

**AMENDED**



**BRITISH ENERGY GENERATION LIMITED**

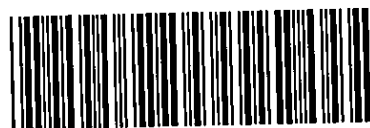
**Registered Number 3076445**

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**REVISED REPORT AND FINANCIAL STATEMENTS**

**31 December 2009**

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### **Directors**

Brian Cowell  
Stuart Crooks  
Mark Gorry  
Thomas Kusterer  
Peter Prozesky  
Andrew Spurr  
Matthew Sykes

### **Auditors**

Deloitte LLP  
Lomond House  
9 George Square  
Glasgow  
G2 1QQ

### **Registered Office**

Barnett Way  
Barnwood  
Gloucester  
GL4 3RS

## DIRECTORS' REPORT

The Directors present their revised report and revised financial statements for the nine month period ended 31 December 2009

### Revised financial statements

These revised financial statements replace the original financial statements for the nine month period ended 31 December 2009 which were approved by the board on 29 September 2010. They are now the statutory financial statements of the company for that financial period. In accordance with the Companies Act 2006 ('the Act'), the financial statements have been revised as at the date of the original financial statements and not as at the date of this revision. Accordingly they do not deal with events between those dates.

The reason for the revised financial statements is that at the time of preparation of the original financial statements, it was expected that Lake Acquisitions Limited, an intermediate parent company, would prepare consolidated financial statements for the year ended 31 December 2009 which would be made publicly available. This expectation led to the original financial statements stating an exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements (revised 1996)', together with several references within the original financial statements to Lake Acquisition Limited's consolidated financial statements. However, ultimately Lake Acquisitions Limited prepared only entity financial statements and not consolidated financial statements. The revised financial statements now include a Cash Flow Statement (and related note) and eliminate reference to Lake Acquisitions Limited consolidated financial statements in the Directors' Report, note 1 (Accounting policies), note 24 (Related parties), and note 25 (Parent undertaking and controlling party).

The Act requires that where revised financial statements are issued, a revised auditors' report is issued and this is attached.

Under section 454 of the Act the Directors have the authority to revise annual financial statements, or the Directors' report if they do not comply with the Act. The revised financial statements or report must be amended in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and in accordance therewith do not take account of events which have taken place after the date on which the original financial statements were approved. The Regulations require that the revised financial statements show a true and fair view as if they were prepared and approved by the Directors as at the date of the original financial statements.

### Principal activities and review of the business

The Company's principal activities during the period continued to be the generation and sale of electricity. It will continue in these activities for the foreseeable future.

### Business review

The profit for the period, before taxation, amounted to £289m (year ended 31 March 2009 restated £2,693m loss) and after taxation, amounted to £77m (year ended 31 March 2009 restated £3,174m loss).

Output from the nuclear fleet for the nine month period ended 31 December 2009 was 41.7TWh, compared to 42.9TWh for the year ended 31 March 2009. The reduction in output principally reflects the three month reduction in period duration partly offset by the contribution from Hartlepool and Heysham 1 power stations which returned to service between January 2009 and March 2009 following outages associated with the Boiler Closure Unit issue. The balance of the difference is mainly due to more statutory outage work being carried out in the nine month period ended 31 December 2009 offset by improved load from Hinkley Point B and Hunterston B and the issues with Fuel Plug Units at Dungeness B during the year ended 31 March 2009. The reduction of output of 1.2TWh has the impact of reducing turnover by £56m compared to the prior year.

## **DIRECTORS' REPORT continued**

### **Business review continued**

The result before tax for the nine month period has improved by £2,982m to a profit before tax of £289m. This is primarily due to the exceptional recognition of the Cash Sweep Obligation on the NLF's conversion, partially offset by the reversal of previous impairments of fixed assets on 5 January 2009 (see note 1). Operating costs before exceptional items have also reduced primarily due to the three month reduction in reporting period and the reduction in materials and services expenditure compared to the prior year, mainly due to the return to service of Hartlepool and Heysham 1 after the extended Boiler Closure Unit outages by March 2009.

These reductions in costs were partially offset by reduced output and increased depreciation charges. Pension costs also increased in the period, due to increased cash contributions paid into the scheme in the period. The profit before tax was also impacted by a reduction in net intercompany interest received in the period.

The tax charge for the period is £269m lower than that for the prior year primarily due to the deferred tax impact of the reversal of previous impairments in the year ended 31 March 2009, partially offset by the derecognition of a deferred tax asset in relation to decommissioning in the nine month period ended 31 December 2009.

No dividends were paid in the period (year ended 31 March 2009 £600m).

The British Energy Group plc group (the "Group") manages its operations on a business segment basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes the Company, is discussed in the Group's Annual Report which does not form part of this report.

### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 26 to the financial statements.

### **Principal risks and uncertainties**

The future prospects of the Company are principally dependent on the continued safe and reliable operation of the nuclear power station fleet, and the market price for electricity in the United Kingdom.

### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including credit risk, liquidity risk and market risk. The Company does not use derivative financial instruments. These risks and the Company's approach to dealing with them are described below.

#### **Credit risk**

The Company's credit risk is primarily attributable to its receivables. The amounts presented in the balance sheet are net of allowance for doubtful receivables estimated by the Group's management based on prior experience and their assessment of the current economic environment. Credit risk is mitigated by the nature of the debtor balances owed, with these due from other Group companies who are able to repay these if required.

In addition, the Nuclear Liability Fund (NLF) receivable represents the Government indemnity provided to indemnify any potential future shortfall on NLF funding of qualifying uncontracted nuclear liabilities (including Pressurised Water Reactor (PWR) back end fuel services) and qualifying nuclear decommissioning costs. The NLF receivable asset recognised represents the aggregate value of the Nuclear Liabilities Fund and the Government indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.

## **DIRECTORS' REPORT continued**

### **Credit risk continued**

Also, the nuclear liabilities receivable represents the Government indemnity provided to cover services for spent Advanced Gas-cooled Reactor (AGR) fuel loaded pre-Restructuring. The nuclear liabilities receivable is recognised in respect of the indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.

### **Liquidity risk**

The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The Company's exposure to liquidity risk is reduced due to the Company's significant net current assets position, as well as the fact that it is a subsidiary of the EDF SA group of Companies.

### **Market risk**

Market risk is the risk that changes in energy prices will adversely affect the profitability of the Company from normal business operations. The Company is exposed to this risk to the extent that contracts are not fixed or contracts are not delivered out of generation output.

### **Directors**

Directors who held office during the period and subsequently except as noted were as follows:

Robert Armour	(resigned on 10/07/2009)
Chris Bakken	(resigned on 26/06/2009)
Bill Coley	(resigned on 31/07/2009)
Brian Cowell	(appointed on 26/06/2009)
Stuart Crooks	
Mark Gorry	(appointed on 10/07/2009)
Thomas Kusterer	(appointed on 01/04/2009)
Peter Prozesky	
Andrew Spurr	
Matthew Sykes	

Brian Cowell, Stuart Crooks, Mark Gorry, Peter Prozesky, Andrew Spurr and Matthew Sykes have a service contract with the Company. Thomas Kusterer is employed by EDF Energy plc, and has a service contract with that company.

There were qualifying third-party indemnity provisions in place for the benefit of one or more Directors of the Company during the financial period and at the date of approval of the financial statements.

### **Going concern**

The Company has significant net current assets and is dependent on the continued forecast cash flow generation from its nuclear power station fleet. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **DIRECTORS' REPORT continued**

### **Creditors payment policy**

The Company's current policy concerning the payment of its trade creditors and other suppliers is to

- agree the terms of payment with those creditors/suppliers when agreeing the terms of each transaction,
- ensure that those creditors/suppliers were made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with its contractual and other legal obligations

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2009, the Company had an average of 60 days (31 March 2009 60 days) purchases outstanding in its trade creditors

### **Employees**

The Company's policies and procedures relating to Health and Safety at work continued to exceed the requirements of current legislation and are kept under constant review to ensure a safe and healthy working environment for all employees

### **Employee involvement**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on the various factors affecting the performance of the Company and Group. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet

### **Equal opportunities**

The Company is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin in accordance with the appropriate legislation and Government guidelines. The Company provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability

### **Political and charitable contributions**

The Company made charitable donations during the period of £93,268 (year ended 31 March 2009 £61,810) in support of the community. No political donations were made during the period (year ended 31 March 2009 £nil)

**DIRECTORS' REPORT continued**

**Disclosure of information to Auditors**

Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

**Auditors**

The previous auditors PricewaterhouseCoopers LLP resigned during the period and Deloitte LLP were appointed as auditors. Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by -



Robert Guyler  
Director  
22 September 2011

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the revised Report and the revised financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and of the profit and loss of the company for the period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH ENERGY GENERATION LIMITED**

We have audited the revised financial statements of British Energy Generation Limited for the nine month period ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

This report is made solely to the company's members, as a body, in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report under those regulations and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the revised financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the revised financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the revised financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the revised financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the nine month period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008, and
- the original financial statements for the year ended 31 December 2009 failed to comply with the requirements of the Companies Act 2006 in respects identified by the directors in the statement contained in the directors' report to these revised financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH ENERGY GENERATION LIMITED (continued)**

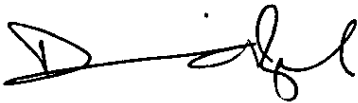
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the revised financial statements are prepared is consistent with the revised financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the revised financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Bell CA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Glasgow, UK

22<sup>nd</sup> September 2011

**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2009**

		9 months ended 31 December 2009 £m	Year ended 31 March 2009 Restated (see note 1) £m
	<i>Note</i>		
Turnover	2	1,705	1,761
Operating costs before exceptional items	3	(1,365)	(1,635)
Exceptional operating items	3	-	(2,815)
<b>Operating costs after exceptional items</b>		<b>(1,365)</b>	<b>(4,450)</b>
<b>Operating profit/(loss)</b>		<b>340</b>	<b>(2,689)</b>
Net revaluation charges	6	(46)	(53)
Interest receivable and similar income	7	30	713
Interest payable and similar charges	8	(35)	(664)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>289</b>	<b>(2,693)</b>
Tax on profit/(loss) on ordinary activities	9	(212)	(481)
<b>Profit/(loss) for the financial period</b>	<b>19</b>	<b>77</b>	<b>(3,174)</b>

All results are derived from continuing operations in both the current period and preceding year

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE PERIOD ENDED 31 DECEMBER 2009**

		9 months ended 31 December 2009 £m	Year ended 31 March 2009 Restated (see note 1) £m
	<i>Note</i>		
Profit/(loss) for the financial period		77	(3,174)
<b>Total recognised gains and losses for the period</b>	<b>1</b>	<b>77</b>	<b>(3,174)</b>
Prior period adjustment	1	(4,738)	
Taxation on prior period adjustment		(444)	
<b>Total recognised gains and losses since the last annual report</b>		<b>(5,105)</b>	

**BALANCE SHEET  
AT 31 DECEMBER 2009**

		<b>31 December 2009 £m</b>	<b>31 March 2009 Restated (see note 1) £m</b>
	<i>Note</i>		
<b>Fixed assets</b>			
Tangible assets	10	2,717	2,733
<b>Total fixed assets</b>		<b>2,717</b>	<b>2,733</b>
<b>Current assets</b>			
Stock	11	1,358	1,310
Debtors			
- due within one year	12	2,517	2,890
- due after more than one year	12	5,494	5,262
		<b>9,369</b>	<b>9,462</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(3,174)</b>	<b>(3,693)</b>
<b>Net current assets</b>		<b>6,195</b>	<b>5,769</b>
<b>Total assets less current liabilities</b>		<b>8,912</b>	<b>8,502</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(1,911)</b>	<b>(2,001)</b>
Provision for liabilities	15	<b>(5,270)</b>	<b>(4,847)</b>
<b>Net assets</b>		<b>1,731</b>	<b>1,654</b>
<b>Capital and reserves</b>			
Called up share capital	18	-	-
Share premium	19	72	72
Capital reserve	19	-	-
Profit and loss account	19	1,659	1,582
<b>Shareholder's funds</b>	19	<b>1,731</b>	<b>1,654</b>

The financial statements of British Energy Generation Limited, registered number 3076445, on pages 10 to 35 were approved by the Board of Directors on 22 September 2011 and were signed on its behalf by



Robert Guyler  
Director

**CASH FLOW STATEMENT  
 FOR THE PERIOD ENDED 31 DECEMBER 2009**

	<i>Note</i>	<b>9 months ended 31 December 2009 £m</b>	<b>Year ended 31 March 2009 £m</b>
<b>Net cash inflow from operating activities</b>	<b>20</b>	<b>322</b>	<b>230</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		-	1
Interest paid		(4)	(9)
Net cash outflow from returns on investments and servicing of finance		(4)	(8)
<b>Taxation paid</b>		<b>(117)</b>	<b>(58)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		(216)	(196)
Net cash outflow for capital expenditure and financial investment		(216)	(196)
<b>Cash outflow before financing</b>		<b>(15)</b>	<b>(32)</b>
<b>Financing</b>			
Financing secured on uranium stock		-	32
Net cash inflow from financing		-	32
<b>Decrease in net cash</b>		<b>(15)</b>	<b>-</b>
<b>Reconciliation to net cash</b>			
Funds at 1 January		(1)	(1)
<b>Movements in funds</b>		<b>(15)</b>	<b>-</b>
<b>Funds at 31 December</b>		<b>(16)</b>	<b>(1)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the period and the preceding year, with the exception of the change in accounting policy in relation to unburnt fuel at shutdown and the accounting for NLF funding arrangements (see pages 11 and 12)

#### Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards

#### Going concern

As set out in the Directors' Report, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

#### Fuel costs – nuclear front end

##### *Advanced Gas Cooled Reactors (AGR)*

Front end fuel costs consist of the costs of procurement of uranium, conversion and enrichment services and fuel element fabrication. Fabrication costs comprise fixed and variable elements. All costs are capitalised into stock and charged to the profit and loss account in proportion to the amount of fuel burnt.

##### *Pressurised Water Reactor (PWR)*

All front end fuel costs are variable and are capitalised into stock and subsequently charged to the profit and loss account in proportion to the amount of fuel burnt.

#### Fuel costs – nuclear back end

##### *AGR*

Spent fuel extracted from the reactors is sent for reprocessing and/or long-term storage and eventual disposal of resulting waste products. Back end fuel costs comprise

- (a) a cost per tonne of uranium in AGR fuel, in respect of amounts payable on loading of fuel into any one of the AGR reactors, and
- (b) a rebate/surcharge against the cost mentioned in (a) above that is dependent on the out-turn market electricity price in the year and the amount of electricity generated in the year.

The loading related cost and the rebate/surcharge is capitalised into stock and charged to the profit and loss account in proportion to the amount of fuel burnt.

##### *PWR*

Back end fuel costs are based on wet storage in station ponds followed by dry storage and subsequent direct disposal of fuel. Back end fuel costs comprise the estimated cost of this process at current prices discounted back to current value. Back end fuel costs are capitalised into stock on loading and charged to the profit and loss account in proportion to the amount of fuel burnt.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 1. Accounting policies continued

#### Change in accounting policy for unburnt fuel at shutdown

Due to the nature of the nuclear fuel process there will be some unburnt fuel in the reactors at station closure. The costs of this unburnt fuel (final core) are fully provided for at the balance sheet date. In order to align with EDF group policy, the provision is based on a projected value per tonne of fuel remaining at closure, discounted back to the balance sheet date and recorded as a long term liability. The unwind of the discount each year is charged to net revalorisation charges in the profit and loss account. Any adjustment to the provision is recorded through fixed assets and depreciated over remaining station life.

Previously the provision for unburnt fuel was recorded as a current asset provision with any adjustments to the provision reflected in operating costs in the profit and loss account.

As a result, comparative figures for the year ended 31 March 2009 have been adjusted to reflect this change in accounting policy. The impact is to increase the loss for the year ended 31 March 2009 by £40m, increase fixed assets by £125m, increase stock by £847m, reduce creditors amounts falling due within one year by £3m and increase provisions for liabilities by £984m, giving a net reduction to net assets of £9m.

Current period profits before tax are reduced by an estimated £39m following the change in accounting policy.

#### Research and development expenditure

Expenditure on scientific and engineering research, preliminary studies and initiation of new technologies is categorised as research and development and charged to the profit and loss account as incurred.

#### NLF funding arrangements

Under the arrangements in place with the Secretary of State at the Restructuring Effective Date (RED), the Nuclear Liability Fund (NLF) will fund, subject to certain exceptions, the Company's qualifying uncontracted nuclear liabilities and qualifying decommissioning costs. To the extent there is any surplus remaining in the NLF after all obligations have been discharged, this amount will be paid to the Secretary of State. The Company is responsible for funding certain excluded or disqualified liabilities and will, in certain circumstances, be required to compensate or indemnify the NLF and the Secretary of State in relation to such liabilities. The Company's obligations under these arrangements with the Secretary of State are guaranteed by certain companies within the Group.

In consideration for the assumption of these liabilities by the Secretary of State and the NLF, British Energy Bond Finance plc issued £275m in Bonds to the NLF at RED (which were subsequently redeemed in full following the acquisition of British Energy Group plc by Lake Acquisitions Limited, a wholly owned subsidiary of EDF). At RED, the British Energy group (through the Company) also agreed to make the following payments to the NLF:

- an annual contribution (Cash Sweep Payment), calculated as a share of the group's adjusted net cash flow proportionate to the NLF's economic interest in the Company, adjusted for certain corporate actions but never to exceed 65% (Cash Sweep percentage),
- fixed decommissioning contributions equal to £20m per annum (indexed to RPI but tapering off based on the scheduled closure dates of the nuclear power stations in place at RED), and
- £150,000 (indexed to RPI) for every tonne of uranium in PWR fuel loaded into the Sizewell B reactor after RED.

Under the Amended and Restated Contribution Agreement dated 5 January 2009, the NLF is no longer entitled to any Cash Sweep Payment. Hence, there is no Cash Sweep Payment in respect of the period ended 31 December 2009 that is required to be paid and therefore no accrual has been recognised in the balance sheet as at 31 December 2009.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 1. Accounting policies continued

#### NLF funding arrangements continued

The opening reserves and the 12 month comparatives for the year ended 31 March 2009 have been restated to remove the £6.3 billion conversion asset that was recognised following the settlement of British Energy's obligation to make annual contributions ('the Cash Sweep Payment') to the Nuclear Liability Fund (NLF). This obligation ('the Cash Sweep Obligation'), calculated as a share of the British Energy group's adjusted net cash flow proportionate to the NLF's economic interest in the group, arose in January 2005 on the Restructuring Effective Date when the Company received an indemnity from the NLF in respect of its qualifying uncontracted nuclear liabilities and qualifying decommissioning costs.

The NLF had a right to convert the Cash Sweep Obligation at any point in time into convertible shares of British Energy Group plc (the ultimate parent company at the time). The settlement of the obligation occurred in two tranches in June 2007 and January 2009 via British Energy Group plc issuing convertible shares to the NLF.

The accounting treatment agreed at the time of Restructuring resulted in the Cash Sweep Obligation being treated as an off balance sheet contingent liability as it could not be reliably measured, a liability was recognised in the profit or loss account each year as the amount payable in respect of that period became reliably measurable. On conversion in June 2007 and January 2009, a conversion asset was recognised on the balance sheet in respect of the fair value of the obligation to make Cash Sweep Payments that was removed as a result of the conversion.

The Directors have agreed to revise this treatment such that it is now deemed that the full amount of the obligation was reliably measurable by reference to the fair value of the new equity issued by British Energy Group plc in settlement. Hence the debit to recognise the obligation has been taken to the profit and loss account, resulting in a £4.4 billion charge in the year ended 31 March 2009. The Company received a capital contribution from its parent, British Energy Group plc, in respect of the settlement of the obligation, and a subsequent reserves transfer of £4.4 billion from the capital reserve to the profit and loss reserve results in the net impact of the conversion on the profit and loss reserve being nil.

As a result, the Directors reassessed the fixed asset carrying values at 5 January 2009, in line with the requirements of FRS 11 - Impairment of Fixed Assets and Goodwill, to determine whether any revisions to fixed asset carrying values were appropriate. The carrying value of the nuclear stations was calculated by discounting the expected future cash flows from continued use of the assets, having made appropriate assumptions regarding future operating performance. Following the review the carrying value of fixed assets have increased by £1,597m at 31 March 2009 (represented by £1,624m increase to assets at 5 January 2009 less depreciation of £27m for the period 5 January 2009 to 31 March 2009). The reversal of impairment is limited by the aggregate of previous impairments less any associated depreciation. This also has the impact of increasing the deferred tax charge for the year ended 31 March 2009 by £447m, which leads to the recognition of a deferred tax liability of £434m as at 31 March 2009 from the previously reported deferred tax asset of £13m.

The fixed decommissioning obligations of £20m per annum have been recorded as a liability on the balance sheet at their discounted value and disclosed as the NLF liability. The NLF liability is reduced as payments are made to the NLF. Each period the financing charges in the profit and loss account include the revaluation of NLF liabilities required to discharge one year's discount from the liability.

PWR fuel loaded after RED will increase the qualifying nuclear liability recognised for back end PWR fuel costs as set out above and will increase the NLF receivable by a corresponding amount. The difference between the payment of £150,000 (indexed to RPI) per tonne made to the NLF on the loading of PWR fuel and the increase in the liability recognised upon loading of this fuel is matched against back end fuel costs as the loaded tonnes are burned in the PWR reactor.



## NOTES TO THE FINANCIAL STATEMENTS continued

### 1. Accounting policies continued

#### Tangible fixed assets

Fixed assets comprise assets acquired or constructed by the Company. Expenditure of a capital nature incurred to improve operational performance or to improve safety in order to meet increased regulatory standards is also capitalised. Other expenditure including that incurred on preliminary studies and on the initiation of new technologies not yet adopted, is charged to the profit and loss account as incurred.

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of acquisition of each asset less estimated residual value, evenly over its expected useful life, as follows:

AGR power stations	–	5 to 14 years
PWR power station	–	26 years
Other buildings	–	30 years
Other plant and equipment	–	18 months to 5 years

No depreciation is charged on assets in the course of construction until the asset is brought into use.

#### Stocks

Stocks of fuel and stores are valued at the lower of cost and net realisable value. The nuclear fuel stock includes capitalised front end and back end costs including the rebate/surcharge.

Provisions are made for obsolete, slow moving or defective items where appropriate.

#### NLF and nuclear liabilities receivables

The Government indemnity is provided to indemnify any future shortfall on NLF funding of qualifying uncontracted nuclear liabilities (including PWR back end fuel services) and qualifying nuclear decommissioning costs.

In principle, the NLF receivable asset recognised represents the aggregate value of the Nuclear Liabilities Fund and the Government indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities. The nature of the process, whereby the Company claims back from the NLF for qualifying liabilities, can cause small timing differences between the receivable and the nuclear liabilities at the balance sheet date.

The Government indemnity is also provided to cover services for spent AGR fuel loaded pre-Restructuring. The nuclear liabilities receivable is recognised in respect of the indemnity such that the receivable equals the present value of the associated qualifying nuclear liabilities.

The NLF receivable and the nuclear liabilities receivable are stated in the balance sheet at current price levels, discounted at a long-term real rate of interest of 3% per annum to take account of the timing of payments. Each period the financing charges in the profit and loss account include the revalorisation of these receivables required to match the revalorisation of the nuclear liabilities.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 1. Accounting policies continued

#### Nuclear liabilities

Nuclear liabilities represent provision for the Company's liabilities in respect of the costs of waste management of spent fuel and nuclear decommissioning. The provisions represent the Directors' best estimates of the costs expected to be incurred. They are calculated based on the latest technical evaluation of the processes and methods likely to be used, and reflect current engineering knowledge. The provisions are based on such commercial agreements as are currently in place, and reflect the Directors' understanding of the current Government policy and regulatory framework. Given that Government policy and the regulatory framework on which the Company's assumptions have been based may be expected to develop and that the Directors' plans will be influenced by improvements in technology and experience gained from decommissioning activities, liabilities and the resulting provisions are likely to be adjusted.

In recognising the costs of generating electricity, accruals and provisions are made in respect of the following:

#### a) Back end fuel costs

The treatment of back end fuel costs in the profit and loss account has been dealt with under the accounting policies for fuel costs above. Back end nuclear liabilities cover reprocessing and storage of spent nuclear fuel and the long-term storage, treatment and eventual disposal of nuclear waste. They are based, as appropriate, on contractual arrangements or the latest technical assessments of the processes and methods likely to be used to deal with these obligations under the current regulatory regime. Where accruals are based on contractual arrangements they are included within creditors. Other liabilities are based on long-term cost forecasts which are reviewed regularly and adjusted where necessary, and are included within provisions.

#### b) Decommissioning of nuclear power stations

The financial statements include provision for the full cost of decommissioning the Company's nuclear power stations. Provision is made on the basis of the latest technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime.

Accruals and provisions for back end fuel costs and decommissioning are stated in the balance sheet at current price levels, discounted at a long-term real rate of interest of 3% per annum to take account of the timing of payments. Each period the financing charges in the profit and loss account include the revaluation of liabilities required to discharge one year's discount from provisions made in prior years and restate these provisions to current price levels.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 1. Accounting policies continued

#### Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses,
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted

Deferred tax is measured on an undiscounted basis

#### Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis

#### Pensions

The Company participates in a multi employer defined benefit plan. This plan is operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities and in accordance with FRS 17 – Retirement Benefits (FRS 17), the Company accounts for its contributions to the plan as if it is a defined contribution plan

**NOTES TO THE FINANCIAL STATEMENTS continued**

**2. Turnover**

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of the sale of generated electricity and sales of other related goods and is recognised on an accruals basis

**3. Operating costs**

	9 months ended 31 December 2009 £m	Year ended 31 March 2009 Restated (see note 1) £m
<b>Operating costs before exceptional items</b>		
Fuel	228	233
Materials and services	505	764
Energy supply costs	61	63
Staff costs	339	367
Depreciation	232	208
	<b>1,365</b>	<b>1,635</b>
<b>Exceptional items</b>		
Accelerated vesting of share incentive schemes upon the Acquisition	-	18
Recognition of Cash Sweep Obligation on NLF conversion on 5 January 2009 (see note 1)	-	4,421
Reversal of previous fixed asset impairments (see note 1)	-	(1,624)
	-	<b>2,815</b>
<b>Operating costs after exceptional items</b>	<b>1,365</b>	<b>4,450</b>
	9 months ended 31 December 2009 £m	Year ended 31 March 2009 £m
Operating profit/(loss) is stated after charging		
Operating lease rentals - other	3	3
Research and development	9	14

Amounts payable to Deloitte LLP and their associates by the Company in respect of audit services were £150,000 (year ended 31 March 2009 fees payable to PricewaterhouseCoopers LLP £145,000) Auditors' remuneration was borne in both periods by associated EDF companies Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed, as they are included in the consolidated financial statements of the Group, which is required to disclose such fees on a consolidated basis

**NOTES TO THE FINANCIAL STATEMENTS continued**

**4. Directors' emoluments**

All Directors are employees of associated EDF companies. Emoluments paid by associated EDF companies to British Energy Generation Limited Directors not disclosed in other Group accounts are as follows

	<b>9 months ended 31 December 2009 £000</b>	<b>Year ended 31 March 2009 £000</b>
Emoluments	<b>3,654</b>	<b>2,629</b>

	<b>9 months ended 31 December 2009 Number</b>	<b>Year ended 31 March 2009 Number</b>
Members of defined benefit pension scheme	<b>6</b>	<b>5</b>

	<b>9 months ended 31 December 2009 £000</b>	<b>Year ended 31 March 2009 £000</b>
Emoluments payable to the highest paid Director in each period were	<b>£000</b>	<b>£000</b>
Aggregate emoluments	<b>714</b>	<b>578</b>

The highest paid Director in the nine month period ended 31 December 2009 was a member of the Company's defined benefit pension scheme and had accrued entitlements of £47,000 under the scheme at the end of the period. The highest paid Director in the year ended 31 March 2009 was not a member of the Company's defined benefit pension scheme.

**5. Staff costs**

	<b>9 months ended 31 December 2009 £m</b>	<b>Year ended 31 March 2009 £m</b>
<b>Staff costs before exceptional item</b>		
Wages and salaries	<b>203</b>	<b>252</b>
Social security costs	<b>22</b>	<b>26</b>
Pension costs	<b>119</b>	<b>91</b>
Share based payments	<b>-</b>	<b>4</b>
Amounts capitalised	<b>(5)</b>	<b>(6)</b>
	<b>339</b>	<b>367</b>
Exceptional item (see note 3)	<b>-</b>	<b>18</b>
<b>Staff costs after exceptional item</b>	<b>339</b>	<b>385</b>

The share based payments charge of £4m in the year ended 31 March 2009 related to the Share Incentive Plan. Further details of this can be obtained from British Energy Group plc's Annual Report and Accounts for the year ended 31 March 2009.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**5. Staff costs continued**

The monthly average number of employees, including Directors, during the period was as follows

	9 months ended 31 December 2009 Number	Year ended 31 March 2009 Number
Power stations	4,315	4,292
Engineering, technical and corporate support	716	793
	<b>5,031</b>	<b>5,085</b>

**6. Net revalorisation charges**

	9 months ended 31 December 2009 £m	Year ended 31 March 2009 Restated (see note 1) £m
Revalorisation of nuclear liabilities (see note 17)	273	149
Revalorisation of nuclear liabilities receivable	(99)	(62)
Revalorisation of NLF receivable	(174)	(87)
Revalorisation of NLF liabilities	9	6
Revalorisation of provision for unburnt fuel at station closure	37	47
	<b>46</b>	<b>53</b>

**7. Interest receivable and similar income**

	9 months ended 31 December 2009 £m	Year ended 31 March 2009 £m
Interest receivable on amounts owed by other Group companies	20	696
Other interest receivable	-	1
Guarantee fees receivable from other Group companies	1	5
On loans to other Group companies	9	11
	<b>30</b>	<b>713</b>

**8. Interest payable and similar charges**

	9 months ended 31 December 2009 £m	Year ended 31 March 2009 Restated (see note 1) £m
On loans from other Group companies	18	15
Interest payable on amounts owed to other Group companies	11	640
Other interest payable	6	9
	<b>35</b>	<b>664</b>

**NOTES TO THE FINANCIAL STATEMENTS continued**

**9. Tax on profit/(loss) on ordinary activities**

**(a) Analysis of tax charge in the period**

**UK current tax**

	<b>9 months ended 31 December 2009 £m</b>	<b>Year ended 31 March 2009 Restated (see note 1) £m</b>
UK corporation tax charge on profit/(loss) for the period	108	37
Adjustment in respect of prior year	-	2
ACT not recoverable	10	-
<b>Total current tax charge (note 9(b))</b>	<b>118</b>	<b>39</b>
<b>UK deferred tax</b>		
Origination and reversal of timing differences	(25)	442
Adjustment to prior year	119	-
<b>Total deferred tax charge for the period</b>	<b>94</b>	<b>442</b>
<b>Total tax charge on profit/(loss) on ordinary activities</b>	<b>212</b>	<b>481</b>

**(b) Factors affecting tax charge for the period**

The tax assessed for the period is higher (year ended 31 March 2009 higher) than the standard rate of corporation tax in the UK of 28%

The differences are explained below

	<b>9 months ended 31 December 2009 £m</b>	<b>Year ended 31 March 2009 Restated (see note 1) £m</b>
Profit/(loss) on ordinary activities before tax	289	(2,693)
Tax on profit/(loss) on ordinary activities at standard UK rate of corporation tax of 28% (year ended 31 March 2009 28%)	81	(754)
Effect of		
Adjustment to prior year tax charge	-	2
Disallowed expenses and non taxable income	2	1,233
Depreciation in excess of capital allowances	25	(445)
Movement in decommissioning provision	-	3
ACT not recoverable	10	-
<b>Current tax charge for the period</b>	<b>118</b>	<b>39</b>

NOTES TO THE FINANCIAL STATEMENTS continued

10. Tangible fixed assets

	Power stations £m	Other land and buildings £m	Other plant and equipment £m	Total £m
<b>Cost</b>				
At 31 March 2009 (as previously stated)	10,475	33	521	11,029
Prior period adjustment (see note 1)	131	-	-	131
Adjusted balance at 1 April 2009	10,606	33	521	11,160
Additions	96	1	119	216
Disposals	-	-	(57)	(57)
<b>At 31 December 2009</b>	<b>10,702</b>	<b>34</b>	<b>583</b>	<b>11,319</b>
<b>Depreciation</b>				
At 31 March 2009 (as previously stated)	9,621	20	377	10,018
Prior period adjustment (see note 1)	(1,591)	-	-	(1,591)
Adjusted balance at 1 April 2009	8,030	20	377	8,427
Charge for the period	160	-	72	232
Disposals	-	-	(57)	(57)
<b>At 31 December 2009</b>	<b>8,190</b>	<b>20</b>	<b>392</b>	<b>8,602</b>
<b>Net book value</b>				
<b>At 31 December 2009</b>	<b>2,512</b>	<b>14</b>	<b>191</b>	<b>2,717</b>
At 1 April 2009 (as adjusted)	2,576	13	144	2,733
At 31 March 2009 (as previously stated)	854	13	144	1,011
The net book value of tangible fixed assets includes the following in respect of freehold land and buildings				
		<b>31 December 2009 £m</b>	<b>31 March 2009 £m</b>	
Cost		<b>2,310</b>	2,309	
Net book value		<b>137</b>	143	

Included within tangible fixed assets are assets in the course of construction of £37m as at 31 December 2009 (31 March 2009 £28m)



NOTES TO THE FINANCIAL STATEMENTS continued

11 Stocks

	31 December 2009 £m	31 March 2009 Restated (see note 1) £m
Unburnt nuclear fuel in reactors	1,135	1,067
Other nuclear fuel and uranium stocks	167	188
Stores	56	55
	<b>1,358</b>	<b>1,310</b>

Other nuclear fuel and uranium with a carrying amount of £32m (31 March 2009 £32m) is subject to security restrictions (see notes 13 and 14)

12. Debtors

	31 December 2009 £m	31 March 2009 Restated (see note 1) £m
<b>Debtors: amounts falling due within one year</b>		
Nuclear liabilities receivable	211	207
NLF receivable	11	9
Trade debtors	2	1
Amounts owed by Group undertakings	2,241	2,615
Prepayments and accrued income	2	1
Other taxes and social security	37	37
Other debtors	13	20
	<b>2,517</b>	<b>2,890</b>
<b>Debtors: amounts falling due after more than one year</b>		
Nuclear liabilities receivable	1,751	1,811
NLF receivable	3,709	3,420
Other debtors	34	31
	<b>5,494</b>	<b>5,262</b>
	<b>8,011</b>	<b>8,152</b>

The nuclear liabilities receivable represents amounts due under the historic BNFL contracts which will be reimbursed by the Government

The NLF receivable asset in the balance sheet represents amounts that will be reimbursed by the NLF equal to qualifying nuclear liabilities. The balances recognised at 31 December 2009 and 31 March 2009 are restricted in their use.

Other debtors falling due after more than one year of £34m (31 March 2009 £31m) relate to financial security for a transmission connection and construction agreement at four potential nuclear new build sites.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**13. Creditors: amounts falling due within one year**

	31 December 2009 £m	31 March 2009 Restated (see note 1) £m
Nuclear liabilities (note 17)	211	216
NLF liabilities	21	23
Bank overdraft	16	1
Trade creditors	83	88
Pension contributions	8	8
Accruals and deferred income	127	123
Corporation tax (Group payments)	41	51
Amounts owed to Group undertakings	2,633	3,183
Financing secured on uranium stock	34	-
	<b>3,174</b>	<b>3,693</b>

**14. Creditors: amounts falling due after more than one year**

	31 December 2009 £m	31 March 2009 £m
Nuclear liabilities (note 17)	1,751	1,802
NLF liabilities	160	167
Financing secured on uranium stock	-	32
	<b>1,911</b>	<b>2,001</b>

**15 Provisions for liabilities**

	31 December 2009 £m	31 March 2009 Restated (see note 1) £m
Nuclear liabilities (See note 17)	3,716	3,429
Provision for unburnt fuel at station closure	1,021	984
Deferred taxation	533	434
	<b>5,270</b>	<b>4,847</b>

The provision for unburnt fuel at station closure is expected to be utilised in line with the current station closure dates, which range from 2014 to 2035

The movement in provisions for unburnt fuel at station closure during the current period is as follows

	At 1 April 2009 Restated (see note 1) £m	Revaluation £m	At 31 December 2009 £m
Provision for unburnt fuel at station closure	984	37	<b>1,021</b>

## NOTES TO THE FINANCIAL STATEMENTS continued

### 16. Deferred taxation

The movements in the deferred taxation asset/(liability) during the current period are as follows

	£m
Asset at 31 March 2009 (as previously stated)	13
Prior period adjustment (see note 1)	(447)
Liability at 1 April 2009 (as adjusted)	(434)
Charge for the period (note 9(a))	(94)
ACT not recoverable	(5)
Liability at 31 December 2009 (note 15)	(533)

Deferred taxation provided in the financial statements is as follows

	31 December 2009 £m	31 March 2009 £m
Long term timing differences	-	(120)
Accelerated capital allowances	533	559
	533	439
ACT	-	(5)
Net deferred tax liability	533	434

The Finance (No 2) Act 2010, which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1 April 2011, was substantively enacted on 21 July 2010. As it was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21, as it is a non-adjusting event occurring after the reporting period.

The impact of the rate reduction, which will be reflected in the next reporting period, is estimated to reduce the Company's deferred tax liability provided at 31 December 2009 by £19m.

### 17 Nuclear liabilities

	Back end fuel costs contracted £m	Back end fuel costs uncontracted £m	Decomm- issioning £m	Total £m
At 1 April 2009	2,018	372	3,057	5,447
Charged to profit and loss account				
- revalorisation (note 6)	99	23	151	273
- operating costs	-	2	108	110
Loadings of PWR fuel	-	8	-	8
Payments in the period	(155)	(5)	-	(160)
At 31 December 2009	1,962	400	3,316	5,678

## NOTES TO THE FINANCIAL STATEMENTS continued

### 17. Nuclear liabilities continued

Nuclear liabilities are included in the balance sheet as follows

	31 December 2009 £m	31 March 2009 £m
Creditors		
- amounts falling due within one year	211	216
- amounts falling due after more than one year	1,751	1,802
Provisions for liabilities	3,716	3,429
	<b>5,678</b>	<b>5,447</b>

#### Back end fuel costs contracted

Accruals for AGR spent fuel services relating to fuel loaded into reactors up to RED are based on the terms of the Historic Liability Funding Agreement (HLFA) with BNFL. The pattern of payments within the HLFA were fixed (subject to indexation by RPI) at RED and will be funded by the Government under the Government indemnity.

#### Back end fuel costs uncontracted

Provisions for services relating to the disposal of associated nuclear waste of both PWR and AGR stations along with the storage and disposal of PWR spent fuel are based on cost estimates derived from the latest technical assessments.

#### Decommissioning

The costs of decommissioning the power stations have been estimated on the basis of on-going technical assessments of the processes and methods likely to be used for decommissioning under the current regulatory regime. The estimates are designed to reflect the costs of making the sites of the power stations available for alternative use in accordance with the group's decommissioning strategy.

During the nine month period ended 31 December 2009, decommissioning liabilities increased by £108m, reflecting an updated suite of Baseline Decommissioning Plans (BDP). The BDPs present the scope, schedule and cost of decommissioning, as well as consideration of the safety, environmental and waste management issues. The updated BDPs were approved by the Nuclear Decommissioning Authority in November 2009.

As part of the restructuring arrangements the Group is indemnified by the Government for any future shortfall in NLF funding of decommissioning liabilities, therefore the NLF receivable has also increased by the equivalent amount. Both increases have been reflected through operating costs and therefore there is no net impact on the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**17. Nuclear liabilities continued**

**Projected payment details**

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

	<b>Back end fuel costs contracted £m</b>	<b>Back end fuel costs uncontracted £m</b>	<b>Decomm- issioning £m</b>	<b>31 December 2009 Total £m</b>	<b>31 March 2009 Total £m</b>
Undiscounted	2,402	2,771	10,432	<b>15,605</b>	14,517
Discounted	1,962	532	3,316	<b>5,810</b>	5,579
Accrued to date	1,962	400	3,316	<b>5,678</b>	5,447

The difference between the undiscounted and discounted amounts reflect the fact that the costs concerned will not fall due for payment for a number of years. The differences between the discounted amounts and those accrued to date will be charged to the profit and loss account over the remaining station lives since they relate to future use of fuel.

Under the terms of the contracts with BNFL referred to above and in accordance with the projected pattern of payments for decommissioning and other liabilities, taking account of the decommissioning fund arrangements described in note 1, the undiscounted payments in current prices are expected to become payable as follows

	<b>Back end fuel costs contracted £m</b>	<b>Back end fuel costs uncontracted £m</b>	<b>Decomm- issioning £m</b>	<b>31 December 2009 Total £m</b>	<b>31 March 2009 Total £m</b>
Within five years	1,056	41	194	<b>1,291</b>	1,152
6 – 10 years	778	29	1,090	<b>1,897</b>	1,940
11 – 25 years	568	112	2,326	<b>3,006</b>	2,989
26 – 50 years	-	431	1,326	<b>1,757</b>	1,613
51 years and over	-	2,158	5,496	<b>7,654</b>	6,823
	2,402	2,771	10,432	<b>15,605</b>	14,517

**NOTES TO THE FINANCIAL STATEMENTS continued**

**18. Share capital**

Allotted, called up and fully paid

	<b>31 December 2009 Number</b>	<b>31 March 2009 Number</b>	<b>31 December 2009 £</b>	<b>31 March 2009 £</b>
Ordinary shares of £1 00 each	<b>1,000</b>	1,000	<b>1,000</b>	1,000
Special rights redeemable preference share of £1 00	<b>1</b>	1	<b>1</b>	1

**Special rights redeemable preference share of £1**

The special rights redeemable preference share is redeemable at par at any time after 30 September 2006 at the option of the Secretary of State, after consulting the Company. This share, which may only be held by and transferred to one or more of Her Majesty's Secretaries of State, another Minister of the Crown, the Solicitor for the affairs of Her Majesty's Treasury or any other person acting on behalf of the Crown, does not carry any rights to vote at general meetings, but entitles the holder to attend and speak at such meetings. The special share confers no rights to participate in the capital or profits of the Company beyond its nominal value. The consent of the holder of the special share is required for certain matters including the alteration or removal of the provisions in the Company's Articles of Association relating to the special share and to the limitations on shareholdings.

In addition, consent of the holder of the special share is required in relation to, amongst others, certain amendments to the Articles of Association of the Company. However, the holder of the special share will only be entitled to withhold consent to such an amendment if, in the holder's opinion, the matter in question would be contrary to the interests of national security. The Articles of Association include full details of these restrictions.

**19. Reconciliation of shareholder's funds**

	<b>Share capital £m</b>	<b>Share premium £m</b>	<b>Capital reserve £m</b>	<b>Profit and loss account £m</b>	<b>Total shareholder's funds £m</b>
At 31 March 2008 (as previously stated)	-	72	2,173	910	<b>3,155</b>
Prior period adjustment	-	-	(2,173)	31	<b>(2,142)</b>
Adjusted balance at 1 April 2008	-	72	-	941	<b>1,013</b>
Loss for the year	-	-	-	(3,174)	<b>(3,174)</b>
Dividends paid	-	-	-	(600)	<b>(600)</b>
Recognition of capital contribution	-	-	4,421	-	<b>4,421</b>
Release of capital reserve	-	-	(4,421)	4,421	<b>-</b>
Share based payments	-	-	-	8	<b>8</b>
Vesting of share schemes on the Acquisition	-	-	-	(14)	<b>(14)</b>
Adjusted balance at 31 March 2009	-	72	-	1,582	<b>1,654</b>
Profit for the period	-	-	-	77	<b>77</b>
<b>At 31 December 2009</b>	<b>-</b>	<b>72</b>	<b>-</b>	<b>1,659</b>	<b>1,731</b>

**NOTES TO THE FINANCIAL STATEMENTS continued**

**20. Reconciliation of operating profit/(loss) to operating cash flows**

	9 months ended 31 December 2009 £m	Year ended 31 March 2009 £m
Operating profit/(loss)	340	(2,689)
Depreciation	232	181
Release of cash sweep obligation	-	4,421
Reversal of fixed asset impairment	-	(1,597)
Share based payments	-	1
Movements in provisions	(18)	(25)
Increase in inventories	(48)	(72)
Decrease in debtors	366	21,679
Decrease in creditors	(550)	(21,669)
<b>Net cash inflow from operating activities</b>	<b>322</b>	<b>230</b>

**21. Financial commitments**

Capital expenditure contracted for but not provided in the financial statements amounted to £38m (31 March 2009 £22m)

**Operating lease commitments**

At 31 December 2009 the Company had annual commitments under non-cancellable operating leases as set out below

	31 December 2009 £m	31 March 2009 £m
Other operating leases which expire		
- Within one year	-	-
- In two to five years	3	3
	<b>3</b>	<b>3</b>

**Other contractual commitments**

Under contractual arrangements, the Company has the following nuclear fuel commitments at 31 December 2009

	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	Thereafter £m	Total £m
Commitments to purchase in the year	317	157	132	64	65	648	1,383

**22. Pension commitments**

British Energy Generation Limited contributes to the pension arrangement operated by British Energy Generation Group (BEGG) within the Electricity Supply Pension Scheme (ESPS). The ESPS is a defined benefit scheme, which is externally funded and subject to triennial actuarial valuation. Each pension group that participates in the ESPS is financially independent from the other groups. The BEGG defined benefits plan is a multi employer plan which is run on a basis that does not enable individual companies within the British Energy group to identify their share of the underlying assets and liabilities. In accordance with FRS 17 the Company accounts for its contributions to the plan as if it were a defined contribution plan.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**22. Pension commitments continued**

The most recent triennial valuation of the BEGG scheme was carried out at 31 March 2007 by the independent ESPS actuary. The valuation for accounting purposes has been carried out by a separate independent actuary using the projected unit method.

The Company contributed 27.3% (year ended 31 March 2009 27.3%) to the BEGG pension scheme as employer's normal contributions for the period ended 31 December 2009. Members who do not participate in the salary conversion arrangement and who are required to pay employee contributions contribute 5% (year ended 31 March 2009 5%) to the scheme. Members who participate in the salary conversion arrangement have their salaries reduced by 5% (year ended 31 March 2009 5%), these monies being paid to the BEGG scheme as additional employer contributions. The Company's pension costs for the period ended 31 December 2009 were £119m (year ended 31 March 2009 £91m). There were £8m outstanding pension contributions at 31 December 2009 (31 March 2009 £8m).

The principal financial assumptions used to calculate BEGG liabilities under FRS 17 were

	<b>31 December 2009 % p.a.</b>	<b>31 March 2009 % p.a.</b>
Discount rate	<b>5.7</b>	5.8
Inflation assumption	<b>3.7</b>	2.7
Rate of increase in salaries	<b>5.2</b>	4.2
Rate of increase of pensions increases	<b>3.7</b>	2.7

The table below shows details of assumptions around mortality rates used to calculate the FRS17 BEGG liabilities

	<b>31 December 2009 years</b>	<b>31 March 2009 years</b>
Current future male pensioner aged 60 (31 March 2009 aged 65)	<b>26.6</b>	21.8
Current future female pensioner aged 60 (31 March 2009 aged 65)	<b>28.7</b>	24.0
Current future male pensioner aged 40 (31 March 2009 aged 45)	<b>28.7</b>	23.7
Current future female pensioner aged 40 (31 March 2009 aged 45)	<b>29.9</b>	25.2

These assumptions are governed by FRS 17 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2007, which determined the Company's contribution rate for future years.

The assets and liabilities of the BEGG defined benefit retirement benefit plan are as follows

	<b>31 December 2009 £m</b>	<b>31 March 2009 £m</b>
Fair value of scheme assets	<b>2,758</b>	2,277
Present value of defined benefit obligations	<b>(3,494)</b>	(2,823)
Deficit in scheme	<b>(736)</b>	(546)
Related deferred tax asset	<b>206</b>	153
Net pension liability	<b>(530)</b>	(393)



**NOTES TO THE FINANCIAL STATEMENTS continued**

**22. Pension commitments continued**

Movements in the present value of defined obligations in the current period were as follows

	<b>31 December 2009 £m</b>	<b>31 March 2009 £m</b>
Opening defined benefit obligations	2,823	2,862
Service cost	45	74
Interest cost	122	171
Actuarial losses/(gains)	577	(196)
Contribution by plan participants	2	8
Benefits paid	(75)	(96)
Closing defined benefit obligations	<b>3,494</b>	<b>2,823</b>

Movements in the present value of fair value of scheme assets in the current period were as follows

	<b>31 December 2009 £m</b>	<b>31 March 2009 £m</b>
Opening fair value of plan assets	2,277	2,657
Expected return on scheme assets	95	174
Actuarial gains/(losses)	319	(575)
Contributions by employer	140	109
Contributions by plan participants	2	8
Benefits paid	(75)	(96)
Closing fair value of plan assets	<b>2,758</b>	<b>2,277</b>

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows

	<b>Expected return</b>		<b>Fair value of assets</b>	
	<b>31 December 2009 %</b>	<b>31 March 2009 %</b>	<b>31 December 2009 £m</b>	<b>31 March 2009 £m</b>
Gilts – index linked	4.5	3.8	847	704
Equities	8.2	7.3	1,141	833
Property	8.7	5.6	192	189
Corporate bonds	5.9	6.5	440	436
Cash	0.7	1.0	138	115
			<b>2,758</b>	<b>2,277</b>

**NOTES TO THE FINANCIAL STATEMENTS continued**

**22. Pension commitments continued**

History of experience gains and losses are as follows

	<b>31 December 2009 £m</b>	<b>31 March 2009 £m</b>	<b>31 March 2008 £m</b>	<b>31 March 2007 £m</b>	<b>31 March 2006 £m</b>
Fair value of scheme assets	<b>2,758</b>	2,277	2,657	2,621	2,415
Present value of defined benefit obligations	<b>(3,494)</b>	(2,823)	(2,862)	(2,675)	(2,614)
Deficit in the scheme	<b>(736)</b>	(546)	(205)	(54)	(199)
Experience adjustments on scheme liabilities					
Amount (£m)	<b>(16)</b>	5	14	(24)	11
Percentage of scheme liabilities	<b>0%</b>	0%	0%	1%	0%
Experience adjustments on scheme assets					
Amount (£m)	<b>319</b>	(567)	(141)	4	304
Percentage of scheme assets	<b>12%</b>	25%	5%	0%	13%

**23. Contingent liabilities**

The Company has given certain indemnities and guarantees in respect of fellow subsidiary undertakings. No losses are anticipated to arise under these indemnities and guarantees, provided relevant subsidiary undertakings continue on a going concern basis.

The Company has given a guarantee and indemnity to the Secretary of State for Business, Innovation and Skills and the Nuclear Liabilities Fund along with a number of other group companies in respect of their compliance with, among other agreements, the Nuclear Liabilities Funding Agreement.

The Company has provided a debenture comprising fixed and floating charges to the Secretary of State for Business, Innovation and Skills and the Nuclear Liabilities Fund along with a number of other group companies in respect of any decommissioning default payment.

**24. Related parties**

In accordance with FRS 8 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are wholly owned by the Lake Acquisitions Limited Group or investees of the Lake Acquisitions Limited Group qualifying as related parties, as it is a wholly owned subsidiary of a parent.

On 26 November 2009, Centrica plc acquired a 20% shareholding in Lake Acquisitions Limited, an intermediate parent company. From that date the Group continues to consider that its ultimate controlling party is EDF SA. The following transactions were carried out with related parties since 26 November 2009.

	<b>Sales to related parties £m</b>	<b>Purchases from related parties £m</b>	<b>Amounts owed by related parties £m</b>	<b>Amounts owed to related parties £m</b>
British Energy Direct Limited	-	-	<b>483</b>	-
District Energy Limited	-	-	<b>1</b>	-
EDF Energy plc	<b>178</b>	-	<b>178</b>	-
EDF Energy (Customers) plc	-	<b>2</b>	-	<b>6</b>

## NOTES TO THE FINANCIAL STATEMENTS continued

### 25. Parent undertaking and controlling party

British Energy Generation (UK) Limited holds a 100% interest in British Energy Generation Limited and is considered to be the immediate parent company. EDF International SA is the smallest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

At 31 December 2009, Electricité de France SA (EDF), a company incorporated in France, is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

### 26. Subsequent events

#### Sizewell B Outage

On 9 April 2010, Lake Acquisitions Limited made an announcement in respect of Sizewell B as follows:

"A decision was taken on 17 March 2010 to manually shut down Sizewell B in response to indications of higher than normal moisture levels within the containment building.

It was established that the issue related to one of the heaters associated with a component known as the pressuriser. The component is not part of the reactor pressure vessel but is connected to the cooling circuit. The early indications showed that repair techniques previously deployed at similar power stations could be carried out at Sizewell B in relatively short timescales.

Detailed inspections have shown that the existing repair techniques will need to be developed further before being deployed. Until this development work has been completed the timing of the return to service is subject to some uncertainty. The total loss arising from this issue may be in the region of 2TWh to 3TWh."

On 3 June 2010 Lake Acquisitions Limited made a further announcement, as follows:

"Further to Lake Acquisitions Limited's announcement on 9 April 2010, Sizewell B remains out of service following indications of higher than normal moisture levels within the containment building. The scope of the required repair work has now been agreed and will involve removing a number of failed heaters from the pressuriser. Two repair techniques are being developed and the timing of the return to service of the station will depend on which technique is eventually chosen to be deployed. It is now expected that return to service of this unit will be during the third quarter of 2010, resulting in a total loss in the range 4TWh to 6TWh.

The return to service will be subject to the normal regulatory approvals."

On 22 September 2010 Lake Acquisitions Limited made a further announcement, as follows:

"Sizewell B was shutdown on the 17 March 2010 following indications of higher than normal moisture levels within the containment building. It was subsequently found that a number of heaters on the pressuriser had failed and would need to be removed before the station could return to power. On 3 June 2010 Lake Acquisitions Limited announced that it was developing two repair techniques and the timing for returning Sizewell B to power would be dependent on the technique deployed. However, return to service was expected during the third quarter of 2010.

The repairs on the pressuriser have now been completed, fuel has been loaded in the reactor and the station is undergoing its normal preparations for return to service following an outage. As anticipated this is still expected to be achieved within the third quarter of 2010. The total loss from this event is circa 6TWh."

## NOTES TO THE FINANCIAL STATEMENTS continued

### 26. Subsequent events continued

#### Heysham 2 Reactor 8

On 3 June 2010 Lake Acquisitions Limited also made an announcement in respect of Heysham 2 as follows

"Heysham 2 Reactor 8 was shut down on 26 March 2010 for its statutory outage. The routine scope of work required the removal of a reactor in service inspection (ISI) plug unit to allow routine boiler inspection. It was found not to be possible to remove the plug unit and internal inspection has identified distortion of the standpipe liner inner tube as the cause. It is probable that remedial work will be required on this unit before it is returned to service. This removal of the plug unit is estimated to take a number of weeks with return to service likely to be during the third quarter of 2010. More information on timescales will become available once the plug has been removed and the full extent of condition established. The other statutory outage inspections have been successfully completed.

Reactor 7 at Heysham 2 and both units at its sister station, Torness, continue to operate safely. The impact of the findings at Heysham 2 Reactor 8 remain under consideration although it is judged that some level of inspection on the other three units will be required in the future to ensure there is no similar distortion of any other standpipes. These inspections are likely to take place when the units next shut down, and on this basis there should be limited disruption on expected availability."

On 22 September 2010 Lake Acquisitions Limited made a further announcement, as follows

"Further to the announcement on the 3 June 2010, a programme of manual inspections inside the reactor vessel has been carried out on Heysham 2 Reactor 8 to assess the condition of the distorted standpipe liner inner tube. Based on these inspections, the Company is planning to make a repair to the standpipe liner inner tube which will allow the station to be returned to service safely. The actual timing of this will be subject to completing the Company's internal safety and external regulatory processes, but is expected to be during the fourth quarter of 2010 resulting in a total loss (excluding the statutory outage) of circa 2-3TWh. The standpipe liner inner tube will be replaced at a future outage, following the detailed planning and preparatory work that is required before making such an in-vessel repair.

It was also noted in the 3 June 2010 announcement that similar inspections would be undertaken on the units at Torness and Heysham 2 Reactor 7 during future outages. Torness Reactor 1 is currently undergoing its statutory outage and has been inspected for similar damage. It has been confirmed that this reactor does not exhibit the same issue and will require no work in this respect. It remains the plan to inspect Torness Reactor 2 and Heysham 2 Reactor 7 at a future outage."

#### Dungeness B Reactor 21

On 3 June 2010 Lake Acquisitions Limited also made an announcement in respect of Dungeness B as follows

"Following the repair of the pressure vessel cooling water leak on a pipe adjacent to a boiler reheater outlet penetration at Dungeness B Reactor 21, it was decided to undertake inspections to confirm that there had been no damage to the penetration as a result of the leak. These inspections have been completed and are undergoing verification and it is expected that the results will confirm that there has been no damage to the penetration as a result of this leak. Once the verification of the results is complete and the safety case completed the reactor will be recommissioned and returned to service. It is now expected that the unit will return to service during July 2010.

All returns to service will be subject to the normal regulatory approvals."

On 19 August 2010 Lake Acquisitions made a further announcement in respect of Dungeness B as follows

"Further to its announcement of 3 June 2010, Lake Acquisitions Limited notes that Dungeness B Reactor 21 has synchronised to the National Grid.

This follows an extended outage to repair the pressure vessel cooling water leak on a pipe adjacent to a boiler reheater outlet penetration. Inspections to confirm that there has been no damage to the penetration as a result of the leak have been completed, the results have been verified and the safety case put in place to allow the unit to return to service."