BRITISH ENERGY GENERATION (UK) LIMITED

Registered Number SC 117121

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2010

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Directors

Simone Rossi
Andrew Spurr

Auditor

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DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 December 2010, with comparatives for the nine month period ending 31 December 2009.

References to "the Group" are to EDF Energy Nuclear Generation Group Limited (formerly British Energy Group plc), an intermediate holding company within the Electricité de France S.A. group, and its subsidiaries including this Company.

Principal activity

The Company's principal activity during the year continued to be as an intermediate holding company, incurring costs on behalf of other Group companies which are then recharged. It will continue in this activity for the foreseeable future.

Business review

The loss for the year, before taxation, amounted to £8m (2009: £5m) and after taxation, amounted to £8m (2009: £2m).

No dividends were paid in the year (2009: £nil).

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 Directors' Report which does not form part of this report.

Going concern

The Company is a holding company and is dependent on the continued forecast profitability and cash generation of its subsidiaries. Management expect future dividends from the Company's subsidiaries to allow it to fulfil its financial obligations going forward. 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.

Risk management

The future prospects of the Company are dependent on the performance of the investments in subsidiaries. The investments have been reviewed and the carrying value is considered to be recoverable based on forecast performance of those subsidiaries.

The main financial risks faced by the Company through its normal business activities are liquidity risk and credit risk. These risks and the Company's approach to dealing with them are described below:

Liquidity risk is the risk 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 all current liabilities balances being within the Group.

The Company's credit risk is primarily attributable to its debtors. 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.

DIRECTORS' REPORT continued

Subsequent events

Details of significant events since the balance sheet date are contained in note 20 to the financial statements.

Directors

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

Thomas Kusterer	(resigned 29 March 2011)
Jean MacDonald	(resigned 19 July 2010)
Simone Rossi	(appointed 1 April 2011)
Andrew Spurr	

None of the Directors had a service contract with the Company in the current year or prior period. They are all employed by associated EDF companies and have contracts with those companies.

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

Disclosure of information to Auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is 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 Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

Auditor

It is noted that Deloitte LLP, as appointed by the members on 4 October 2010, are deemed to be re-appointed as the auditor to the Company for the financial year ending 31 December 2011 in accordance with the provisions of Section 487(2) of the Companies Act 2006 and that the Directors have been authorised to fix the remuneration of the auditor.

By order of the Board

Simone Rossi
Director
21 September 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the 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 affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 adequate 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 AUDITOR'S REPORT TO THE MEMBERS OF BRITISH ENERGY GENERATION (UK) LIMITED

We have audited the financial statements of British Energy Generation (UK) Limited for the year ended 31 December 2010 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 20. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's report 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 Auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the 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 financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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 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 Auditor
Glasgow, United Kingdom
Date: 21st September 2011

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**Year ended 31 December 2010 £m**	9 months ended 31 December 2009 £m
Turnover	2	**2**	2
Operating costs	3	**(2)**	(2)
Operating profit	3	**-**	-
Interest receivable and similar income	6	**4**	4
Interest payable and similar charges	7	**(12)**	(9)
Loss on ordinary activities before taxation		**(8)**	(5)
Tax on loss on ordinary activities	8	**-**	3
Loss for the financial year/period	14	**(8)**	(2)

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

There were no recognised gains or losses in either period other than those included in the profit and loss above. Accordingly, no Statement of Total Recognised Gains and Losses has been presented.

BALANCE SHEET
AT 31 DECEMBER 2010

	Note	2010 £m	2009 £m
Fixed assets			
Investments in subsidiary undertakings	9	**1,084**	1,084
		1,084	1,084
Current assets			
Debtors			
- due within one year	10	**156**	156
- due after more than one year	10	**-**	2
		156	158
Creditors: amounts falling due within one year	11	**(186)**	(180)
Net current liabilities		**(30)**	(22)
Total assets less current liabilities		**1,054**	1,062
Net assets		**1,054**	1,062
Capital and reserves			
Called up share capital	13	**-**	-
Share premium	14	**72**	72
Capital reserve	14	**46**	46
Profit and loss account	14	**936**	944
Shareholder's funds	14	**1,054**	1,062

The financial statements of British Energy Generation (UK) Limited, registered number SC 117121 on pages 6 to 17 were approved and authorised for issue by the Board of Directors on 21 September 2011 and were signed on its behalf by:

Simone Rossi
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding period.

Basis of accounting

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

Consolidation

The Company is exempt from preparing consolidated financial statements as it is a subsidiary of EDF S.A., which prepares consolidated financial statements which include the results of the Company and are publicly available.

Cash flow statement

The Company has not prepared a cash flow statement as it does not hold bank accounts and as such there are no cash transactions to report in the current year or prior period. Cash flows are settled on the company's behalf by fellow group entities.

Investments

Fixed asset investments are carried at cost less any provision for impairment.

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; and

- 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.

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 recharging management charges to other Group companies.

3. Operating costs

	Year ended 31 December 2010 £m	9 months ended 31 December 2009 £m
Staff costs	**2**	2

In 2010 an amount of £5,000 (2009: £5,000) was paid to Deloitte LLP for audit services. This charge was borne by another group company in both the current year and prior period. In 2010 no non-audit services were provided to the Company (2009: £nil).

4. Directors' emoluments

All Directors are employees of associated EDF companies. The directors did not receive any remuneration for services to the Company during the year or preceding period.

No Director (2009: none) held any interests in the shares or debentures of the Company or the Group required to be disclosed under the Companies Act 2006.

5. Staff costs

	Year ended 31 December 2010 £m	9 months ended 31 December 2009 £m
Wages and salaries	**2**	2

The monthly average number of employees during the year was as follows:

	Year ended 31 December 2010 Number	9 months ended 31 December 2009 Number
Engineering, technical and corporate support	**20**	32

6. Interest receivable and similar income

	Year ended 31 December 2010 £m	9 months ended 31 December 2009 £m
Interest receivable on amounts owed by other Group companies	**4**	3
Guarantee fees receivable from other Group companies	**-**	1
	4	4

NOTES TO THE FINANCIAL STATEMENTS continued

7. Interest payable and similar charges

	Year ended 31 December 2010 £m	9 months ended 31 December 2009 £m
Interest payable on amounts owed to other Group companies	**12**	9

8. Tax on loss on ordinary activities

(a) Analysis of tax credit in the year:

UK current tax	**Year ended 31 December 2010 £m**	9 months ended 31 December 2009 £m
UK corporation tax credit on loss for the year/period	**(2)**	(2)
Adjustment in respect of prior years	**-**	(1)
Total current tax credit (note 8(b))	**(2)**	(3)
UK deferred tax		
Origination and reversal of timing differences	**-**	1
Adjustment in respect of prior years	**(1)**	2
Movement in unrecognised deferred tax asset	**3**	(3)
Total deferred tax charge for the year/period (note 12)	**2**	-
Total tax credit on loss on ordinary activities	**-**	(3)

The Finance Bill 2010 was published on 1 July 2010 and included a reduction in the main rate of corporation tax for the financial year beginning 1 April 2011 from 28% to 27%.

This tax law change was substantively enacted in the House of Commons on 21 July and received Royal Assent on 27 July 2010 and has therefore been reflected where appropriate in these financial statements.

The Finance Act 2011 announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2011 from 27% to 26%. This tax law change was substantively enacted in the House of Commons on 29 March 2011 and has therefore been disclosed where appropriate.

The Finance Act 2011 also announced a further reduction in the main rate of corporation tax for the financial year beginning 1 April 2012 from 26% to 25%. This tax law change was substantively enacted in the House of Commons on 5 July 2011 and has therefore been disclosed where appropriate.

NOTES TO THE FINANCIAL STATEMENTS continued

8. Tax on loss on ordinary activities continued

(b) Factors affecting tax credit for the year:

The tax assessed for the period is the same as (2009: lower than) than the standard rate of corporation tax in the UK.

The differences are explained below.

	Year ended 31 December 2010 £m	9 months ended 31 December 2009 £m
Loss on ordinary activities before tax	**(8)**	(5)
Tax on loss on ordinary activities at standard UK rate of corporation tax of 28% (2009: 28%)	**(2)**	(1)
Effect of:		
Adjustment in respect of previous years	**-**	(1)
Utilisation of tax losses	**-**	(1)
Current tax credit for the year	**(2)**	(3)

9. Investments in subsidiary undertakings

Cost and book value

	£m
At 1 January 2010 and 31 December 2010	**1,084**

British Energy Generation (UK) Limited owns 100% of the ordinary share capital of EDF Energy Nuclear Generation Limited (formerly British Energy Generation Limited), which is registered in the United Kingdom. This company's principal activity is the generation and sale of electricity.

British Energy Generation (UK) Limited owns 100% of the ordinary share capital of British Energy Investment Limited, which is registered in the United Kingdom. This company's principal activity is to act as an intermediate holding company within the Group.

The Company owns 100% of the ordinary share capital of British Energy International Holdings Limited, which is registered in the United Kingdom. This company's principal activity is to act as an intermediate holding company within the Group.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

10. Debtors

	2010 £m	2009 £m
Debtors: amounts falling due within one year		
Amounts owed by other Group companies	**152**	154
Corporation tax (Group relief receivable)	**4**	2
	156	156
Debtors: amounts falling due after more than one year		
Deferred taxation	**-**	2
	156	158

NOTES TO THE FINANCIAL STATEMENTS continued

11. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Amounts owed to other Group undertakings	**186**	180

12. Deferred taxation

Deferred taxation provided in the financial statements is as follows:

	2010 £m	2009 £m
Taxation losses	**3**	2
Net deferred tax recoverable (above)	**3**	2
Assets not recognised	**(3)**	-
Net deferred tax asset	**-**	2

The Company has £11,600,000 (2009: £11,600,000) of tax losses available to be carried forward for offset against future profits of the same trade. The losses give rise to a deferred tax asset of £3,100,000 (2009: £3,200,000), which is not recognised in the financial statements.

The movements in the deferred taxation asset during the current year are as follows:

	At 1 January 2010 £m	Profit and loss £m	**At 31 December 2010 £m**
Deferred tax asset	2	(2)	**-**

13. Share capital

Allotted, called up and fully paid

	2010 Number	2009 Number	**2010 £**	2009 £
Ordinary shares of £1.00 each	**1,000**	1,000	**1,000**	1,000
Special rights redeemable preference shares of £1.00 each	**1**	1	**1**	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, or a disposal by the Company of any or all of its shares held in EDF Energy Nuclear Generation Limited. However, the holder of the special share will only be entitled to withhold consent to such an amendment or disposal 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.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Reconciliation of shareholder's deficit

	Share capital £m	Share premium £m	Capital reserve £m	Profit and loss account £m	**Total shareholder's funds £m**
At 1 April 2009	-	72	46	946	**1,064**
Loss for the period	-	-	-	(2)	**(2)**
At 31 December 2009	-	72	46	944	**1,062**
Loss for the year	-	-	-	(8)	**(8)**
At 31 December 2010	**-**	**72**	**46**	**936**	**1,054**

15. Pension commitments

British Energy Generation (UK) 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 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.

The most recent triennial valuation of the BEGG scheme was carried out at 31 March 2010 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% (2009: 27.3%) to the BEGG pension scheme as employer's normal contributions for the year ended 31 December 2010. Members who do not participate in the salary conversion arrangement and who are required to pay employee contributions contribute 5% (2009: 5%) to the scheme. Members who participate in the salary conversion arrangement have their salaries reduced by 5% (2009: 5%), these monies being paid to the BEGG scheme as additional employer contributions. The Company's pension costs for the year ended 31 December 2010 were £nil (2009: £nil). There were no outstanding pension contributions at 31 December 2010 (2009: £nil).

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

	2010 % p.a.	2009 % p.a.
Discount rate	**5.5**	5.7
Inflation assumption	**3.6**	3.7
Rate of increase in salaries	**5.1**	5.2
Rate of increase of pensions increases	**3.6**	3.7

NOTES TO THE FINANCIAL STATEMENTS continued

15. Pension commitments continued

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

	2010 years	2009 years
Current male pensioner aged 60	**26.8**	26.6
Current female pensioner aged 60	**28.7**	28.7
Future male pensioner currently aged 40	**28.8**	28.7
Future female pensioner currently aged 40	**30.0**	29.9

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 2010, which determined the Company's contribution rate for future years.

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

	2010 £m	2009 £m
Fair value of scheme assets	**3,112**	2,758
Present value of defined benefit obligations	**(3,655)**	(3,494)
Deficit in scheme	**(543)**	(736)
Related deferred tax asset	**147**	206
Net pension liability	**(396)**	(530)

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

	2010 £m	2009 £m
At 1 January	**3,494**	2,823
Service cost	**84**	45
Interest cost	**199**	122
Actuarial (gains)/losses	**(21)**	577
Contributions by plan participants	**9**	2
Benefits paid	**(110)**	(75)
At 31 December	**3,655**	3,494

NOTES TO THE FINANCIAL STATEMENTS continued

15. Pension commitments continued

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

	2010 £m	2009 £m
At 1 January	**2,758**	2,277
Expected return on scheme assets	**178**	95
Actuarial gains	**86**	319
Contributions by employer	**191**	140
Contributions by plan participants	**9**	2
Benefits paid	**(110)**	(75)
At 31 December	**3,112**	2,758

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

	Expected return		Fair value of assets	
	2010 %	2009 %	**2010 £m**	2009 £m
Gilts – index linked	**4.2**	4.5	**943**	847
Equities	**7.9**	8.2	**1,211**	1,141
Property	**7.8**	8.7	**202**	192
Corporate bonds	**5.4**	5.9	**551**	440
Cash	**1.4**	0.7	**205**	138
			3,112	2,758

History of experience gains and losses are as follows:

	31 December 2010 £m	31 December 2009 £m	31 March 2009 £m	31 March 2008 £m	31 March 2007 £m
Fair value of scheme assets	**3,112**	2,758	2,277	2,657	2,621
Present value of defined benefit obligations	**(3,655)**	(3,494)	(2,823)	(2,862)	(2,675)
Deficit in the scheme	**(543)**	(736)	(546)	(205)	(54)
Experience adjustments on scheme liabilities:					
Amount (£m)	**83**	(16)	5	14	(24)
Percentage of scheme liabilities	**2%**	0%	0%	0%	1%
Experience adjustments on scheme assets:					
Amount (£m)	**86**	319	(567)	(141)	4
Percentage of scheme assets	**3%**	12%	25%	5%	0%

NOTES TO THE FINANCIAL STATEMENTS continued

16. Contingent assets

British Energy Limited (immediate parent undertaking of British Energy Generation (UK) Limited) and British Energy International Holdings Limited (a subsidiary undertaking of British Energy Generation (UK) Limited) have certain contingent assets as a result of the disposal of their 82.4% indirect interest in Bruce Power LP pursuant to a Master Purchase Agreement in 2003 (the MPA).

Under the MPA C$20m have been retained in trust to meet any claim for breach of representations and warranties, and this sum may be retained pending settlement or determination of the existing claims.

Moreover, pursuant to the MPA British Energy Limited and British Energy International Holdings Limited are entitled to receive the relevant proportion of any tax refund relating to the period of their ownership of Bruce Power LP 82.4% indirect interest.

In this respect: i) approximately C$10.4m relating to the treatment of expenditure at the Bruce Power Station was refunded by the Canadian tax authorities. This amount, however, was retained by the Bruce Power LP buyers and is not likely to be received by British Energy International Holdings Limited until all claims ensuing from the MPA are settled or determined; and ii) following a request from British Energy Limited and British Energy International Holdings Limited, Bruce Power LP has commenced an appeal against a decision made by the Canadian tax authorities not to allow certain other expenditure for tax purposes and this could result in a rebate of a material amount (see note 17).

17. Contingent liabilities

On 12 February 2004 British Energy Limited and British Energy International Holdings Limited received two claims under the terms of a Master Purchase Agreement entered into in 2003 (the MPA) relating to the sale of British Energy International Holdings Limited's 82.4% indirect interest in Bruce Power LP.

The first claim relates to the alleged breach of an MPA warranty caused by the corrosion of parts of a steam generator of the Bruce Power plant. The buyers have alleged that the corrosion: i) has resulted in an extended outage of one unit to carry out repair works and loss of revenues; and ii) might reduce the operating life of the unit and/or result in further repairs or unplanned outages involving further future losses. Following the rejection of the claim, the buyers started arbitration proceedings in Toronto, Canada against British Energy Limited and British Energy International Holdings Limited, ultimately claiming damages for C$101.4m in respect of actual and anticipated repair costs, loss of revenue and inspection, monitoring and maintenance costs. The last hearing of the arbitration took place on 19-21 July 2011 and the award is expected by the end of 2011.

The second claim relates to the treatment of expenditure at the Bruce Power Plant during the period of British Energy International Holdings Limited's ownership of Bruce Power LP 82.4% indirect interest. Following a request from British Energy Limited and British Energy International Holdings Limited, Bruce Power LP has commenced an appeal against a decision by the Canadian tax authorities not to allow certain expenditure for tax purposes. If the treatment proposed by British Energy Limited and British Energy International Holdings Limited was to be accepted it could result, under the terms of the MPA, in a rebate of a material amount of tax to British Energy International Holdings Limited. In this respect, the buyers have claimed that allowance of this expenditure would cause Bruce Power LP to lose future deductions, thereby allegedly breaching certain tax warranties contained in the MPA. British Energy Limited and British Energy International Holdings Limited have rejected the tax claim and expect to defend it if pursued further. It is expected that the amount of the buyers' tax claim, if successful, would not, in any event, materially exceed the amount of the tax rebate, and that the tax claim should have no material economic impact on British Energy International Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Contingent liabilities continued

In connection with the steam generator claim, on 10 February 2006, British Energy Limited and British Energy International Holdings Limited filed a Notice of Action with the Ontario Superior Court of Justice against Ontario Power Generation (OPG) (the contractor hired to carry out an inspection on the reactor where corrosion was eventually discovered) and Bruce Power LP for failing to identify the corrosion and taking the necessary steps to mitigate the ensuing damages. In the action, British Energy Limited and British Energy International Holdings Limited seek a contribution and indemnity from OPG and Bruce Power LP with respect to any amounts for which the British Energy Limited or British Energy International Holdings Limited may be found liable as a result of the steam generator claim described above.

Under the MPA C$20m have been retained in trust to meet any claim for breach of representations and warranties, and this sum may be retained pending settlement or determination of the existing claims.

The Company has given certain indemnities and guarantees in respect of its 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.

18. Related parties

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

19. Parent undertaking and controlling party

British Energy Limited holds a 100% interest in British Energy Generation (UK) Limited and is considered to be the immediate parent company. This interest is currently pledged to the Nuclear Liabilities Fund Limited. EDF International S.A., a company incorporated in France, 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 S.A., 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

At 31 December 2010, Electricité de France S.A. (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 S.A., 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

20. Subsequent events

An earthquake on 11 March 2011, of magnitude 9, caused a tsunami impacting six reactors at the Tokyo Electric Power Company's Fukushima Daiichi site, Japan. Following these events, the UK Secretary of State asked the nuclear safety authority to prepare a report into the implications for this country. The Chief Nuclear Safety Inspector has said that applying any lessons from Japan could further add to the UK's 'already very robust safety standards and arrangements'. An interim report was issued on 18 May 2011 and the final report is due mid September 2011. The EDF Energy group will play an active role in that process and will take on board the lessons for existing and new nuclear plants.