

BRITISH ENERGY GENERATION (UK) LIMITED

Registered Number SC 117121

REPORT AND FINANCIAL STATEMENTS

31 December 2009

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Directors

Thomas Kusterer
Andrew Spurr

Auditors

Deloitte LLP
Lomond House
9 George Square
Glasgow
G2 1QQ

Registered Office

GSO Business Park
East Kilbride
G74 5PG

DIRECTORS' REPORT

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

Principal activities and review of the business

The Company's principal activity during the period 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 period, before taxation, amounted to £5m (year ended 31 March 2009: £579m profit) and after taxation, amounted to £2m (year ended 31 March 2009: £586m profit). The reduction in profits in the period is due to no investment income being received from subsidiary companies in the nine month period ended 31 December 2009.

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

The Lake Acquisitions Limited 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 Report which does not form part of this report.

Principal risks and uncertainties

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.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk. The Company does not use derivative financial instruments for speculative purposes. 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. 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.

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 as it is a subsidiary of the EDF SA group of Companies.

DIRECTORS' REPORT continued

Directors

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

| | |
|-----------------|---|
| Robert Armour | (resigned on 03/07/2009) |
| Bill Coley | (resigned on 31/07/2009) |
| Thomas Kusterer | (appointed on 01/04/2009) |
| Jean MacDonald | (appointed on 02/06/2009, resigned on 19/07/2010) |
| Andrew Spurr | (appointed on 26/06/2009) |

None of the Directors has a service contract with the Company. 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 one or more Directors of the Company during the financial year and at the date of approval of the financial statements.

Going concern

The Company is a holding company and is dependent on the continued forecast profitability and cash generation of its subsidiaries. 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.

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 no charitable or political contributions in either period.

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:

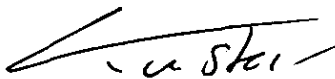
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's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



Thomas Kusterer
Director
17 September 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the 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 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 (UK) LIMITED

We have audited the financial statements of British Energy Generation (UK) Limited for the nine month period ended 31 December 2009 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 Part 3 of Chapter 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 auditors' 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 auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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 (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 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 2009 and of its loss 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.

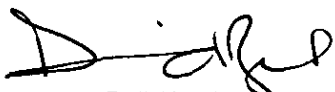
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the 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 (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Glasgow, UK

17th September 2010

~~On the other hand, it is not~~

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

| | | 9 months ended 31 December 2009 £m | Year ended 31 March 2009 £m |
|---|-------------|---|--|
| | <i>Note</i> | | |
| Turnover | 2 | 2 | 3 |
| Operating costs | 3 | (2) | (3) |
| Operating profit | | - | - |
| Investment income | 6 | - | 600 |
| Interest receivable and similar income | 7 | 4 | 19 |
| Interest payable and similar charges | 8 | (9) | (40) |
| (Loss)/profit on ordinary activities before taxation | | (5) | 579 |
| Tax on (loss)/profit on ordinary activities | 9 | 3 | 7 |
| (Loss)/profit for the financial period | 15 | (2) | 586 |

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

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.

BRITISH ENERGY GENERATION (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2009

BALANCE SHEET
AT 31 DECEMBER 2009

| | | 31 December 2009 £m | 31 March 2009 £m |
|---|-------------|---------------------------|------------------------|
| | <i>Note</i> | | |
| Fixed assets | | | |
| Investments | 10 | 1,084 | 1,084 |
| Current assets | | | |
| Debtors | | | |
| - due within one year | 11 | 156 | 172 |
| - due after more than one year | 11 | 2 | 2 |
| | | 158 | 174 |
| Creditors: amounts falling due within one year | 12 | (180) | (194) |
| Net current liabilities | | (22) | (20) |
| Total assets less current liabilities | | 1,062 | 1,064 |
| Net assets | | 1,062 | 1,064 |
| Capital and reserves | | | |
| Called up share capital | 14 | - | - |
| Share premium | 15 | 72 | 72 |
| Capital reserve | 15 | 46 | 46 |
| Profit and loss account | 15 | 944 | 946 |
| Shareholder's funds | 15 | 1,062 | 1,064 |

The financial statements of British Energy Generation (UK) Limited, registered number SC 117121 on pages 7 to 19 were approved by the Board of Directors on 17 September 2010 and were signed on its behalf by:



Thomas Kusterer
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 period and the preceding year.

Basis of preparation

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.

Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group, headed by Lake Acquisitions Limited, whose consolidated accounts include a cash flow statement and will be publicly available.

Consolidation

The Company is exempt from preparing consolidated accounts as it is a wholly owned subsidiary of Lake Acquisitions Limited, which prepares consolidated accounts which include the results of the Company and will be publicly available.

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;
- 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

| | 9 months ended 31 December 2009 £m | Year ended 31 March 2009 £m |
|-------------|---|--------------------------------------|
| Staff costs | 2 | 3 |

Amounts payable to Deloitte LLP and their associates by the Company in respect of audit services were £5,000 (year ended 31 March 2009: fees payable to PricewaterhouseCoopers LLP £7,000). 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.

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 period or preceding year.

5. Staff costs

| | 9 months ended 31 December 2009 £m | Year ended 31 March 2009 £m |
|--------------------|---|--------------------------------------|
| Wages and salaries | 2 | 3 |

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 |
|--|---|--|
| Engineering, technical and corporate support | 32 | 35 |

6. Investment income

| | 9 months ended 31 December 2009 £m | Year ended 31 March 2009 £m |
|--|---|--------------------------------------|
| Dividends from subsidiary undertakings | - | 600 |

NOTES TO THE FINANCIAL STATEMENTS continued

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 | 3 | 14 |
| Guarantee fees receivable from other Group companies | 1 | 5 |
| | 4 | 19 |

8. Interest payable and similar charges

| | 9 months ended 31 December 2009 £m | Year ended 31 March 2009 £m |
|---|---|--------------------------------------|
| On loans from other Group companies | 9 | 11 |
| Interest payable on amounts owed by other Group companies | - | 29 |
| | 9 | 40 |

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

(a) Analysis of tax credit in the period:

UK current tax

| | 9 months ended 31 December 2009 £m | Year ended 31 March 2009 £m |
|---|---|--------------------------------------|
| UK corporation tax credit on (loss)/profit for the period | (2) | (6) |
| Adjustment in respect of prior year | (1) | 1 |
| Total current tax credit (note 9(b)) | (3) | (5) |

UK deferred tax

| | | |
|--|------------|------------|
| Origination and reversal of timing differences | 1 | - |
| Adjustment to prior year | 2 | - |
| Movement in unrecognised deferred tax asset | (3) | (2) |
| Total deferred tax credit for the period | - | (2) |
| Total tax credit on (loss)/profit on ordinary activities | (3) | (7) |

NOTES TO THE FINANCIAL STATEMENTS continued

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

(b) Factors affecting tax credit for the period:

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

The differences are explained below.

| | 9 months ended 31 December 2009 £m | Year ended 31 March 2009 £m |
|---|---|--|
| (Loss)/profit on ordinary activities before tax | (5) | 579 |
| Tax on (loss)/profit on ordinary activities at standard UK rate of corporation tax of 28% (year ended 31 March 2009: 28%) | (1) | 162 |
| Effect of: | | |
| Adjustment to prior year tax charge | (1) | 1 |
| Utilisation of tax losses | (1) | (168) |
| Current tax credit for the period | (3) | (5) |

10. Investments in subsidiary undertakings

| | £m |
|--|-----------|
| Cost | |
| At 1 April 2009 and 31 December 2009 | 2,223 |
| Provision for diminution in value | |
| At 1 April 2009 and 31 December 2009 | 1,139 |
| Net book value | |
| At 1 April 2009 and 31 December 2009 | 1,084 |

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

British Energy Generation (UK) Limited owns 100% of the ordinary share capital of 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 a holding company for certain investments held by 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.

NOTES TO THE FINANCIAL STATEMENTS continued

11. Debtors

| | 31 December 2009 £m | 31 March 2009 £m |
|--|---------------------------|------------------------|
| Debtors: amounts falling due within one year | | |
| Amounts owed by Group undertakings | 154 | 172 |
| Corporation tax (Group relief receivable) | 2 | - |
| | 156 | 172 |
| Debtors: amounts falling due after more than one year | | |
| Deferred taxation | 2 | 2 |
| | 158 | 174 |

12. Creditors: amounts falling due within one year

| | 31 December 2009 £m | 31 March 2009 £m |
|------------------------------------|---------------------------|------------------------|
| Amounts owed to Group undertakings | 180 | 194 |

13. Deferred taxation

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

| | £m |
|--------------------------------------|----|
| At 1 April 2009 and 31 December 2009 | 2 |

Deferred taxation provided in the financial statements is as follows:

| | 31 December 2009 £m | 31 March 2009 £m |
|----------------------------------|---------------------------|------------------------|
| Corporation tax losses | 2 | 5 |
| Net deferred tax recoverable | 2 | 5 |
| Asset not recognised | - | (3) |
| Net deferred tax asset (note 11) | 2 | 2 |

NOTES TO THE FINANCIAL STATEMENTS continued

14. Share capital

Allotted, called up and fully paid

| | 31 December 2009 Number | 31 March 2009 Number | 31 December 2009 £ | 31 March 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 British Energy 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.

15. Reconciliation of shareholder's funds

| | Share capital £m | Share Premium £m | Capital reserve £m | Profit and loss account £m | Total shareholder's funds £m |
|----------------------------|------------------------|------------------------|--------------------------|-------------------------------------|---------------------------------------|
| At 1 April 2008 | - | 72 | 46 | 360 | 478 |
| Profit for the year | - | - | - | 586 | 586 |
| At 31 March 2009 | - | 72 | 46 | 946 | 1,064 |
| Loss for the period | - | - | - | (2) | (2) |
| At 31 December 2009 | - | 72 | 46 | 944 | 1,062 |

16. 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

16. Pension commitments continued

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 £nil (year ended 31 March 2009: £nil). There were no outstanding or prepaid pension contributions at 31 December 2009 (31 March 2009: £nil).

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

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

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

| | 31 December 2009 years | 31 March 2009 years |
|--|------------------------------|---------------------------|
| Current future male pensioner aged 60 (31 March 2009: aged 65) | 26.6 | 21.8 |
| Current future female pensioner aged 60 (31 March 2009: aged 65) | 28.7 | 24.0 |
| Current future male pensioner aged 40 (31 March 2009: aged 45) | 28.7 | 23.7 |
| Current future female pensioner aged 40 (31 March 2009: aged 45) | 29.9 | 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:

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

NOTES TO THE FINANCIAL STATEMENTS continued

16. Pension commitments continued

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

| | 31 December 2009 £m | 31 March 2009 £m |
|-------------------------------------|---------------------------|------------------------|
| 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 | 3,494 | 2,823 |

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

| | 31 December 2009 £m | 31 March 2009 £m |
|------------------------------------|---------------------------|------------------------|
| 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 | 2,758 | 2,277 |

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 | |
|----------------------|--------------------------|-----------------------|---------------------------|------------------------|
| | 31 December 2009 % | 31 March 2009 % | 31 December 2009 £m | 31 March 2009 £m |
| 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 |
| | | | 2,758 | 2,277 |

NOTES TO THE FINANCIAL STATEMENTS continued

16. Pension commitments continued

History of experience gains and losses are as follows:

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

17. 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 in 2003.

A tax refund of approximately C\$10.4m relating to the treatment of expenditure at the Bruce Power Station during the period of British Energy International Holdings Limited's 82.4% indirect interest has been accepted by the Canadian tax authorities and paid to the consortium which purchased British Energy International Holdings Limited's 82.4% indirect interest in Bruce Power LP. This amount is not likely to be received by British Energy International Holdings Limited until all related claims are finalised.

In addition, British Energy Limited and British Energy International Holdings Limited have commenced an appeal of 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 of tax to British Energy International Holdings Limited (see note 18).

18. Contingent liabilities

On 12 February 2004 British Energy Limited and British Energy International Holdings Limited received a notice of warranty claims from the consortium which purchased British Energy International Holdings Limited's 82.4% indirect interest in Bruce Power LP alleging breach of certain warranties and representations relating to tax and to the condition of certain plant at the Bruce Power Station.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Contingent liabilities continued

The principal tax claim relates to the treatment of expenditure at the Bruce Power Station during the period of British Energy International Holdings Limited's 82.4% indirect interest. The Canadian tax authorities have issued a decision confirming agreement in part with British Energy Limited's and British Energy International Holdings Limited's proposed tax treatment, resulting in a tax refund of approximately C\$10.4m being paid to the consortium. This amount is not likely to be received by British Energy International Holdings Limited until all related claims are finalised. In addition, British Energy Limited and British Energy International Holdings Limited have commenced an appeal of a decision by the Canadian tax authorities not to allow certain other expenditure for tax purposes. The treatment proposed by British Energy Limited and British Energy International Holdings Limited could result in a rebate of a material amount of tax to British Energy International Holdings Limited that has not been recognised in the financial statements as it is impracticable to provide an estimate of the potential amount of the tax rebate. The consortium claims that allowance of the expenditure for that period would cause it to lose future deductions. British Energy Limited and British Energy International Holdings Limited have rejected the tax claim and expect to defend the claim if pursued further. British Energy Limited and British Energy International Holdings Limited are confident that the amount of the claim, if successful, should not, in any event, materially exceed the amount of the rebate, and that the tax claim should have no material economic impact on British Energy International Holdings Limited.

The claim relating to the condition of the plant is based upon alleged erosion of certain parts of the steam generators, including the support plates, through which boiler tubes pass, which it was alleged resulted in an extended outage of one unit at the plant to carry out repair works and loss of revenues. The consortium also claimed that the alleged erosion might reduce the operating life of the unit and/or result in further repairs involving further losses. On 10 February 2006, British Energy Limited and British Energy International Holdings Limited filed a Notice of Action against Ontario Power Generation (OPG) and Bruce Power LP with the Ontario Superior Court of Justice seeking a contribution and indemnity from OPG and Bruce Power LP with respect to any amounts for which British Energy Limited or British Energy International Holdings Limited may be found liable as a result of the steam generator claim. On 7 August 2009, the consortium submitted an amended claim of C\$101.4m in respect of actual and anticipated repair costs, loss of revenue and inspection, monitoring and maintenance costs. Formal arbitration proceedings commenced in April 2010. British Energy Limited and British Energy International Holdings Limited are defending the claim.

On 7 December 2006, the consortium served a notice of arbitration on British Energy Limited and British Energy International Holdings Limited in relation to the purchase price payable by the consortium on the purchase of Bruce Power LP. Under the disposal arrangements, the parties agreed a post-completion adjustment to the purchase price to account for the value of the Bruce Power pension plan as determined by a mutually appointed actuarial advisor, Watson Wyatt. The consortium alleged that the valuation was incorrect, resulting in British Energy International Holdings Limited benefiting by C\$23.1m which the consortium sought to reclaim together with interest and costs. On 11 August 2008, a panel of arbitrators found in favour of British Energy Limited and British Energy International Holdings Limited and the consortium's claim was dismissed.

The consortium also commenced legal proceedings against Watson Wyatt, David Proctor (an actuary and one of their employees) and Mebs Merali (an actuary and former employee) who were responsible for evaluating the Bruce Power pension plan and post-completion adjustment to the purchase price payable by the consortium. On 15 May 2007 Watson Wyatt and David Proctor served notice of a third party action on British Energy Limited and British Energy International Holdings Limited seeking an indemnity against any amounts for which they may be found liable. On 11 September 2007 Mebs Merali served a similar notice on British Energy Limited and British Energy International Holdings Limited. British Energy Limited and British Energy International Holdings Limited commenced a fourth party claim against Bruce Power LP and Bruce Power Inc in respect of the third party claim by Watson Wyatt and David Proctor and a separate third party claim by Mebs Merali on 21 February 2008 and 20 February 2008 respectively, seeking a contribution, indemnity and relief from any damages/costs for which British Energy Limited and British Energy International Holdings Limited may be found liable or incur in the third party claims or the arbitration by the consortium. All legal proceedings were settled, and the parties released, on 30 September 2009.

Under the agreement with the consortium C\$20m is retained in trust to meet any representation and warranty claims, and this may be retained pending agreement or determination of the claims.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Contingent liabilities continued

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.

19. 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, which prepares consolidated accounts which will be publicly available.

20. 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. Lake Acquisitions Limited heads the smallest group for which consolidated accounts are prepared which include the results of the Company. Copies of that company's consolidated financial statements will be available from 40 Grosvenor Place, Victoria, London SW1X 7EN.

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.