement the Restructuring by means of the Disposal. The Disposal involves the sale of our Business to Holdings plc in accordance with the terms of the Business Transfer Agreement. In return, Holdings plc will perform all of our obligations and will discharge all of our liabilities. Our balance sheet liabilities, in accordance with our unaudited results for the three months ended 30 June 2004, are set out in paragraph 8 below.

The Disposal would, if the British Energy Shares were listed at the time of the Disposal, constitute a Class 1 transaction for the purposes of the Listing Rules requiring the approval of Ordinary Shareholders. As mentioned above, following our application for the UKLA to cancel the listings of the British Energy Shares from the Official List, the UKLA cancelled these listings with effect from 8.00 a.m. on 21 October 2004 and, therefore, shareholder approval of the Disposal under the Listing Rules is no longer required. Cancellation of the listings itself, however, does not affect the terms of the Restructuring and we are, nonetheless, seeking approval of the Disposal at the Extraordinary General Meeting. Paragraph 4 of the Explanatory Statement in Part II of this document contains further details relating to the cancellation of our listings. If the Disposal Resolution is passed in circumstances where the Members Scheme does not become Effective, Shareholders will be entitled to receive the Warrants as set out above.

The Restructuring is not conditional on Shareholder approval. Therefore, if the Members Scheme or the Disposal is not approved, we are required, under the Creditor Restructuring Agreement, to proceed with the Disposal without the approval of Ordinary Shareholders. In this case, however, Shareholders will not receive any New Shares or Warrants.

A summary of the principal terms of the Disposal is set out in paragraph 7 of the Explanatory Statement in Part II of this document.

Differences between Members Scheme and Disposal

Implementation of the Restructuring through the Members Scheme may provide certain tax benefits to the Group, avoids the need to transfer our Business to Holdings plc and

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avoids the need to maintain the Company as a shell company after the Disposal and pending dissolution. For this reason, if Shareholders approve the Members' Scheme and it becomes Effective they will receive both New Shares and Warrants as described above. If the Members' Scheme is not approved by Shareholders and we have to implement the Restructuring through the Disposal, the risk of disruption which may result from the need to transfer all of our Business to Holdings plc, the loss of potential tax benefits and the costs involved in administering the Company after the Disposal has been effected make this option less attractive. Accordingly, if Shareholders do not approve the Members' Scheme but pass the Disposal Resolution at the Extraordinary General Meeting and the Restructuring is completed, they will receive only the Warrants as described in paragraph 3 above.

If we proceed with the Disposal, Shareholders will remain holders of British Energy Shares but we will cease to beneficially own any assets (including shares in subsidiary companies) as these will have been transferred to Holdings plc. The British Energy Shares will, therefore, be unlisted shares in an empty shell company with no value. In due course British Energy would be wound up or struck off the register of companies on a solvent basis and there will be no further return to Shareholders.

Conditions and termination

Completion of the Restructuring is subject to a number of important conditions, including the Initial Conditions (which, as mentioned above, have been satisfied), the Filing Conditions and the Restructuring Condition. Admission is also conditional upon the Restructuring being implemented. In addition to these conditions, the Restructuring will not be implemented if either of the Creditor Restructuring Agreement or the Government Restructuring Agreement is terminated in accordance with its terms. Both the Creditor Restructuring Agreement and the Government Restructuring Agreement will terminate if, amongst other things, British Energy receives a valid notice from the relevant parties terminating the agreement on the basis that there is a continuing Material Adverse Change. In such circumstances the standstill arrangements, which restrict the Creditors from taking any steps to initiate insolvency proceedings or demand or accelerate any amounts due and payable to them by any member of the British Energy Group, would also terminate.

Moreover, unless otherwise agreed by the Creditors, the Secretary of State and British Energy, the Creditor Restructuring Agreement and the Government Restructuring Agreement will automatically terminate, and consequently the Restructuring will not be implemented if the Creditors' Scheme has not become Effective by 31 January 2005 (or such later date as the requisite parties may agree).

Our indicative timetable for the Restructuring anticipates the Creditors' Scheme becoming Effective and Admission occurring in mid-January. However, the indicative timetable is our best case expectation and subject to change and delay (see note 1 to the Indicative Timetable of Principal Events on page 5 and the risk factors in Part III of this document). We have, therefore, decided that it is prudent to seek an extension to the present long stop dates of 31 January 2005 and have proposed terms for an extension to at least 31 March 2005 to Creditors and the Secretary of State.

The Group owes some £1.5 billion to the Bondholders, the Eggborough Banks, RBS, the Significant Creditors (currently Deutsche Bank AG) and BNFL which is stood still pending implementation of the Restructuring but which would become due and payable if the Restructuring is not completed by the long stop date of (at present) 31 January 2005. An alternative restructuring would require the agreement of these creditors and the Secretary of State and we have no assurance that such agreement would be reached. Furthermore the Board believes that any fundraising for the purpose of achieving an alternative restructuring would carry significant risks. If for any reason the Restructuring cannot be

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completed before the present or any extended long stop date and a replacement standstill cannot be agreed with creditors shortly thereafter, we would be unable to meet our financial obligations as they fall due, in which case we may have to commence insolvency proceedings. In the circumstances, the Board continues to believe that there is no reliable alternative to the Restructuring available to us.

The proposed extension of the Restructuring Long Stop Date under the Creditor Restructuring Agreement requires the agreement of holders of a majority of the claims of Bondholders and RBS, a majority of the Significant Creditors, BNFL and the holders of two-thirds of the Eggborough Banks' debt and swap claims (including Barclays). In addition, the provision of an extended RBS Letter of Credit is a condition of the proposed extension. The extension of the Creditor Restructuring Agreement also requires written resolutions of Bondholders to extend the standstill period under the terms of the Bonds to be signed by a simple majority of the holders of each series of the Bonds.

The Secretary of State is not a party to the Creditor Restructuring Agreement but, for technical reasons, her consent is required to enable that agreement to be extended in the manner contemplated. The Secretary of State's agreement is also required and is being sought to extend the long stop date for completion of the Government Restructuring Agreement.

The proposed extension will (if it becomes effective) also preserve the possibility of extension of the Restructuring Long Stop Date under the Creditor Restructuring Agreement beyond 31 March 2005 and up to 31 October 2005. However, each of those parties and majorities who are required to agree the proposed extension would have absolute discretion as to whether to object to or confirm the continuation of the extension period beyond 31 March 2005 and may require amendments to the standstill and restructuring arrangements in connection with the Restructuring being completed after 31 March 2005. The requisite parties may object to the continuation of the extension or may not give such confirmations or agree the terms (if any) upon which they or others would be willing for the Restructuring to be completed after 31 March 2005. Furthermore the agreement of the Secretary of State would be required to extend the Government Restructuring Agreement. In any event, if it were to become reasonably apparent that the Restructuring would not be completed by 31 March 2005 we are required to renegotiate the payments payable to BNFL with effect from completion of the Restructuring after 31 March 2005 under the BNFL agreements for historic spent fuel services which have been agreed on the assumption that the Restructuring would complete and these payments would commence before 31 March 2005. Subject to certain limitations, these payments are expected to be funded by the Government under the HLFA and consequently any new schedule would require agreement between us, BNFL and the Government. Consequently even if the proposed extension becomes effective there can be no assurance that any extension beyond 31 March 2005 will be available on the present terms of the Restructuring or any other terms.

If such an extension is obtained and/or if it becomes apparent that the Restructuring Effective Date will be delayed beyond 31 January 2005, we will inform Shareholders by making an appropriate announcement to a Regulatory Information Service and the press. For the avoidance of doubt, in such circumstances Admission may not occur prior to 31 January 2005 and will remain conditional on the Restructuring being implemented. However, there is no assurance that the proposed extension of the long stop dates for the Restructuring will be agreed. If for any reason we are unable to implement the Restructuring prior to the present or any extended long stop dates and a replacement standstill cannot be agreed with Creditors shortly thereafter, we would be unable to meet our financial obligations as they fall due, in which case we may have to take appropriate insolvency proceedings. If we were to commence insolvency proceedings, distributions, if any, to unsecured creditors may represent only a small fraction of their unsecured liabilities and it is highly unlikely there would be any return to Shareholders.

Admission is conditional upon the Restructuring being implemented. The Filing Conditions, the Restructuring Condition and the termination events are described in more detail in the Explanatory Statement in Part II of this document and in Part IV of this document.

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5. What shareholders will receive

Members Scheme

If the Members Scheme is approved by the requisite majorities of Shareholders and becomes Effective, subject to certain restrictions relating to overseas Shareholders and as further described in the Explanatory Statement in Part II of this document, Shareholders will be entitled to receive:

for every 50 Ordinary Shares

1.0 New Share and

2.1 Warrants

for every 50 A Shares

1.0 New Share and

2.1 Warrants

in respect of British Energy Shares held at the Scheme Record Time.

A summary of the principal terms of the Members Scheme and the requirements for its approval are set out in paragraphs 5 and 6 of the Explanatory Statement in Part II of this document.

Each Shareholder will receive New Shares and Warrants under the Members Scheme only if he or she elects to do so by completing the relevant Form(s) of Election or, in the case of the Warrants only, such Shareholder is deemed to have elected to receive such Warrants. If a Shareholder does not make a valid Shareholder Election or Deemed Election, the relevant New Shares and Warrants will be sold in the market at the best price reasonably obtainable in the market and the net proceeds (if any) will be remitted to the relevant Shareholder. In considering whether to make a Shareholder Election, Shareholders should bear in mind the expense involved in transactions in small numbers of securities. It is generally the case that stockbrokers' minimum commissions are around £10 to £25.

The New Shares are ordinary shares in New British Energy having the rights attaching to them which are set out in the summary of the articles of association of New British Energy in Part X of the Prospectus: Additional information . The terms and conditions of the Warrants are set out in Part VIII of the Prospectus: Conditions of the Warrants .

Disposal with Ordinary Shareholder approval

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If the Members' Scheme is not approved by the requisite majorities of Shareholders, is not sanctioned by the Court or otherwise Lapses, but the Disposal Resolution is approved at the EGM then following completion of the Restructuring, Shareholders will, subject to certain restrictions relating to overseas Shareholders, be entitled to receive:

for every 50 Ordinary Shares

2.1 Warrants

for every 50 A Shares

2.1 Warrants

in respect of British Energy Shares held at the Disposal Record Time.

Each Shareholder will receive Warrants under the Disposal only if he or she elects to do so by completing the relevant Form(s) of Election or such Shareholder is deemed to have elected to receive such Warrants. In the event that a Shareholder does not make a valid Shareholder Election or Deemed Election, the relevant Warrants will be sold in the market at the best price reasonably obtainable in the market and the net proceeds (if any) will be remitted to the relevant Shareholder. In considering whether to make a Shareholder Election, Shareholders should bear in mind the expense involved in transactions in small numbers of securities. It is generally the case that stockbrokers' minimum commissions are around £10 to £25.

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The terms and conditions of the Warrants are set out in Part VIII of the Prospectus: *Conditions of the Warrants* .

Disposal without Ordinary Shareholder approval

If the Members' Scheme is not approved by the requisite majorities of Shareholders, is not sanctioned by the Court or otherwise lapses and the Disposal is not approved at the EGM, then Shareholders will not receive any New Shares or Warrants.

6. Overseas Shareholders

If you are a citizen, resident or national of, or located in, a jurisdiction outside the UK, please see paragraph 13 of the Explanatory Statement in Part II of this document.

7. Tax

Information concerning the taxation consequences of the Members' Scheme and the Disposal is contained in paragraph 7 of Part V of this document and information concerning the taxation consequences of holding the New Shares and/or the Warrants is set out in paragraph 12 of Part X of the Prospectus: *Additional information* . Shareholders who may be liable to taxation in jurisdictions other than the UK or the US or who are in any doubt as to the taxation consequences of the Members' Scheme or the Disposal should seek advice from their own independent professional advisers.

8. Financial effects of the Disposal

Under the terms of the Disposal, Holdings plc will acquire all of our Business in exchange for agreeing to assume all of our liabilities. As at 30 August 2004, Holdings plc had net assets of £50,000. Holdings plc did not trade prior to that date and therefore has no previous earnings. As at 30 June 2004, we had total assets of £2,559 million and total liabilities of £5,840 million. In the 3 month period ended 30 June 2004, we had a loss after tax and exceptional items of £115 million. Following the Disposal we would have no assets and our liabilities will be covered by the indemnity from Holdings plc described in paragraph 7 of the Explanatory Statement in Part II of this document.

Shareholders should not rely on this summary information and should read this entire document and the accompanying Prospectus. The net asset information for Holdings plc has been extracted without adjustment from the Accountants' Report set out in Section 4 of Part IV of the Prospectus: *Financial information* , and the figures relating to our total assets, total liabilities, and loss after tax and exceptional items have been extracted without material adjustment from our results for the three months ended 30 June 2004 which are set out in Section 2 of Part IV of the Prospectus: *Financial information* .

9. Current trading and prospects

Trading at the time of the announcement of the Restructuring

At the time of the announcement of the outline terms of our Restructuring on 28 November 2002, the wholesale market price for electricity had been £17.0 per MWh for delivery in 2003/04 whilst average unit operating costs (including those relating to the Eggborough Station) for the six months ending 30 September 2002 were approximately £19.9 per MWh. In short, as a result of our high fixed cost base (particularly the costs associated with our fuel) on a per MWh basis, our costs of producing electricity were exceeding our achieved selling price. We entered into the agreements with Creditors and the Secretary of State in October 2003 in order to avoid administration in circumstances where no other viable option was available to the Group. The agreements provide the best that we could negotiate for Shareholders at the time. We believe the only alternative would have been for us to take appropriate insolvency proceedings under which any distribution to Shareholders would have been highly unlikely.

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At the time of the announcement of the formal terms of the Restructuring on 1 October 2003 we had contracted to sell our electricity for the remainder of that financial year at what we also estimated at that time would be an average price of £17.1 per MWh. At that time, we had entered into fixed price contracts for summer 2004 and winter 2004/2005 in relation to approximately 50 per cent. of our output for 2004/05 at an average price of £18.3 per MWh and altogether had contracts to sell approximately 90 per cent. of our output for that period. Taken together with the partial hedge provided by the new BNFL contracts (assuming the market price could fall below £21.0 per MWh), this meant we would only be 8 per cent. exposed to fluctuations in the wholesale electricity price. The prevailing market price at the time had been £21.6 per MWh for 2004/05.

The wholesale market price for electricity has increased significantly compared to the price at the time that the Restructuring was announced. This increase in the wholesale price for electricity, together with key elements of the Restructuring, details of which are set out in summary in the bullet points on the second half of page 9 and on page 10 of the Prospectus (and which are dealt with more fully in Part VI of the Prospectus: Further information relating to the Restructuring) mean that the outlook for the Group has improved since the announcement made on 28 November 2002, although this has been offset by declines in output.

Current, financial and trading prospects of the Group

Nuclear output was 15 TWh (a 67 per cent. load factor) for the three-month period ended 30 June 2004, 28.7 TWh (a 68 per cent. load factor) for the six-month period ended 30 September 2004 and 33.1 TWh (a 67 per cent. load factor) for the seven-month period ended 31 October 2004. The UK nuclear output for the equivalent periods in 2003 was 17.0 TWh (an 82 per cent. load factor), 33.3 TWh (a 79 per cent. load factor) and 37.9 TWh (a 77 per cent. load factor). The reduction on the previous year, and in the second quarter of this year compared to the first quarter, has been primarily due to unplanned outages.

During the three-month period ended 30 June 2004 and the six-month period ended 30 September 2004, investment expenditure on plant projects, major repairs and strategic spares across the whole Group, including incremental costs associated with PIP, totalled £32m and £64m respectively of which we estimate that £17m and £32m respectively may have been capitalised, with the main projects in the period including replacement of cast iron pipework, fuel route improvements and the implementation of the work management programme. As a result of the FRS 11 impairment review in the financial year ended 31 March 2003, all expenditure of a capital nature has been expensed and will continue to be expensed until such time as it is possible to demonstrate that it results in an enhancement to the carrying value of fixed assets.

As indicated above, we had already contracted to sell much of our planned nuclear output for the current year during the previous financial year and have had to buy back power. Therefore we have not seen the full benefit of the recent rises in electricity prices. These factors, as well as increased pension costs and an increased depreciation charge related to the impairment reversal made in March 2004, have had a significant adverse impact on our profitability and cash flow. In view of the recent unplanned outages and the delayed return to service of our Hartlepool and Heysham 1 power stations, the Directors consider that the outlook for the Company's financial and trading prospects for the remainder of the financial year will be challenging.

The principal factors affecting the financial and trading prospects of the Group for the current financial year are: output, nuclear unit cash costs, sales, PIP (see below), and cash and liquidity.

Following the unplanned outage at Heysham 1 in early 2004, as a result of cast iron pipework failure, we reviewed the implications for further cast iron pipework replacement at our other nuclear power stations and, accordingly, on 19 March 2004 we announced

that

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our indicative target for nuclear output for 2004/2005 was reduced from 67 TWh to 64.5 TWh. We have suffered a number of unplanned outages since that date and following the evaluation of structural inspections carried out during a statutory outage at Hartlepool, we decided that further work was required to demonstrate the integrity of certain boilers. On 30 July 2004, we announced that we had revised our target nuclear output for 2004/2005 to around 61.5 TWh. However, following discussions with the NII concerning our programme of works at Hartlepool and Heysham 1, we currently expect that Hartlepool and Heysham 1 will not return to service until later this calendar year and consequently we expect nuclear output of 59.5 TWh in the financial year ending 31 March 2005 (as we announced on 18 November 2004). Based on New British Energy's business plans, we further expect the average annual nuclear output over the next 3 financial years (including this financial year) to be approximately 61.8 TWh.

Subject always to its continuing obligations as a listed company, New British Energy proposes to publish information regarding the Group's output on a quarterly basis at the same time as it publishes the results for that quarter (rather than on a monthly basis) and it does not propose to make further forward-looking statements regarding the Group's proposed annual output during a financial year.

Based on an average annual nuclear output over the next 3 financial years of approximately 61.8 TWh, our average nuclear unit cash costs are projected to be £19.1 per MWh at current price levels. These costs have increased since the October 2003 announcement as a result of the reduction in output, the higher level of projected investment and the costs of PIP referred to below, the increase in electricity prices and inflation. The rise in electricity prices impacts our nuclear unit cash costs because under the new arrangements for back-end fuel services we are now making additional payments to BNFL. This will continue for so long as electricity prices remain above £16.0 per MWh (in 2002/2003 monetary values and indexed to RPI).

As of 22 November 2004 contracts were in place covering virtually all of the planned output for the financial year ending 31 March 2005, of which nearly all are at fixed prices. The average price for these fixed price contracts is £21.0 per MWh. For 2005/2006, contracts are in place for approximately two-thirds of planned generation, with approximately half of these being at fixed prices at an average price of approximately £25 per MWh. The market price for forward baseload contracts has continued to rise and the wholesale price for annual contracts with delivery in 2005/2006 has risen from around £24.5 per MWh at the end of March 2004 to over £30.0 per MWh by 22 November 2004, an increase of some 20 per cent. Whilst there is no guarantee that these prices will continue to prevail they are comfortably above our estimates of average nuclear unit cash costs.

In August 2003 we brought together a team within British Energy and engaged a consortium of experienced external consultants, to design and implement a far-reaching performance improvement programme (PIP). By putting in place and implementing this programme, which in essence involves investing in our people, processes and plant, we are aiming to increase the degree of reliability of our nuclear generating assets. However, because of the programme's wide ranging nature and the time and costs involved in implementing it, we do not expect to see the benefits of the hoped for improvement in operational reliability in the current or next financial year.

However, AGR power stations are unique to the UK and were built in the 1970s and 1980s by different design consortia to different design specifications. Accordingly, there can be no assurance that the improvement in reliability achieved in other nuclear power station improvement programmes, upon which PIP is based and which have been undertaken on newer fleets of nuclear power stations based on non-AGR technology, will be capable of being achieved in respect of our AGR power stations.

Based on our current expectations of future electricity prices and output, and therefore our financial resources, we believe that the annual investment in plant projects, major repairs

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and strategic spares across the whole New British Energy Group, which includes incremental annual PIP expenditure of £70m to £120m, will be in the range of £200m to £250m in each of the two years ending 31 March 2006 and 2007. This compares with the range of capital expenditure of £85m to £90m announced in October 2003 which did not include any PIP expenditure, nor the costs of major repairs and strategic spares. This financial year, based on the financial resources we expect to have available to us, this investment will be in the range of £140m to £170m including incremental PIP expenditure of approximately £20m. If our financial resources are otherwise required due to unforeseen outages or changes to electricity prices and collateral requirements, we may be required to adjust our investment plans accordingly.

On 30 June 2004, net debt was £382m with gross debt standing at £883m. We had cash and liquid resources of £501m of which £321m was deposited as collateral in support of our trading activities. At 31 October 2004, the amounts were £450m and £332m respectively. We also entered into a receivables facility agreement on 25 August 2004 to provide additional liquidity and we have agreed to defer amounts due to certain suppliers in order to better match the profile of monthly expenditure with the receipt of income from the sale of electricity.

A more detailed description of the Group's current trading and prospects is set out in Part III of the Prospectus: Operating and financial review and prospects. Financial information relating to the Group and a pro forma net asset statement for the New British Energy Group are set out in Part IV of the Prospectus: Financial information and Part V: Unaudited pro forma financial information respectively. Shareholders should not rely on this summary information and should read the entire document and accompanying Prospectus. Our cash and sales figures have been extracted without material adjustment from our underlying accounting and sales records used in the preparation of the financial information in Part IV of the Prospectus: Financial information and the information relating to PIP has been extracted from our own internal records regarding how we allocate our expenditure.

Prospects of the Continuing Group

If we proceed with the Disposal, the Continuing Group will cease to beneficially own any assets (including shares in subsidiary companies) as these will have been transferred to Holdings plc and we will be an empty shell company with no value. Under the terms of the Business Transfer Agreement we are required to make all reasonable efforts to novate all relevant contracts to which the Continuing Group is a party and until such novation can be effected Holdings plc will indemnify the Continuing Group against any liability in connection with the liabilities assumed by Holdings plc or arising from the ownership or operation of the Business. In due course the Continuing Group would be wound up or struck off the register of companies on a solvent basis and there will be no further return to Shareholders.

10. **Dividend policy**

The board of New British Energy intends to distribute to shareholders as much of New British Energy's available cash flow as prudently possible, but not until operational requirements of the business permit. In addition, under the terms of the Restructuring, there are certain restrictions on, or factors affecting, the board's ability to pay dividends including:

- New British Energy is required to fund cash reserves out of its net cash flow in order to support the New British Energy Group's collateral and liquidity requirements post-Restructuring. The initial target amount for the cash reserves is £490 million plus the amount by which cash employed as collateral exceeds £200 million. Prior to paying any dividends, New British Energy's cash needs to equal or exceed the Target Amount and certain other amounts specified in the

Contribution Agreement;

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- the terms of the Contribution Agreement also require that once the cash reserve is funded to the Target Amount, New British Energy must make the NLF Cash Sweep Payment. Initially this is 65 per cent. of the New British Energy Group's adjusted net cash flow (calculated on the basis set out in the summary of the Contribution Agreement in paragraph 17.2(e) of Part X of the Prospectus: Additional information). This percentage may be adjusted for certain corporate actions but may never exceed 65 per cent. The requirement to make the NLF Cash Sweep Payment will greatly reduce the amount of cash that would otherwise be available for distribution to Shareholders. In addition, New British Energy may not pay any dividends without making an additional payment to the NLF if the result of paying such dividend would be that the aggregate amount of dividends paid to shareholders in the period following the Restructuring would exceed the aggregate of New British Energy's annual adjusted net cash flow in such period less the aggregate NLF Cash Sweep Payments payable in such period;
- the terms of the New Bonds contain certain covenants (which are described in detail in Part VII of the Prospectus: Terms and conditions of the New Bonds), including a restriction that allows New British Energy to pay a dividend only if the Target Amount is met and no event of default has occurred; and
- New British Energy must have distributable reserves.

As a result of these restrictions and after making a prudent allowance for collateral requirements the directors of New British Energy consider that the earliest period for which a dividend may be declared is the financial year ending 2007. A further description of New British Energy's dividend policy is set out in Part III of the Prospectus: Operating and financial review and prospects .

11. New British Energy reduction of capital

Shortly after the Restructuring Effective Date, New British Energy will seek to reduce its share premium account with the sanction of the Court. The New British Energy Reduction is intended to eliminate the deficit (if any) in the distributable reserves for New British Energy which may arise as a result of the Restructuring and to provide some distributable reserves for New British Energy to pay dividends to shareholders in the future. Further details relating to the New British Energy Reduction are set out in paragraph 10 of the Explanatory Statement in Part II of this document.

12. Directors interests

All of the Directors have been appointed directors of New British Energy and Holdings plc. If the Members' Scheme becomes Effective, New British Energy and Holdings plc will be the ultimate and immediate parent company respectively of British Energy. Information on the Directors and the interests of the Directors in British Energy Shares and prospectively in New Shares and Warrants is set out in Part V of this document.

I have a letter of appointment with British Energy dated 20 January 2003 to serve as a non-executive director for 3 years from 1 December 2002 which may be renewed for a further 3-year period at the discretion of the Board. I also have a further letter of appointment with New British Energy and Holdings plc dated 23 September 2004. The terms of my letters of appointment provide for the payment to me of an additional fee of £100,000 contingent upon a restructuring of the British Energy Group becoming effective and binding on all interested parties. It is intended that following Admission, my letters of appointment will be amended to provide for 30 per cent. of my post-Admission base fee of £150,000 per annum to be settled in shares under arrangements which remain to be agreed in detail.

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With effect from 1 September 2004, we modified our fee structure for all non-executive Directors except myself. In addition to the fees set out in paragraph 7 of Part X of the

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Prospectus: Additional information , each non-executive Director will receive £13,000 per annum payable in New Shares, such shares to be allocated quarterly in arrears. A non-executive Director may only sell his or her New Shares in equal tranches over the 3 years following grant subject to having been on the board of New British Energy for at least 12 months following the date of grant. Current non-executive Directors will each receive a single payment of £10,000 of New Shares as soon as possible after Admission. Any new non-executive Directors joining the board of New British Energy after this time will also receive a similar payment.

Once the Restructuring is implemented, the current executive Directors who are also executive directors of New British Energy may, subject to the satisfaction of certain performance targets, be entitled to a deferred bonus under the Interim Bonus Plan and thereafter under the LT Plan. Details of the Interim Bonus Plan and the LT Plan are set out in paragraph 6 of Part V and in paragraph 8 of Part X of the Prospectus: Additional information .

In the event that the Restructuring does not go ahead as planned, Roy Anderson s service agreement entitles him to participate in a broadly comparable bonus plan to the Interim Bonus Plan and LT Plan.

Stephen Billingham s service agreement entitles him, subject to certain conditions, to a single payment of £200,000 in June 2005 provided that he has not voluntarily left the employment of British Energy before 30 June 2005 or has received notice of termination before that date. In the event that shares in New British Energy are not admitted to the Official List by 31 March 2006, Stephen Billingham will receive a further payment of £400,000 during April 2006. This payment will be offset against any awards due to Stephen Billingham under any bonus/incentive plan in operation for the financial years 2006/2007 and 2007/2008.

Save as set out above there are no other awards or bonuses that will become payable to the Directors if the Restructuring becomes effective.

Paragraph 15 of the Explanatory Statement in Part II of this document contains further details of all of the Directors interests (whether as directors or as members or as creditors of the Company or otherwise) and the effect on those interests of the Members Scheme, in so far as they may be different from the effect on the like interests of other persons.

13. Meetings

Paragraph 19 of the Explanatory Statement in Part II of this document provides details of the Ordinary Share Court Meeting, the A Share Court Meeting and the Extraordinary General Meeting, which are required to approve the Members Scheme and, in the case of the Extraordinary General Meeting, the Disposal. Notices of each of these meetings are set out at the end of this document.

14. Action to be taken

A detailed explanation of the action to be taken by Shareholders is set out in paragraph 20 of the Explanatory Statement in Part II of this document.

You are urged to complete and return the GREEN Form of Proxy for the Ordinary Share Court Meeting, the BLUE Form of Proxy for the A Share Court Meeting and the WHITE Form of Proxy for the Extraordinary General Meeting. For the reasons discussed in paragraph 7 of the Explanatory Statement in Part II of this document, only Ordinary Shareholders will be entitled to vote at the Extraordinary General Meeting. Completed Forms of Proxy should be returned to the Registrars, Lloyds TSB Registrars as soon as possible but in any event, so as

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to arrive by 10.30 a.m., 11.30 a.m. and 12 noon respectively on 20 December 2004. Forms of Proxy for the Ordinary Share Court Meeting and the A Share Court Meeting may also be handed to the chairman of the Ordinary Share Court Meeting and the A Share Court Meeting respectively. However, in the case of the Extraordinary General Meeting, unless the white Form of Proxy is lodged so as to be received at least 48 hours before the meeting, it will be invalid. The lodging of a Form of Proxy will not prevent you from attending the Ordinary Share Court Meeting, the A Share Court Meeting or the Extraordinary General Meeting and voting in person should you wish to do so.

Scheme Shareholders who wish to make a Shareholder Election to have New Shares and/or Warrants issued to them or their nominee, must complete the enclosed Form(s) of Election and return it/them to the Registrars, Lloyds TSB Registrars at the address shown on the Form(s) of Election by no later than the Election Return Time. In considering whether to make a Shareholder Election, Scheme Shareholders should bear in mind the expense involved in transactions in small numbers of securities. It is generally the case that stockbrokers' minimum commissions are around £10 to £25.

There are a number of risks related to ownership of the New Shares and Warrants. Part II of the Prospectus: Risk factors contains further detail in relation to such risks.

If you have any questions relating to the proposals described in this document or the completion and return of the Form(s) of Proxy or Form(s) of Election, please contact our helpline on freephone 0800-035-0844 (or if calling from outside the UK +44 (0) 1295-225-285 (calls charged at applicable rates)), Monday to Friday 9.00 a.m. to 5.00 p.m. (UK time). The helpline cannot provide advice on the merits or otherwise of the matters described in this document, nor give any financial advice.

15. Recommendation

We entered into the agreements with Creditors and the Secretary of State in October 2003 in order to avoid administration in circumstances where no other viable option was available to the Group and the agreements provide the best that we could negotiate for Shareholders at the time. We believe the only alternative would have been for us to take appropriate insolvency proceedings under which any distributions to Shareholders would have been highly unlikely. We continue to believe there is no reliable alternative option to the Restructuring available to us.

The effectiveness of the Members' Scheme and, failing that, the implementation of the Disposal, is required for the Restructuring to be implemented. Therefore, if the Members' Scheme is not approved or the Disposal Resolution is not passed, we are required to implement the Disposal without Shareholder approval. If the Disposal is implemented, Shareholders will remain holders of British Energy Shares, but we will have disposed of all of our assets and the British Energy Shares will be unlisted securities and will not have any value.

We have decided it is prudent to seek an extension to the present Restructuring Long Stop Date of 31 January 2005 but there can be no assurance that all the requisite parties will agree the proposed extension. If for any reason the Restructuring cannot be completed before the Restructuring Long Stop Date and our current standstill arrangements are terminated and a replacement standstill cannot be agreed with Creditors shortly thereafter, we would be unable to meet our financial obligations as they fall due and consequently we may have to take appropriate insolvency proceedings. If we were to commence insolvency proceedings, the distributions to unsecured creditors may represent only a small fraction of their unsecured liabilities and there is highly unlikely to be any return to Shareholders.

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The Restructuring remains subject to a number of important conditions (which are outlined in detail in Part IV below) and will result in a very significant dilution of the interests of Shareholders. Notwithstanding the above, the Directors consider that the Restructuring (implemented, if necessary, by the Disposal) and the resolutions to be proposed at the EGM are in the best interests of the Group and the Shareholders as a whole.

Even if Shareholders approve the Members Scheme it may still not become Effective for other reasons and therefore Ordinary Shareholders are encouraged to vote in favour of the Disposal as well as the Members Scheme.

In light of the difficult circumstances faced by the Group, the Directors, who have received financial advice from Citigroup Global Markets Limited, consider the Restructuring to be in the interests of the Company. In providing advice to the Directors, Citigroup Global Markets Limited has placed reliance upon the commercial assessments of the Directors.

Accordingly, the Directors unanimously support the Restructuring and recommend that Shareholders vote in favour of the Members Scheme to be approved at the Court Meetings and both the resolutions to be proposed at the Extraordinary General Meeting, that is, the Members Scheme Resolution and the Disposal Resolution. The Directors intend to vote in favour in respect of their own beneficial holdings, amounting to 4,188 Ordinary Shares.

Yours sincerely

Adrian Montague

Chairman

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PART II

EXPLANATORY STATEMENT

(in compliance with section 426 of the Companies Act 1985)

BRITISH ENERGY PLC

(Registered in Scotland No. 162273)

29 November 2004

To shareholders of British Energy plc

Dear Shareholder,

Proposed Restructuring of British Energy plc

1. Introduction

On 1 October 2003, the Company announced that it had entered into the Creditor Restructuring Agreement and the Government Restructuring Agreement setting out the terms of the proposed Restructuring of the Group with certain key creditors and the Secretary of State.

In response to the requisition from Polygon and Brandes in early September 2003, on 23 September 2003 the Company announced that it would be convening the Requisitioned EGM and on the same day sent you a circular notifying you of its intention to apply for the UKLA to cancel the listings of the British Energy Shares. The listings of the British Energy Shares on the Official List were cancelled by the UKLA with effect from 8.00 a.m. on 21 October 2004 and the last day of dealings in British Energy Shares on the London Stock Exchange was 20 October 2004. On 22 October 2004, the Company announced that none of the resolutions had been passed at the Requisitioned EGM.

Following the receipt on 24 September 2004 by the Secretary of State of State Aid Approval, on 12 October 2004 the Company announced that all the remaining Initial Conditions to the implementation of the Restructuring had been satisfied. Notwithstanding the satisfaction of the Initial Conditions, the Restructuring remains subject to the satisfaction of a number of other conditions which are set out in Part IV of this document. Admission is also conditional upon the Restructuring being implemented.

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Your attention is drawn to the letter from the Chairman of the Company set out in Part I of this document, which forms part of this Explanatory Statement and summarises the Restructuring and recommends to Shareholders that they vote in favour of the Members' Scheme and to Ordinary Shareholders that they vote in favour of the resolutions to be proposed at the Extraordinary General Meeting, including the Members' Scheme Resolution and the Disposal Resolution.

2. **Background to the Restructuring**

As outlined in the Chairman's letter in Part I of this document, on 5 September 2002, the Company announced that it had initiated discussions with the Government with a view to seeking immediate financial support to enable a longer-term financial restructuring to take place. The Company decided to initiate these discussions based on several factors including various unplanned outages at the Group's nuclear power stations, the failure of negotiations with BNFL and a review of the longer-term prospects of the Group.

The discussions with the Government in September 2002 resulted in the Government providing the Group with the Government Facility, intended to provide working capital for the Group's immediate requirements and to allow the Group to stabilise its trading

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position (the Government Facility ceased to be available for drawing by the Group on 22 September 2004 following the issue of State Aid Approval).

On 28 November 2002, when the Company announced the outline terms of the proposed restructuring, it highlighted some of the commercial and structural factors which had caused or compounded its financial difficulties, some of which the Restructuring seeks to address. These are set out below:

the Group's nuclear fleet in the UK had high fixed costs of production when compared with other generators of electricity (including the costs of supplies and services under its contracts with BNFL); as a merchant generator with no retail supply business the Group was (and will remain following Admission) heavily exposed to declines in wholesale electricity prices. Significant contracts for direct sales to industrial and commercial customers were closely linked to the wholesale electricity price which meant the business was unable to withstand the significant reduction in wholesale electricity prices which fell by over 35 per cent. over the two years to September 2002. Currently, subject to and following Admission, the exposure to declines in electricity prices is partially hedged, within certain parameters, by the new BNFL contracts described in paragraph 3 below (although at current wholesale electricity price levels the Group is now making additional payments to BNFL as provided for in the new BNFL contracts);

the Group's wholesale electricity price exposure at the time was exacerbated by a power purchase agreement and two contracts for differences which magnified its exposure to baseload electricity prices. The claims of the counterparties to these arrangements are being compromised pursuant to the Restructuring in exchange for New Shares to be issued by New British Energy and New Bonds to be issued by Holdings plc;

the Group has an obligation, under its nuclear site licences, to decommission its nuclear power stations at the end of their useful lives. These liabilities were estimated to have a net present value of £1.1 billion as at 31 March 2004. Certain of the decommissioning liabilities were covered by the NDF to which the Group contributed. However, there was no certainty that this fund, at the level of contributions the Group was making, would be sufficient to cover all of the liabilities to which it related. This uncertainty will, on Admission, be substantially mitigated by the new arrangements with the Secretary of State relating to the Nuclear Liabilities Fund described in paragraph 3 below;

the Group's operations generate liabilities in respect of nuclear fuel and waste estimated at £3.5 billion for discounted contracted liabilities and £1.1 billion for discounted uncontracted liabilities (in each case as at 31 March 2004). Some of these liabilities are currently covered by long term contracts with BNFL, with the balance remaining uncontracted. These uncontracted liabilities are long term in nature and therefore subject to uncertainty. There is no guarantee that the Group's business would generate sufficient funds to cover these contracted and uncontracted liabilities. This uncertainty will be substantially mitigated on Admission by the new BNFL contracts and the new arrangements with the NLF and the Secretary of State described in paragraph 3 below;

the Eggborough Station, which was acquired out of group funds, also suffered from the reduction in wholesale electricity prices through 2001 and 2002 and the narrowing differential between winter and summer prices. The acquisition was refinanced with a project finance loan on 13 July 2000 and it was difficult for the Group to fund the repayments required. The debt owed to the providers of the project finance loan will be compromised under the terms of the Restructuring as described in paragraph 3 below;

the Group had investments in the USA and Canada but these had not generated dividends and, in the case of Canada, required significant investment. As a result,

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they had stretched the Group's financial resources. These assets have now been disposed of; and

as at 30 September 2002, the Group had indebtedness of £1,050 million (including £490 million in connection with the Eggborough Station and approximately £408 million of unsecured existing Bonds) with significant debt repayment obligations to be made in cash and as a result of the loss of the Company's investment grade rating in September 2002 the Group's cash requirements increased significantly to meet the collateral requirements of trading counterparties.

The restructuring principles agreed with the Government in November 2002 formed the basis for the Restructuring and required, amongst other things, that the Company enter into a binding agreement with its Creditors by 30 September 2003 whereby their existing claims against the Group would be extinguished in exchange for a combination of new debt and new equity in the restructured Group.

Accordingly, in October 2003 the Company announced that it had entered into binding agreements with its Creditors and with the Secretary of State setting out the terms of the Restructuring of the Group and the circumstances in which the Secretary of State would support the Restructuring.

Further details on the background to the Restructuring are set out in the Chairman's letter in Part I of this document and in the Prospectus.

3. Summary of the Restructuring

The principal elements of the Restructuring are set out below.

New Bonds and New Shares

The Creditors who signed up to the Creditor Restructuring Agreement (other than BNFL) have agreed, under the terms of that agreement, to extinguish their existing unsecured claims against the Group in exchange for £275 million of New Bonds of Holdings plc and at least 97.5 per cent. of the New Shares of New British Energy. If the Members' Scheme does not become Effective, Creditors (other than BNFL) will receive 100 per cent. of the New Shares in New British Energy immediately following implementation of the Restructuring.

The claims of Creditors will be extinguished in two ways. Firstly, the Company is proposing the Creditors' Scheme to Bondholders and RBS under which Bondholders and RBS will agree to extinguish their claims against the Group (under the Bonds and the RBS Letter of Credit) in exchange for the issue to them of New Shares and New Bonds. To become Effective, the Creditors' Scheme must be approved by a majority in number of the Bond Trustees and RBS representing three-fourths in value of their claims against the Group. Following approval of the Creditors' Scheme by the requisite majority, the Creditors' Scheme will also need to be sanctioned by the Court and the Creditors' Order filed with the Companies Registrar. The Creditors' Scheme Circular was made available to Bondholders and RBS on the same date as this document and is available for inspection at the registered office of the Company.

Secondly, the Significant Creditors and the Eggborough Banks (in respect of their unsecured claims only) have agreed to extinguish their claims against the Group in exchange for New Bonds and New Shares pursuant to the operation of the Creditor Restructuring Agreement itself.

Eggborough Arrangements

The Eggborough Banks as lenders with the benefit of the RBS Letter of Credit and security over, amongst other things, the shares in, and assets of, EPL (the Company's subsidiary

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that owns the Eggborough Station), will be re-paid approximately £37.5 million pursuant to the RBS Letter of Credit and have agreed to replace the balance of their existing secured claims with a right to receive payments under the Amended Credit Agreement on substantially the same payment terms as £150 million of New Bonds.

In addition, the Eggborough Banks will be granted: (i) options exercisable at any time prior to 31 August 2009 under which they may acquire the shares in, or assets of, EPL on 31 March 2010 in consideration for, amongst other things, £104 million (subject to certain adjustments depending on the condition of the Eggborough Station on 31 March 2010) and the cancellation of the outstanding payments under the Amended Credit Agreement at such time; and (ii) options under which they may acquire the shares in, or assets of, EPL at any time prior to 31 August 2009 on or after the occurrence of an event of default under the Amended Credit Agreement that is continuing in consideration for a fee (which varies depending on the type of event of default) and the cancellation of the outstanding payments under the Amended Credit Agreement at such time. The Eggborough Banks will be entitled to assign and/or transfer all (but not part only) of their rights under the options to a third party, subject to a pre-emption right in favour of the New British Energy Group under which a member of the New British Energy Group may purchase such rights at 105 per cent. of the price offered to the relevant third party.

The Eggborough Banks will continue to benefit from their existing security and certain new security which will secure, amongst other things, the Eggborough Banks' rights under the Amended Credit Agreement and the options. As a result, on and at any time after the occurrence of an event of default under the Amended Credit Agreement that is continuing, the Eggborough Banks will have the right to:

- (a) prior to 31 August 2009, exercise the option or enforce their security referred to above; or
- (b) on or post 31 August 2009, enforce their security.

EPL's payments under the Amended Credit Agreement will be funded by the New British Energy Group and consequently the recovery of the Eggborough Banks on enforcement of their security should effectively equal the outstandings under the Amended Credit Agreement at the relevant time even in circumstances where the shares in, or assets of, EPL are worth less than such outstandings.

The Nuclear Liabilities Fund

Under new arrangements with the Secretary of State, the existing NDF will be enlarged into and renamed the NLF which will fund certain of the Group's qualifying uncontracted nuclear liabilities and decommissioning costs.

The Secretary of State has agreed to fund: (i) qualifying decommissioning costs and qualifying uncontracted liabilities to the extent they exceed the assets of the NLF; and (ii) subject to certain exceptions, contracted liabilities for historic spent fuel. As at 31 March 2004, the market value of the NDF was £440 million. To the extent that there is any surplus in the NLF, this amount will be paid to the Secretary of State. The New British Energy Group will be responsible for funding certain excluded or disqualified liabilities and will, in certain circumstances, be required to compensate or indemnify the NLF and the Government in relation to such liabilities. These include, amongst other things, employment and redundancy costs, certain environmental expenses and liabilities arising from any breach by BEG or BEG UK of the Nuclear Installations Act 1965 in relation to occurrences involving nuclear material or ionising radiation. Disqualified liabilities include the increases in the net present value of costs of discharging liabilities of £100,000

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(in March 2003 monetary values and indexed to RPI) or more arising out of: (i) failure by BEG and BEG UK as licensees to behave in accordance with a defined minimum performance standard; or (ii) the implementation of certain operational changes (broadly speaking where not required or anticipated to be required by law or accepted standards); and (iii)

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any such increases arising out of key operational changes where the required Nuclear Decommissioning Authority consent has not been obtained.

In consideration for the assumption of these liabilities by the Secretary of State and the NLF, Holdings plc will issue £275 million in New Bonds to the NLF and the New British Energy Group will make the following ongoing payments:

- (a) fixed decommissioning contributions equal to £20 million per annum (in March 2003 monetary values and indexed to RPI) but tapering off as the AGR nuclear power stations are currently scheduled to close;
- (b) £150,000 (stated in March 2003 monetary values and indexed to the Retail Price Index) per tonne of uranium in fuel loaded into the Sizewell B reactor after the Restructuring Effective Date; and
- (c) the NLF Cash Sweep Payment, which will be an annual contribution of, initially, 65 per cent. (subject to adjustment) of the Group's adjusted net cash flow (calculated on the basis set out in the summary of the Contribution Agreement in paragraph 17.2(e) of Part X of the Prospectus: *Additional information*). The NLF's entitlement to the NLF Cash Sweep Payment is convertible into an equity shareholding of New British Energy.

On a full conversion of the NLF Cash Sweep Payment, the NLF would hold up to 65 per cent. of the thereby enlarged equity share capital of New British Energy. However, the terms of the Convertible Shares into which such entitlement will convert, will limit the general voting rights attaching to such shares to the maximum amount of shares as can be held without triggering a mandatory offer under the Takeover Code, being currently 29.9 per cent. of the voting rights of New British Energy (and, for this purpose, taking into account the voting rights attributable to any other New Shares held or acquired by any person acting in concert with the NLF). Paragraph 11 below contains further details on the Convertible Shares and the NLF Conversion Right.

In addition, the Secretary of State will have an option to acquire for £1 each of the Group's nuclear power stations and related station assets (subject to certain exclusions) for the purpose of decommissioning or continuing the operation of those nuclear power stations beyond the date of closure of those stations assumed by the Group (which date will include any changes to such dates in New British Energy's financial statements following the extension of current station lifetimes). An option to continue to operate a nuclear power station may (unless the New British Energy Group has given notice that it will close the station early) only be exercised at any time up to and including the date which is two years before the scheduled closure date of the station but transfer of the station pursuant to the exercise of the option cannot complete until the scheduled closure date of the station, at the earliest. The Secretary of State also has an option to acquire the Group's interest in United Kingdom Nirex Limited.

New BNFL contracts

On 31 March 2003 and 16 May 2003 respectively, the Company exchanged contracts with BNFL covering front-end AGR fuel supply (that is, fuel preparation before it enters the reactor) and back-end AGR fuel services (i.e. handling, storage and ultimate disposal of spent fuel) required to give effect to the Restructuring. The amendments to the Company's existing front-end contracts became effective on 1 April 2003 but, with the exception of the new arrangements for the supply of uranium to BEG, may be terminated if the Restructuring is not completed. The new post 2006 front-end fuel contracts, the amendments to the back-end fuel contracts and the new back-end fuel contracts are also conditional upon completion of the Restructuring.

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The pricing provisions in the new BNFL contracts are intended to enable the Group to reduce a proportion of its fuel costs by providing for a discount when the market baseload

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price of electricity is below a specified amount and a surcharge when above this amount. As electricity prices have risen substantially since October 2003, the Group is now making additional payments to BNFL under the new arrangements for spent fuel management in the form of the surcharge. This will continue for so long as electricity prices remain above £16.0 per MWh (in 2002/2003 monetary values and indexed to RPI).

Shareholder allocation

If the Restructuring is completed, New British Energy will issue a mix of New Shares and Warrants to Shareholders on the following basis:

- if the Members Scheme is approved by Shareholders and it becomes Effective, Shareholders will receive New Shares representing 2.5 per cent. of the issued share capital of New British Energy immediately following implementation of the Restructuring and Warrants entitling them to subscribe for New Shares equal to 5 per cent. of New British Energy's thereby diluted share capital immediately following completion of the Restructuring (excluding the impact of the Employee Options and conversion of the NLF Cash Sweep Payment);
- if the Members Scheme is not approved by Shareholders (or it otherwise Lapses) but Ordinary Shareholders approve the Disposal, then Shareholders will not receive any New Shares but will receive Warrants entitling them to subscribe for New Shares equal to 5 per cent. of New British Energy's thereby diluted share capital immediately following completion of the Restructuring (excluding the impact of the Employee Options and conversion of the NLF Cash Sweep Payment); and
- if Shareholders do not vote in favour of the Members Scheme (or it otherwise Lapses) and Ordinary Shareholder approval in respect of the Disposal is not obtained, Shareholders will receive no New Shares or Warrants.

A more detailed description of the terms of the Restructuring is contained in Part VI of the Prospectus: Further information relating to the Restructuring .

4. Cancellation of listings

On 3 September 2004, Polygon and Brandes requisitioned an extraordinary general meeting of the Company. In accordance with the Company's obligations under the Act, the Company sent a circular to you on 24 September 2004 containing notice of the Requisitioned EGM which was held on 22 October 2004. The resolutions proposed by Polygon and Brandes at the Requisitioned EGM sought to stop the Company from taking certain actions which may be necessary to implement the Restructuring.

One of the resolutions proposed at the Requisitioned EGM would have had the effect, if passed, of requiring British Energy to seek Shareholder approval prior to applying for the cancellation of its listings. If British Energy were required to take steps to cancel the London listing of its shares in circumstances where Shareholders do not approve the Members Scheme or the Disposal, but could not do so as a result of a failure to achieve such Shareholder approval, British Energy believed, having taken legal advice, that it would be likely to be in breach of the Creditor Restructuring Agreement.

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British Energy was informed by certain creditors to whom the Group owe significant amounts that if that happens and they could not compel the Company to perform its obligations under the Creditor Restructuring Agreement, they would take steps to terminate the Creditor Restructuring Agreement and the related standstill arrangements. Further they said that they would then take steps to recover amounts owing to them including taking steps to force British Energy into administration. If that had happened British Energy believed that the other creditors who are also a party to the Creditor Restructuring Agreement would also demand payment. Therefore the Group would be

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required to pay approximately £1.5 billion to Creditors. The Group did not and does not have the resources to pay that amount. As a result of such breach of the Creditor Restructuring Agreement British Energy may have been exposed to significant claims for damages for breach of contract. Moreover, because the creditors said that they would demand immediate repayment of monies which British Energy judged, for the reasons set out above, it would be unable to pay, British Energy considered that its directors would have no choice but to place British Energy into administration.

For this reason, on 23 September 2004, the Company sent you a circular, notifying you, in accordance with the Company's obligations under the Listing Rules, that the Company intended to seek cancellation and apply for the UKLA to cancel the listing of the British Energy Shares from the Official List of the UKLA at the end of the 20 Business Day notice period, such cancellation to take immediate effect. Under the Listing Rules, the Company could apply to cancel the listings of the British Energy Shares from the Official List without shareholder approval.

On 30 September 2003, Polygon announced that, having considered the Company's recent circulars, it had agreed, amongst other things, to vote against the resolutions proposed at the Requisitioned EGM and not to further oppose the Restructuring. In addition, on 30 September 2004 the Company announced that it would be withdrawing its action against Polygon in the United States and that the Bondholders had agreed terms to stop the proceedings in London insofar as they related to Polygon. Brandes subsequently announced on 6 October 2004, that it was not going to pursue the matter further for the time being but that it would continue to monitor events so that it may take appropriate steps to promote the legitimate interests of its clients.

Following the Company's application for the UKLA to cancel the listings of the British Energy Shares from the Official List, the UKLA cancelled the listings of the British Energy Shares with effect from 8.00 a.m. on 21 October 2004 and the last day of dealings in British Energy Shares on the London Stock Exchange was 20 October 2004. The Company is not intending to apply for the UKLA to cancel the London listing of its Bonds prior to the Restructuring Effective Date.

Although the British Energy Shares are no longer listed on the Official List, the London listings of the Bonds have not been cancelled and the Company, therefore, remains subject to the continuing obligations applying to issuers of specialist debt securities under the Listing Rules. The Company is exempt from the other continuing obligation provisions of the Listing Rules which apply to issuers of equity securities but intends to comply with these obligations as if the listings of the British Energy Shares had not been cancelled. It will not, however, regard itself as being subject to the requirements of the Listing Rules to seek shareholder approval for significant transactions such as the Disposal or related party transactions. Therefore, although Ordinary Shareholders are being asked to approve the Disposal at the EGM, if the Disposal Resolution is not passed in circumstances where the Members Scheme has not become Effective, the Company will proceed with the Disposal without such approval.

Following the Company's notice to Shareholders of its intention to cancel the listings of the British Energy Shares, on 28 September 2004, the NYSE suspended trading in the British Energy ADRs and instituted proceedings to permanently delist the British Energy ADRs from the NYSE. British Energy has appealed the NYSE's decision. However, there can be no assurance that the appeal will be successful.

5. The Members Scheme

In order to implement the Restructuring, it is proposed that the Company will become a wholly-owned subsidiary of New British Energy by means of the Members Scheme. The Members Scheme is a court-approved scheme of arrangement under section 425 of the Act involving a reduction of capital of the Company by the cancellation of the British

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Energy Shares. At the same time the Company will also apply to the Court to reduce the Company's capital further by cancelling the valueless Non-voting Deferred Shares which were issued in connection with the return of value by the Company in 1999. In order to reduce the deficit in its profit and loss account brought about by a permanent loss of capital, the Company proposes to apply the reserve arising in its books as a result of the cancellation of the British Energy Shares and Non-voting Deferred Shares (save for 44²⁸/43p) to its profit and loss account. The 44²⁸/43p of the reserve not so applied will be used in paying up in full, at par, one new Ordinary Share which will be issued to New British Energy or its nominee and which will comprise the entire issued ordinary share capital of the Company. A single new Ordinary Share will be issued to New British Energy at par because that is all that is required to make the Company a subsidiary of New British Energy and maximises the amount of the balance of the reserve arising from the cancellation of the Company's existing Ordinary Shares which will be credited to the profit and loss account of the Company to reduce the present deficit. New British Energy has agreed to transfer the new share in the Company acquired pursuant to the Members' Scheme to Holdings plc following which the Company will be a subsidiary of Holdings plc.

The Members' Scheme requires the approval of the Ordinary Shareholders at the Ordinary Share Court Meeting and Extraordinary General Meeting and of the A Shareholders at the A Share Court Meeting, and must thereafter be sanctioned by the Court. If the requisite majority of Shareholders vote in favour of the Members' Scheme and the Members' Scheme becomes Effective, it will bind the Company and all its Shareholders whether or not they voted for the Members' Scheme.

The Non-voting Deferred Shares will not form part of the Members' Scheme and will be cancelled as part of the further reduction of capital of the Company referred to above.

The Special Share in the Company will not be cancelled and will continue to be held jointly by the Secretary of State and the Secretary of State for Scotland. However, the provisions in the Company's articles of association relating to the Special Share will be amended to, amongst other things, reflect the fact that the holder will, following the amendments, only be able to withhold consent to certain matters if, in the holder's opinion, the matter in question would be contrary to the interests of national security.

Paragraph 8 below sets out what Scheme Shareholders will be entitled to receive if Shareholders vote in favour of the Members' Scheme and the Members' Scheme becomes Effective, the manner in which fractional entitlements to New Shares and Warrants will be dealt with as well as the Shareholder Election which Scheme Shareholders will need to make if they wish to have New Shares and Warrants issued to them or their nominees.

The full text of the Members' Scheme is set out at the end of this document.

6. Approval of the Members' Scheme

Subject to the implementation of the Restructuring, the Members' Scheme will become Effective if:

- (a) the Members' Scheme is approved by: (i) a majority in number of holders of Ordinary Shares who vote, representing three-fourths in value of the votes cast at the Ordinary Share Court Meeting (either in person or by proxy); and (ii) a majority in number of holders of A Shares who vote, representing three-fourths in value of the votes cast at the A Share Court Meeting (either in person or by proxy);

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- (b) the resolution to approve the matters necessary to effect the Members Scheme set out in the notice of Extraordinary General Meeting at the end of this document is duly passed as a special resolution;
- (c) the Members Scheme is sanctioned by the Court with or without modification and the reduction of share capital of the Company which forms part of the Members Scheme is confirmed by the Court; and

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- (d) a copy of the order of the Court sanctioning the Members Scheme and confirming the reduction of share capital is delivered to, and in relation to the reduction of share capital registered by, the Companies Registrar.

The Ordinary Share Court Meeting has been convened for 10.30 a.m. on 22 December 2004 at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ. The A Share Court Meeting has been convened for 11.30 a.m. on 22 December 2004 at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ (or as soon as possible following the conclusion or adjournment of the Ordinary Share Court Meeting).

The Court hearing of the Petition to sanction the Members Scheme is expected to be held at the earliest on 14 January 2005 at the Court although the exact date will depend on, amongst other things, the timetable fixed by the Court. The existence of the Petition will be advertised in the Scotsman, the Edinburgh Gazette, the Financial Times (the UK and international editions) and the New York Times at least 14 days before the date of the Court hearing. Any interested party (including a Scheme Shareholder) who wishes to object to the sanctioning of the Members Scheme can lodge answers to the Petition within 14 days of the date of advertisement and thereafter appear or be represented at the Court hearing to oppose the sanctioning of the Members Scheme. The Court will remit to a Reporter to enquire into the facts and circumstances of the Petition and to provide a report to the Court for its consideration.

If the Members Scheme is sanctioned by the Court, the conditions to the implementation of the Restructuring have been satisfied or waived and the Members Scheme becomes Effective, it is expected that dealings in the New Shares and Warrants will commence on the dealing day immediately following the Restructuring Effective Date. If the Members Scheme has not become Effective by the Restructuring Long Stop Date it will Lapse.

7. The Disposal

If the Members Scheme is not approved by Ordinary Shareholders at the Ordinary Share Court Meeting and the Extraordinary General Meeting, and by A Shareholders at the A Share Court Meeting or, if the Members Scheme is not sanctioned by the Court or for some other reason Lapses, the Restructuring will be effected through the Disposal.

Under the Business Transfer Agreement, the Company will sell the entire business of the Company, including all of its assets (except for the non-voting shares held by it in each of New British Energy and Holdings plc) and shares in its subsidiaries, to Holdings plc as a going concern. In consideration for such sale Holdings plc will perform the outstanding obligations under all of the Company's contracts and will satisfy or discharge all its liabilities. The Company's balance sheet liabilities, in accordance with the Company's unaudited results for the three months ended 30 June 2004, are set out in paragraph 8 of the Chairman's letter in Part I of this document. If the benefit of any of the contracts can be assigned by the Company without any person's consent, then the Business Transfer Agreement will constitute an assignment by the Company of the relevant contracts but if a contract cannot so be assigned, until the consent is obtained or a novation is achieved, the Company will hold the relevant contract and all benefits thereunder as trustee for Holdings plc and will upon receipt of any monies, goods, services or benefits account for and pay or deliver the same to the Buyer. Holdings plc will indemnify the Company against each loss, liability, cost and expense which the Company may suffer in connection with the liabilities assumed by Holdings plc or arising from the ownership or operation of the Business.

The Business Transfer Agreement will become effective only if the Members Scheme is not approved by the relevant Shareholders or otherwise Lapses. Completion of the sale of the Business under the Business Transfer Agreement will take place immediately after the Creditors Scheme has become Effective. If the Business Transfer Agreement has not been completed by the Restructuring Long Stop Date, then it will automatically terminate. The Business Transfer Agreement is summarised in

paragraph 8 of Part V of this document.

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The Disposal would, if the British Energy Shares were listed at the time of such Disposal, constitute a Class 1 transaction for the purposes of the Listing Rules requiring shareholder approval. The British Energy Shares are no longer listed on the Official List but the Company is, nonetheless, seeking the approval of Ordinary Shareholders at the Extraordinary General Meeting which has been convened for 12 noon on 22 December 2004 at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ. However, if this approval is not obtained the Creditor Restructuring Agreement requires the Company to proceed with the Disposal without shareholder approval.

A Shareholders are entitled to attend and vote at general meetings of the Company only if their preferential dividend has remained unpaid for six months or more from the date on which such payment is due. No A Share preferential dividend was due in August 2003 or August 2004 because the Company had no profits available for distribution. Consequently, A Shareholders are not entitled to attend and vote on either of the resolutions proposed at the Extraordinary General Meeting, including the Disposal Resolution.

If the Members Scheme is not approved and the Company proceeds with the Disposal (either with or without Ordinary Shareholder approval), Shareholders will remain holders of British Energy Shares which will be unlisted securities. Following the Disposal, the Company will cease to beneficially own any assets (including shares in subsidiary companies) as these will have been transferred to Holdings plc and the British Energy Shares will, therefore, be unlisted shares in an empty shell company with no value. In due course the Company will be wound up or struck off the register on a solvent basis and there will be no further return to Shareholders.

8. What Shareholders will receive

The issued share capital of the Company includes Ordinary Shares and A Shares. The A Shares, in certain circumstances, have preferential rights on a liquidation over the Ordinary Shares. Since Shareholders would be highly unlikely to receive any return in a liquidation, the Company believes (and has agreed in the Creditor Restructuring Agreement), that the theoretical preferential rights of the A Shareholders on a liquidation should be disregarded for the purposes of allocating consideration between the A Shareholders and the Ordinary Shareholders. Accordingly, since each class of Shareholder will be required to vote to approve the Members Scheme, if the Members Scheme becomes Effective, any New Shares and/or Warrants offered to Scheme Shareholders will be allocated between A Shareholders and Ordinary Shareholders pro rata to shares outstanding. Similarly, if the Members Scheme does not become Effective but the Disposal Resolution is passed, the Warrants to which Shareholders would be entitled will be allocated between Ordinary Shareholders and A Shareholders on the same basis. The A Shareholders who hold approximately 81 million A shares will, therefore, receive approximately 11.5 per cent. of the total allocation to Shareholders and the Ordinary Shareholders who hold approximately 621 million Ordinary Shares will receive approximately 88.5 per cent. of the total allocation to Shareholders.

Members Scheme

If the Members Scheme becomes Effective, in consideration of the cancellation of the Scheme Shares and the compromise, full and final discharge, satisfaction and cancellation of part of the liabilities owed by New British Energy to the Significant Creditors and the Eggborough Banks, and the Bondholders and RBS under the Creditor Restructuring Agreement and the Creditors Scheme respectively, Scheme Shareholders will, subject to certain restrictions relating to overseas Shareholders, be entitled to receive:

for every 50 Scheme Ordinary Shares	1.0 New Share and 2.1 Warrants
for every 50 Scheme A Shares	1.0 New Share and 2.1 Warrants

in respect of Scheme Shares held at the Scheme Record Time.

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If the resulting number of New Shares and Warrants allocated to a Scheme Shareholder is not a whole number, the number of New Shares and Warrants receivable by a Scheme Shareholder will be rounded down to the nearest whole number. Fractional entitlements for New Shares and Warrants will not be issued to Scheme Shareholders or on their behalf. Instead, fractional entitlements for New Shares will be aggregated and sold in the market and the net proceeds will be distributed pro rata to the Scheme Shareholders entitled thereto. Consequently, any Scheme Shareholder entitled to less than one New Share under the Members Scheme will only be entitled to the net proceeds of his or her fractional entitlements. Fractional entitlements to Warrants will not be sold in the market and consequently Scheme Shareholders will not receive any net proceeds of sale of their fractional entitlements.

Each Scheme Shareholder will receive New Shares and Warrants under the Members Scheme only if he or she elects to do so by completing a Form of Election. In addition, every Scheme Shareholder shall be deemed to have elected to have the Warrants allotted to him or her pursuant to the Members Scheme, if the Company is advised that the Share Price is less than the Subscription Price. If a Scheme Shareholder does not make a valid Shareholder Election or Deemed Election, the relevant New Shares and Warrants will be sold in the market at the best price reasonably obtainable in the market and the net proceeds (if any) will be remitted to the relevant Scheme Shareholder. In considering whether to make a Shareholder Election, Scheme Shareholders should bear in mind the expense involved in transactions in small numbers of securities. It is generally the case that stockbrokers' minimum commissions are around £10 to £25.

A Shareholder Election or a Deemed Election will not be valid and a Scheme Shareholder will not be entitled to receive New Shares and Warrants if he or she is a Restricted Overseas Person. In such event, the relevant New Shares will be sold in the market at the best price obtainable with the net proceeds remitted to the relevant holder. The relevant Warrants will either: (i) be sold in the market at the best price reasonably obtainable in the market and the net proceeds (if any) remitted to the relevant holder; or (ii) exercised and the resulting New Share sold in the market at the best price reasonably obtainable in the market and the net proceeds (if any) remitted to the relevant holder.

The New Shares to which the Scheme Shareholders will be entitled under the Members Scheme will, in aggregate, represent 2.5 per cent. of the issued share capital of New British Energy immediately following the implementation of the Restructuring. The New Shares are ordinary shares in New British Energy having the rights attaching to them which are set out in the summary of the articles of association of New British Energy in Part X of the Prospectus: [Additional information](#) .

Each Warrant will entitle the holder to subscribe 98p for one New Share. The Warrants will, in aggregate, entitle the Shareholders to subscribe for New Shares equal to 5 per cent. of New British Energy's thereby diluted issued ordinary capital immediately following implementation of the Restructuring (excluding the impact of the Employee Options and conversion of the NLF Cash Sweep Payment referred to in paragraph 3 above) for a total subscription price of £28.95 million. The terms and conditions of the Warrants are set out in Part VIII of the Prospectus: [Conditions of the Warrants](#) .

Disposal with Ordinary Shareholder approval

If the Members Scheme is not approved by the requisite majorities of Shareholders, is not sanctioned by the Court or otherwise Lapses but Ordinary Shareholders approve the Disposal Resolution at the EGM, then following completion of the Restructuring,

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Shareholders will, subject to certain restrictions relating to overseas Shareholders, be entitled to receive:

for every 50 Ordinary Shares	2.1 Warrants
for every 50 A Shares	2.1 Warrants

in respect of British Energy Shares held at the Disposal Record Time.

If the resulting number of Warrants allocated to a Shareholder is not a whole number, the number of Warrants receivable by a Shareholder will be rounded down to the nearest whole number. Fractional entitlements for Warrants will not be issued to Shareholders and will not be sold in the market. Consequently, Shareholders will not receive any net proceeds of sale of their fractional entitlements.

Each Shareholder will receive Warrants under the Disposal only if he or she elects to do so by completing a Form of Election. In addition, every Shareholder shall be deemed to have elected to have the Warrants allotted to him or her if the Company or New British Energy is advised that the average price which could reasonably be expected to be obtained for the sale of the New Share arising on the exercise of the Warrant to be sold is less than the Subscription Price. If a Shareholder does not make a valid Shareholder Election or Deemed Election, the relevant Warrants (or New Shares arising on the exercise of such Warrants) will be sold in the market at the best price reasonably obtainable in the market and the net proceeds (if any) will be remitted to the relevant Shareholder. In considering whether to make a Shareholder Election, Shareholders should bear in mind the expense involved in transactions in small numbers of securities. It is generally the case that stockbrokers' minimum commissions are around £10 to £25.

A Shareholder Election or a Deemed Election will not be valid and a Shareholder will not be entitled to receive Warrants if he or she is a Restricted Overseas Person. In such event, the relevant Warrants will either: (i) be sold in the market at the best price reasonably obtainable in the market and the net proceeds (if any) remitted to the relevant holder; or (ii) exercised and the resulting New Share sold in the market at the best price reasonably obtainable in the market and the net proceeds (if any) remitted to the relevant holder.

Each Warrant will entitle the holder to subscribe 98p for one New Share. The Warrants will, in aggregate, entitle the Shareholders to subscribe for New Shares equal to 5 per cent. of New British Energy's thereby diluted issued ordinary capital immediately following implementation of the Restructuring (excluding the impact of the Warrants, Employee Options and conversion of the NLF Cash Sweep Payment referred to in paragraph 3 above) for a total subscription price of £28.95 million. The terms and conditions of the Warrants are set out in Part VIII of the Prospectus: *Conditions of the Warrants* .

Disposal without Ordinary Shareholder approval

If: (i) the Members' Scheme is not approved by the requisite majorities of Shareholders, is not sanctioned by the Court or otherwise Lapses; and (ii) the Ordinary Shareholders do not approve the Disposal Resolution at the EGM, then Shareholders will not receive any New Shares or Warrants.

9. Conditions to completion of the Restructuring

The implementation of the Restructuring is subject to three stages of conditionality, namely:

- (a) conditions which had to be satisfied prior to the proposal of the Creditors' Scheme to the Bond Trustees and RBS and the proposal of the Members' Scheme to Shareholders (the Initial Conditions);

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- (b) subsequent to the satisfaction of the Initial Conditions, conditions which need to be satisfied before the necessary steps may be taken to make the Creditors Scheme Effective and, if the Members Scheme is approved by Shareholders and sanctioned by the Court, before the necessary steps may be taken to make the Members Scheme Effective (the Filing Conditions); and
- (c) the Creditors Scheme becoming Effective and, unless the Members Scheme has Lapsed, the Members Scheme becoming Effective.

As mentioned above, the Initial Conditions have been satisfied. The Filing Conditions include, amongst other things, the Secretary of State not having determined and notified British Energy in writing that, in her opinion, the New British Energy Group will not be viable in all reasonable foreseeable conditions without access to additional financing (other than financing which the Secretary of State is satisfied has been committed and will continue to be available when required).

In addition to the above conditions, the Restructuring will not be implemented if either of the Creditor Restructuring Agreement or the Government Restructuring Agreement is terminated in accordance with its terms. In such circumstances the standstill arrangements, which restrict the Creditors from taking any steps to initiate insolvency proceedings or demand or accelerate any amounts due and payable to them by any member of the British Energy Group, would also terminate. Both the Creditor Restructuring Agreement and the Government Restructuring Agreement will automatically terminate if British Energy receives a valid notice from the relevant parties, prior to the Creditors Scheme (and if relevant, the Members Scheme) being made Effective, terminating such agreement on the basis that there is a continuing Material Adverse Change.

Also, unless otherwise agreed by the Creditors, the Secretary of State and British Energy, the Creditor Restructuring Agreement, the Government Restructuring Agreement and the standstill under the amended terms and conditions of the existing Bonds will automatically terminate (and consequently the Restructuring will not be implemented) if the Creditors Scheme has not become Effective by the Restructuring Long Stop Date, that is, 31 January 2005, which date may be extended subject to the agreement of British Energy, BNFL, the Secretary of State and certain majorities of relevant Creditors and, in relation to the standstill of the existing Bonds, a written resolution of holders of each of the series of existing Bonds. The Company has decided it is prudent to seek an extension to the present Restructuring Long Stop Date of 31 January 2005 but there can be no assurance that the requisite parties will agree an extension (see paragraph 4 of the Chairman's Letter in Part I of this document).

Admission is conditional upon the Restructuring being implemented. The Filing Conditions, the Restructuring Condition and the termination events are described in more detail below in Part IV.

10. New British Energy reduction of capital

The New British Energy Reduction is intended to eliminate the deficit (if any) in the distributable reserves of New British Energy which may arise as a result of the Restructuring and to provide some distributable reserves for New British Energy to pay dividends to shareholders in the future, subject to the dividend policy of New British Energy outlined in paragraph 10 of the Chairman's letter in Part I of this document.

Under the New British Energy Reduction, following the Restructuring Effective Date the share premium account of New British Energy will be eliminated and the resulting reserve will, subject to confirmation by the Court, be transferred to New British Energy's profit and loss account. The amount (if any) by which the reserve arising on the New British Energy Reduction exceeds the deficit

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in the distributable reserves of New British Energy will be available for distribution by New British Energy once all New British Energy's creditors at the time of the New British Energy Reduction have been discharged or have consented to

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the New British Energy Reduction. The Directors expect that there will be no material creditors of New British Energy at the time of the New British Energy Reduction.

The New British Energy Reduction will be carried out under section 135 of the Act and is subject, amongst other things, to confirmation by the Court and a copy of the Court order being filed with and registered by the Companies Registrar. The New British Energy Reduction process will be commenced before the Restructuring Effective Date. Although the New British Energy Reduction will require certain resolutions to be passed at an extraordinary general meeting of New British Energy, such resolutions will be voted on by the Initial Shareholder of New British Energy prior to the Restructuring Effective Date. Accordingly, the Initial Shareholder will be the only shareholder entitled to vote on such resolutions. The Court hearing to confirm the New British Energy Reduction will, however, be held after the Restructuring Effective Date.

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11. The New British Energy Group

Group structure

The diagrams below show a simplified structure of the Group immediately before and immediately after implementation of the Restructuring. Diagrams (ii), (iii) and (iv) show the different shareholdings in the New British Energy Group following implementation of the Restructuring depending on whether the Restructuring is effected through the Members' Scheme, the Disposal with Ordinary Shareholder approval or the Disposal without such approval.

Notes:

1. Following Admission, the Secretary of State and the Secretary of State for Scotland will jointly hold a Special Share in New British Energy and in Holdings plc and they will continue to jointly hold a Special Share in the Company. The Secretary of State will continue to hold a Special Share in BEG and the Secretary of State for Scotland will continue to hold a Special Share in BEG UK. In addition, if the NLF converts its entitlement to the NLF Cash Sweep Payment it will hold Convertible Shares in New British Energy.
2. After the Disposal the British Energy Shares will be unlisted and have no value.
3. The operating companies include, amongst others, BEG, BEG UK, EPL, EPHL and BEPET.

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As explained above, if the Members Scheme is not approved or otherwise Lapses, the Restructuring will be effected through the Disposal (diagrams (iii) or (iv) above) and accordingly, British Energy will be an empty shell company. In this case, the British Energy Shares which will continue to be held by Shareholders will be valueless.

Shareholdings following implementation of the Restructuring

Immediately following Admission, New British Energy's authorised share capital will be divided into 2,800,000,000 New Shares (which are ordinary shares of 10p each), 2,000,000,000 Convertible Shares, 50,000 non-voting ordinary shares of £1 each and one Special Share of which approximately 561,016,553 New Shares, the Special Share and 50,000 non-voting ordinary shares will be in issue and fully paid. The interests in New Shares of the Directors and persons (not being Directors) which, directly or indirectly, amount to 3 per cent. or more of New British Energy's issued share capital as expected immediately following Admission are set out in paragraph 5 of Part V of this document.

Of the unissued share capital, 2,029,527,187 New Shares will be reserved for issue on exercise of the Warrants (if the Restructuring is effected through the Members Scheme or the Disposal with Ordinary Shareholder approval) and conversion of the Convertible Shares.

Limitations on shareholdings

The articles of association of New British Energy contain provisions in relation to limitations on shareholdings which require the New British Energy board of directors to give notice to the holder of New British Energy's Special Share if, to the knowledge of the board, any person (not being a specifically permitted person) has, or appears to the board to have, an interest in New British Energy's shares which carry 15 per cent. or more of the total votes attaching to its relevant share capital (referred to as a Relevant Person). If the holder of the Special Share gives notice to the board that ownership or control of such relevant shares by the Relevant Person would be contrary to the interests of national security, the board must notify the Relevant Person and call for a disposal of such number of relevant shares as will cause the Relevant Person to cease to be a Relevant Person to be made within 21 days (referred to as a Required Disposal).

After the giving of such a notice no transfer of any of the relevant shares held by the Relevant Person (other than a Required Disposal) may be made or registered until either the notice is withdrawn or a Required Disposal has been made to the satisfaction of the board of directors of New British Energy and registered. If that notice is not complied with to the satisfaction of the board and has not been withdrawn, the board must, so far as it is able, effect a Required Disposal on such terms as it decides, based upon advice obtained by it for the purpose and being reasonably practicable having regard to all the circumstances.

A registered holder on whom a valid notice referred to above has been served is not entitled in respect of all the relevant shares, until that notice has been complied with to the satisfaction of the board or withdrawn, to attend or vote at any general meeting of New British Energy or meeting of the holders of a class of shares and those rights will vest in the chairman of the meeting who may act entirely at his discretion.

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These provisions will remain in force until the date of redemption of the Special Share. Further details of the provisions on the limitations on shareholdings are set out in the summary of the articles of association of New British Energy in paragraph 3 of Part X of the Prospectus: Additional information .

Special Share

Following Admission, the Secretary of State and the Secretary of State for Scotland will jointly hold a Special Share in New British Energy and in Holdings plc and they will

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continue to jointly hold a Special Share in the Company. The Secretary of State will continue to hold a Special Share in BEG and the Secretary of State for Scotland will continue to hold a Special Share in BEG UK. Each such Special Share may only be held by a Minister of the Crown or other person acting on behalf of the Government, and does not carry any rights to vote at general meetings, but entitles the holder to attend and speak at such meetings. Each Special Share is redeemable at the option of the holder after consultation with the relevant company at any time after 30 September 2006.

The provisions relating to the Special Share in the articles of association of New British Energy, Holdings plc, British Energy, BEG UK and BEG and the provisions relating to limitations on shareholdings in the articles of association of New British Energy may not be amended or removed without the consent of the holder of the relevant Special Share.

In addition, consent of the holder of the relevant Special Share will be required (and may only be withheld in these cases if, in the holder's opinion, the matter in question would be contrary to the interests of national security) in relation to:

- (a) certain amendments to the articles of association of Holdings plc, British Energy, BEG UK or BEG which would enable the board of directors of Holdings plc, British Energy, BEG UK or BEG to issue any shares (other than to certain Group companies) without the consent in writing of the relevant holder of the Special Share (such consent only to be withheld if in the relevant holder's opinion such issue would be contrary to the interests of national security); or
- (b) the giving by New British Energy, Holdings plc, British Energy or BEG UK (as appropriate) of any consent or agreement to any issue of shares in Holdings plc, British Energy, BEG UK or BEG (other than to certain other Group companies); or
- (c) a disposal by New British Energy, Holdings plc, British Energy and BEG UK of the shares held (directly or indirectly) by the relevant company in Holdings plc, British Energy, BEG UK or BEG; or
- (d) a disposal by BEG or BEG UK of any of their respective nuclear power stations.

Further details of the rights attaching to the Special Share in New British Energy are set out in the summary of the articles of association of New British Energy in paragraph 3 of Part X of the Prospectus: [Additional information](#) .

Convertible Shares

The entitlement of the NLF to the NLF Cash Sweep Payment is convertible into Convertible Shares equal to the NLF Cash Sweep Payment percentage prevailing at the time of conversion. On a full conversion the NLF would, therefore, hold up to 65 per cent. of the thereby enlarged equity share capital of New British Energy. The terms of the Convertible Shares will limit the general voting rights attaching to such shares to the maximum amount of shares as can be held without triggering a mandatory offer under the Takover Code, being currently 29.9 per cent. of the voting rights in New British Energy (and, for this purpose, taking into account the voting rights attributable to any other New Shares held or acquired by any person acting in concert with the NLF).

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The Convertible Shares will convert into New Shares automatically on their transfer to a third party by the NLF but are not convertible at the election of the NLF prior to such transfer. Apart from the limitations on voting rights and their convertibility into New Shares, the Convertible Shares shall have the same rights, be subject to the same restrictions and rank *pari passu* with the New Shares in all respects. Further details of the rights attaching to the Convertible Shares are set out in paragraph 4 of Part X of the Prospectus: Additional information .

The NLF will, subject to the restrictions on the disposal of Convertible Shares issued pursuant to the exercise of the NLF Conversion Right set out in the Contribution

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Agreement, comply with any directions given to it by the Secretary of State in relation to the exercise of the NLF Conversion Right and the retention or disposal of any shares in New British Energy resulting from such conversion. The NLF will not take any action to exercise the NLF Conversion Right or dispose of any shares in the Company before receiving such directions.

During the six month period immediately following the implementation of the Restructuring, the Secretary of State will not direct the NLF to exercise the NLF Conversion Right or to dispose of any shares in New British Energy, unless: (i) a person (or persons acting jointly by agreement, understanding or arrangement, whether or not legally binding) has acquired or proposed the acquisition of 14.9 per cent. or more of the voting rights or equity share capital of New British Energy; (ii) New British Energy or any other New British Energy Group company commits a material breach or persistent breaches of any of the covenants or any other material provision set out in the Nuclear Liabilities Agreements or any of the covenants set out in the Trust Deed constituting the New Bonds; (iii) a Default Event (as defined in the NLFA) has occurred; (iv) an Event of Default occurs under the terms of the New Bonds; (v) actions taken or proposed by any person in respect of a member of the New British Energy Group (and not expressly contemplated by any of the Nuclear Liabilities Agreements) will or may, in the opinion of the Secretary of State, have an adverse effect on the interests of the Secretary of State or the NLF; or (vi) the exercise or disposal is required by law or by the rules of any regulatory body.

The Secretary of State has no current intention to direct the NLF to exercise the NLF Conversion Right following the expiry of the six month period referred to above but reserves the right to do so. The Secretary of State intends to ensure that, prior to the giving of any direction to the NLF to exercise the NLF Conversion Right or to dispose of the shares issued pursuant to such exercise, she (and/or the NLF at her direction) would take financial advice and would take such advice into account as to the market impact of the conversion or disposal (including the desirability of avoiding multiple sales of small amounts of shares). The Secretary of State has confirmed to New British Energy that she does not currently intend to change the investment policy as regards the matters described above.

12. Business Strategy

A detailed description of the business strategy of the Group post-restructuring is provided in Part III of the Prospectus: Operating and financial review and prospects .

13. Overseas Shareholders

Overseas Shareholders generally Members Scheme and Disposal

The provisions of the Members Scheme, and the issue and allotment of Warrants to Shareholders if the Members Scheme does not become Effective but the Disposal Resolution is passed are subject to any prohibition or condition imposed by law. Each Scheme Shareholder will only receive New Shares and Warrants if the Members Scheme becomes Effective and each Shareholder will only receive Warrants if the Members Scheme does not become Effective but the Disposal Resolution is passed, if he or she makes a valid Shareholder Election or Deemed Election.

A Shareholder Election or a Deemed Election will not be valid if such electing Scheme Shareholder or Shareholder (as appropriate) is a Restricted Overseas Person. In this case, the relevant New Shares to which such Scheme Shareholder would be entitled will be allotted to a person determined by New British Energy on terms that such person shall sell such New Shares in the market as

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soon as possible after the Restructuring Effective Date at the best price which can reasonably be obtained in the market at the time of sale. The net proceeds of such sale (if any), after the deduction of all expenses and commission, including any value added tax payable thereon, will be remitted by sending a cheque to

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such Scheme Shareholder or as he or she may direct by post within 14 days following completion of such sale. The relevant Warrants will be issued to a person determined by New British Energy on terms that such person shall either:

- (a) sell the Warrants in the market at the best price which can reasonably be obtained in the market at the time of sale; or
- (b) exercise the Warrants and shall sell the resulting New Shares in the market at the best price which can reasonably be obtained in the market at the time of sale.

The net proceeds of such sale (if any), after the deduction of all expenses and commission, including any value added tax payable thereon (and, if any Warrants are exercised, after deduction of the aggregate Subscription Price for such Warrants), will be remitted by sending a cheque to such Scheme Shareholder or Shareholder (as appropriate) or as he or she may direct by post within 14 days following completion of such sale. In the absence of bad faith or wilful default, neither New British Energy, its directors and officers nor the person selling the New Shares and/or Warrants shall have any liability for any loss or damage arising as a result of the timing or terms of such sale or exercise.

Overseas Shareholders should consult their own legal and tax advisers with respect to legal and tax consequences of the Members Scheme and the Disposal in their particular circumstances. This document has been prepared for the purposes of complying with English and Scottish law and the rules of the UKLA and information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any jurisdiction outside the UK.

US Securities laws Members Scheme

The New Shares and Warrants to be issued to Scheme Shareholders under the Members Scheme have not been and will not be registered under the Securities Act or the securities laws of any state of the US and will be distributed pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, including the exemption provided by Section 3(a)(10) thereof.

In order to qualify for the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) in relation to the issue of the New Shares and Warrants, there must be a hearing on the fairness of the Members Scheme to the relevant Shareholders, which all Shareholders are entitled to attend in person or by proxy to oppose the sanctioning of the Members Scheme, and with respect to which notification will be given to all Shareholders. New British Energy and Holdings plc intend to rely on the Court hearings to sanction the Members Scheme for this purpose and will advise the Court that this is their intention in advance of or at the sanction hearing. Any Shareholder wishing to attend or be represented at the Court hearing will require to have lodged answers in advance thereof as detailed in paragraph 6 above.

US Securities laws Disposal

Warrants to be issued to Shareholders if the Disposal Resolution is passed at the Extraordinary General Meeting have not been and will not be registered under the Securities Act and will only be issued pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act, including the exemptions provided by Section 4 (2) of the Securities

Act and by Regulation S thereunder.

US Securities laws Exercise of Warrants

New Shares to be issued upon exercise of Warrants have not been and will not be registered under the Securities Act. Accordingly, Shareholders will be issued New Shares upon the exercise of such Warrants only if they certify, to the satisfaction of the Company, that they are either: (a) accredited investors as such term is defined in Rule 501 (a) of the Securities Act; or (b) not a US person (as defined in Regulation S under the Securities Act).

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Any New Shares to be issued upon the exercise of Warrants allotted to any Shareholder who cannot make the foregoing certifications to the satisfaction of the Company will be sold in the market at the best price reasonably obtainable with the net proceeds remitted to the relevant Shareholder as set out above.

Australia, Canada and Germany Members Scheme and Disposal

No steps have been taken, nor will any be taken, to enable the New Shares or Warrants to be offered in compliance with the applicable securities laws of Australia, Canada or Germany and any offer or invitation in relation to the New Shares and Warrants is not available, directly or indirectly, to persons in, or with registered addresses in, Australia, Canada or Germany. This document is being sent to Shareholders with registered addresses in Australia, Canada or Germany solely in connection with the Court Meetings and the Extraordinary General Meeting. Shareholders in, or with registered addresses in, Australia, Canada or Germany will not receive any New Shares and/or Warrants under or in connection with the Restructuring.

The New Shares and Warrants which Scheme Shareholders with registered addresses in Australia, Canada or Germany would be entitled to if the Members Scheme becomes effective or the Warrants which Shareholders with registered addresses in Australia, Canada or Germany would be entitled to if the Members Scheme does not become Effective but the Disposal Resolution is duly passed, will be sold in the market at the best price which can reasonably be obtained in the market at the time of sale and the net proceeds of such sale (if any) remitted to the relevant Shareholder as described above.

14. Shareholder Election

As outlined above, unless a Shareholder makes a valid Shareholder Election or Deemed Election, he or she will not be allotted and issued with any New Shares and/or Warrants if the Members Scheme becomes Effective or Warrants if the Members Scheme is not approved but the Disposal Resolution is passed. In the event that a Shareholder does not make a valid Shareholder Election or Deemed Election, the relevant New Shares and/or Warrants will be allotted and/or issued (as appropriate) to a person determined by New British Energy. Such person shall sell such New Shares and/or Warrants (or exercise such Warrants and sell the resulting New Shares) as soon as possible after the Restructuring Effective Date at the best price which can reasonably be obtained in the market at the time of sale, and account for the net proceeds of such sale (if any), after the deduction of all expenses and commission, including any value added tax payable thereon (and, if any Warrants are exercised, after deduction of the aggregate Subscription Price for such Warrants), by sending a cheque to such Shareholder or as he or she may direct by post within 14 days following completion of such sale. In the absence of bad faith or wilful default, neither New British Energy, its directors and officers nor the person selling the New Shares and/or Warrants shall have any liability for any loss or damage arising as a result of the timing or terms of such sale or exercise.

In order to ensure compliance with any applicable money laundering legislation, Shareholders may, in certain circumstances, be asked to verify their identity before the net proceeds of the sale of their New Shares or Warrants are remitted to them.

In considering whether to make a Shareholder Election, Shareholders should bear in mind the expense involved in transactions in small numbers of securities. It is generally the case that stockbrokers' minimum commissions are around £10 to £25.

Shareholders who wish to receive New Shares and/or Warrants instead of the net proceeds of the sale of their entitlement must complete (a) Form(s) of Election and return it/them to the Registrars, Lloyds TSB Registrars at the address shown on the Form(s) of Election by the Election Return Time. Shareholders with registered addresses in Australia, Canada or Germany have not been sent (a) Form(s) of Election.

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15. Directors interests

All of the Directors have been appointed directors of New British Energy and Holdings plc. If the Members Scheme becomes Effective, New British Energy and Holdings plc will be the ultimate and immediate parent company respectively of British Energy. Information on the Directors and the interests of the Directors in British Energy Shares and prospectively in New Shares and Warrants is set out in Part V of this document.

As explained in the Chairman's letter in Part I of this document, the terms of Adrian Montague's letters of appointment provide for the payment to him of an additional fee of £100,000 contingent upon a restructuring of the British Energy Group becoming effective and binding on all interested parties. If the Members Scheme becomes Effective and the Restructuring is implemented this amount will become payable to him. It is intended that following Admission, Adrian Montague's letters of appointment will be amended to provide for 30 per cent. of his post-Admission base fee of £150,000 per annum to be settled in shares under arrangements which remain to be agreed in detail.

With effect from 1 September 2004, British Energy modified its fee structure for all non-executive Directors except Adrian Montague. In addition to the fees set out in paragraph 7 of Part X of the Prospectus: Additional information, each non-executive Director will receive £13,000 per annum payable in New Shares, such shares to be allocated quarterly in arrears. A non-executive Director may only sell his or her New Shares in equal tranches over the 3 years following grant subject to having been on the board of New British Energy for at least 12 months following the date of grant. Current non-executive Directors will each receive a single payment of £10,000 of New Shares as soon as possible after Admission. Any new non-executive Directors joining the board of New British Energy after this time will also receive a similar payment.

The current executive Directors who are also executive directors of New British Energy will be entitled to participate in the LT Plan and the Interim Bonus Plan once the Restructuring is implemented. Subject to the satisfaction of certain performance targets, participants in the Interim Bonus Plan may be granted a deferred bonus in respect of the financial year ending 31 March 2005 and participants in the LT Plan may be granted a deferred bonus in each financial year thereafter. Details of the LT Plan and the Interim Bonus Plan are set out in paragraph 6 of Part V of this document and in paragraph 8 of Part X of the Prospectus: Additional information.

Stephen Billingham's service agreement entitles him, subject to certain conditions, to a single payment of £200,000 in June 2005 provided that he has not voluntarily left the employment of British Energy before 30 June 2005 or has received notice of termination before that date. In the event that shares in New British Energy are not admitted to the Official List by 31 March 2006, Stephen Billingham will receive a further payment of £400,000 during April 2006. This payment will be offset against any awards due to Stephen Billingham under any bonus/incentive plan in operation for the financial years 2006/2007 and 2007/2008.

In the event that the Restructuring does not go ahead as planned, Roy Anderson's service agreement entitles him to participate in a broadly comparable bonus plan to the Interim Bonus Plan and LT Plan.

Paragraph 7 of Part X of the Prospectus: Additional information contains further details of all the Directors' service agreements and letters of appointment.

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Adrian Montague is also a director of Network Rail Infrastructure Ltd which has entered into two electricity supply agreements with BEG. If the Restructuring is implemented through the Members Scheme there may be an event of default under these agreements which could entitle Network Rail Infrastructure Ltd to terminate.

Save as set out or referred to above, the effect of the Members Scheme on the interests of the Directors does not differ from its effect on the like interests of other persons.

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16. Tax

Information concerning the taxation consequences of the Members Scheme and the Disposal is contained in paragraph 7 of Part V of this document and information concerning the taxation consequences of holding the New Shares and/or the Warrants is set out in paragraph 12 of Part X of the Prospectus: Additional information . Shareholders who may be liable to taxation in jurisdictions other than the UK or the US or who are in any doubt as to the taxation consequences of the Members Scheme or the Disposal should seek advice from their own independent professional advisers.

17. Risk factors

There are a number of risks related to the implementation of the Restructuring or a delay in implementing the Restructuring as well as operating risks related to the business of the Group and risks related to ownership of the New Shares and Warrants. Part III of this document and Part II of the Prospectus: Risk factors contain further detail in relation to such risks. All information contained in this document should be read in conjunction with the risk factors outlined.

18. Settlement, listing of New Shares and Warrants and cancellation of listings of British Energy Shares

Cancellation of listings

On 23 September 2004, the Company sent Shareholders a letter notifying them, in accordance with the Company's obligations under the Listing Rules, that the Company intended to seek cancellation and apply for the UKLA to cancel the listing of the British Energy Shares from the Official List of the UKLA at the end of the 20 Business Day notice period, such cancellation to take immediate effect. The listings of the British Energy Shares on the Official List were cancelled by the UKLA with effect from 8.00 a.m. on 21 October 2004 and the last day of dealings in British Energy Shares on the London Stock Exchange was 20 October 2004.

Members Scheme

Application has been made to the UKLA for the New Shares and Warrants to be admitted to the Official List and to trading on the London Stock Exchange. It is expected that Admission of the New Shares and Warrants to the Official List will become effective and that dealings in the New Shares and Warrants will commence on the dealing day immediately following the Restructuring Effective Date.

If confirmation is not given by the UKLA that upon the allotment and issue of the New Shares, Warrants and New Bonds, Admission to the Official List will become effective or such Admission is refused, New British Energy will, in order to implement the Restructuring, be required to seek admission of the New Shares and Warrants to trading on the Alternative Investment Market of the London Stock Exchange and, in respect of the New Bonds, Holdings plc will be required to seek admission to listing on the Luxembourg Stock Exchange. In such case, the relevant documentation for such admission would be despatched to Shareholders and Creditors as required.

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Once the Members Scheme becomes Effective, share certificates for the British Energy Shares will cease to be valid and CREST will be instructed to cancel the entitlements of the relevant Scheme Shareholders with respect to the British Energy Shares held in uncertificated form. The last date for registration of transfers of British Energy Shares is expected to be on the day immediately prior to the Restructuring Effective Date. For Shareholders who make valid Shareholder Elections and hold their shares through CREST, New Shares and Warrants are expected to be credited to CREST accounts on the dealing day immediately following the Restructuring Effective Date. Warrants in respect of Shareholders who have made a valid Deemed Election will be credited to CREST accounts within 14 days of the Restructuring Effective Date.

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For those holding shares in certificated form, definitive certificates for New Shares and Warrants are expected to be despatched within 14 days of the Restructuring Effective Date. Pending despatch of such certificates, transfers of New Shares and Warrants will be certificated by the Registrars against the relevant register. No temporary documents of title have been or will be issued in respect of the New Shares and Warrants. Notwithstanding the above, New British Energy reserves the right to issue New Shares and Warrants in certificated form to all Scheme Shareholders who make valid Shareholder Elections or Deemed Elections (regardless of whether they hold their British Energy Shares in certificated or uncertificated form) if for any reason, it wishes to do so.

All mandates in force at the Scheme Record Time (6.00 p.m. on the Business Day immediately prior to the Restructuring Effective Date) relating to payment of dividends on British Energy Shares and all instructions given relating to notices and communications will, unless and until varied or revoked, be deemed to be effective mandates or instructions to New British Energy in relation to the corresponding holding of New Shares and Warrants.

In the case of joint holders, certificates will be despatched to the joint holder whose name appears first in the register of members of the Company or in accordance with any special instruction which such joint holders may have given. All documents, certificates, or other communications sent by or to Shareholders, or as such persons shall direct, will be sent at their own risk and will be sent by post.

ADRs

On 28 September 2004, the NYSE suspended trading in the British Energy ADRs and commenced proceedings to permanently delist British Energy ADRs from the NYSE. The NYSE announced it had taken this action in response to the Company's announcement on 23 September 2004 of its intention to delist the Ordinary Shares and A Shares from the London Stock Exchange. The Company has appealed the NYSE's decision to delist the ADRs. However, there can be no assurance that the Company's appeal will be successful or that British Energy or New British Energy will meet the relevant listing criteria of the NYSE for the New ADRs.

If the Members' Scheme becomes Effective and the Company or New British Energy satisfies the relevant listing criteria for the NYSE on or prior to Admission all British Energy ADRs will be cancelled and Shareholders who have made valid Shareholder Elections or Deemed Elections and who hold British Energy ADRs will be issued New ADRs by the ADR Depositary at a ratio of 3 New ADRs to 8 British Energy ADRs. No fractional New ADRs will be issued. If the Members' Scheme becomes Effective but British Energy and New British Energy are unable to satisfy the listing criteria of the NYSE on or prior to Admission, holders of British Energy ADRs who have made valid Shareholder Elections or Deemed Elections will receive the New Shares and Warrants to which they would be entitled.

If the Members' Scheme does not become Effective and the Disposal Resolution is passed, holders of British Energy ADRs who have made valid Shareholder Elections or Deemed Elections will receive the Warrants to which they are entitled. In addition, New British Energy has agreed to take all reasonable steps to the New ADRs on the NYSE at such time following Admission as it is able to satisfy the NYSE listing criteria. In such circumstances, however, New British Energy will be required to satisfy the NYSE's listing criteria for new securities, including minimum public float and minimum shareholder eligibility requirements and may not be able to satisfy these requirements immediately after Admission.

Disposal

If the Members' Scheme is not approved by Shareholders, or otherwise Lapses, and the Disposal Resolution is passed, New British Energy will issue Warrants to eligible Shareholders who have made valid Shareholder Elections or Deemed Elections in respect

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of the British Energy Shares held by them at the Disposal Record Time. Application has been made to the UKLA for the Warrants to be admitted to the Official List and to trading on the London Stock Exchange.

For Shareholders who have made valid Shareholder Elections or Deemed Elections and who hold their British Energy Shares through CREST, Warrants are expected to be credited to CREST accounts on the dealing day immediately following the Restructuring Effective Date. For those holding British Energy Shares in certificated form, definitive certificates for Warrants are expected to be despatched within 14 days of the Restructuring Effective Date. Pending despatch of such certificates, transfers of Warrants will be certified by the Registrars against the warrant register. No temporary documents of title have been or will be issued in respect of the Warrants. Notwithstanding the above, New British Energy reserves the right to issue Warrants in certificated form to all Shareholders who have made valid Shareholder Elections or Deemed Elections (regardless of whether they hold their British Energy Shares in certificated or uncertificated form) if for any reason, it wishes to do so.

In the case of joint holders, certificates will be despatched to the joint holder whose name appears first in the register or in accordance with any special instruction which such joint holders may have given.

19. Meetings and resolutions

You will find set out at the end of this document, notices of the meetings which are being convened to enable Shareholders to consider and, if thought fit, to approve, the Members Scheme and for Ordinary Shareholders to approve the associated reduction of share capital and the Disposal. The Ordinary Share Court Meeting and the A Share Court Meeting are being convened by order of the Court to seek the approval of the holders of the Ordinary Shares and holders of the A Shares for the Members Scheme. The Extraordinary General Meeting of Ordinary Shareholders is being convened to enable the Directors to implement the Members Scheme or, if the Members Scheme is not approved or lapses, to effect the Disposal.

Court Meetings

The Ordinary Share Court Meeting has been convened for 10.30 a.m. on 22 December 2004 at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ to enable the holders of Ordinary Shares to consider and, if thought fit, approve the Members Scheme. At the Ordinary Share Court Meeting, voting will be by poll and each holder of an Ordinary Share present in person or by proxy will be entitled to one vote for each Ordinary Share held. The statutory majority required to approve the Members Scheme at the Ordinary Share Court Meeting is a majority in number of those present and voting representing three-fourths in value of Ordinary Shares held by those present and voting. **In order that the Court can be satisfied that the votes cast constitute a fair representation of the views of the holders of Ordinary Shares it is important that as many votes as possible are cast at the Ordinary Share Court Meeting. Holders of Ordinary Shares are therefore urged to take the action referred to in paragraph 20 below.**

The A Share Court Meeting has been convened for 11.30 a.m. on 22 December 2004 at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ to enable the holders of A Shares to consider and, if thought fit, approve the Members Scheme. At the A Share Court Meeting, voting will be by poll and each holder of an A Share present in person or by proxy will be entitled to one vote for each A Share held. The statutory majority required to approve the Members Scheme at the A Share Court Meeting is a majority in number of those present and voting representing three-fourths in value of A Shares held by those present and voting. **In order that the Court can be satisfied that the votes cast constitute a fair representation of the views of the holders of A Shares it is important that as many votes as possible are cast at the A Share Court Meeting. Holders of A Shares are**

therefore urged to take the action referred to in paragraph 20 below.

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Extraordinary General Meeting

The Extraordinary General Meeting has been convened for 12 noon on 22 December 2004 at the Murrayfield Stadium Conference Centre, Edinburgh EH12 5PJ, following the Ordinary Share Court Meeting and the A Share Court Meeting, for Ordinary Shareholders to consider and, if thought fit, pass the resolutions contained in the notice convening the meeting set out at the end of this document. For the reasons outlined in paragraph 7 above, in accordance with the Company's articles of association, the A Shareholders will not be entitled to attend and vote on either the Members' Scheme Resolution or the Disposal Resolution at the Extraordinary General Meeting.

The Members' Scheme Resolution provides for:

- (a) the approval of the Members' Scheme;
- (b) the approval of the reduction of share capital of the Company by cancelling and extinguishing the Scheme Shares and the Non-voting Deferred Shares;
- (c) subject to the approval referred to in paragraph (b) being given, increasing the authorised share capital of the Company by 44²⁸/43p by the creation of one new Ordinary Share of 44²⁸/43p in the Company;
- (d) authorising the Directors to allot the new share referred to in paragraph (c) above pursuant to sections 80 and 95 of the Act for the purposes of giving effect to the Members' Scheme; and
- (e) capitalising and applying 44²⁸/43p of the reserve arising in the Company, as a result of the cancellation of the British Energy Shares, to pay up in full at par the new Ordinary Share created pursuant to paragraph (c) above and the allotment and issue of the same credited as fully paid up at par to New British Energy or its nominee and crediting the balance of the reserve arising in the Company, as a result of the cancellation of the British Energy Shares and Non-voting Deferred Shares to the profit and loss account of the Company; and
- (f) amendments to the articles of association to compulsorily transfer British Energy Shares issued to any person after the Members' Scheme has become Effective to Holdings plc in consideration of and conditionally on the allotment and issue by Holdings plc of shares in the capital of Holdings plc to such person. (Under the articles of association of Holdings plc such shares in the capital of Holdings plc will be exchanged for such number of New Shares and Warrants as such person would have been entitled to receive under the Members' Scheme in respect of such British Energy Shares.)

The Disposal Resolution provides for the approval of the Disposal.

The majority required for the passing of the Members' Scheme Resolution is three-fourths of the votes cast. The majority required for the passing of the Disposal Resolution is a simple majority of the votes cast. On a show of hands every Ordinary Shareholder present in person will have one vote and on a poll each Ordinary Shareholder present in person or by proxy will have one vote for each share held.

Approval of the Members Scheme will not constitute approval of the Disposal. The Disposal is an alternative to the Members Scheme and will only be implemented in the event that the Members Scheme does not become Effective. The Disposal Resolution is separate from the Members Scheme Resolution. Consequently, Ordinary Shareholders are encouraged to vote on the Disposal Resolution irrespective of how they vote on the Members Scheme at the Ordinary Share Court Meeting or on the Members Scheme Resolution at the Extraordinary General Meeting.

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20. Action to be taken

Holders of Ordinary Shares only

If you are an Ordinary Shareholder you will have received together with this document:

- (a) a GREEN Form of Proxy for the Ordinary Share Court Meeting (or an ORANGE form of direction if you have transferred your Ordinary Shares under the CREST Nominee Service);
- (b) a WHITE Form of Proxy for the Extraordinary General Meeting (or a PINK form of direction if you have transferred your Ordinary Shares under the CREST Nominee Service); and
- (c) a GREEN Form of Election (or a PINK Form of Election if you have transferred your Ordinary Shares under the CREST Nominee Service).

Ordinary Shareholders may vote in person at the Ordinary Share Court Meeting and at the Extraordinary General Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. Whether or not you intend to be present at the meetings you are requested to complete and sign the Forms of Proxy and return them to the Registrars, Lloyds TSB Registrars, The Causeway, Worthing BN99 6ED, as soon as possible and in any event so as to be received no later than 48 hours before the relevant meeting.

The GREEN Form of Proxy in respect of the Ordinary Share Court Meeting may also be handed to the chairman of the Ordinary Share Court Meeting. However, in the case of the Extraordinary General Meeting, unless the WHITE Form of Proxy is lodged so as to be received at least 48 hours before the meeting, it will be invalid. The lodging of a Form of Proxy will not prevent you from attending the Ordinary Share Court Meeting or the Extraordinary General Meeting and voting in person should you wish to do so.

Ordinary Shareholders who wish to make a Shareholder Election and have New Shares and/or Warrants issued to them or their nominee, must complete the enclosed GREEN Form of Election and return it to the Registrars, Lloyds TSB Registrars at the address shown on the Form of Election by no later than the Election Return Time.

Holders of A Shares only

If you are an A Shareholder you will have received together with this document:

- (a) a BLUE Form of Proxy for the A Share Court Meeting (or a GREY form of direction if you have transferred your A Shares under the CREST Nominee Service); and

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- (b) a BLUE Form of Election (or a WHITE Form of Election if you have transferred your A Shares under the CREST Nominee Service).

A Shareholders may vote in person at the A Share Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. Whether or not you intend to be present at the meeting you are requested to complete and sign the BLUE Form of Proxy and return it to the Registrars, Lloyds TSB Registrars, SEA 9441, The Causeway, Worthing BN99 6ED, as soon as possible and in any event so as to be received no later than 48 hours before the meeting.

The BLUE Form of Proxy in respect of the A Share Court Meeting may also be handed to the chairman of the A Share Court Meeting. The lodging of a Form of Proxy will not prevent you from attending the A Share Court Meeting and voting in person should you wish to do so.

A Shareholders who wish to make a Shareholder Election and have New Shares and/or Warrants issued to them or their nominee, must complete the enclosed BLUE Form of Election and return it to the Registrars, Lloyds TSB Registrars at the address shown on the Form of Election by no later than the Election Return Time.

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Holders of both Ordinary Shares and A Shares

If you are an Ordinary Shareholder as well as an A Shareholder you will have received together with this document:

- (a) a GREEN Form of Proxy for the Ordinary Share Court Meeting (or an ORANGE form of direction if you have transferred your Ordinary Shares under the CREST Nominee Service);
- (b) a BLUE Form of Proxy for the A Share Court Meeting (or a GREY form of direction if you have transferred your A Shares under the CREST Nominee Service);
- (c) a WHITE Form of Proxy for the Extraordinary General Meeting (or a PINK form of direction if you have transferred your Ordinary Shares under the CREST Nominee Service);
- (d) a GREEN Form of Election (or a PINK Form of Election if you have transferred your Ordinary Shares under the CREST Nominee Service); and
- (e) a BLUE Form of Election (or a WHITE Form of Election if you have transferred your A Shares under the CREST Nominee Service).

You should take the action described in relation to the holders of Ordinary Shares above and the action described in relation to the holders of A Shares above.

Shareholders generally

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Only those Shareholders registered on the relevant register of members as at the Voting Record Time shall be entitled to attend or vote at the Court Meetings and the Extraordinary General Meeting in respect of the number of shares registered in their name as at that time. Changes to entries in the relevant register after the Voting Record Time shall be disregarded in determining the rights of any person to attend or vote at the Court Meetings and the Extraordinary General Meeting.

In considering whether to make a Shareholder Election, Shareholders should bear in mind the expense involved in transactions in small numbers of shares. It is generally the case that stockbrokers' minimum commissions are around £10 to £25.

If you have any questions relating to the proposals described in this document or the completion and return of the Form of Proxy or Forms of Election, please contact the Company's helpline on freephone 0800-035-0844 (or if calling from outside the UK +44 (0) 1295-225-285 (calls charged at applicable rates)), Monday to Friday 9.00 a.m. to 5.00 p.m. (UK time). The helpline cannot provide advice on the merits or otherwise of the matters described in this document, nor give any financial advice.

21. Further information

Your attention is drawn to the Members' Scheme which forms part of this document, the Chairman's letter in Part I of this document, and to the information regarding the Restructuring set out in Part III and IV of this document. This document should be read in conjunction with the accompanying Prospectus.

Yours sincerely

Robert Armour

Company Secretary

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PART III

RISK FACTORS

This Part sets out the principal risk factors affecting the implementation of the Restructuring, and should be read in conjunction with the detailed risk factors relating to, inter alia, operating, industry, environmental and regulatory risks and risks related to the ownership of New Shares and Warrants set out in Part II of the Prospectus: Risk factors and all other information relating to the Company, New British Energy and Holdings plc contained in this document and the Prospectus. Additional risks and uncertainties not presently known to the Company, New British Energy or Holdings plc or that the Company, New British Energy or Holdings plc deem immaterial may also have a material adverse effect on the ability of the Company to implement the Restructuring in a timely manner, or at all.

(A) *Implementation of the Creditors Scheme*

If the Company is unable to implement the Creditors Scheme, the Restructuring may not be completed within the timescales envisaged, or at all, and the Company may be unable to meet its financial obligations as they fall due and consequently, it may have to take appropriate insolvency proceedings. If insolvency proceedings are commenced, the distributions to unsecured creditors may represent only a small fraction of their unsecured liabilities and it is highly unlikely that there will be any return to the Company's Shareholders.

(B) *Effectiveness of the Creditors Scheme requires the approval of Bondholders*

In order to authorise the Bond Trustee of a series of Bonds to vote in respect of the Creditors Scheme at the Creditors Scheme Meeting, it is necessary for the Bondholders holding Bonds of such series to vote in favour of the relevant Bondholder Resolutions at the Bondholder Meetings. If, notwithstanding the fact that Consenting Bondholders have given undertakings (subject to no Material Adverse Change having occurred) to vote in favour of the Bondholder Resolutions, neither of the Bondholder Resolutions in respect of any series of Bonds are approved by Bondholders, then such Bond Trustee may not vote at the Creditors Scheme Meeting. If a Bond Trustee of a series of Bonds does not vote, votes against the Creditors Scheme or splits its vote in accordance with the second resolution at the Creditors Scheme Meeting, the Creditors Scheme may not be approved at the Creditors Scheme meeting by the requisite majorities in number or value notwithstanding the fact that Bond Trustees of other series of Bonds have voted in favour of the Creditors Scheme. If the Creditors Scheme is not approved at the Creditors Scheme Meeting, the Restructuring will fail.

(C) *Effectiveness of the Creditors Scheme requires the approval of Scheme Creditors*

In order for the Creditors Scheme to become Effective, it must be approved by the Scheme Creditors as described in the Creditors Scheme Circular. If, notwithstanding the fact that RBS has given an undertaking (subject to no Material Adverse Change having occurred) to vote in favour of the Creditors Scheme at the Creditors Scheme Meeting, RBS does not vote in favour of the Creditors Scheme (whether due to a Material Adverse Change having occurred or otherwise) then this may have the effect (in conjunction with the circumstances described in paragraph (B) above) that the Creditors Scheme may not be approved at the Creditors Scheme Meeting, in which case the Creditors Scheme will be withdrawn and the Restructuring will not be implemented.

- (D) ***Even if the Scheme Creditors approve the Creditors Scheme, the Restructuring may be objected to and may not be completed***

If the Creditors Scheme is approved at the Creditors Scheme Meeting, it is possible for a person with an interest in the Creditors Scheme (whether a Scheme Creditor, a

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Bondholder or another person) to lodge objections to the Creditors Scheme with the Court and to attend or be represented at the hearing of the Court to sanction the Creditors Scheme in order to make representations that the Creditors Scheme should not be approved and to appeal against the granting of the Creditors Order. Notwithstanding the fact that RBS and Consenting Bondholders have given undertakings (subject to certain conditions, including a Material Adverse Change as described above) not to attend the Court hearing other than in support of the Creditors Scheme there can be no assurance that such objections will not delay or possibly prevent the Restructuring.

(E) *Effectiveness of the Creditors Scheme requires the sanction of the Court*

In order for the Creditors Scheme to become Effective, it must receive the sanction of the Court. The Court will not sanction the Creditors Scheme unless it is satisfied that the correct procedures have been followed, that the proposed arrangements are reasonable and that there are no other reasons why the Creditors Scheme should not be approved. The Court will appoint a Reporter to review and report on the Creditors Scheme. There can be no assurance that the Court will determine that the Creditors Scheme is reasonable or that the Court will not conclude that there are other reasons why the Creditors Scheme should not be approved. If the Court does not approve the Creditors Scheme, or approves it subject to conditions or amendments which: (i) the Company deems unacceptable; or (ii) would have (directly or indirectly) a material adverse effect on the interests of any Scheme Creditor or Bondholder and such conditions or amendments are not approved by the Scheme Creditors, the Creditors Scheme will not become Effective and the Restructuring will fail.

(F) *Effectiveness of the Members Scheme requires the approval of Scheme Shareholders and the Members Scheme may be objected to*

In order for the Members Scheme to become Effective, it must be approved by the Scheme Shareholders as described in the Explanatory Statement. Even if the Scheme Shareholders approve the Members Scheme it is possible for a person with an interest in the Members Scheme (whether a Scheme Shareholder or another person) to lodge objections to the Members Scheme with the Court and to attend or be represented at the hearing of the Court to sanction the Members Scheme to make representations that the Members Scheme should not be approved and to appeal against the granting of the Members Order. There can be no assurance that such objections will not delay or possibly prevent the Members Scheme becoming Effective.

(G) *Effectiveness of the Members Scheme requires the sanction of the Court*

In order for the Members Scheme to become Effective, it must receive the sanction of the Court. The Court will not sanction the Members Scheme unless it is satisfied that the correct procedures have been followed, that the proposed arrangements are reasonable and that there are no other reasons why the Members Scheme should not be approved. The Court will appoint a Reporter to review and report on the Members Scheme. There can be no assurance that the Court will determine that the Members Scheme is reasonable or that the Court will not conclude that there are other reasons why the Members Scheme should not be approved. If the Court does not approve the Members Scheme, Shareholders will not receive any New Shares and will only receive Warrants if the Disposal Resolution is passed at the EGM and the Creditors Scheme becomes Effective.

(H) *If certain timing deadlines are not satisfied, the Restructuring may not be implemented*

In order for the Creditors Scheme to be Effective, it must receive the sanction of the Court. The timing of the Court process is at the discretion of the Court and accordingly there can be no assurance that the Court process to sanction the Creditors Scheme and to

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determine any appeal will be completed by the Restructuring Long Stop Date. In the event that the Creditors Scheme is not sanctioned or is appealed and cannot be made Effective by the Restructuring Long Stop Date (subject to any extensions as may be agreed), the Creditor Restructuring Agreement will automatically terminate, undertakings given by certain Creditors pursuant to the Creditor Restructuring Agreement will terminate and the standstill period under the standstill arrangements will expire.

(I) ***If certain timing deadlines are not satisfied, the Members Scheme may not become Effective in which case Shareholders will not receive any New Shares***

In order for the Members Scheme to become Effective, it must receive the sanction of the Court. The timing of the Court process is at the discretion of the Court and accordingly there can be no assurance that the Court process to sanction the Members Scheme and to determine any appeal will be completed by the Restructuring Long Stop Date. In the event that the Members Scheme is not sanctioned or is sanctioned but appealed and the Company, acting reasonably, decides that the Members Scheme is not capable of becoming Effective in accordance with its terms before the Restructuring Long Stop Date (subject to any extensions as may be agreed) the Members Scheme will Lapse and will not be made Effective. In this case, even if the Members Scheme had been approved by Shareholders, Shareholders will not receive any New Shares and will only receive Warrants if the Disposal Resolution is passed at the EGM and the Creditors Scheme becomes Effective.

(J) ***Completion of the Restructuring is subject to a number of important conditions and termination events***

Completion of the Restructuring is subject to a number of important conditions, including the Filing Conditions and the Restructuring Condition over which the Company, New British Energy or Holdings plc have only limited control. If the Filing Conditions are not satisfied, British Energy will not be entitled to make the Creditors Scheme Effective by delivering the Creditors Order to the Companies Registrar even if the Creditors Scheme has been approved by Scheme Creditors and sanctioned by the Court. If the Creditors Scheme cannot be delivered to the Companies Registrar or the Creditors Scheme does not become Effective for some other reason, the Restructuring Condition will not be satisfied and the Restructuring will not be implemented.

In addition, the Restructuring will not be implemented if the Creditor Restructuring Agreement, the Government Restructuring Agreement, the Bondholder Restructuring Agreement, the New Standstill Agreement or the standstill arrangements for the existing Bonds terminate on the occurrence of any of the relevant termination events set out in Part IV of this document. If these agreements or arrangements terminate, the standstill arrangements, which restrict the Creditors from taking any steps to initiate insolvency proceedings or demand or accelerate any amounts due and payable to them by any member of the British Energy Group, would also terminate.

If the current standstill arrangements are terminated and a replacement standstill cannot be agreed with Creditors shortly thereafter, the Company would be unable to meet its financial obligations as they fall due and consequently it may have to take appropriate insolvency proceedings. If the Company does commence insolvency proceedings, the distributions 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 additional information on the conditions to completion of the Restructuring and the termination events see Part IV of this document.

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PART IV

CONDITIONS AND TERMINATION

1. Overview

The implementation of the Restructuring is subject to three stages of conditionality, namely:

- conditions which need to be satisfied before the Creditors Scheme and the Members Scheme can be proposed to the Bond Trustees and RBS, and Shareholders, respectively (the Initial Conditions);
- subsequent to the satisfaction of the Initial Conditions, conditions, which need to be satisfied before the Creditors Order and, if the Members Scheme is approved and sanctioned by the Court, the Members Order, is filed with the Companies Registrar for registration (the Filing Conditions); and
- the Creditors Scheme becoming Effective and, unless the Members Scheme has Lapsed, the Members Scheme becoming Effective (the Restructuring Condition).

In addition to the above conditions, the Restructuring arrangements may be terminated on the occurrence of certain termination events. Also, unless otherwise agreed by the Creditors, the Secretary of State and the Company, the Creditor Restructuring Agreement and the Government Restructuring Agreement will automatically terminate (and consequently, the Restructuring will not be implemented) if the Creditors Scheme has not become Effective by the Restructuring Long Stop Date. The Filing Conditions, the Restructuring Condition and the Termination Events are described in greater detail below.

As mentioned above, the Initial Conditions have been satisfied. If the Filing Conditions or the Restructuring Condition are not satisfied by the Restructuring Long Stop Date and/or the right to terminate the Restructuring arrangements on the occurrence of a Termination Event are exercised, the Restructuring will not be implemented and the Company may need to commence insolvency proceedings. The Company has decided it is prudent to seek an extension to the present Restructuring Long Stop Date of 31 January 2005, but there can be no assurance that the requisite parties will agree an extension (see paragraph 4 of the Chairman's letter in Part I of this document).

2. Filing Conditions

The Company has undertaken, under the terms of the Creditor Restructuring Agreement and the Government Restructuring Agreement to: (i) notify the Creditors of the date on which it intends to file the Creditors Order with the Companies Registrar; and (ii) not to deliver the Creditors Order to the Companies Registrar for registration in certain prescribed circumstances. These circumstances include:

- (a) if the Company receives a notice from the requisite majority of Creditors (excluding BNFL) or the Secretary of State terminating the Creditor Restructuring Agreement on the basis that there is a continuing Material Adverse Change prevailing as at the Notified Filing Date;

- (b) if before the Notified Filing Date, the requisite majority of Creditors (excluding BNFL) or the Secretary of State has validly notified the Company that there has been a material breach of the undertakings, covenants and warranties given by any Group Company in the Creditor Restructuring Agreement or if there would be a material breach of such undertakings, covenants and warranties if they were repeated on the Notified Filing Date;

- (c) if confirmation has not been given by the UKLA that upon allotment and issue of the New Shares and New Bonds Admission to the Official List will become effective or, in the alternative where such Admission is refused or is impractical, confirmation has not been given of the admission of the New Shares to the

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Alternative Investment Market of the London Stock Exchange and the listing of the New Bonds to the Luxembourg Stock Exchange;

- (d) if any valuation of shares issued for non-cash consideration as a result of the Restructuring has not been obtained by the relevant issuer in accordance with section 103 of the Companies Act;
- (e) if pursuant to the Government Restructuring Agreement, the Nuclear Liabilities Agreements have not been entered into or will not become effective in accordance with their terms immediately after the delivery of the Creditors Order to the Companies Registrar for registration (see below for a summary of the further conditions to the Nuclear Liabilities Agreements);
- (f) unless, in circumstances where the Members Scheme has not Lapsed, the Members Order is delivered to the Companies Registrar for registration at the same time as the Creditors Order is delivered;
- (g) if the New EPL Arrangements remain subject to any outstanding conditions precedent where the parties have not agreed to treat the New EPL Arrangements as wholly unconditional (other than in respect of the Restructuring Condition);
- (h) unless the security interests created under certain intra-group funding arrangements have been discharged;
- (i) unless, save as otherwise agreed by the Secretary of State and the Creditors (excluding BNFL), the Government Facility has been cancelled and the security interests created under it have been discharged or will be cancelled and discharged on the delivery of the Creditors Order to the Companies Registrar for registration;
- (j) unless, in circumstances where the Members Scheme is not approved or has Lapsed and the Disposal Resolution has not been passed, the British Energy Shares have been delisted or will be delisted when the Creditors Order is delivered to the Companies Registrar for registration; and
- (k) if EPL is in breach of any representation or warranty in the Amended Credit Agreement amounting to an event of default (as defined) and which has not been waived and is not capable of being cured in accordance with that agreement.

3. Restructuring Condition

Under the terms of the Creditor Restructuring Agreement the implementation of the Restructuring is conditional upon either:

- (a) the registration by the Companies Registrar of the Members Order and the delivery of a copy of the Creditors Order to the Companies Registrar for registration; or
- (b) the Members Scheme having Lapsed, the delivery of a copy of the Creditors Order to the Companies Registrar for registration and the passing of the Disposal Resolution or confirmation from the UKLA that no such resolution is required; or

- (c) the Members Scheme having Lapsed, the delivery of a copy of the Creditors Order to the Companies Registrar for registration where the foregoing condition has not been satisfied.

4. Government Restructuring Agreement Conditions and termination events

Under the terms of the Government Restructuring Agreement, the obligations of the relevant parties (including the Secretary of State), amongst other things, to enter into certain of the Nuclear Liabilities Agreements is conditional upon:

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- (a) the Secretary of State not having notified the Company in writing before the Notified Filing Date that, in her opinion, the Group (including for this purpose New British Energy and Holdings plc) will not be viable in all reasonably foreseeable conditions without access to additional financing (other than financing which the Secretary of State is satisfied has been committed and will continue to be available when required);
- (b) the Secretary of State having received a copies of letters from the auditors and financial advisers of New British Energy addressed to New British Energy giving the confirmations as to working capital and existence of the relevant financing facilities referred to in Rule 2.18 of the Listing Rules of the UKLA without qualification (whether or not New British Energy is to be listed on the Official List);
- (c) the Secretary of State being satisfied that adequate and valid security interests and security documentation have been granted and entered into by each Group Company which is a party to the Government Restructuring Agreement to secure the Decommissioning Default Payment;
- (d) New British Energy's board of directors and shareholders having passed the necessary resolutions to authorise the allotment and issue of such number of shares on a non-pre-emptive basis as is necessary to satisfy the NLF Conversion Right;
- (e) the Company having confirmed not more than 5 Business Days prior to the Notified Filing Date by way of certificate addressed to the Secretary of State signed by a director of the Company that:
 - (i) the information set out note 22 (*Nuclear Liabilities*) to the audited consolidated balance sheet of the Group in the annual report and accounts as at 31 March 2003 was prepared by the Company in good faith and was believed by the Board (having consulted appropriate officers and employees of the Group) to present fairly the provision for nuclear liabilities of the Group as at such date;
 - (ii) since 31 March 2003 nothing has come to the attention of the Board that would require a material increase in the provision for nuclear liabilities of the Group set out in the audited consolidated balance sheet of the Group as at 31 March 2003 if it were prepared again as at the date of the certificate; and
 - (iii) the Company: (a) has disclosed to the Secretary of State all material information available to its Board that it considers that the Secretary of State reasonably requires in order to assess the financial position of the Group and its viability upon completion of the Restructuring; and (b) (to the best of the Board's knowledge) none of the information disclosed was untrue or materially inaccurate except as corrected by further disclosures made to the Secretary of State;
- (f) the Creditor Restructuring Agreement not having been terminated or amended in a manner which the Secretary of State considers to be material and there having been no waiver of the conditions in the Creditor Restructuring Agreement to which the Secretary of State has not consented in writing;
- (g) the representations and warranties given in the Government Restructuring Agreement by the relevant Group companies who are parties thereto (including New British Energy and Holdings plc) being true at the date when given and at the date when the Nuclear Liabilities Agreements are entered into;
- (h) there having been no breach of any undertaking given in the Government Restructuring Agreement by the relevant Group companies who are parties thereto (including New British Energy or Holdings plc) which, in the reasonable opinion of the Secretary of State, is, or is likely to be, material in the context of the Restructuring;

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- (i) the representations and warranties given in the Nuclear Liabilities Agreements by the relevant Group companies (including New British Energy and Holdings plc) being true and there being no material breach of the undertakings in the Nuclear Liabilities Agreements given by such Group companies at the date on which all the other conditions to the Government Restructuring Agreement are satisfied;
- (j) there being no continuing event of default under the Government Facility;
- (k) the Creditors' Order having been issued by the Court and, if the Members' Scheme is approved, the Members' Order having been issued by the Court; and
- (l) it not becoming unlawful for any party to the Government Restructuring Agreement to perform its material obligations.

The Secretary of State is entitled to waive any of the above conditions save for the conditions set out in paragraphs (a), (k) or (l) above.

The Government Restructuring Agreement will terminate if any of the conditions outlined above are not fulfilled or, in relation to those which may be waived, waived by the Secretary of State on or before the date specified therein, or, if no such date is specified, on or before 12 noon on 31 January 2005 or, if earlier, the date falling 120 days after the date on which the last of the Initial Conditions is satisfied (or such later date as the Secretary of State may agree). The Company is seeking an extension, but no assurance can be given that the Secretary of State will agree to extend the long stop date of 31 January 2005 (see paragraph 4 of the Chairman's letter in Part I of this document).

The Secretary of State may give written notice to the Company to terminate the Government Restructuring Agreement if at any time before the Notified Filing Date there is a Material Adverse Change.

5. Creditor Restructuring Agreement Termination events

Unless otherwise agreed by the Creditors, the Secretary of State and the Company, the Creditor Restructuring Agreement will automatically terminate (and consequently the Restructuring will not be implemented) if:

- (a) the circular relating to the Creditors' Scheme has not been posted by 3 December 2004 or the Creditors' Scheme has not been approved by Scheme Creditors by 14 January 2005 or in each case such later date as is agreed in writing by the Company, the requisite majorities of Creditors (other than BNFL) and the Secretary of State;
- (b) the Restructuring has not occurred by the Restructuring Long Stop Date;
- (c) the Restructuring Condition has ceased to be capable of satisfaction;

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- (d) the Company receives a valid notice of termination by reason of a Material Adverse Change;
- (e) the Government Restructuring Agreement is validly terminated in accordance with its terms;
- (f) the Company receives a valid termination notice under the New Standstill Agreement from any party thereto;
- (g) the Bondholder Restructuring Agreement is validly terminated in accordance with clause 4 thereof; or
- (h) the State Aid Approval is successfully overturned on appeal prior to the Restructuring Long Stop Date and the Company receives a written notice from the requisite majority of the Creditors (excluding BNFL) that they wish to terminate the Creditor Restructuring Agreement.

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6. Bondholder Restructuring Agreement and New Standstill Agreement Termination events

The Bondholder Restructuring Agreement and the New Standstill Agreement will terminate upon the occurrence of any of the following:

- (a) any petition having been presented or other step having been taken for the purpose of winding up any Material Company (not being a petition which is frivolous, vexatious or an abuse of the process of the court and not being a petition withdrawn or struck out within 20 Business Days) or an order having been made or resolution passed for the winding up of any Material Company;
- (b) any petition having been presented or other step having been taken for the purpose of the appointment of an administrator or interim manager in respect of any Material Company (not being a petition which is frivolous, vexatious or an abuse of the process of the court and not being a petition withdrawn or struck out within 20 Business Days) or an administration order having been made in relation to any Material Company or any Material Company otherwise entering into administration;
- (c) any administrative or other receiver being appointed in respect of any Material Company or any part of their respective assets and/or undertakings or any other steps being taken to enforce any security interest over all or any material part of the assets of any Material Company;
- (d) there occurring in relation to any Material Company, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their respective assets is subject, any event which in that country or territory corresponds with, or has an effect equivalent or similar to, any of those mentioned;
- (e) either the Company or any of its subsidiaries which is a party to the Government Facility failing to satisfy any valid written demand for repayment in full by the Secretary of State pursuant to the Government Facility, or any counter-indemnity provided by the Company (or any of its subsidiaries) to the Secretary of State in respect of any guarantee or other form of credit support granted by the Secretary of State for the purposes of securing any facility granted by commercial banks to the Company (or any of its subsidiaries) in order to replace the Government Facility;
- (f) the Company or the guarantors under the Bonds failing to comply with its/their covenants under the Bondholder Restructuring Agreement;
- (g) documentation being dispatched by the Company (without the consent of the creditors) for the purposes of implementing a scheme, compromise or arrangement in relation to the Bonds or Standstill Obligations (as defined in the New Standstill Agreement) which provides for distributions to the holders of the bonds or creditors (as the case may be) different to that set out in the heads of terms dated 14 February 2003;
- (h) any company failing to discharge any material Continuing Obligation (as defined in the New Standstill Agreement) when due or pay any interest on any Standstill Obligation when due, and, in either case, such failure continues for a period of 20 Business Days and has not been waived by the relevant creditor;
- (i) interest not having been paid within 20 Business Days of the due date on the Bonds;

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- (j) the Bondholder Restructuring Agreement and/or the New Standstill Agreement (as appropriate) terminating or for any reason ceasing to be in full force and effect and/or to bind its counterparties thereto; and

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- (k) the Creditor Restructuring Agreement terminating in accordance with its terms.

7. Termination events for Bond standstill

The circumstances in which the standstill arrangements for the existing Bonds (as set out in the supplements to the existing Bond trust deed) will terminate are broadly similar to those for the Bondholder Restructuring Agreement and the New Standstill Agreement, as described above, but in certain circumstances termination is subject to the Bond Trustee being requested to serve a termination notice by holders of not less than 50 per cent. in principal amount of the Bonds then outstanding and having been indemnified to its satisfaction. In addition, the standstill arrangements for the existing Bonds will terminate on the Restructuring Long Stop Date, unless extended in relation to the relevant series as described above, following approval by written resolutions of holders of such series of Bonds. The standstill arrangements under the Bondholder Restructuring Agreement and the New Standstill Agreement may terminate in certain circumstances where the existing Bond trust deed does not permit termination of the standstill in respect of the Bonds. However, the standstill in relation to the Bonds will terminate on the date on which the Creditor Restructuring Agreement, the Bondholder Restructuring Agreement or the New Standstill Agreement are terminated.

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PART V

ADDITIONAL INFORMATION

1. Responsibility

The Directors of the Company, whose names appear in paragraph 2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors And Registered Office

The Directors of the Company and of New British Energy are:

- (a) Adrian Montague CBE (Chairman);
- (b) Mike Alexander (Chief Executive);
- (c) Roy Anderson (Chief Nuclear Officer*);
- (d) Stephen Billingham (Finance Director);
- (e) William A. Coley (Non-Executive Director);
- (f) Pascal Colombani (Non-Executive Director);
- (g) John Delucca (Non-Executive Director);
- (h) Ian Harley (Non-Executive Director);
- (i) David Pryde (Non-Executive Director);
- (j) Clare Spottiswoode CBE (Deputy Chairman and Non-Executive Director); and
- (k) Sir Robert Walmsley (Non-Executive Director).

*

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The appointment of Roy Anderson as Chief Nuclear Officer is to be approved by the NII under the terms of British Energy's site licences. British Energy expects this approval to be forthcoming. On this basis, for the purpose of this document, Roy Anderson is referred to as Chief Nuclear Officer.

The registered office of the Company and of New British Energy and the business address of each of the above Directors is 3 Redwood Crescent, Peel Park, East Kilbride G74 5PR.

3. Information on New British Energy

New British Energy was incorporated and registered in Scotland on 2 July 2004 with registered number 270184 under the Act as a public company limited by shares with the name of British Energy Group plc.

Details of New British Energy's authorised and issued share capital following Admission and changes to New British Energy's authorised and issued share capital since incorporation are set out in paragraph 2 of Part X of the Prospectus: Additional information .

A summary of the material provisions of New British Energy's memorandum and articles of association is set out in paragraph 3 of Part X of the Prospectus: Additional information .

4. Directors and other interests

The interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the interests of persons connected with the Directors in the share

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capital of the Company as at 23 November 2004 (being the latest practicable date prior to the publication of this document) and in the share capital of New British Energy on Admission which:

- (a) have been or will be notified by each Director to the Company or New British Energy by each Director pursuant to section 324 or section 328 of the Act;
- (b) are required pursuant to section 325 of that Act to be entered in the register referred to therein; or
- (c) are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under paragraphs (a) or (b) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director, as at 23 November 2004 (being the latest practicable date prior to the publication of this document), are, and are expected following Admission to be, as follows:

Name of Director	At present		Assuming the Members Scheme becomes Effective			Assuming the Disposal is approved			Assuming the Members Scheme does not become Effective and the Disposal is not approved	
	No. of Ordinary Shares	% of issued share capital	No. of New Shares	No. of Warrants	% of issued share capital	No. of New Shares	No. of Warrants	% of issued share capital	No. of New Shares	% of issued share capital
Adrian Montague	2,188	Negligible	43	92	Negligible		92	Negligible		
Ian Harley	2,000	Negligible	40	84	Negligible		84	Negligible		

As at 23 November 2004 (being the latest practicable date prior to the publication of this document) no options over British Energy Shares had been granted to Directors under the British Energy Option Schemes.

No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the British Energy Group and which was effected by any member of the British Energy Group during the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

In so far as is known to the Company and New British Energy, the following table shows the interests in New Shares, other than the interests of the Directors set out above, which, directly or indirectly, amount to 3 per cent. or more of New British Energy's issued share capital both as at 22 November (being the latest practicable date prior to the publication of this document) and as expected immediately following Admission:

Assuming the Members Scheme becomes Effective

Assuming the Disposal is approved

Assuming the Members Scheme

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Name							<i>does not become Effective and the Disposal is not approved</i>	
	No. of New Shares	No. of Warrants	% of issued share capital	No. of New Shares	No. of Warrants	% of issued share capital	No. of New Shares	% of issued share capital
Duquesne Capital Management, L.L.C.	78,542,317		14.0	80,786,384		14.4	80,786,384	14.4
Deutsche Bank AG, London	57,223,688		10.2	57,784,705		10.3	57,784,705	10.3
Stark Investments*	43,882,317	3,071,897	7.8	43,571,865	3,071,897	7.8	43,571,865	7.8
The Eureka (Euro) Fund Limited	44,320,308		7.9	45,442,341		8.1	45,442,341	8.1
Fidelity Investments	34,783,026		6.2	35,669,652		6.4	35,669,652	6.4
The Royal Bank of Scotland	30,868,315		5.5	31,527,888		5.6	31,527,883	5.6
LGC Holdings, L.L.C.	18,081,564		3.2	18,542,466		3.3	18,542,466	3.3

* The percentage figures stated for Stark Investments are based on the undiluted share capital of New British Energy. After exercising all its Warrants, Stark Investments' interests in New Shares (as a percentage of New British Energy's fully diluted issued share capital) would be 8.0 per cent. assuming the Members' Scheme is approved, 7.9 per cent. assuming the Disposal is approved and 7.8 per cent, assuming neither the Members' Scheme or the Disposal is approved.

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The information in the above table has been provided to British Energy by advisers to certain of the creditors in connection with the application for Admission and, in certain cases, the number of New Shares has been calculated on the basis of the percentage figures provided. However, because the existing Bonds, the debt owed to the Eggborough Banks and the relevant claims of the Significant Creditors are tradeable (in accordance with the Creditor Restructuring Agreement), and because British Energy Shares may be bought or sold, the interests stated above may change between the date of this document and Admission. Supplementary listing particulars would be published if New British Energy becomes aware that there is a significant change in this information or a significant new matter has arisen in this regard (which would have been required to be mentioned in this document if it had arisen prior to the date of this document), in each case, which would be significant for the purpose of making an informed assessment about whether to invest in the New Shares, Warrants and/or New Bonds.

In so far as is known to the Company, no person directly or indirectly, jointly or severally exercises or could exercise control over the Company.

5. Directors service agreements and terms of appointment

Details of the Directors service agreements and letters of appointment are set out in paragraph 7 of Part X of the Prospectus: Additional information .

Copies of the executive Directors service agreements and the letters of appointment of the non-executive Directors will be available for inspection at the address specified in paragraph 13 below.

6. Management and share incentive plans

New British Energy has adopted a number of employee share incentive plans which are described in detail in paragraph 8 of Part X of the Prospectus: Additional information , including the Interim Bonus Plan and the LT Plan for senior executives of New British Energy and its subsidiaries.

Under the Interim Bonus Plan, the remuneration committee of New British Energy may grant a deferred bonus to senior executives of New British Energy and its subsidiaries to reward performance over the financial year ending 31 March 2005. The performance targets for this year have yet to be determined by the remuneration committee. The Interim Bonus Plan is intended to reward performance for that financial year only, and rewards for performance in subsequent financial years will be provided through the LT Plan. The Interim Bonus Plan is described in detail in paragraph 8.2 of Part X of the Prospectus: Additional information .

The LT Plan provides for the establishment of targets by the remuneration committee of New British Energy in relation to safety and environment, EBITDA (Pre-capex) (as defined in the LT Plan), nuclear output, non-outage backlog, trading measure, free cash flow and equity market capitalisation for each financial year. For executive directors and other members of the executive team this will consist entirely of Group targets. EBITDA (Pre-capex) and nuclear output targets have already been set for the financial years ending 31 March 2006, 31 March 2007 and 31 March 2008, and these are set out in paragraph 8.3 of Part X of the Prospectus: Additional information .

7. Taxation

This section describes certain UK and US tax consequences for Shareholders of implementation of the Members' Scheme and the Disposal and also the tax consequences for the Shareholders where neither the Members' Scheme nor the Disposal is approved. It should be noted that there are significant differences between the tax consequences for Shareholders in the UK and the US which result from the differences in the underlying tax.

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systems. The discussion of the tax consequences in the UK and US does not purport to be comprehensive, and the tax consequences of the proposals in other jurisdictions are not discussed. Shareholders considering the various alternatives set out in this document are therefore encouraged to consult their own tax advisers concerning the tax consequences of the proposals in light of their particular circumstances. A description of certain UK and US tax consequences of holding the New Shares and Warrants is set out in paragraph 12 of Part X of the Prospectus: Additional information .

UK Taxation

The following summary describes certain UK income tax, capital gains tax, corporation tax, stamp duty and SDRT consequences for Shareholders of the implementation of the Members Scheme and the Disposal but does not purport to be comprehensive. Except where noted, it relates only to the position of persons who are the absolute beneficial owners of the British Energy Shares. The statements below may not apply to special situations, such as those of dealers in securities, authorised unit trusts, open-ended investment companies or persons connected with the Company, New British Energy or Holdings plc. Furthermore, the discussion below is generally based upon the provisions of UK tax law and UK Inland Revenue practice as of the date hereof, and such provisions may be repealed, revoked or modified (possibly with retrospective effect) so as to result in UK tax consequences different from those discussed below.

Shareholders considering the proposals set out in this document should consult their own tax advisers concerning UK tax consequences in light of their particular circumstances as well as any consequences arising under the law of any other relevant jurisdiction. No representations are made with respect to the tax consequences to any particular holder of British Energy Shares. Specifically, the comments below do not address: (i) tax other than UK income tax, capital gains tax, corporation tax, stamp duty and SDRT which are discussed below; (ii) any tax consequences for any persons other than Shareholders; (iii) any tax consequences other than in relation to the implementation of the Members Scheme or the Disposal; (iv) any tax consequences in a jurisdiction other than the UK; or (v) any tax consequences of any subsequent holding or disposal of New Share or Warrants. Shareholders who are resident in a jurisdiction other than the UK are strongly urged to consult their professional advisers to determine their own tax position.

Members Scheme

If the Members Scheme is approved and becomes Effective then Scheme Shareholders will receive New Shares and Warrants. The Inland Revenue has agreed that, on the Members Scheme becoming Effective, there will be a chargeable gains disposal on the cancellation of the Scheme Shares in relation to each Scheme Shareholder.

This will crystallise a capital gain or loss for capital gains tax or corporation tax on chargeable gains purposes calculated as the market value of the New Shares and the Warrants (which the Inland Revenue have agreed will be the lower of: (i) the lower of the two prices shown in the quotations for shares or securities on the London Stock Exchange on the first day of trading plus one quarter of the difference between those two figures; and (ii) the halfway price between the highest and lowest prices recorded on that day) less the base cost of the Scheme Shares, which may, depending on the Scheme Shareholder's circumstances (including the availability of exemptions and allowable losses and whether the Scheme Shareholder is a corporate or an individual), give rise to a liability to capital gains tax or corporation tax in respect of chargeable gains. An allowable loss may arise if the proceeds received by the Scheme Shareholder are less than the base cost of their Scheme Shares.

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The Inland Revenue has agreed that those Scheme Shareholders who do not elect to receive New Shares and Warrants or whose Shareholder Elections are invalid and who therefore receive cash will be treated as disposing of their Scheme Shares for an amount equal to the consideration received for the New Shares and Warrants sold.

Disposal

If the Members' Scheme is not approved, or otherwise Lapses, but the Disposal is approved by Ordinary Shareholders then Shareholders will receive Warrants only. The receipt of the Warrants will give rise to a part disposal for capital gains purposes. The Inland Revenue have agreed that the residual value of the British Energy Shares will be nil so that the full base cost in the British Energy Shares will be deductible from the market value of the Warrants (as determined above) in determining the capital gain or loss. As discussed above, this may give rise to a liability to capital gains tax or corporation tax or an allowable loss in respect of chargeable gains, depending on the circumstances of the relevant Shareholder.

In the event that the Disposal is not approved by Ordinary Shareholders, the Inland Revenue have agreed that the British Energy Shares in the Company will be of negligible value after the Disposal is effected. Where a Shareholder makes a claim for the British Energy Shares to be of negligible value, the British Energy Shares will be treated as having been sold and immediately reacquired so that the Shareholder may realise, depending on its circumstances, a capital loss for the purposes of capital gains tax or corporation tax on capital gains equal to the Shareholder's base cost in the British Energy Shares.

Claiming an Allowable Loss

A Shareholder who realises a loss for the purposes of capital gains tax must give notice to an officer of the Board of the Inland Revenue quantifying the amount of that loss before it will be treated as an allowable loss. The notice must be given within 5 years of 31 January following the year of assessment in which the Restructuring becomes effective.

Stamp Duty and SDRT on issue of New Shares and Warrants under the Members' Scheme

In relation to the New Shares being issued by New British Energy and subject to the comments below, no liability to stamp duty or SDRT will arise on the issue of, or on the issue of definitive share certificates in respect of, such shares by New British Energy and no liability to SDRT will arise on the issue of the Warrants. Where a Scheme Shareholder is entitled to receive New Shares or Warrants under the Members' Scheme, there will be no charge to stamp duty or SDRT on the issue/transfer of New Shares and no charge to SDRT on the issue/transfer of Warrants pursuant to the Members' Scheme to that Shareholder, or to a person holding the New Shares or Warrants on his behalf (assuming such person is neither: (i) a person whose business is or includes the provision of clearance services (or a nominee for such a person); or (ii) a person whose business is or includes issuing depository receipts (or a nominee or agent for such a person)).

Subject to the above, no stamp duty or SDRT should be payable by a Scheme Shareholder in respect of the arrangements for the distribution of the New Shares under the Members' Scheme and no SDRT should be payable by a Scheme Shareholder in respect of the arrangements for the distribution of the Warrants under the Members' Scheme. See paragraph 18 of the Explanatory Statement in Part II of this document in relation to the position of holders of British Energy ADRs if New ADRs in respect of the New

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Shares are issued and listed on the NYSE upon Admission.

If any stamp duty is payable upon the Warrant Instrument being produced in evidence in any proceedings in connection with the enforcement of the Warrant Instrument, the Warrants or the Subscription Rights (as such term is defined in condition 1 of the Warrants), under condition 8.1 of the Warrants, New British Energy has agreed to pay it.

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The conditions of the Warrants are set out in Part VIII of the Prospectus: Conditions of the Warrants .

US federal income taxation

The following is a summary of the principal US federal income tax considerations for Shareholders that are US Holders regarding the implementation of the Members Scheme and the Disposal. This summary does not purport to discuss all aspects of US federal income tax that may be important to US Holders subject to special tax rules, such as banks, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organizations, dealers in securities or currencies, traders in securities that elect mark-to-market tax accounting, persons that own or will own, directly or by attribution, 10 per cent. or more of the Company s or New British Energy s outstanding voting share capital for US federal income tax purposes, persons that own both claims that are the subject of the Creditors Scheme and British Energy Shares, persons subject to alternative minimum tax, certain US expatriates, person that have not held the British Energy Shares as capital assets within the meaning of Section 1221 of the US Internal Revenue Code of 1986, as amended (the Code) (generally, property held for investment), persons whose functional currency is not the US dollar and persons that have held the British Energy Shares as part of a hedging, integrated, conversion or constructive sale transaction or straddle. Moreover, this summary does not address the US federal estate and gift tax consequences of the implementation of the Members Scheme and the Disposal and does not address the foreign personal holding company rules. The summary does not include any description of any US state or local tax that may be applicable to the implementation of the Members Scheme and Disposal. Shareholders are urged to consult their tax advisers with respect to the US federal income, state, local and foreign tax consequences of the implementation of the Members Scheme and the Disposal.

This summary is based upon the Code, its legislative history, existing and proposed US Treasury regulations promulgated thereunder, published rulings by the US Internal Revenue Service (IRS), and court decisions, all in effect as of the date hereof, all of which authorities are subject to change or differing interpretations, which changes or differing interpretations could apply retroactively.

As used herein, the term **US Holder** means a beneficial owner of British Energy Shares that, for US federal income tax purposes, is: (i) a citizen or individual resident of the United States; (ii) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to US federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or a trust that has made valid election under US Treasury regulations to be treated as a domestic trust.

If a partnership (or other entity treated as a partnership for US federal income tax purposes) holds British Energy Shares, the US federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding British Energy Shares, should consult its own tax advisers regarding the US federal income tax consequences of the implementation of the Members Scheme and the Disposal.

Members Scheme

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If the Members' Scheme becomes Effective, then a US Holder will receive New Shares and Warrants in exchange for the US Holder's Scheme Shares. Although the US federal

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income tax treatment of this exchange is not entirely clear, it appears that a US Holder should generally recognise gain or loss on this exchange in an amount equal to the difference between the US Holder's adjusted tax basis in the Scheme Shares and the fair market value (as of the Restructuring Effective Date) of the New Shares and Warrants. Subject to the PFIC discussion below, this gain or loss will be a capital gain or loss, if the US Holder held the Scheme Shares as a capital asset, and will be treated as US-source gain or loss. US Holders should consult their own tax advisers as to the consequences to them of such capital gains (which may be taxed at rates lower than ordinary income in the case of US Holders that are individuals, trusts or estates and that have held their British Energy Shares for more than one year) and capital losses (the deductibility of which is subject to limitations). Assuming gain or loss is recognised in the manner just described, a US Holder's basis in the New Shares and Warrants will equal the fair market value of the New Shares and Warrants as of the date on which the Members' Scheme becomes Effective.

It should be noted that, although the exchange by US Holders of Scheme Shares for New Shares and Warrants is best viewed as a fully taxable transaction for US federal income tax purposes (as described in the preceding paragraph), it nonetheless is possible that the IRS will attempt to treat such exchange as a tax-free transaction pursuant to Section 351 of the Code and that a court will uphold such treatment by the IRS. In general, if a US Holder's exchange of Scheme Shares for New Shares and Warrants is treated as tax-free under Section 351, then any loss realised by the US Holder on the exchange will not be recognised. In addition, the US Holder generally will recognise the gain (if any) realized by it on the exchange only to the extent of the fair market value (as of the Restructuring Effective Date) of the Warrants received in the exchange. US Holders are urged to consult their own tax advisers regarding whether their exchange qualifies as a tax-free transaction under Section 351 and what the specific consequences to them are if the exchange does so qualify.

As discussed in paragraphs 8 and 13 of the Explanatory Statement in Part II of this document, in certain circumstances, New British Energy will allot and issue New Shares and Warrants to a person who will sell such New Shares and Warrants for cash. If New Shares or Warrants of a US Holder are sold by such person for cash, then the US Holder generally will recognise US source capital gain or loss at the time of that sale, in an amount equal to the difference, if any, between the US Holder's basis in the New Shares or Warrants and the amount of cash received as consideration. Since the holding period for New Shares and Warrants is likely to be less than one year when sold by such person, such capital gain or loss generally will be short-term capital gain or loss, and thus any such gain will be subject to the maximum marginal US federal income tax rate applicable to ordinary income.

As described above in paragraph 18 of the Explanatory Statement in Part II of this document, if a US Holder owns Scheme Shares evidenced by ADRs, and such US Holder receives New ADRs in exchange for such ADRs pursuant to the Members' Scheme, then New British Energy will pay any SDRT imposed with respect to the issuance of such New ADRs. A US Holder generally will not be entitled to a foreign tax credit in respect of such SDRT, and the payment of such SDRT by New British Energy may be treated as an additional amount realised upon the exchange of the US Holder's Scheme Shares evidenced by ADRs pursuant to the Members' Scheme. US Holders should consult their tax advisers regarding the US federal income tax treatment of any SDRT paid by New British Energy in respect of an issuance of New ADRs.

Disposal with Ordinary Shareholder approval

If the Members' Scheme is not approved, or otherwise Lapses, but the Disposal is approved by the Ordinary Shareholders, then US Holders will receive Warrants. A US Holder generally will recognise gain or loss on the Restructuring Effective Date in an amount equal to the difference between the US Holder's adjusted tax basis in the British

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Energy Shares and the fair market value (as of the Restructuring Effective Date) of the Warrants received. Subject to the PFIC discussion below, this gain or loss will be a capital gain or loss, if the US Holder held the British Energy Shares as a capital asset, and will be treated as US-source gain or loss. US Holders should consult their own tax advisers as to the consequences to them of such capital gains (which may be taxed at rates lower than ordinary income in the case of US Holders that are individuals, trusts or estates and that have held their British Energy Shares for more than one year) and capital losses (the deductibility of which is subject to limitations). A US Holder's basis in the Warrants will equal the fair market value of the Warrants as of the Restructuring Effective Date.

As discussed in paragraphs 8 and 13 of the Explanatory Statement in Part II of this document, in certain circumstances, New British Energy will issue Warrants to a person who will sell such Warrants (or New Shares received upon such person's exercise of Warrants) for cash. If Warrants (or New Shares received upon exercise of Warrants) are sold, then the US Holder generally will recognise US source capital gain or loss at the time of that sale, in an amount equal to the difference, if any, between the US Holder's basis in the Warrants (or New Shares) and the amount of cash received as consideration. Since the holding period for the Warrants is likely to be less than one year when sold by such person, such capital gain or loss generally will be short-term capital gain or loss, and thus any such gain will be subject to the maximum marginal US federal income tax rate applicable to ordinary income.

Passive Foreign Investment Company Considerations

Generally, for US federal income tax purposes, a foreign corporation will be a passive foreign investment company, or a PFIC, for any taxable year if either: (i) 75 per cent. or more of its gross income is passive income; or (ii) 50 per cent. or more of the value of its assets, determined on the basis of a quarterly average, is attributable to assets that produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties and rents not arising from the active conduct of a trade or business, and gains from the sale of assets that produce such income. If a foreign corporation is a PFIC in any taxable year that a US person owns shares, the US person may be subject to tax at ordinary income rates on: (a) a portion of any gain recognised on the sale of shares; and (b) any excess distribution paid on shares (generally, a distribution in excess of 125 per cent. of the average annual distributions paid by the foreign corporation in the three preceding taxable years).

If the Company were a PFIC for one or more taxable years during the period that a US Holder has owned British Energy Shares, then the US Holder may be subject to the consequences described above on the exchange of such British Energy Shares for New Shares and Warrants (pursuant to the Members Scheme) or on the receipt of Warrants (pursuant to the Disposal if approval of the Ordinary Shareholders is obtained). US Holders should consult their tax advisers to confirm whether they have treated the Company as a PFIC in any taxable year during the period they have held their British Energy Shares. Based on the Company's current activities and assets, although the matter is not free from doubt, the Company does not believe that it currently is a PFIC. No assurance, however, can be given as to its status in past years.

Disposal without Ordinary Shareholder approval

If the Disposal is effected without the approval of the Ordinary Shareholders, then a US Holder generally will recognise a capital loss on the Restructuring Effective Date in an amount equal to the US Holder's adjusted tax basis in the British Energy Shares. If the US Holder's holding period for the British Energy Shares exceeds one year, such loss generally will be long-term capital loss, and, if the US Holder's holding period for the British Energy Shares is one year or less, such loss generally will be short-term capital loss. Any loss realized with respect to the British Energy Shares on the Restructuring Effective Date generally will be treated as a US-source loss.

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US Backup Withholding Tax and Information Reporting

Backup withholding tax and information reporting requirements may apply to payments to certain non-corporate US Holders of the proceeds from an exchange of a British Energy Share pursuant to the Members Scheme or the Disposal. The Company or its agent may be required to withhold backup withholding tax on a payment of proceeds to a US Holder (other than an exempt recipient, such as a corporation) if such US Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding requirements. Backup withholding tax is not an additional tax and may be credited against the beneficial owner's US federal income tax liability if the required information is furnished to the IRS in a timely manner.

8. Material Contracts, Obligations and Entitlements

Continuing Group

The following is a summary of the principal contents of each material contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Continuing Group within the two years immediately preceding the date of this document and those contracts entered into by any member of the Continuing Group (not in the ordinary course of business) which contain any provision under which any member of the Continuing Group has any obligation or entitlement which is material to the Continuing Group at the date of this document:

- (a) the Business Transfer Agreement to effect the Disposal dated 8 October 2004 and made between British Energy and Holdings plc. Under the Business Transfer Agreement, British Energy will sell its entire business and assets (including all its shares in its subsidiaries other than the non-voting shares held by it in each of New British Energy and Holdings plc) to Holdings plc as a going concern. In consideration for such sale, Holdings plc will agree to perform the outstanding obligations under all of British Energy's contracts and to satisfy or discharge all of British Energy's liabilities and obligations. Furthermore, Holdings plc will indemnify British Energy against each loss, liability, cost and expense which British Energy may suffer in connection with: (i) all liabilities and obligations of British Energy assumed by Holdings plc under the Business Transfer Agreement; and (ii) British Energy's ownership or operation of its business and assets before or after completion of the Business Transfer Agreement. If the benefit of any of British Energy's contracts can be assigned without a person's consent, then the Business Transfer Agreement will constitute an assignment of the relevant contract to Holdings plc. If a contract cannot be assigned until consent is obtained or a novation is achieved, British Energy will hold the relevant contract and all benefits thereunder as trustee for Holdings plc and will upon receipt of any monies, goods, services or benefits account for and pay or deliver the same to Holdings plc.

Holdings plc is also required under the terms of the Business Transfer Agreement to: (i) take over the contracts of employment for British Energy's employees, together with all losses, liabilities and costs relating to those contracts of employment or the transfer thereof; and (ii) implement such arrangements as are required to effect the transition of the existing pension arrangements of British Energy and any Group undertaking to Holdings plc or such person as Holdings plc may nominate.

The Business Transfer Agreement will become effective only if the Members Scheme is not approved by the relevant shareholders (or otherwise lapses) and either: (a) the resolution to approve the Disposal is passed by the holders of Ordinary Shares at the extraordinary general meeting convened for that purpose; and/or (b) the listing of British Energy's A Shares and Ordinary Shares on the Official List has been cancelled pursuant to the Listing Rules. Completion of the Business Transfer Agreement shall take place immediately after the later of: (i) either of the foregoing conditions having been satisfied; and (ii)

satisfaction of the Restructuring Condition. The Business

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Transfer Agreement will automatically terminate if it has not been completed by the Restructuring Long Stop Date; and

- (b) the contracts described in paragraphs 17.1(c)-(o), (r), (s), (v), (z)-(gg), (tt), (uu), (ww) and (xx) of Part X of the Prospectus: Additional information . Under the Business Transfer Agreement referred to in (a) above, Holdings plc will perform all the outstanding obligations under these contracts and will satisfy or discharge all of British Energy's existing and future liabilities and obligations thereunder. Furthermore, Holdings plc will indemnify British Energy against each loss, liability, cost and expense which British Energy may suffer in connection with all liabilities and obligations of British Energy arising under these contracts.

Disposed Group

Paragraphs 17.1 and 17.2 of Part X of the Prospectus: Additional information contain summaries of the principal contents of each material contract (not being a contract entered into in the ordinary course of business) entered into, or expected to be entered into upon or subsequent to the implementation of the Restructuring, by members of the Disposed Group.

Save as stated above, no member of the Disposed Group has entered into any contract which is or may be material (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document or any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which any member of the Disposed Group has any obligation or entitlement which is or may be material to the Disposed Group at the date of this document.

9. Litigation

Continuing Group

Save as disclosed in paragraphs 16.2, 16.3, 16.8 and 16.9 of Part X of the Prospectus: Additional information , the Continuing Group has not been engaged in any legal or arbitration proceedings by or against the Continuing Group (including any such proceedings which are pending or threatened by or against the Continuing Group of which the Continuing Group is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Continuing Group's financial position.

The Disposed Group

Save as disclosed in paragraphs 16.2, 16.4, 16.5, 16.6 and 16.7 of Part X of the Prospectus: Additional information , none of the undertakings in the Disposed Group has been engaged in any legal or arbitration proceedings by or against the Disposed Group (including any such proceedings which are pending or threatened by or against any of the undertakings in the Disposed Group of which the Directors are aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Disposed Group's financial position.

10. **Working Capital**

In the opinion of the Company, having regard to the indemnity from Holdings plc referred to in paragraph 7 of the Explanatory Statement relating to all losses, liabilities, costs and expenses of the Continuing Group assumed by Holdings plc in connection with the Disposal, the working capital available to the Continuing Group is sufficient for the Continuing Group's present requirements, that is for at least the next 12 months following the date of this document.

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11. Significant Change

Continuing Group

Save for:

- (i) the announcements by British Energy:
 - (a) on 30 July 2004 that: (1) further work was necessary on one unit at each of the Heysham 1 and Hartlepool power stations to demonstrate the integrity of certain boilers which, at the date of this document, remain shut down (as discussed more fully in the risk factor on this subject appearing on page 103 of the Prospectus); and (2) it was revising its target of annual nuclear output from 64.5 TWh to around 61.5 TWh for the 2004/2005 financial year (as discussed more fully on page 32 of the Prospectus), which would have the effect of significantly reducing the Group's projected output for the year;
 - (b) on 22 October 2004 that, in light of further work required at Heysham 1 and Hartlepool before the units can be returned to service (as discussed more fully in the risk factor on this subject appearing on page 103 of the Prospectus), the nuclear output target for 2004/2005 of 61.5 TWh was vulnerable and may have had the effect of reducing the Group's projected output for the year and therefore the Group's profitability; and
 - (c) on 18 November 2004 that it had reduced its target of annual nuclear output to 59.5 TWh for the 2004/2005 financial year (as discussed more fully on page 32 of the Prospectus), which would have the effect of significantly reducing the Group's projected output for the year;
- (ii) the continuing increase in the market price of electricity from around £24.5 per MWh at the end of March 2004 to over £30.0 per MWh by 22 November 2004 (as discussed more fully on page 33 of the Prospectus in the paragraph headed: Sales) which required the Group to deposit additional collateral in support of British Energy's trading activities (as discussed more fully on page 34 of the Prospectus in the paragraph headed: Cash and liquidity);
- (iii) the deferral of certain payments to suppliers of up to £81.2m in aggregate as at 23 November 2004 (being the latest practicable date for obtaining this information prior to publication of this document) which may adversely affect the Group's relationship with suppliers (as discussed more fully on page 34 of the Prospectus in the paragraph headed: Cash and liquidity); and
- (iv) the litigation matters relating to Polygon and Brandes described in paragraph 16.9 of Part X of the Prospectus: Additional information which have involved the Company becoming a defendant in litigation proceedings,

there has been no significant change in the financial or trading position of the Continuing Group since 30 June 2004, the date to which the last published interim results were prepared, as set out in Part IV of the Prospectus, Section 2: Results for British Energy plc for the three months ended 30 June 2004 .

Disposed Group

Save for:

- (i) the announcements by British Energy:
 - (a) on 30 July 2004 that: (1) further work was necessary on one unit at each of the Heysham 1 and Hartlepool power stations to demonstrate the integrity of certain boilers which, at the date of this document, remain shut down (as discussed more fully in the risk factor on this subject appearing on page 103 of the Prospectus); and (2) it was revising its target of annual nuclear output from 64.5 TWh to around 61.5 TWh for the 2004/2005 financial year (as discussed more fully on page 32 of the Prospectus), which would have the effect of significantly reducing the Group's projected output for the year;

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- (b) on 22 October 2004 that, in light of further work required at Heysham 1 and Hartlepool before the units can be returned to service (as discussed more fully in the risk factor on this subject appearing on page 103 of the Prospectus), the nuclear output target for 2004/2005 of 61.5 TWh was vulnerable and may have had the effect of reducing the Group's projected output for the year and therefore the Group's profitability; and
- (c) on 18 November 2004 that it had reduced its target of annual nuclear output to 59.5 TWh for the 2004/2005 financial year (as discussed more fully on page 32 of the Prospectus), which would have the effect of significantly reducing the Group's projected output for the year;
- (ii) the continuing increase in the market price of electricity from around £24.5 per MWh at the end of March 2004 to over £30.0 per MWh by 22 November 2004 (as discussed more fully on page 33 of the Prospectus in the paragraph headed: Sales) which required the Group to deposit additional collateral in support of British Energy's trading activities (as discussed more fully on page 34 of the Prospectus in the paragraph headed: Cash and liquidity);
- (iii) the deferral of certain payments to suppliers of up to £81.2m in aggregate as at 23 November 2004 (being the latest practicable date for obtaining this information prior to publication of this document) which may adversely affect the Group's relationship with suppliers (as discussed more fully on page 34 of the Prospectus in the paragraph headed: Cash and liquidity); and
- (iv) the litigation matters relating to Polygon and Brandes described in paragraph 16.9 of Part X of the Prospectus: Additional information which have involved the Company becoming a defendant in litigation proceedings,

there has been no significant change in the financial or trading position of the Disposed Group since 30 June 2004, the date to which the last published interim results were prepared, as set out in Part IV of the Prospectus, Section 2: Results for British Energy plc for the three months ended 30 June 2004 .

12. General

Citigroup Global Markets Limited has given and has not withdrawn its written consent to the inclusion of the reference to its name in the form and context in which it is included.

13. Documents for Inspection

Copies of the following documents may be inspected at the offices of Clifford Chance Limited Liability Partnership, 10 Upper Bank Street, London, E14 5JJ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including 22 December 2004:

- (i) the memorandum and articles of association of the Company and the memorandum and articles of association of New British Energy;
- (ii) the service agreements and letters of appointment referred to in paragraph 5 above;

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- (iii) the material contracts referred to in paragraph 8 above;
- (iv) the written consent referred to in paragraph 12 above;
- (v) the audited consolidated accounts of the Group for the two financial years ended 31 March 2003 and 31 March 2004;
and
- (vi) this document.

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THE MEMBERS SCHEME

IN THE COURT OF SESSION

SCOTLAND

IN THE MATTER OF BRITISH ENERGY PLC

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT

(under section 425 of the Companies Act 1985)

- between -

BRITISH ENERGY PLC

- and -

THE HOLDERS OF SCHEME SHARES

(as hereinafter defined)

PRELIMINARY

(A) In this scheme of arrangement, unless the context otherwise requires, the following expressions shall bear the following meanings:

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A Shares	the A Shares of 60p each in the capital of the Company
A Share Court Meeting	the meeting of holders of A Shares convened by order of the Court pursuant to section 425 of the Act to consider and, if thought fit, approve the Scheme, and any adjournment thereof
Act	the Companies Act 1985 (as amended)
Amended Credit Agreement	the credit agreement originally dated 13 July 2000 as amended and/or restated on 8 September 2000, 24 October 2000, 12 December 2000, 5 February 2001 and on or about the Scheme Effective Date between, amongst others, EPL, Barclays Bank PLC as agent and security trustee and certain financial institutions
BEG	British Energy Generation Limited
BEG UK	British Energy Generation (UK) Limited
British Energy Shareholder	a holder of any British Energy Share
British Energy Shares	the Ordinary Shares and the A Shares
BNFL	British Nuclear Fuels plc
Board	the board of directors of the Company or a duly appointed committee thereof
Bondholder	the holder of the ultimate beneficial interest in a Bond

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Bonds	all or any of the outstanding £109,861,000 5.949 per cent. guaranteed bonds of the Company due 2003 (the 2003 Bonds); the £163,444,000 6.077 per cent. guaranteed bonds of the Company due 2006 (the 2006 Bonds); and the £134,586,000 6.202 per cent. guaranteed bonds of the Company due 2016 (the 2016 Bonds)
Bond Trustees	in relation to the 2003 Bonds, the Law Debenture Trust Corporation p.l.c., in relation to the 2006 Bonds, the Law Debenture Intermediary Corporation plc and in relation to the 2016 Bonds, Law Debenture Trustees Limited
Company	British Energy plc incorporated in Scotland with registered number 162273
Court	the Court of Session, Parliament House, Parliament Square, Edinburgh EH1 1RF
Creditor Restructuring Agreement	the agreement dated as of 30 September 2003 entered into by, amongst others, the Company, BEG, BEG UK and the Creditors (as amended or extended from time to time)
Creditors	the Significant Creditors, RBS, Bondholders, the Eggborough Banks and BNFL
Creditors Scheme	the scheme of arrangement to be proposed by the Company to the Bond Trustees and RBS pursuant to section 425 of the Act
CREST	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST Regulations)
CRESTCo	CRESTCo Limited
CREST Regulations	the Uncertified Securities Regulations 2001 (S.I. 2001/3755) including any modifications thereof or any regulations in substitution therefor
Election Return Time	the latest time by which a form of election needs to be returned to the Registrars (being 6.00 p.m. on the business day immediately prior to Scheme Effective Date or such later date as the Company may agree)
Eggborough Banks	the lenders and swap providers in the syndicate of banks under the Amended Credit Agreement
EPL	Eggborough Power Limited
Initial Shareholder	Robert Armour (Company Secretary of the Company and New British Energy) and his nominee
New British Energy	British Energy Group plc incorporated in Scotland with registered number 270184
New Shares	the ordinary shares of 10p each in the capital of New British Energy
New Special Share	the special rights redeemable preference share of £1 in the capital of New British Energy

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Non-voting Deferred Shares	the non-voting deferred shares of 60p each in the capital of the Company
Ordinary Share Court Meeting	the meeting of holders of Ordinary Shares convened by order of the Court pursuant to section 425 of the Act to consider and, if thought fit, approve the Scheme, and any adjournment thereof
Ordinary Shares	the ordinary shares of 44 ²⁸ /43p each in the capital of the Company
RBS	The Royal Bank of Scotland plc
RBS Letter of Credit	the letter of credit issued on 1 December 2000 by RBS in favour of Barclays Bank Plc (as facility agent) relating to the debt service reserve obligations of EPL under the Amended Credit Agreement
Registrars	the registrars of the Company, being Lloyds TSB Registrars
Restructuring Long Stop Date	12 noon on 31 January 2005 (or such later date as may be agreed in accordance with the terms of the Creditor Restructuring Agreement)
Scheme or Scheme of Arrangement	this scheme of arrangement under section 425 of the Act in its present form or with or subject to any modification, addition, term or condition approved or imposed by the Court
Scheme A Shareholder	each person who appears as a holder of one or more Scheme A Shares in the relevant register of members of the Company at the Scheme Record Time
Scheme A Shares	all the A Shares:
	(a) in issue at the date of this Scheme;
	(b) (if any) issued thereafter and prior to the Voting Record Time; and
	(c) (if any) issued at or after the Voting Record Time and before the making of the order by the Court for the reduction of capital which forms part of the Scheme in respect of which the original or any subsequent holder shall be bound by this Scheme or shall have agreed in writing to be bound by this Scheme
Scheme Effective Date	the date on which the Scheme becomes effective in accordance with its terms
Scheme Ordinary Shareholder	each person who appears as a holder of one or more Scheme Ordinary Shares in the relevant register of members of the Company at the Scheme Record Time

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Scheme Ordinary Shares	all the Ordinary Shares: (a) in issue at the date of this Scheme; (b) (if any) issued thereafter and prior to the Voting Record Time; and (c) (if any) issued at or after the Voting Record Time and before the making of the order by the Court for the reduction of capital which forms part of the Scheme in respect of which the original or any subsequent holder shall be bound by this Scheme or shall have agreed in writing to be bound by this Scheme
Scheme Record Time	6.00 p.m. on the business day immediately prior to the Scheme Effective Date
Scheme Shareholder	a Scheme A Shareholder or a Scheme Ordinary Shareholder
Scheme Shares	the Scheme A Shares and the Scheme Ordinary Shares
Share Price	the average price reasonably expected by the person determined pursuant to clause 2(H) of this Scheme to be obtained for the New Shares required to be sold pursuant to such clause
Significant Creditors	Enron Capital & Trade Europe Finance L.L.C., Teesside Power Limited and Total Gas & Power Limited, and their respective successors in title
Special Share	the special rights redeemable preference share of £1 in the capital of the Company
Subscription Price	the amount payable in respect of a New Share for which a holder of a Warrant is entitled upon exercise of a Warrant to require subscription, such amount being 98p or such other amount as may from time to time be applicable in accordance with the conditions of the Warrants
Uncertificated or in Uncertificated form	recorded on the relevant register of the share, loan note or security concerned as being held in Uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
Voting Record Time	6.00 p.m. on the second day before the date of the Ordinary Share Court Meeting and the A Share Court Meeting or, if either the Ordinary Share Court Meeting or the A Share Court Meeting are adjourned, 48 hours before the time appointed for the relevant adjourned meeting
Warrants	the warrants to be issued by New British Energy to Scheme Shareholders entitling the holder to subscribe for New Shares

(B) At the date hereof, the authorised share capital of the Company is £874,999,632 divided into 991,679,020 Ordinary Shares, of which 620,362,444 are issued and are fully paid and the remainder are unissued, 645,586,678 A Shares, of which 80,908,247 are issued and are fully paid and the remainder are unissued, 74,752,351 Non-voting Deferred Shares, of

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which all are issued and are fully paid and one Special Share which is issued and fully paid and held jointly by The Secretary of State for Trade and Industry and The Secretary of State for Scotland.

- (C) New British Energy was incorporated in Scotland as a public limited company on 2 July 2004 under the name British Energy Group plc with registered number 270184.
- (D) The authorised share capital of New British Energy at the date of this Scheme is £50,000.20 divided into 2 New Shares of 10p each and 50,000 non-voting ordinary shares of £1 each of which 2 New Shares and 50,000 non-voting ord