Registered Number: SC 270184

BRITISH ENERGY GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

Registered Office:

GSO Business Park
East Kilbride
G74 5PG

British Energy Group plc
Directors and Advisers

DIRECTORS

Stephen Billingham	(resigned 31 March 2009)
Humphrey Cadoux-Hudson	(appointed 5 January 2009)
Bill Coley	
Pascal Colombani	
Bob Davies	(resigned 6 February 2009)
John Delucca	(resigned 6 February 2009)
Goulven Graillat	(appointed 5 January 2009)
Ian Harley	
Thomas Kusterer	(appointed 1 April 2009)
Anne Le Lorier	(appointed 5 January 2009)
Sir Adrian Montague	(resigned 6 February 2009)
David Pryde	(resigned 6 February 2009)
Jacques Regaldo	(appointed 5 January 2009)
Vincent de Rivaz	(appointed 5 January 2009)
Sir Robert Walmsley	(resigned 6 February 2009)
Robert Walvis	(resigned 6 February 2009)

COMPANY SECRETARY

Robert Armour

REGISTERED OFFICE

GSO Business Park
East Kilbride
G74 5PG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Kintyre House
209 West George Street
Glasgow
G2 2LW

SOLICITORS

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

MacRoberts
152 Bath Street
Glasgow
G2 4TB

The Directors present their report and the audited financial statements of British Energy Group plc for the year ended 31 March 2009.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

British Energy Group plc is engaged in the generation and sale of electricity. References to the Company are to British Energy Group plc, the largest group for which consolidated financial statements are prepared for the year ended 31 March 2009. References to the Group are to the Company and its subsidiaries.

The Group was acquired by Lake Acquisitions Limited (Lake Acquisitions), a wholly owned subsidiary of Electricité de France S.A. (EDF) on 5 January 2009 (the Acquisition). At this time British Energy Group plc became an indirect subsidiary of EDF and part of the EDF group. Following the Acquisition, the listing and admission to trading of the Company's shares were cancelled with effect from 3 February 2009.

The Group owns and operates eight nuclear power stations in the United Kingdom. The Group also owns and operates one coal-fired power station, Eggborough, which is operated under a Hold Separate Agreement. The Hold Separate Agreement was implemented following a commitment to the European Commission to ring fence the management and operation of Eggborough and hold it separate from the rest of the Group's fleet, until it is divested from the Group. The commitment was required as a condition of the European Commission's approval of the Acquisition of the Company by Lake Acquisitions. Following the Restructuring of the Group in 2005, the Eggborough Banks also received an option to acquire the station. This option would require to be exercised by 31 August 2009, which if exercised, would transfer ownership on 31 March 2010 (see note 28 for more details). In the event that the option is not exercised, the Group is still committed to divest Eggborough in accordance with the European Commission conditions.

In addition, EDF made a commitment to the European Commission to divest, without conditions, one site potentially suitable for the construction and operation of new electricity production facilities situated adjacent to existing British Energy stations at either Heysham or Dungeness.

The principal activity of the Group remains unchanged following the Acquisition. It is the intention of the Directors that the Company will remain the immediate parent company of the Group and that the Group will continue its principal activity.

REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS

Overview

Output from the nuclear fleet for the year ended 31 March 2009 was 42.9TWh, which was 7.4TWh lower than nuclear output of 50.3TWh for the year ended 31 March 2008.

The reduction in output for the nuclear fleet principally reflects lost output attributable to the Boiler Closure Unit issue at Hartlepool and Heysham 1 power stations. Output has also been impacted by issues with the Fuel Plug Units at Dungeness B and the ongoing impact of operation at reduced load due to boiler issues at Hinkley Point B and Hunterston B.

Good progress has been made on each of these issues as follows:

- all four units at Hartlepool and Heysham 1 returned to service over the course of January, February and March 2009;
- both units at Dungeness B have returned to service; and
- Hinkley Point B and Hunterston B have achieved operation at around 70% load, as expected.

The Group continues to benefit from the income from Eggborough power station. Output from Eggborough was 9.3TWh for the year ended 31 March 2009, 1.2TWh higher than output of 8.1TWh for the year ended 31 March 2008.

Safety and environmental performance

The Group is committed to safety and environmental excellence and has worked hard to embed a culture of operational safety and excellence through investment in its people and working practices.

There were seven nuclear reportable events during the year (one affecting two stations) compared to four in the prior year. None of these events were rated higher than Level 1 of the International Nuclear Event Scale (INES), where Level 1 represents events that have no impact on the safety of the general public or our workforce.

There were a total of 22 lost time accidents (LTAs) during the year, compared to 19 in the prior year. During the year, 10 of the 22 LTAs were sustained by Group employees and 12 by contractors. The increase in LTAs can be, in part, attributed to the significant amount of additional and challenging projects which have been undertaken by contractors and Group employees during the year.

The Group measures environmental performance on a scale more stringent than that of the Environment Agency. On the Group's scale there were 13 environmental events in this year down from 15 in the prior year, all of which were rated by our environmental regulators as having minor or no environmental impact.

RESULTS, DIVIDENDS AND FINANCIAL POSITION

The result for the year is set out in the consolidated income statement on page 10. The Company's loss for the year of £127m (2008: £335m profit) was deducted from (2008: transferred to) reserves.

Revenue

Revenue consists primarily of wholesale generation sales and sales by the Group's direct supply business, British Energy Direct. Revenue was £2,846m in the year, up from £2,811m in the year ended 31 March 2008. The impact on revenue of decreased output has been offset by an increase in realised price from £40.7/MWh in 2008 to £47.4/MWh in 2009. Realised price is calculated as revenue from generated electricity divided by total output.

Operating and Energy Costs
Operating and energy costs were £2,121m in the year before exceptional items, an increase of £192m from the level of operating costs in the prior year. The main causes of the increase are:

- Eggborough fuel costs, driven by a significant rise in coal prices, partially offset by reduced nuclear fuel costs as a result of the lower nuclear generation in the year; and
- costs related to the return to service of Hartlepool and Heysham 1 following the extended Boiler Closure Unit outages.

Exceptional items of £62m have been charged to operating profit which relate to professional fees of £43m and the accelerated vesting of share incentive schemes of £19m due to the Acquisition.

Unit operating cost (calculated as operating costs of generated electricity plus depreciation and software amortisation, divided by total output) increased to £38.6/MWh for the year, up from £30.0/MWh in 2008. This increase is driven by increased costs and reduced output.

Deducting unit operating cost from realised price per unit results in an operating margin per unit of £8.8/MWh for the year (2008: £10.7MWh).

Other Operating Income
Other operating income relates primarily to distributions received from an Enron insolvency claim.

Cash Sweep Payment and Amortisation of Conversion Asset
In connection with the Acquisition on 5 January 2009, the Contribution Agreement was revised such that the NLF is no longer entitled to any Cash Sweep Payment (see note 9). Hence, there is no Cash Sweep Payment accrual in respect of the year ended 31 March 2009 and no charge recognised in the consolidated income statement. In the year ended 31 March 2008, the Cash Sweep Payment was £102m.

The conversion asset was created as a result of the partial exercise of the NLF's conversion right in June 2007. The asset was subsequently increased by £4,421m on 5 January 2009 upon exercise of the NLF's conversion right over its remaining interest. The conversion asset represents the fair value of the obligation which is removed as a result of the exercise of the conversion right and is amortised on a straight line basis over the estimated useful accounting lives of the nuclear power stations. The amortisation charge in the year was £271m, up from £167m in 2008, reflecting the increase of the conversion asset.

Depreciation and Other Amortisation
Depreciation of £239m (2008: £238m) was comparable with the prior year.

Other amortisation of £18m (2008: £9m) relates to amortisation of software in the year. This has increased due to an additional amortisation charge on specific items of software, following a change in the intended use of these assets as a result of the Acquisition.

Unrealised Net Gains/(Losses) on Derivative Financial Instruments and Commodity Contracts
The charge to the consolidated income statement in the year of £43m (2008: £3m) represents the fair value movements on electricity, coal, carbon allowances and other forward contracts which fall within the scope of IAS 39 - Financial Instruments: Recognition and Measurement (IAS 39).

For the year ended 31 March 2008, the charge of £3m represented the fair value movement of electricity and other forward commodity contracts of £67m offset by a credit for the fair value movements in carbon allowance forward contracts of £64m.

Financing (Charges)/Credits
Interest payable of £165m (2008: £77m) relates to interest on the Group's Bonds, together with finance fees on structured trading contracts and committed letter of credit facilities. This includes exceptional charges of £84m in respect of the Make Whole Amount, paid to bondholders upon redemption of the bonds on 10 February 2009.

Interest receivable of £55m (2008: £89m) relates to interest earned on cash deposits and interest earned on deferred cash receipts in respect of a capped collateral power sales contract. This has decreased as a result of lower interest bearing cash deposits, lower interest rates in 2009 compared to 2008 and lower interest received on deferred cash receipts as a result of reduced amounts due under this contract.

For details of other finance expense of £2m (2008: £19m income), refer to note 10 in the consolidated financial statements.

Taxation
A total tax charge of £117m (2008: £203m) has been recognised in the year, comprising a current tax charge of £96m (2008: 205m) and a deferred tax charge of £21m (2008: £2m credit). Included within the tax charge of £117m is a credit of £29m relating to exceptional items incurred as a result of the Acquisition.

Adjusting for the impact of the conversion asset amortisation and the professional fees incurred upon the Acquisition (which are non-deductible for tax), the prior year adjustments and the phasing out of industrial buildings allowances, results in an effective tax rate of 27% (2008: 29%) which is broadly consistent with the standard corporation tax rate of 28% (2008: 30%).

The Group has made instalment payments of £23m and £42m during the year in respect of the current tax payable for the year ended 31 March 2007 and 31 March 2008 respectively and received a repayment of £7m in respect of the current tax payable for the year ended 31 March 2006.

Dividends
The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2009.

Following approval at British Energy Group plc's AGM on 17 July 2008, a base dividend in respect of the year ended 31 March 2008 of 13.6p per share (equivalent to £141m in total) was paid on 31 July 2008.

An additional dividend distribution relating to the year ended 31 March 2007, payable as an interim dividend, of 14.5p per share (equivalent to £150m in total) was paid on 3 April 2008.

Financial position
Net assets increased to £8,790m at 31 March 2009 from £4,982m at 31 March 2008, mainly due to the increase in the conversion asset of £4,150m, net of the £271m annual amortisation charge, arising from the exercise of the NLF's conversion right over its remaining interest in the Group. Other significant movements in the net asset position of the Group relate to the early redemption of the bonds of £516m and an increase in the retirement benefit obligations deficit by £343m to £559m at 31 March 2009.

At 31 March 2009 the Group had cash and cash equivalents of £717m compared to £1,028m at 31 March 2008. Net cash inflow generated from operations during the year was £782m.

Net cash used in investing activities was £227m in the year. Investing activities mainly comprise investment in plant and equipment and software.

Net cash used in financing activities was £866m (2008: £192m) which relates primarily to:

- the repayment of bond principal of £600m (2008: £57m);
- dividend payments totalling £291m (2008: £140m) in respect of the additional dividend for the year ended 31 March 2007 and the base dividend for the year ended 31 March 2008; and
- receipts in relation to financing secured on uranium inventory of £32m (2008: £nil).

In addition to cash and cash equivalents, there are restricted cash and other financial assets of £111m at 31 March 2009 (31 March 2008: £286m) of which £97m (31 March 2008: £267m) is cash posted as collateral in support of trading activities.

The total debt at 31 March 2009 was £32m (2008: £516m) resulting in a net cash position (excluding restricted cash and other financial assets) of £685m (2008: £512m). The total debt is represented solely by financing related to uranium inventory.

EQUITY

On 5 January 2009, upon exercise of the NLF's conversion right over its remaining interest, called up equity share capital and share premium increased by £57m and £4,364m respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties, including the Group's financial risk management objectives and policies are set out below.

Overview
The Group's principal financial instruments include derivative commodity contracts for the sale and purchase of electricity, purchase of coal and carbon allowances, interest bearing debt, loans, investments in short-dated commercial paper, cash held in collateral accounts, cash and short-term deposits. *Refer to note 21 in the consolidated financial statements for further details on the Group's financial assets and liabilities.*

The main financial risks faced by the Group are trading risks in respect of the sale of electricity. Electricity trading risks include: exposure to electricity price fluctuations, balancing of output volume with contractual commitments, commodity (coal, carbon allowances and uranics) price risk and counterparty credit risk. Prior to the Acquisition, these were managed by the Group's Trading and Sales division which operated within policies and procedures that were approved and monitored by the Board. The Trading and Sales division were not permitted to take speculative open positions.

Non-trading financial risks, including liquidity, interest rate and foreign exchange risks were managed by the Group's central treasury department which also operated within policies and procedures that were approved and monitored by the Board. The treasury department was not permitted to take speculative open positions.

In addition the Group has exposure to risks associated with its pension schemes and the funding of certain nuclear liabilities not funded by the NLF or covered by the Government indemnity.

Following the Acquisition, the above risks are managed in accordance with EDF Group policies.

Electricity Price and Balancing Risk
The Group is exposed to electricity price risk. Electricity price cash flow risk exists where the Group has uncontracted sales volumes or floating priced contracted sales. Electricity price fair value risk exists where contracts are fixed in price, thereby exposing the Group to changes in fair values as a result of changes in market prices.

During the year, the Group extended its fixed price contract portfolio to provide more future income certainty while operating within collateral constraints to protect the business against the effects of potential power price movements.

Under BETTA any mismatch between actual metered generation (or demand) and the notified contract position is settled through the balancing mechanism at generally unfavourable prices. The Group aims to manage the portfolio of fixed price contracts to minimise exposure to the balancing mechanism and short-term electricity prices.

In compliance with IFRS 7 – Financial Instruments: Disclosures (IFRS 7), the following sensitivity is required to be disclosed in respect of electricity price risk. The sensitivity only covers contracts within the scope of IAS 39 and solely relates to the change in the mark to market impact as at 31 March 2009 and 31 March 2008. In addition, it should also be noted that only a small proportion of the Group's electricity contracts fall within the scope of IAS 39.

For every 5% higher/lower movement in electricity prices, whilst holding all other variables constant, the Group's:

- loss after tax for the year ended 31 March 2009 would increase/decrease by £14m (2008: profit after tax would increase/decrease by £18m); and
- other equity reserves would decrease/increase by £3m (2008: £6m).

A 5% decrease or increase represents the Group's assessment of a reasonably possible change in electricity prices as at 31 March 2009 and 31 March 2008.

Commodity Price Risk
The Group manages exposure to fluctuations in market prices within the coal market either by securing fixed prices on a variety of delivery bases or by entering into coal contracts as natural hedges against power and carbon price movements. The Group manages its exposure to prices of carbon allowances by matching carbon allowance purchases with sales of electricity, taking account of free allowances held at the time.

In compliance with IFRS 7, the following sensitivity is required to be disclosed in respect of commodity price risk. The sensitivity only covers contracts within the scope of IAS 39 and solely relates to the change in the mark to market impact as at 31 March 2009 and 31 March 2008. In addition, it should also be noted that only a small proportion of the Group's commodity contracts fall within the scope of IAS 39.

For every 5% higher/lower movement in coal and carbon prices, whilst holding all other variables constant, the Group's:

- loss after tax for the year ended 31 March 2009 would decrease/increase by £4m (2008: profit after tax would increase/decrease by £2m); and
- other equity reserves would remain unchanged (2008: unchanged).

A 5% decrease or increase represents the Group's assessment of a reasonably possible change in coal and carbon prices as at 31 March 2009 and 31 March 2008.

The Group currently has stocks and contracts in place which provide nearly 100% coverage of our anticipated requirements of uranium and uranium related services until 31 March 2011. The current market price of uranium, while having declined in last year, is still above the level of these existing fuel agreements. The long-term market price of uranium was US$65 per pound as at 18 May 2009, down from US$95 per pound as at 31 March 2008. If uranium and uranium related services increased to long-term market prices, this could eventually increase the Group's total nuclear fuel costs by approximately £136m per annum, based on nuclear output for the year ending 31 March 2009. These prices could begin to be substantially reflected in the income statement within the financial year ending 31 March 2012, as supply under existing stocks and contracts are utilised, and would continue to rise until the full impact of the prevailing uranium price is reflected during the financial year ending 31 March 2016.

Counterparty Credit Risk
The Group's policy is to manage credit exposure to trading counterparties within defined limits. All of the Group's counterparties are assigned internal credit limits.

The main counterparty credit risks occur in relation to direct sales contracts, wholesale customers and cash and cash equivalent balances.

British Energy Direct sells electricity to large industrial and commercial customers. The Group has credit insurance in place to minimise losses from the failure of customers to pay their debts. At 31 March 2009, over 75% (2008: over 70%) of the amounts receivable from large industrial and commercial customers was insured.

Bilateral structured contracts for the wholesale electricity market are normally based upon Grid Trade Master Agreements (GTMA) or International Swap Dealers Association (ISDA) terms and conditions. Counterparties with an investment grade rating (from Standard and Poor's and/or Moody's) are usually not required to provide credit support for trading activities. Counterparties without an investment grade rating are normally required to provide credit support which takes the form of a guarantee from an investment grade rated entity or cash deposits. Where appropriate the Group has purchased credit default swaps.

At 31 March 2009, the Group's maximum credit exposure from wholesale counterparties was £373m (2008: £17m). This includes both the value of trade receivable balances in respect of power delivered and mark to market of all future contracted sales at the balance sheet date. Of the maximum credit exposure in 2009, over 45% represents exposure to one wholesale trading counterparty which is A+ rated.

The Group is also exposed to counterparty credit risk on its cash and cash equivalent balances. The Group has reduced individual counterparty limits and average duration for individual deposits, which has resulted in an increase in the number of counterparties used to deposit cash and cash equivalents. As at 31 March 2009 the Group held cash deposits with Her Majesty's Government (HMG) of £60m.

Capital and Liquidity Risk
The capital structure of the Group consists of cash and cash equivalents, debt and equity attributable to equity holders as disclosed in notes 20, 22 and 30 respectively.

The Group's objective when managing capital continues to be the safeguarding of the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group maintains a mixture of cash and cash equivalents, long-term debt and short-term committed facilities that are designed to ensure the Group has sufficient available funds for business requirements. The cash and cash equivalents position is discussed above in the Financial Position section.

The Group's main source of liquidity is its operating businesses. The treasury department uses regular forecasts of operational cash flow, investment and trading collateral requirements to ensure that sufficient liquid cash balances are available to service ongoing business requirements. Factors such as the seasonality of cash flows, servicing of debt and funding requirements in respect of the NLF and pension schemes are also assessed. Liquid assets which are surplus to immediate operational requirements are invested in line with the Group's treasury investment policy. The Board reviews liquidity risks in detail as part of the annual business planning process. Cash generation activities are then monitored by the Board through monthly reports.

Cash generation by the operating businesses is dependent upon the reliability of the Group's power stations in producing electricity, the realised selling price for electricity, operational risk and capital investment expenditure and maintenance requirements. The Group mitigated some of its nuclear output risk by entering into business interruption insurance for its power stations. Claims under this policy could only be brought for a limited number of circumstances and in order to claim there first needed to be an insurable material damage event. The Group's conservative decision taking approach towards operating its power stations safely means there are a small number of circumstances where a claim could be made. As a consequence, the majority of unplanned outages were not covered by business interruption insurance. From 1 April 2009, the Group has aligned its business interruption insurance with EDF group policy and no longer purchases business interruption insurance. In addition a significantly higher deductible now applies to property damage policy for the nuclear fleet.

In line with market practice, the counterparties to the Group's standard fixed price electricity contracts require that cash is deposited as collateral to cover their risk that the Group may be unable to fulfil contract delivery obligations. Collateral is required to cover both initial and variation margin.

In a volatile electricity market the requirements to post collateral can fluctuate significantly and could result in a significant risk to liquidity. The Group aims to mitigate this risk by utilising routes to market that are collateral efficient. These include the direct sale of electricity to industrial and commercial customers on a collateral free basis and the use of zero/capped collateral fixed price contracts. In addition, the Group also has available £275m of bilateral standby letter of credit facilities to support calls for collateral.

On redemption of the Bonds on 10 February 2009, the Group entered into an inter-company facility agreement with Lake Acquisitions. As at 31 March 2009 the amount available under this committed facility was £529m. This facility will reduce as specified within the agreement until expiry on 31 March 2022.

Interest Rate Risk
The Group uses fixed interest rate borrowings and deposits to reduce exposure to fluctuations in interest rates as considered necessary. The Group does not enter into instruments which are leveraged or held for speculative purposes.

At 31 March 2009 and 31 March 2008 the Group had no interest rate derivatives.

In compliance with IFRS 7, the following sensitivity is required to be disclosed in respect of interest rate risk.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's loss after tax for the year ended 31 March 2009 would decrease/increase by £10m (2008: profit after tax would increase/decrease by £11m).

A 1% decrease or increase represents the Group's assessment of a reasonably possible change in interest rates.

Foreign Exchange Risk
Throughout the year the Group has economically hedged its foreign exchange exposure in relation to its contracted carbon purchases, including related collateral and cash provided to satisfy variation margin calls, and has reviewed its foreign exchange exposure to both nuclear fuel purchases and coal procurement and hedged the exposures as appropriate. It is the Group's policy not to engage in speculative foreign currency transactions.

In compliance with IFRS 7, the following sensitivity is required to be disclosed in respect of foreign exchange risk.

The Group has concluded that a 5% higher/lower change in the USD/GBP exchange rate or a 5% higher/lower change in the EUR/GBP exchange rate, with all other variables held constant, would not have had a significant impact on the net (loss)/profit or other equity reserves for either of the years ended 31 March 2009 or 31 March 2008.

A 5% higher/lower change in these exchange rates represents the Group's assessment of a reasonably possible fluctuation.

Retirement Benefit Obligations
The retirement benefit obligations for the pension schemes included on the consolidated balance sheet at 31 March 2009 of £559m (2008: £216m) has been computed in accordance with IAS 19 – Employee Benefits (IAS 19). The key assumptions used in the IAS 19 valuation are detailed in note 26 to the consolidated financial statements. The IAS 19 valuation of the pension schemes' deficit is based on a valuation of assets and liabilities at a particular point in time and does not necessarily take account of the long-term nature of pension schemes. Movements in equity markets and bond yields can create considerable volatility in the actuarial valuation. The deficit reported should not, therefore, be taken as an indication of the IAS 19 valuation of the pension schemes' financial position on any date other than 31 March 2009.

The funding of the pension schemes is based on the results of triennial valuations by independent actuaries rather than on the results of the IAS 19 valuation used for accounting purposes. The latest triennial valuation of the British Energy Generation Group scheme was carried out as at 31 March 2007.

Following the Acquisition, a revised schedule of contributions has been approved by the Trustees to fund the deficit identified at the last triennial valuation. This schedule sets out a revised deficit repair plan comprising contributions of £112m per annum paid in monthly instalments throughout the year ending 31 March 2010, followed by contributions of £12m per annum paid in monthly instalments from 1 April 2010 to 31 December 2013.

Nuclear Liabilities Risk
The Group's nuclear liabilities are in respect of costs for the management of spent fuel, nuclear decommissioning and other uncontracted nuclear liabilities.

The Government provides an indemnity to cover liabilities for spent AGR fuel loaded pre-RED and, in relation to qualifying uncontracted nuclear and decommissioning liabilities, the Government will also indemnify any future funding shortfall of the NLF. The Group continues to be responsible for funding certain excluded or non-qualifying nuclear liabilities (if any) and will not be compensated or indemnified by the NLF and the Secretary of State in relation to such liabilities. At both 31 March 2009 and 31 March 2008 the Group did not have any excluded or non-qualifying nuclear liabilities.

POLICY ON PAYMENT OF CREDITORS

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of these terms and to abide by the agreed terms. The Company had no trade creditors at 31 March 2009 (2008: £nil) and the Group had trade payables of £413m at 31 March 2009 (2008: £256m). During the year, suppliers to the Group were paid within an average of 60 days (2008: 60 days). For the purpose of this analysis supplier purchases exclude payments to BNFL, the Group's principal supplier, which are generally made against an agreed contract profile.

CHARITABLE AND POLITICAL DONATIONS

The Company made charitable donations during the year of £132,445 (2008: £197,499) in support of the community. No political donations were made during the year (2008: £nil).

POST BALANCE SHEET EVENTS

On 11 May 2009, Centrica plc announced that it had entered into certain transactions with EDF Group. The main elements of the transactions which impact upon British Energy Group plc are:

- Centrica plc intends to subscribe for a 20% shareholding in Lake Acquisitions. Following the Acquisition, EDF Group and Centrica plc will jointly own, on an 80/20 basis, British Energy Group plc; and
- EDF Group and Centrica plc will have the right to offtake power from the Group's existing nuclear fleet in proportion to their respective shareholdings in Lake Acquisitions.

The above transactions were approved by Centrica plc shareholders at a General Meeting, on 8 June 2009. The transactions remain subject respectively to merger control approvals from the European Commission and UK competition authorities and other regulatory clearances.

EMPLOYEES

The Group is committed to involving employees in the business and achieving a common awareness of all employees in relation to financial and economic factors affecting the performance of the Group through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well established formal consultation procedures.

The Group is committed to its equal opportunities policies, which include promoting training and career development for all employees. Full and fair consideration for all vacancies and opportunities will be given to men and women, people with disabilities and those from ethnic minorities, regardless of marital status, age, religion or sexual orientation. If members of staff become disabled the Group continues employment wherever possible and arranges retraining. The policy is supported by a Code of Practice on harassment which recognises that all employees have the right to be treated with dignity and respect.

Prior to the Acquisition, the Group operated a number of share compensation schemes. Upon the Acquisition these schemes vested with immediate effect and no further awards are to be made under share compensation schemes.

More details of these schemes are set out in note 32 of the consolidated financial statements.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 2. Having made enquiries of fellow Directors and of the auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their Report of which the auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are required to prepare financial statements for each financial year which present fairly the financial position and performance of the Group and give a true and fair view of the state of affairs of the Company for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors also confirm that the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company. This enables them to ensure that the financial statements comply with the Companies Act 1985 in respect of the Group and the Company and Article 4 of the IAS Regulation in respect of the Group. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. The information published on the website has been prepared under United Kingdom company law and may not be in accordance with legal requirements of other countries from which the information can be accessed.

This report was approved by the Board of Directors on 23 June 2009 and signed on its behalf by:

ROBERT ARMOUR
Company Secretary

British Energy Group plc Financial Statements
Independent Auditors' Report to the Members of British Energy Group plc

We have audited the Group financial statements of British Energy Group plc for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated statement of cash flows and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of British Energy Group plc for the year ended 31 March 2009.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' Report and all of the other information listed on the Directors and Advisers page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow

23 June 2009

Notes:
(a) The maintenance and integrity of the British Energy Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

British Energy Group plc Financial Statements
Consolidated Income Statement
for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Revenue	4	**2,846**	2,811
Operating and energy costs before exceptional items	5	**(2,121)**	(1,929)
Exceptional items	5	**(62)**	-
Operating and energy costs after exceptional items		**(2,183)**	(1,929)
		663	882
Other operating income	25	**10**	10
Cash Sweep Payment credit	8	**-**	134
Cash Sweep Payment accrual	9	**-**	(102)
Depreciation	15	**(239)**	(238)
Amortisation of conversion asset	14	**(271)**	(167)
Other amortisation	17	**(18)**	(9)
Unrealised net losses on derivative financial instruments and commodity contracts	12	**(43)**	(3)
Total operating profit		**102**	507
Financing (charges)/credits			
Interest payable before exceptional item	10	**(81)**	(77)
Exceptional item	10	**(84)**	-
Interest payable after exceptional item		**(165)**	(77)
Interest receivable	10	**55**	89
Net other finance (expense)/income	10	**(2)**	19
(Loss)/profit before taxation		**(10)**	538
Taxation before exceptional items	11	**(146)**	(203)
Exceptional items	11	**29**	-
Taxation after exceptional items		**(117)**	(203)
Net (loss)/profit for the year attributable to shareholders		**(127)**	335

Consolidated Statement of Recognised Income and Expense
for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Net gains/(losses) on hedged items for the year	30	**105**	(102)
Net actuarial losses on retirement benefit obligations for the year	26	**(381)**	(199)
Tax on items taken directly to equity for the year	11	**78**	90
Net expense recognised directly in equity		**(198)**	(211)
Net (loss)/profit for the year attributable to shareholders		**(127)**	335
Total recognised income and expense		**(325)**	124

British Energy Group plc Financial Statements
Consolidated Balance Sheet
as at 31 March 2009

	Notes	2009 £m	2008 £m
Assets			
Non-current assets			
Conversion asset	14	**5,737**	1,993
Property, plant and equipment	15	**1,637**	1,665
NLF and nuclear liabilities receivables	16	**5,231**	5,310
Deferred income tax asset	11	**15**	-
Goodwill and intangible assets	17	**371**	413
Trade and other receivables	18	**229**	317
		13,220	9,698
Current assets			
Conversion asset	14	**586**	180
Inventories	19	**526**	448
NLF and nuclear liabilities receivables	16	**216**	202
Trade and other receivables	18	**512**	451
Restricted cash and other financial assets	20	**111**	286
Cash and cash equivalents	20	**717**	1,028
Derivative financial instruments and commodity contracts	21	**9**	53
		2,677	2,648
Total assets		**15,897**	12,346
Liabilities			
Current liabilities			
Borrowings	22	**-**	(61)
Trade and other payables	23	**(754)**	(659)
Current tax liability	11	**(64)**	(23)
Nuclear liabilities	24	**(216)**	(202)
Provisions for other liabilities and charges	25	**(15)**	(19)
Derivative financial instruments and commodity contracts	21	**(36)**	(142)
		(1,085)	(1,106)
Non-current liabilities			
Borrowings	22	**(32)**	(455)
Retirement benefit obligations	26	**(559)**	(216)
Nuclear liabilities	24	**(5,231)**	(5,310)
Deferred income tax liability	11	**-**	(45)
Provisions for other liabilities and charges	25	**(28)**	(42)
NLF liabilities	27	**(167)**	(185)
Deferred income	28	**(5)**	(5)
		(6,022)	(6,258)
Total liabilities		**(7,107)**	(7,364)
Net assets		**8,790**	4,982
Equity			
Called up share capital	29,30	**161**	103
Share premium	30	**4,429**	59
Capital reserve	30	**767**	767
Hedge reserve	30	**5**	(71)
Warrant reserve	30	**-**	12
Retained earnings	30	**3,428**	4,112
Total shareholders' equity (including non-equity shareholder's interests)	30	**8,790**	4,982

The consolidated financial statements were approved by the Board of Directors on 23 June 2009 and signed on its behalf by:

Thomas Kusterer
Director

British Energy Group plc Financial Statements
Consolidated Statement of Cash Flows
for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Operating activities			
Operating profit		**102**	507
Depreciation	15	**239**	238
Amortisation of conversion asset	14	**271**	167
Other amortisation	17	**18**	9
Share-based payments	32	**10**	6
Unrealised net losses on derivative financial instruments and commodity contracts	12	**43**	3
Movement in provisions for other liabilities and charges		**(1)**	(17)
Decrease in Cash Sweep Payment accrual		**-**	(134)
Cash Sweep Payment		**(102)**	(171)
Interest paid		**(81)**	(77)
Interest received		**59**	87
NLF liabilities payment	27	**(24)**	(23)
Difference between pension contributions paid and amounts recognised in consolidated income statement		**(33)**	(11)
Taxation paid		**(58)**	(118)
Increase in inventories		**(78)**	(49)
Decrease/(increase) in trade and other receivables		**23**	(120)
Decrease/(increase) in restricted cash and other financial assets		**175**	(140)
Increase in trade payables and other payables		**179**	187
Decrease/(increase) in intangible assets		**40**	(22)
Net cash inflow generated from operations		**782**	322
Cash flows from investing activities			
Purchases of property, plant and equipment	15	**(213)**	(197)
Purchases of software	17	**(14)**	(10)
Proceeds from disposal of property, plant and equipment		**-**	4
Net cash used in investing activities		**(227)**	(203)
Cash flows from financing activities			
Purchase of own shares for share incentive schemes	30	**(9)**	(2)
Exercise of Warrants	30	**2**	7
Financing secured on uranium inventory	22	**32**	-
Repayment of borrowings	22	**(600)**	(57)
Equity dividends paid	13	**(291)**	(140)
Net cash used in financing activities		**(866)**	(192)
Net decrease in cash and cash equivalents		**(311)**	(73)
Cash and cash equivalents at the beginning of the year		**1,028**	1,101
Cash and cash equivalents at the end of the year	20	**717**	1,028

1. Presentation of the Financial Statements

(i) Description of Business

British Energy Group plc is engaged in the generation and sale of electricity. References to the Company are to British Energy Group plc, the largest group for which consolidated financial statements are prepared for the year ended 31 March 2009. British Energy Group plc is a public limited company, incorporated and domiciled in Great Britain. References to the Group are to the Company and its subsidiaries.

On 5 November 2008, Lake Acquisitions Limited (Lake Acquisitions), a wholly owned subsidiary of Electricité de France S.A. (EDF) announced the terms of its Recommended Offers to acquire the entire issued and to be issued share capital of British Energy Group plc other than the Special Share (being the special rights redeemable preference share of £1 held jointly by the Secretary of State of Her Majesty's Government ("HMG") and the Secretary of State for Scotland). European Commission clearance for the bid was received on 22 December 2008 and on 5 January 2009 the Offers were declared wholly unconditional and British Energy Group plc became an indirect subsidiary of EDF (the Acquisition). Following the Acquisition, the listing and admission to trading of the Company's shares were cancelled with effect from 3 February 2009.

The Group owns and operates eight nuclear power stations in the United Kingdom. The Group also owns and operates one coal-fired power station, Eggborough, which is ring-fenced from the rest of the Group's activities under a Hold Separate Agreement. This was a condition of securing consent from the European Commission for the Acquisition and was effective from 5 April 2009, therefore has had no impact in these financial statements.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on June 2009.

(ii) Compliance with Applicable Law and IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the provisions of the Companies Act 1985 applicable to companies reporting under IFRS.

(iii) Financial Period

The consolidated financial statements cover the financial year from 1 April 2008 to 31 March 2009, with comparative figures for the financial year from 1 April 2007 to 31 March 2008.

(iv) Basis of Consolidation

The consolidated financial statements consolidate the financial statements of British Energy Group plc and the entities it controls (its subsidiaries) drawn up to 31 March. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full.

A list of subsidiary undertakings which, in the opinion of the Directors, principally affected the amount of profit or the net assets of the Group is given in note 31 to the consolidated financial statements.

(v) Composition of the Consolidated Financial Statements

The consolidated financial statements consolidate the financial statements of British Energy Group plc and all of its subsidiary undertakings, and comprise the following:

- consolidated income statement;
- consolidated statement of recognised income and expense;
- consolidated balance sheet;
- consolidated statement of cash flows; and
- notes to the consolidated financial statements.

(vi) Accounting Convention

The consolidated financial statements have been prepared using the historical cost convention, modified for certain items carried at fair *value, as stated in the accounting policies.*

(vii) Parent Company Financial Statements

British Energy Group plc, the Company, has not adopted IFRS and has therefore drawn up separate financial statements in accordance with United Kingdom generally accepted accounting principles (UK GAAP). These are presented in the Annual Report on pages 55 to 60.

2. Accounting Policies

(i) Significant Estimates and Judgements Used in Applying Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The principal accounting policies adopted by the Group in the consolidated financial statements are as set out below. The application of a number of these policies required the Group to use a variety of estimation techniques and apply judgement to best reflect the substance of underlying transactions.

Significant factors considered when using estimates to assess the carrying value of assets include future electricity prices, expected annual output, expected station operating costs, remaining station lives and discount rates. The Group has determined that a number of its accounting policies can be considered significant, in terms of the management judgement that has been required to determine the various assumptions underpinning their application in the consolidated financial statements presented which, under different conditions, could lead to material differences in these statements. The policies where significant judgements have been made are the:

- application of business combination accounting rules;
- accounting for conversion asset;
- accounting for property, plant and equipment;
- accounting for goodwill;
- accounting for coal inventory;
- estimation of liabilities for spent nuclear fuel and decommissioning costs;
- estimation of retirement benefit obligations;
- estimation of fair value of derivative financial instruments and commodity contracts; and
- accounting for deferred tax.

Actual results can differ from estimates.

(ii) Revenue

Revenue is recognised by the Group when a sales arrangement exists, delivery of goods or services has occurred, the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits will flow to the Group.

Revenue represents the fair value of the consideration receivable for sales of electricity supplied during the period and sales of other related goods and services. It is shown net of value added tax, electricity purchases relating to short-term balancing and hedging activities, and climate change levy. Revenue is also shown after elimination of sales within the Group.

Wholesale generation and direct supply sales are recognised on an accruals basis with reference to meter readings of electricity supplied. Where required, a management estimate is included of the value of units supplied to customers between the date of their last meter reading and the accounting period end. Where an estimate of electricity supplied is required, the estimate is calculated using historical consumption patterns and is included in trade receivables.

Following the Acquisition, the State Aid Power Purchase Agreement (SAPPA) between the Group and EDF Energy was implemented with effect from 24 March 2009. The SAPPA is a condition of the Acquisition and is a mechanism whereby residual power generated by the Group is sold solely to EDF Energy. Existing supply contracts in place as at 24 March 2009 will continue to be honoured by the Group. This agreement has had no material impact on the results for the year ended 31 March 2009.

Revenue includes miscellaneous income that comprises mainly services to Magnox in respect of shared sites and the income generated from the Group's role in trading the electrical output of the Nuclear Decommissioning Agency's Magnox nuclear power stations.

(iii) 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 inventory and charged to the consolidated income statement in proportion to the amount of fuel burnt.

Pressurised Water Reactor (PWR)

All front end fuel costs are variable and are capitalised into inventory and subsequently charged to the consolidated income statement in proportion to the amount of fuel burnt.

(iv) 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 inventory and charged to the consolidated income statement 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 inventory on loading and charged to the consolidated income statement in proportion to the amount of fuel burnt.

(v) 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 at the balance sheet date and any changes in the carrying value of nuclear fuel attributed to the final core are charged to the consolidated income statement in the accounting period.

(vi) Fuel Costs – Eggborough

Fuel costs for Eggborough are determined on a weighted average cost basis. Fuel costs for Eggborough also include costs of carbon allowances (see note 2 (xv)).

(vii) Research Expenditure

Expenditure on scientific and engineering research, preliminary studies and the initiation of new technologies is categorised as research and charged to the consolidated income statement as incurred.

(viii) Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to the consolidated income statement on a straight line basis over the lease term.

(ix) Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated into sterling at the rate of exchange ruling at the date of the balance sheet. All differences are taken to the consolidated income statement.

(x) Share-based Payment

The Group has four share compensation schemes, the Share Incentive Plan, the Deferred Incentive Plan, the Long Term Deferred Bonus Plan and the Interim Bonus Plan. As a result of the Acquisition on 5 January 2009, all share compensation schemes vested with immediate effect. The Group has accounted for these share compensation schemes in accordance with IFRS 2 – Share-based Payment (IFRS 2).

The fair value of the share compensation schemes has been charged to the consolidated income statement over the period from the date the awards were granted to the date at which the schemes vested on the employees, with the corresponding credit being included in total shareholders' equity. No further awards are to be made under share compensation schemes.

(xi) Exceptional Items

Exceptional items, by their nature, are not indicative of the underlying operating performance of the Group. Exceptional items are material to the results for the year and are of a non-recurring nature and are therefore presented separately.

(xii) Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in full, using the balance sheet liability method, on temporary differences identified at the balance sheet date using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Temporary differences are differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the corresponding tax bases used in the computation of taxable profits. Deferred tax assets are only recognised to the extent that it is considered probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is charged to the consolidated income statement except where it relates to items charged or credited to equity in which case the deferred tax is dealt with in equity.

(xiii) Conversion Asset

The conversion asset represents the asset which is equivalent to the fair value of the obligation removed as a result of the exercise of the NLF's conversion rights (see note 2 (xviii)).

The NLF conversions have been accounted for under IFRS 2. The issue of new shares by British Energy Group plc gave rise to the recording of ordinary share capital, together with a share premium representing the excess of the conversion share price over the nominal value of shares issued.

The fair value of the conversion asset recorded as a result of the exercise of the conversion rights has been deemed to be the fair value of the new equity issued at the conversion dates. Following initial recognition, the conversion asset is measured at cost less amortisation and any accumulated impairment losses. The conversion asset is allocated between current and non-current assets as appropriate on the consolidated balance sheet.

The charge for amortisation is calculated so as to write the conversion asset off on a straight line basis over the estimated useful accounting lives of the nuclear power stations.

(xiv) Property, Plant and Equipment and Depreciation

Property, plant and equipment comprises assets acquired or constructed by the Group. Property, plant and equipment (other than assets in the course of construction) are stated in the consolidated balance sheet at cost less accumulated depreciation. The fair value of property, plant and equipment acquired as a result of the Restructuring was deemed to be the cost amount recognised at that date. Cost includes expenditure that is directly attributable to the acquisition of the items. Accumulated depreciation includes additional charges made where necessary to reflect impairment in value.

Assets in the course of construction are stated at cost and not depreciated until commissioned.

The charge for depreciation of property, plant and equipment is based on the straight line method so as to write off the costs of assets, after taking into account provisions for diminution in value, over their estimated useful lives. The asset lives adopted are reviewed annually and for the year ended 31 March 2009 were:

AGR power stations	5 – 14 years
PWR power station	26 years
Eggborough power station	7 years
Other buildings	30 years
Other plant and equipment	18 months – 5 years

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, or to improve its operational performance is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. Expenditure to improve safety or in order to meet increased regulatory standards is also capitalised. Expenditure on major inspection and overhauls of production plant is capitalised, within other plant and equipment, when it meets the asset recognition criteria and is depreciated over the period until the next Outage. For AGR power stations, this depreciation period is two to three years, for the PWR power station it is 18 months and for Eggborough it is four years.

Major spare parts are classified as property, plant and equipment and assigned to individual stations when they are expected to be utilised over more than one period. They are depreciated using the applicable station lifetime estimate.

Gains and losses on the disposal of property, plant and equipment are included in operating profit.

(xv) Intangible Assets (excluding Goodwill)

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring the specific software in to use, and are amortised using the straight line method over their estimated operational lives for a maximum of five years. Costs directly associated with the development of computer software programmes that are expected to generate economic benefits over a period in excess of one year are also capitalised and amortised over their estimated operational lives.

Purchased Renewables Obligation Certificates (ROCs) and Levy Exemption Certificates (LECs) are initially recognised at cost within intangible assets. A liability for ROCs is recognised based on the level of electricity supplied to customers, and is calculated in accordance with percentages set by the UK Government and the renewable obligation certificate buyout price for that period. ROCs and LECs have sustainable values and can be used over an unrestricted period and therefore they are not amortised.

Under the EU Emissions Trading Scheme (EU ETS), granted carbon allowances received in a period are initially recognised at nil value within intangible assets. Purchased carbon allowances are initially recognised at cost within intangible assets. Allowances granted are apportioned over the year in line with actual and forecast emissions for the relevant emissions year. A liability is recognised when actual emissions are greater than the granted allowances apportioned for the year. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the balance sheet date, with movements in the liability recognised in operating profit. Forward contracts for the purchase or sale of carbon allowances are measured at fair value with gains and losses arising from changes in fair value recognised in the consolidated income statement in the unrealised net gains or losses on derivative financial instruments and commodity contracts line. On delivery of forward contracts, carbon allowances are capitalised in intangible assets at cost, with any permanent reduction to bring the carrying value in line with market prices being presented within fuel costs. Carbon allowances have a sustainable value and can be used in settlement of the Group's EU ETS obligation at any time within the corresponding EU ETS Phase. As a result, carbon allowances are not amortised.

(xvi) Impairment of Tangible and Intangible Assets (excluding Goodwill)

At each balance sheet date, the Group reviews its tangible assets and intangible assets (excluding goodwill (see note 2 (xvii))) to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is assessed. If an asset is impaired, a provision is made to reduce the asset's carrying amount to the estimated recoverable amount.

(xvii) Goodwill

Goodwill arising on acquisitions represents the excess of the fair value of the consideration at acquisition compared to the fair value of the identifiable net assets acquired. Goodwill is capitalised as an intangible asset on the consolidated balance sheet. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill balances are assessed for impairment at least annually and at other balance sheet dates if there is any indication of impairment.

(xviii) NLF Funding Arrangements

Under the arrangements in place with the Secretary of State at RED, the NLF will fund, subject to certain exceptions, the Group'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 Group 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 Group'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 (a subsidiary of British Energy Group plc) issued £275m in Bonds to the NLF at RED (which were subsequently redeemed in full following the Acquisition (see note 22)). At RED, the Group 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 as the nuclear power stations were scheduled to close 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 Contribution Agreement as revised upon the Acquisition, the NLF is no longer entitled to any Cash Sweep Payment. Hence, there is no Cash Sweep Payment in respect of the year ended 31 March 2009 that is required to be paid and therefore no accrual has been recognised in the consolidated balance sheet as at 31 March 2009.

The fixed decommissioning obligations of £20m per annum have been recorded as a liability on the consolidated 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 year the financing charges in the consolidated income statement include the revalorisation 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.

(xix) 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.

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 Government indemnity is also provided to cover the cost of services for spent AGR fuel loaded pre-RED. 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 consolidated 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 year the financing charges in the consolidated income statement include the revalorisation of these receivables required to match the revalorisation of the nuclear liabilities.

(xx) Nuclear Liabilities

Nuclear liabilities represent provision for the Group'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 Group'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 are made in respect of the following:

(a) Back End Fuel Costs

The treatment of back end fuel costs in the consolidated income statement has been dealt with under the accounting policies for fuel costs above. These nuclear liabilities cover the 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. Accruals are included within nuclear liabilities in the consolidated balance sheet, which are based on contractual arrangements and long-term cost forecasts, and which are reviewed regularly and adjusted where necessary.

(b) Decommissioning of Nuclear Power Stations

The consolidated financial statements include provision for the full cost of decommissioning the Group'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.

The liabilities for back end fuel costs and decommissioning are stated in the consolidated 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 year the financing charges in the consolidated income statement include the revalorisation of liabilities required to discharge one year's discount from provisions made in prior years and restate these provisions to current price levels.

(xxi) Financial Instruments

Recognition, Classification and Subsequent Measurement of Financial Assets and Liabilities

IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that all financial assets and liabilities be initially recognised at fair value in the consolidated balance sheet with changes in fair value reported through the consolidated income statement, or the hedge reserve to the extent that effective cash flow hedges exist. Exceptions apply to assets classified as loans and receivables and held-to-maturity investments, which are measured at amortised cost using the effective interest method, and also to equity investments in instruments whose fair value can not be reliably measured, which are recognised and measured at cost. Financial liabilities are measured at fair value or at amortised cost using the effective interest method. The Group measures all debt instruments initially at fair value, and this is taken to be the fair value of the consideration received.

Where financial assets or financial liabilities are measured at amortised cost, transaction costs (any such costs incremental to and directly attributable to the issue of the financial instruments) are included in the calculation of the effective interest rate and are, in effect, amortised through the consolidated income statement over the life of the instrument. Where financial assets or financial liabilities are measured at fair value, transaction costs are recognised immediately in the consolidated income statement.

If there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of an invoice, an impairment loss on the respective trade receivable will be recognised. In such an instance, the carrying value of the receivable is reduced, with the amount of the loss recognised in the consolidated income statement. Impaired trade receivables are derecognised when they are assessed as irrecoverable.

Financial assets are derecognised when the contractual right to the cash flow from the asset expires. Financial liabilities are derecognised when the obligation specified in the contract is extinguished or expires.

Accounting for Derivatives and Commodity Contracts

The Group's activities expose it primarily to risks associated with electricity generation, the purchase of fuel for use in the generation process, the purchase of carbon allowances and the supply of electricity to end customers in both the wholesale and retail markets. The Group follows a trading strategy of selling forward a proportion of the Group's output to reduce the Group's exposure to potential falls in the market price of electricity. The use of derivative financial instruments occurs primarily within the Group's electricity trading and coal and carbon allowance procurement activities.

The Board has endorsed the use of derivative financial instruments as hedging tools and the Group uses derivative and non-derivative financial instruments to manage its exposures.

Physical and financially settled instruments are held by the Group to match offsetting physical positions and are not held for proprietary trading purposes.

Where commodity contracts, such as electricity and fuel, are entered into in accordance with the Group's own purchase, sale or usage requirements (own use) they are excluded from the scope of IAS 39 and are accounted for on an accruals basis. Amounts payable or receivable in respect of these contracts are recorded within trade payables and trade receivables respectively.

Where a commodity contract is not entered in to or does not continue to be held to meet the Group's own purchase, sale or usage requirements it is treated as a derivative financial instrument, and the recognition and measurement requirements of IAS 39 are applied. Derivative financial instruments are presented in the derivative financial instruments and commodity contracts line of the consolidated balance sheet.

Derivative financial instruments that are held for trading, as defined by IAS 39, are initially recognised at fair value and all changes in fair value are subsequently accounted for through the unrealised net gains or losses on derivative financial instruments and commodity contracts line of the consolidated income statement. Held for trading assets and liabilities are classified as current in the consolidated balance sheet.

Derivative financial instruments that are designated and are effective as hedges of future cash flows are initially recognised at fair value and changes in the fair value are recognised directly in equity, in the cash flow hedge reserve. The ineffective portion of the hedge is recognised immediately in the consolidated income statement. Hedging instruments are classified as current or non-current with reference to the period of delivery.

The Group designates derivatives as cash flow hedging instruments when it is expected that there will be a high inverse correlation between the changes in fair value of the hedging instrument and the changes in the fair value of the cash flows of the hedged item. This is measured primarily using the dollar offset method. Such correlation is required to be within the limits of 80% to 125% for hedge accounting to be permitted. Prospective and retrospective testing is carried out on a regular basis, at least on each reporting date, to establish whether the assumptions and application criteria for hedge accounting are supported. The Group discontinues hedge accounting where the hedging relationship correlation is outside the required parameters.

Derivative instruments are de-designated from a hedge relationship when:

- the hedging instrument or item expires or is settled;
- the forecast transaction is no longer considered to be highly probable; and
- the hedging instrument no longer qualifies for hedge accounting under IAS 39 rules.

Any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity, in the cash flow hedge reserve, until the forecast transaction is settled. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised within equity is transferred to the consolidated income statement of the period.

Valuation of Commodity Contracts and Derivatives
The Group's valuation policy for derivative and other financial instruments is to maximise the use of quoted prices from active trading markets. All contracts that fall within the scope of IAS 39 are valued using observable market prices. Certain long-term structured transactions have been classified as own use and therefore fall outside the scope of IAS 39. The Group considers that the UK electricity market is active for up to two years ahead, with reliable broker quotes and published prices available for this period.

Purchase contracts are valued against the quoted bid price and sales contracts are valued against the quoted offer prices, with no provisions made for liquidity. Valuation adjustments are made for the time value of money, which is applied to all contracts, and credit risk, which will be applied where applicable.

Principal values are undiscounted and are derived from the aggregate volumes and relevant contract prices of those sale and purchase contracts that are within the scope of IAS 39. The principal values provide an indication of the scope of the use of derivatives but do not reflect the risk the Group is exposed to from entering into derivatives.

Embedded Derivatives
The Group also evaluates contracts for embedded derivatives, and considers whether any embedded derivatives have to be separated from the underlying host contract and accounted for separately in accordance with IAS 39 requirements. Where embedded derivatives have terms that are not closely related to the terms of the host contract in which they are included, they are accounted for separately from the host contract as derivatives, with changes in the fair value recorded in the consolidated income statement on the unrealised net gains or losses on derivative financial instruments and commodity contracts line, to the extent that the hybrid instrument is not already accounted for at fair value.

If the fair value can not be determined reliably based on the terms and conditions of the embedded derivatives, the fair value of the embedded derivatives is calculated as the difference between the value of the hybrid instrument and the host contract (excluding the derivative element).

Offsetting of Derivative Assets and Liabilities
The Group offsets a financial asset and a financial liability and reports the net amount only when the Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(xxii) Inventory – Stores
Inventory held in stores is recorded at the lower of cost and net realisable value. Stores inventory is accounted for using the weighted average cost method.

(xxiii) Restricted Cash and Other Financial Assets and Cash and Cash Equivalents
Restricted cash primarily consists of cash pledged as collateral. Other financial assets principally comprise net cash provided to satisfy variation margin calls in relation to trading through exchanges.

Cash and cash equivalents include cash on hand with banks and short-term deposits with a maturity of three months or less from the date of acquisition.

(xxiv) Provisions
A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(xxv) Employee Benefits – Post Retirement Benefit Obligations
The Group provides for pension costs in accordance with IAS 19 (2004) – Employee Benefits (IAS 19). Contributions to the Group's defined benefit pension schemes are assessed by qualified actuaries. The Group operates two separate pension arrangements in the UK within the Electricity Supply Pension Scheme, which is a defined benefit scheme. Pension scheme assets are measured using market values which, for securities, is based on bid price values. Pension costs are assessed using the projected unit method so that the cost of providing pensions is charged to the consolidated income statement in a manner which spreads the service cost over the expected service lives of employees. The retirement benefit obligation is measured as the present value of the estimated future cash outflows, discounted using the yields on high quality corporate bonds of appropriate maturity. The expected return on the plan assets and the increase during the period in the present value of the defined benefit obligations arising from the passage of time are included in other finance expenses. Actuarial gains and losses are recognised immediately within the consolidated statement of recognised income and expense.

The capital cost of ex-gratia and supplementary pensions is charged to the consolidated income statement, to the extent that the arrangements can not be covered by any surplus in schemes, in the accounting period in which they are granted.

Certain additional unfunded retirement benefits are provided to eligible employees. The cost and actuarial gains and losses of providing such benefits is charged to the consolidated income statement and consolidated statement of recognised income and expense respectively.

(xxvi) New Accounting Standards
The following accounting interpretations have been adopted by the Group this year:

- IFRIC 11 – IFRS 2: Group and Treasury Share Transactions (IFRIC11)
- IFRIC 12 – Service Concession Arrangements (IFRIC 12)
- IFRIC 14 – IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14)

The application of these interpretations has had no impact on the Group's accounting policies

The following accounting standards and interpretations which have not been applied in these financial statements have been issued but are not yet effective:

- IFRS 8 – Operating Segments (IFRS 8)
- *IFRS 2 (Amendment) – Share-based payment (IFRS 2 (A))*
- IFRS 3 (Revised) – Business Combinations (IFRS 3 (R))
- IAS 1 (Revised) – Presentation of Financial Statements (IAS 1 (R))
- IAS 23 (R) – IAS 23 (Revised) – Borrowing Costs (IAS 23 (R))
- IAS 27 (Revised) – Consolidated and Separate Financial Statements (IAS 27 (R))
- IAS 39 (Amendment) – Financial Instruments: Recognition and Measurement (IAS 39 (A))
- IFRIC 13 – Customer Loyalty Programmes (IFRIC 13)
- IFRIC 15 – Agreements for the Construction of Real Estate (IFRIC 15)
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (IFRIC 16)
- IFRIC 17 – Distribution of Non-cash Assets to Owners (IFRIC 17)
- IFRIC 18 – Transfer of Assets from Customers (IFRIC 18)

The adoption of these standards and interpretations is not expected to have a material impact on the Group's financial statements.

3. Segmental Information
The Group's activities are in one business segment being the generation and sale of electricity and are in one geographic segment being the United Kingdom. There are no other significant classes of business or geographic areas.

4. Output and Revenue

The analysis of output, that is unaudited, is as follows:

	Year ended 31 March 2009 TWh	Year ended 31 March 2008 TWh
Output		
AGR nuclear power stations	**33.3**	40.5
PWR nuclear power station	**9.6**	9.8
Coal-fired power station - Eggborough	**9.3**	8.1
Total output	**52.2**	58.4

An analysis of revenue is as follows:

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Revenue		
Wholesale generation sales	**1,347**	1,307
Direct supply sales excluding recovery of energy supply costs and renewable energy purchases recharged to customers	**1,125**	1,070
Revenue from generated electricity	**2,472**	2,377
Energy supply costs recharged to customers	**323**	367
Renewable energy purchases recharged to customers	**40**	56
Miscellaneous income	**11**	11
Total revenue	**2,846**	2,811

Sales made to fellow EDF group subsidiaries, including those under the SAPPA agreement are detailed in note 36. All remaining sales are to external customers.

5. Operating and Energy Costs

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Fuel costs - nuclear	**256**	300
Fuel costs - Eggborough	**389**	227
Total fuel costs	**645**	527
Materials and services	**677**	583
Staff costs (see note 6)	**436**	396
Operating costs of generated electricity	**1,758**	1,506
Energy supply costs recharged to customers	**323**	367
Renewable energy purchases recharged to customers	**40**	56
Operating and energy costs:		
Before exceptional items	**2,121**	1,929
Exceptional items	**62**	-
Total operating and energy costs	**2,183**	1,929

Exceptional items are represented by:

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Materials and services:		
Professional fees incurred on the Acquisition	**43**	-
Staff costs:		
Accelerated vesting of share incentive schemes upon the Acquisition	**19**	-
	62	-

For more details on the accelerated vesting of the share incentive schemes, please refer to note 32.

Operating and energy costs are stated after charging/(crediting):

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Research expenditure	14	15
Operating lease costs	3	8
Movement in provision for unburnt fuel at station closure	22	(2)
Movement in provision against stores inventory	6	1
Movement in provision for doubtful debts (see note 18)	5	1
Write down of carbon allowances (see note 17)	-	58

Auditors' Remuneration

It is the Group's policy to engage the external auditors, PricewaterhouseCoopers LLP, on assignments where their expertise and experience with the Group are important, or where they win work on a competitive basis. An analysis of auditors' remuneration and expenses which arose in the year ended 31 March 2009 is provided below:

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Audit fees payable for the Group's annual financial statements	517	622
Fees payable for other services:		
Audit of the Company's subsidiaries pursuant to legislation	166	177
Other services pursuant to legislation	121	135
Other services	169	490
Taxation services	116	124
	572	926
Fees payable in respect of the Group's pension schemes:		
Audit	42	40
Total auditors' remuneration and expenses	1,131	1,588

PricewaterhouseCoopers LLP acted as auditors to the Group's pension schemes. The appointment of auditors to the Group's pension schemes and the fees paid in respect of these audits are agreed by the trustees of each scheme, who act independently from the management of the Group. These audit fees are borne by the Group.

6. Employee Information

(i) Staff costs

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Salaries	327	295
Social security costs	34	32
Pension costs (see note 26)	78	70
Amounts capitalised	(8)	(7)
Share-based payments	5	6
Staff costs:		
Before exceptional item	436	396
Exceptional item (see note 5)	19	-
Total staff costs	455	396

Amounts capitalised are transferred to property, plant and equipment and recorded within the additions line of note 15.

(ii) Employee numbers

Average number of employees by category during the year were:

	2009 Number	2008 Number
Power stations:		
Nuclear	**4,292**	4,263
Eggborough	**281**	280
Engineering, technical and corporate support	**1,648**	1,578
Average number of employees	**6,221**	6,121

7. Key Management Compensation

The remuneration of key management personnel during the year was as follows:

	Directors £000	Key management £000	Year ended 31 March 2009 Total £000	Directors £000	Key management £000	Year ended 31 March 2008 Total £000
Salaries and other short-term employee benefits	3,575	3,466	**7,041**	3,003	2,938	5,941
Termination benefits	552	607	**1,159**	-	-	-
Post employment benefits	34	261	**295**	29	185	214
Share-based payments	-	-	**-**	3	10	13
Total of key management compensation	**4,161**	**4,334**	**8,495**	3,035	3,133	6,168

Key management personnel comprises members of the Board of Directors together with those members of senior management who report directly to the Chief Executive.

Emoluments of key management personnel are borne by various subsidiary companies. The amounts received by the Non-Executive Directors in respect of their services as Non-Executive Directors were £726,000 (2008: £803,000).

Retirement benefits accrue to no (2008: one) Directors under a defined benefits scheme.

One Director (2008: nil) exercised share options in the year.

The above amounts for remuneration include the following in respect of the highest paid Director.

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Emoluments	**1,419**	1,402
Compensation for loss of office	**552**	-
	1,971	1,402
Accrued pension at the end of the year	**68**	-
Accrued lump sum at the end of the year	**842**	-

8. Cash Sweep Payment Credit

As part of the Contribution Agreement entered into at RED, the Group had an obligation to make annual Cash Sweep Payments to the Nuclear Liabilities Fund should certain criteria be met. Under the terms of the original Contribution Agreement, on a conversion by the NLF of part or all of its Cash Sweep Payment right, the NLF was entitled to both a Cash Sweep Payment on the part converted for the period up to conversion and any dividend in respect of the same period on the shares arising from the conversion. The Group obtained agreement from the NLF and the Secretary of State for Trade and Industry (now the Secretary of State for Business, Enterprise and Regulatory Reform) to an amendment to the Cash Sweep Payment right and Cash Sweep Payment percentage adjustment formula in relation to the partial conversion, which took place in the year ended 31 March 2008, so as to ensure the principle of economic parity was maintained and to avoid an unintended dilution of British Energy Group plc's equity shareholders' interests. As a result, the £305m accrued in the 2007 Annual Report and Accounts for the Cash Sweep Payment due for the year ended 31 March 2007 was reduced by £134m to £171m to reflect the NLF's agreement to waive the proportion of the 2007 obligation due that was extinguished by the partial conversion in June 2007. The £134m reduction has been recognised as a credit in the consolidated income statement for the year ended 31 March 2008; the remaining £171m obligation for the year ended 31 March 2007 was paid in July 2007.

9. Cash Sweep Payment Accrual

On 5 January 2009, immediately prior to the Acquisition, the NLF converted its remaining interest in British Energy Group plc to convertible shares and accepted the Convertible Offer. On the same day, the Contribution Agreement was revised such that the NLF is no longer entitled to any Cash Sweep Payment. Hence, there is no Cash Sweep Payment accrual in respect of the year ended 31 March 2009.

Prior to the revision to the Contribution Agreement on 5 January 2009, the Group had an obligation to make payments to the NLF should certain criteria be met. The basis of the Cash Sweep Payment accrual for the year ended 31 March 2008 was as follows:

	Year ended 31 March 2008 £m
Decrease in cash (as per the consolidated statement of cash flows)	(73)
Increase in restricted cash	178
Increase in restricted cash excluded from Cash Sweep Payment accrual	(1)
Increase in restricted cash for Agreed Collateral Purposes	177
Other	1
Increase in available cash	105
Cash Sweep Payments to NLF	171
Administration payment to the NLF	1
Transfer to Forecast Expenditure Reserve	(55)
Equity dividends paid	140
Amounts received from issue or sale of ordinary shares	(7)
Cash required to be retained to meet Target Amount	(67)
Adjusted net cash flow	288
Weighted average payment percentage	35.4%
Cash Sweep Payment accrual	102

For the year ended 31 March 2008, an accrual for the Cash Sweep Payment of £102m was included in trade and other payables within current liabilities (see note 23). The Cash Sweep Payment for the year ended 31 March 2008 was paid in July 2008.

Target Amount and Cash Required to be Retained to Meet Target Amount

At 31 March 2008, the Target Amount was £490m plus the Incremental Collateral Amount, which was the amount by which cash applied to providing collateral for the generation, sale and purchase by the Group of electricity (i.e. for Agreed Collateral Purposes) exceeded £200m. Any increase or decrease in the Incremental Collateral Amount automatically increased or decreased the Target Amount by the same amount.

The restricted cash for Agreed Collateral Purposes at 31 March 2008 was £267m. The Target Amount and cash required to be retained to meet the Target Amount at the balance sheet dates are as follows:

	Year ended 31 March 2008 £m
Cash required to be retained to meet Target Amount in prior years	490
Base Target Amount	(490)
Incremental collateral in excess of £200m (see above)	(67)
Target Amount at 31 March 2008	(557)
Cash required to be retained to meet Target Amount	(67)

Payments to the NLF

Payments to the NLF represent the aggregate of any payments made by or on behalf of the Group to the NLF during the year, excluding fixed decommissioning payments of £20m per annum (indexed to RPI but tapering off as the nuclear power stations were scheduled to close at RED) and £150,000 (indexed to RPI) for every tonne of uranium in PWR fuel loaded into Sizewell B reactor after RED.

Forecast Expenditure Reserve

Following the revision of the Contribution Agreement on 5 January 2009, provisions relating to the Forecast Expenditure Reserve have been removed.

In the year ended 31 March 2008, the Group increased the Forecast Expenditure Reserve by £55m to £210m. The Forecast Expenditure Reserve was used to meet capital expenditure commitments and non-recurring maintenance and repair of a capital nature which is payable in the following financial year, as well as to fund capital expenditure, as defined in the underlying agreements.

Weighted Average Payment Percentage

Following the revision of the Contribution Agreement on 5 January 2009, the provisions relating to the Cash Sweep Payment, and therefore the weighted average payment percentage, are no longer applicable to the Group.

The weighted average payment percentage was 35.4% at 31 March 2008. At 31 March 2008 there were 6,764,057 unexercised Warrants remaining.

Payment Percentage

Following the conversion of the NLF's interest and its subsequent acceptance of the Convertible Offer, the NLF has no interest in the Company as at 31 March 2009.

The NLF Cash Sweep percentage was 35.1% at 31 March 2008.

10. Financing Charges/(Credits)

(i) Interest payable

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Interest payable on bonds	**31**	40
Other interest and finance charges payable	**50**	37
Interest payable:		
Before exceptional item	**81**	77
Exceptional item	**84**	-
Total interest payable	**165**	77

The exceptional interest payable represents amounts paid to the bondholders on early redemption of the bonds, following the Acquisition (see note 22).

(ii) Interest receivable

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Interest receivable	**(55)**	(89)
Total interest receivable	**(55)**	(89)

(iii) Other finance (income)/expenses

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Revalorisation of nuclear liabilities (see note 24)	**149**	248
Revalorisation of nuclear liabilities receivable	**(62)**	(150)
Revalorisation of NLF receivable	**(87)**	(98)
Revalorisation of contracts provision (see note 25)	**1**	2
Revalorisation of NLF liabilities (see note 27)	**6**	15
Revalorisation of other provisions (see note 25)	**1**	-
Net revalorisation charges	**8**	17
Expected return on plan assets in the pension schemes (see note 26)	**(178)**	(182)
Interest on defined benefit obligations (see note 26)	**172**	146
Net credit to finance charges for retirement benefit obligations	**(6)**	(36)
Net other finance expense/(income)	**2**	(19)

11. Taxation

(i) Analysis of Tax Charge for the Year

Tax Charged to the Consolidated Income Statement

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Tax charged to the consolidated income statement:		
Before exceptional items	**146**	203
Exceptional items – within operating and energy costs	**(5)**	-
Exceptional item – within interest payable	**(24)**	-
	(29)	-
Total tax charged to the consolidated income statement	**117**	203

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Current tax:		
UK Corporation tax		
Current year	**101**	176
Prior year	**(5)**	29
	96	205
Deferred tax:		
Temporary differences		
Current year	**18**	21
Prior year	**3**	(23)
	21	(2)
Total tax charged to the consolidated income statement	**117**	203

Tax on Items Taken Directly to Equity

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Deferred tax:		
Net actuarial losses on retirement benefit obligations	**(107)**	(60)
Gains/(losses) on hedged items	**29**	(30)
Tax on items taken directly to equity	**(78)**	(90)

(ii) Reconciliation of the Total Tax Charge

The tax expense in the consolidated income statement for the year is higher (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are reconciled below:

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
(Loss)/profit before taxation	**(10)**	538
Tax (credit)/charge on (loss)/profit at the UK standard rate of corporation tax of 28% (2008: 30%)	**(3)**	161
Non tax-deductible conversion asset amortisation and Cash Sweep Payment accrual net of Cash Sweep Payment credit	**76**	41
Effect on deferred tax of substantively enacted future changes in tax rates	**-**	(4)
Other non tax-deductible or non-taxable items	**46**	(1)
Adjustment to deferred tax for prior years	**3**	(23)
Adjustment to current tax for prior years	**(5)**	29
Total tax charged to the consolidated income statement	**117**	203

(iii) Deferred Income Tax Liability

An analysis of the movements in deferred tax assets and liabilities is shown below. Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

	Accelerated capital allowances £m	Tax losses £m	Advance corporation tax £m	Decomm-issioning £m	Retirement benefit obligations £m	Contracts provision £m	Derivative financial instruments and commodity contracts £m	Other timing differences £m	Total £m
As at 31 March 2007	(298)	1	77	124	19	15	(5)	4	(63)
Prior year credit to consolidated income statement	5	18	-	-	-	-	-	-	23
Adjusted balance as at 1 April 2007	(293)	19	77	124	19	15	(5)	4	(40)
Credit/(charge) to consolidated income statement	9	(19)	-	2	(14)	(3)	1	(1)	(25)
Effect of substantively enacted future changes in tax rates	19	-	-	(9)	(5)	-	(1)	-	4
Recognised in the statement of recognised income and expense (see note 30)	-	-	-	-	60	-	30	-	90
Transfer to current tax	-	-	(74)	-	-	-	-	-	(74)
As at 31 March 2008	(265)	-	3	117	60	12	25	3	(45)
Prior year (charge)/credit to consolidated income statement	(7)	5	(1)	-	-	-	-	-	(3)
Transfer from current tax	-	-	3	-	-	-	-	-	3
Adjusted balance as at 1 April 2008	(272)	5	5	117	60	12	25	3	(45)
(Charge)/credit to consolidated income statement	(17)	(3)	-	3	(11)	-	11	(1)	(18)
Recognised in the statement of recognised income and expense (see note 30)	-	-	-	-	107	-	(29)	-	78
As at 31 March 2009	**(289)**	**2**	**5**	**120**	**156**	**12**	**7**	**2**	**15**

Within the £15m net deferred tax asset (2008: £45m liability) there are deferred tax assets of £304m (2008: £220m) and deferred tax liabilities of £289m (2008: £265m). £36m (2008: £5m) of deferred tax asset is expected to be recovered within the next 12 months and £30m (2008: £43m) of deferred tax liability is expected to be settled within the next 12 months. At 31 March 2009, the Group has not recognised a deferred tax asset relating to tax losses of approximately £29m (2008: £45m) as the timing of utilisation of these losses is currently uncertain.

(iv) Current Tax Liability

	2009 £m	2008 £m
As at 1 April	**23**	10
Current year tax charge	**101**	176
Prior year tax charge	**(5)**	29
Payments made during the year	**(58)**	(118)
Reinstatement/(utilisation) of advance corporation tax	**3**	(74)
As at 31 March	**64**	23

12. Unrealised Net Losses on Derivative Financial Instruments and Commodity Contracts

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Unrealised net losses on derivative financial instruments and commodity contracts	**43**	3

The unrealised net losses on derivative financial instruments and commodity contracts of £43m (2008: £3m) represent the net movements in the fair value of held for trading derivative financial instruments and commodity contracts in the year. Further details of the Group's derivative financial instruments and commodity contracts are set out in note 21.

13. Dividends Paid, Declared and Proposed

	Year ended 31 March 2009 pence per share	Year ended 31 March 2008 pence per share	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Paid:				
2008 Base dividend, payable as a final dividend	**13.6**	-	**141**	-
2007 Additional dividend, paid as an interim dividend	**14.5**	-	**150**	-
2007 Base dividend, paid as a final dividend	**-**	13.6	**-**	140
			291	140

14. Conversion Asset

	2009 £m	2008 £m
Non-current assets		
Conversion asset	**5,737**	1,993
Current assets		
Conversion asset	**586**	180
Total conversion asset	**6,323**	2,173

The following table illustrates the movement in the conversion asset for the years ended 31 March 2009 and 2008.

	Total £m
Cost arising on conversion	
As at 1 April 2007	-
Arising on partial NLF conversion	2,340
As at 31 March 2008	2,340
Arising on NLF conversion of remaining interest	4,421
As at 31 March 2009	**6,761**
Accumulated amortisation	
As at 1 April 2007	-
Charge for the year	167
As at 31 March 2008	167
Charge for the year	271
As at 31 March 2009	**438**
Carrying amount	
As at 31 March 2009	**6,323**
As at 31 March 2008	2,173

On 24 September 2008, the Group announced that it had reached agreement with EDF on the terms of the Recommended Offers for the Company. The Recommended Offers included the Convertible Offer, which was available only to the NLF and was for 774p in cash for each convertible share. On 5 January 2009, the NLF converted its remaining economic interest of approximately 35.54% in British Energy Group plc to convertible shares and accepted the Convertible Offer. As a result of the NLF conversion, the conversion asset increased by £4,421m, representing the number of convertible shares held by the NLF valued at the offer price of 774p per convertible share. Simultaneously, 571,204,734 convertible shares with a nominal value of 10p each and total share premium of £4,364m were recognised on the consolidated balance sheet. The increase in the conversion asset represents the fair value of the obligation which was removed as a result of the exercise of the conversion right.

On 30 May 2007 the Secretary of State for Trade and Industry (now the Secretary of State for Business, Enterprise and Regulatory Reform) announced his intention to direct the NLF to convert and sell part of its interest in British Energy Group plc. On 1 June 2007 British Energy Group plc received notice from the NLF intimating its intention to convert and sell approximately 400 million shares in the Company, with an over allotment option of a further 50 million shares in the Company. As a result on 6 June 2007 British Energy Group plc issued 450 million convertible shares of 10p each to the NLF, which were re-designated as 450 million ordinary shares of 10p each and admitted to the Official List of the UKLA and to trading on the London Stock Exchange on the same day. Following the partial conversion and share issue the Cash Sweep Payment percentage was reduced to approximately 36% and resulted in the recognition of a conversion asset of £2,340m, additional equity share capital of £45m and additional share premium of £2,295m representing the excess of the conversion share price of £5.20 over the nominal value of shares issued. The conversion asset represents the fair value of the obligation which was removed as a result of the exercise of the conversion right.

The conversion asset is amortised over the estimated useful accounting lives of the Group's nuclear power stations. The amortisation of the conversion asset is recognised in the amortisation of conversion asset line in the consolidated income statement.

15. Property, Plant and Equipment

	Power stations £m	Other land and buildings £m	Other plant and equipment £m	Total £m
Cost				
As at 31 March 2007	1,758	39	295	2,092
Additions	81	-	116	197
Disposals	(1)	(4)	(26)	(31)
As at 31 March 2008	1,838	35	385	2,258
Additions	105	-	108	213
Transfers	32	-	(34)	(2)
Disposals	(3)	-	(82)	(85)
As at 31 March 2009	**1,972**	**35**	**377**	**2,384**
Accumulated depreciation				
As at 31 March 2007	282	-	100	382
Charge for the year	135	-	103	238
Disposals	(1)	-	(26)	(27)
As at 31 March 2008	416	-	177	593
Charge for the year	132	-	107	239
Transfers	14	-	(14)	-
Disposals	(3)	-	(82)	(85)
As at 31 March 2009	**559**	**-**	**188**	**747**
Carrying amount				
As at 31 March 2009	**1,413**	**35**	**189**	**1,637**
As at 31 March 2008	1,422	35	208	1,665

Following the redemption of the Bonds (see note 22), no property, plant and equipment (2008: £237m) is subject to security restrictions.

Included in property, plant and equipment is £28m (2008: £18m) of capital work in progress which is not depreciated.

16. NLF and Nuclear Liabilities Receivables

	2009 £m	2008 £m
Non-current assets		
NLF receivable	**3,420**	3,344
Nuclear liabilities receivable	**1,811**	1,966
	5,231	5,310
Current assets		
NLF receivable	**9**	-
Nuclear liabilities receivable	**207**	202
	216	202
Total NLF and nuclear liabilities receivables	**5,447**	5,512

The NLF receivable asset represents amounts that will be reimbursed by the NLF in respect of the qualifying nuclear liabilities recognised at the balance sheet date. This matches the uncontracted and decommissioning liabilities included in current and non-current liabilities (see note 24).

The nuclear liabilities receivable asset represents amounts due under the historic BNFL contracts which will be reimbursed by the Government. This matches the contracted nuclear liabilities included in current and non-current liabilities (see note 24).

The balances recognised at 31 March 2009 and 2008 are restricted in their use.

17. Goodwill and Intangible Assets

	Goodwill £m	Software £m	ROCs and LECs £m	Emissions allowances £m	Total £m
Cost					
As at 31 March 2007	345	40	37	44	466
Additions	-	10	69	58	137
Disposals	-	-	(44)	(102)	(146)
As at 31 March 2008	345	50	62	-	457
Additions	-	14	30	2	46
Transfers	-	2	-	-	2
Disposals	-	-	(70)	(2)	(72)
As at 31 March 2009	**345**	**66**	**22**	**-**	**433**
Accumulated amortisation and other charges					
As at 31 March 2007	23	12	-	41	76
Charge for the year	-	9	-	-	9
Write down	-	-	-	58	58
Disposals	-	-	-	(99)	(99)
As at 31 March 2008	23	21	-	-	44
Charge for the year	-	11	-	-	11
Write down	-	7	-	-	7
As at 31 March 2009	**23**	**39**	**-**	**-**	**62**
Carrying amount					
As at 31 March 2009	**322**	**27**	**22**	**-**	**371**
As at 31 March 2008	322	29	62	-	413

Goodwill

Goodwill of £345m arose on the completion of the acquisition at RED. Under the requirements of IFRS 3 – Business Combinations (IFRS 3), during the year ended 31 March 2006 £23m was charged to the consolidated income statement to reduce goodwill in relation to recognition of a deferred tax asset at 31 March 2006, which at RED did not satisfy the recognition criteria within IFRS 3 due to uncertainty of recoverability. Additionally during that year £23m was credited within the tax charge in the consolidated income statement to reflect the recognition of the deferred tax asset.

For impairment testing purposes goodwill has been fully allocated to one cash generating unit being the total of the Group's operating and generating assets. There were no intangible assets with indefinite useful lives allocated to the cash generating unit.

The recoverable amount of the cash generating unit at 31 March 2009 was determined using fair value less costs to sell. The fair value less costs to sell is based on the market price paid of 774p per share less the associated costs incurred on the Acquisition and the possible future transaction whereby Centrica plc could acquire a stake in Lake Acquisitions (see note 38). On this basis, the carrying value does not exceed the recoverable amount.

Software

Software is amortised over its estimated operational life for a maximum of five years. The amortisation of software is recognised in the other amortisation line of the consolidated income statement. The write down of £7m (2008: £nil) is in relation to specific items of software, where the intended use of these assets changed as a result of the Acquisition.

ROCs and LECs

ROCs and LECs have a sustainable value and can be used in settlement of an obligation over an undefined period and therefore, on this basis, ROCs and LECs are not amortised. Included within additions of £30m in the year (2008: £69m) are ROCs and LECs with a value of £15m (2008: £9m) which were produced internally.

Emissions allowances

Carbon allowances are not amortised because they are held to settle the Group's EU ETS obligation and therefore have a sustainable value. During the year, the Group took delivery of £2m (2008: £58m) of carbon allowances, which had been purchased under forward contracts. In line with the Group's accounting policy, these carbon allowances were recognised within intangible assets at cost. In the year ended 31 March 2008, a charge of £58m was recognised in the consolidated income statement to write down these carbon allowances to reflect a reduction in market prices of Phase I carbon allowances.

18. Trade and Other Receivables

	2009 £m	2008 £m
Non-current assets		
Trade receivables:		
Wholesale customers	**192**	292
Other receivables	**37**	25
	229	317
Current assets		
Trade receivables:		
Wholesale customers	**290**	178
Retail customers	**151**	199
Amounts owed by EDF group undertakings	**39**	-
Other receivables	**26**	36
Prepayments	**6**	38
	512	451
Total trade and other receivables	**741**	768

Non-current trade receivables of £192m (2008: £292m) relate to cash receipts from an interest bearing capped collateral power sales contract, which will be received in the period up to 2011. There is also £102m in relation to this contract included within current wholesale trade receivables.

Non-current other receivables of £37m (2008: £25m) relate to financial security for transmission connection and construction agreements at four potential new nuclear build sites.

Trade receivables are stated net of provisions for doubtful debts of £11m at 31 March 2009 (2008: £7m). Movements in the provision for doubtful debts of trade receivables were as follows:

	Retail trade receivables £m	Wholesale trade receivables £m	2009 Total £m	2008 Total £m
As at 1 April	7	-	**7**	8
Charge for the year	6	2	**8**	4
Amounts written off	(1)	-	**(1)**	(2)
Unused amounts released	(3)	-	**(3)**	(3)
As at 31 March	**9**	**2**	**11**	7

Trade receivables are analysed in the table below. Of the trade receivables held with wholesale counterparties, 97% (2008: 98%) are of an investment grade quality of at least A– rated. Over 75% (2008: over 70%) of the amounts receivable from large industrial and commercial retail customers are insured. With respect to the trade receivables that are neither past due nor impaired, there are no indications as at the reporting date that they will not meet their payment obligations.

	2009 £m	2008 £m
Analysis of trade receivables		
Retail and wholesale trade receivables neither impaired nor past due	**616**	653
Retail trade receivables past due but not impaired:		
Within 29 days	**8**	11
30 to 59 days	**2**	2
60 to 179 days	**4**	2
Over 180 days	**3**	1
Total trade receivables	**633**	669

The Group does not typically renegotiate the terms of trade receivables. However, if a negotiation does take place, the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at 31 March 2009 or 31 March 2008.

19. Inventories

	2009 £m	2008 £m
Current assets		
Unburnt nuclear fuel in reactors	**1,031**	993
Provision for unburnt fuel at station closure	**(821)**	(799)
Net unburnt nuclear fuel in reactors	**210**	194
Other nuclear fuel and uranium	**188**	157
Coal	**60**	41
Stores	**68**	56
Total inventories	**526**	448

Other nuclear fuel and uranium with a carrying amount of £32m (2008: £nil) is subject to security restrictions (see note 22).

20. Restricted Cash and Other Financial Assets and Cash and Cash Equivalents

	2009 £m	2008 £m
Current assets		
Cash used for collateral	**97**	267
Other financial assets	**8**	13
Other restricted cash	**6**	6
Total restricted cash and other financial assets	**111**	286
Cash and cash equivalents	**717**	1,028
Total restricted cash and other financial assets and cash and cash equivalents	**828**	1,314

At 31 March 2009 restricted cash and other financial assets and cash and cash equivalents amounted to £828m (2008: £1,314m) with maturity dates due within one year.

At 31 March 2009 £97m (2008: £267m) was invested in various currencies to support collateral arrangements. During the year ended 31 March 2009 these funds earned a weighted average interest rate of 3.95% (2008: 4.88%). Availability of cash invested to support collateral arrangements is restricted over the periods of the relevant collateralised positions.

Other financial assets principally comprise net cash provided to satisfy variation margin calls in relation to trading through exchanges. These funds are non-interest bearing and availability of the cash pledged is restricted pending settlement of the related forward instrument.

Cash not immediately required for business purposes is invested in line with the Group's treasury policy. At 31 March 2009 all cash investments not used to support collateral arrangements were due to mature within three months. The investments made during the year ended 31 March 2009 have a weighted average interest rate of 4.06% (2008: 5.84%).

As at 31 March 2009 and 2008, all cash and cash equivalent deposits are with counterparties with investment grades of at least AAA for money market funds, or a minimum long-term rating of A+ (or equivalent) for all other deposits, as per the Group's treasury policy.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank of £717m (2008: £1,028m).

21. Financial Instruments and Derivatives

Overview

The Group's principal financial instruments include derivative commodity contracts for the sale and purchase of electricity, purchase of coal and carbon allowances, interest bearing debt, loans, investments in short-dated commercial paper, cash held in collateral accounts, cash and short-term deposits.

The main financial risks faced by the Group are trading risks in respect of the sale of electricity. Electricity trading risks include exposure to electricity price fluctuations, balancing of output volume with contractual commitments, commodity (coal, carbon allowances and uranics) price risk and counterparty credit risk. Prior to the Acquisition, these were managed by the Group's Trading and Sales division which operated within policies and procedures that were approved and monitored by the Board. The Trading and Sales division were not permitted to take speculative open positions.

Non-trading financial risks, including liquidity, interest rate and foreign exchange risks were managed by the Group's central treasury department which also operated within policies and procedures that were approved and monitored by the Board. The treasury department was not permitted to take speculative open positions.

Following the Acquisition, the above risks are managed in accordance with EDF Group policies.

The foregoing discussion and the Financial Risk Management section of the Directors' Report summarises how the Group manages its exposures to risks in respect of electricity prices, output balancing, commodity prices, counterparty credit risk, liquidity, interest rates and foreign exchange rates. Full details of the Group's risks and the strategy for managing those exposures are set out in the Directors' Report. The Group also has an exposure to risks associated with fluctuations in the debt and equity markets through the pension schemes; further details of the pension schemes are provided in note 26.

Fair Values

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and financial liabilities.

	Book value 2009 £m	Fair value 2009 £m	Book value 2008 £m	Fair value 2008 £m
Derivative financial instruments and commodity contracts				
Financial assets				
Held for trading	**3**	**3**	53	53
Hedging relationships	**6**	**6**	-	-
	9	**9**	53	53
Financial liabilities				
Held for trading	**(36)**	**(36)**	(43)	(43)
Hedging relationships	**-**	**-**	(99)	(99)
	(36)	**(36)**	(142)	(142)
Total derivative financial instruments and commodity contracts	**(27)**	**(27)**	(89)	(89)

At 31 March 2009 and 2008 all derivative financial instruments and commodity contracts financial assets were included in current assets in the consolidated balance sheet. At 31 March 2009 and 2008 all derivative financial instruments and commodity contracts financial liabilities were classified as current liabilities in the consolidated balance sheet.

Of the derivative financial instruments and commodity contracts resting with a counterparty, 94% (2008: 81%) are of an investment grade quality of at least A– rated.

At 31 March 2009 and 2008 the maximum exposure to credit risk is the fair value of the derivative financial instruments and commodity contract assets above.

Other financial assets and liabilities comprise the following:

	Book value 2009 £m	Fair value 2009 £m	Book value 2008 £m	Fair value 2008 £m
Other financial assets and liabilities				
Financial assets				
NLF and nuclear liabilities receivables	**5,447**	**5,447**	5,512	5,512
Trade receivables	**633**	**633**	669	669
Other receivables	**37**	**37**	25	25
Restricted cash and other financial assets	**111**	**111**	286	286
Cash and cash equivalents	**717**	**717**	1,028	1,028
	6,945	**6,945**	7,520	7,520
Financial liabilities				
Borrowings	**(32)**	**(32)**	(516)	(525)
Trade payables	**(413)**	**(413)**	(256)	(256)
Accruals	**(245)**	**(245)**	(337)	(337)
Back end fuel costs contracted	**(2,018)**	**(2,018)**	(2,168)	(2,168)
Provisions for other liabilities and charges	**(9)**	**(9)**	(12)	(12)
NLF liabilities	**(190)**	**(190)**	(208)	(208)
	(2,907)	**(2,907)**	(3,497)	(3,506)
Total other financial assets and liabilities	**4,038**	**4,038**	4,023	4,014

At 31 March 2009 and 2008 the maximum exposure to credit risk is the fair value of the other financial assets above.

Details of the categories of financial assets and liabilities are set out below.

Derivative Financial Instruments and Commodity Contracts

All contracts for the sale of electricity through British Energy Direct, most long-term structured sales contracts and all coal procurement contracts are categorised as being held for the Group's own purchase, sale or usage requirements and are therefore accounted for on an accruals basis because they are outside the scope of IAS 39.

GTMA and ISDA contracts are within the scope of IAS 39 as the Group follows the industry practice of net settling these contracts. As a result, all changes in fair value impact the consolidated income statement for those contracts which do not qualify for cash flow hedge accounting. The movements in fair value in the year are presented within unrealised net losses on derivative financial instruments and commodity contracts in the consolidated income statement.

Cash flow hedge accounting has been utilised wherever possible to ensure that earnings continue to be recognised in line with the Group's operational strategies by reflecting the earnings effects of derivative instruments in the same period as the hedged item affects earnings. The variability of cash flows arising from a highly probable forecast sale of electricity under an existing variable priced own use sales contract has been designated as a hedged item for cash flow hedge accounting purposes. Fair value changes of those GTMA and ISDA contracts which meet the requirements for cash flow hedge accounting are deferred in equity, within the hedge reserve, until settlement of the hedging instrument or hedged item.

Options contracts are recognised at fair value, with movements in fair value being presented within unrealised net losses on derivative financial instruments and commodity contracts in the consolidated income statement.

Exposures have been expressed as net positions by counterparty wherever there is the intention and ability to legally set off assets and liabilities.

(i) Held for Trading

The Group classifies as 'held for trading' short-term contracts, contracts which are not designated as cash flow hedges and contracts which have been de-designated from hedging relationships. Typically the term of these contracts does not exceed 12 months with prices fixed at inception.

The fair value of derivative financial instruments and commodity contracts asset and liability positions are valued, where possible, using quoted market prices. More details on the method for determining fair value is set out in note 2 (xxi). The fair value of held for trading instruments equals the book value at 31 March 2009 and 31 March 2008.

At 31 March 2009 the Group had held for trading assets of £3m (2008: £53m) and liabilities of £36m (2008: £43m). The movement in the fair value in the year is presented within unrealised net losses on derivative financial instruments and commodity contracts in the consolidated income statement and totals a loss of £43m (2008: £3m) before tax.

The principal value of held for trading derivative financial instruments and commodity contracts at 31 March 2009 was £1,159m (2008: £969m), of which £982m (2008: £969m) falls due within one year and £177m (2008: £nil) falls due after more than one year but not more than three years. Included within the principal value of £1,159m (2008: £969m) is £501m (2008: £792m) relating to contracts where there will be a contractual outflow of cash from purchase contracts, of which £454m (2008: £792m) falls due within one year and £47m (2008: £nil) falls due after more than one year but not more than three years.

(ii) Hedging Relationships

As at 31 March 2009 and 31 March 2008, cash flow hedges were in place up to 31 March 2011 with the uncertain cash flow values on certain variable priced sales contracts being hedged by fixed price GTMA and ISDA transactions. The fair value of hedging instruments equals the book value at 31 March 2009 and at 31 March 2008. At 31 March 2009 the Group had cash flow hedging instrument assets of £6m (2008: £nil) and no cash flow hedging instrument liabilities (2008: £99m). The movement in hedging relationships in the year was £105m (2008: £102m) and is presented as a credit (2008: debit) to the hedge reserve within equity.

There are no forecast transactions previously thought to be available for hedge accounting that are no longer expected to occur.

The principal value of derivative financial instruments and commodity contracts which are hedging relationships at 31 March 2009 was £60m (2008: £91m), of which £54m (2008: £91m) falls due within one year and £6m (2008: £nil) falls due after more than one year but not more than three years.

Other Financial Assets and Liabilities

The book value of the NLF and nuclear liabilities receivables is equal to the fair value, refer to note 16 for details of the valuation.

The carrying values of trade receivables, trade payables and accruals are equal to their fair values.

The fair values of restricted cash and other financial assets and cash and cash equivalents are equal to the book values due to short-term maturities. Details of the interest rate profile of these financial assets are included in note 20.

As at 31 March 2009, borrowings consist of financing secured on uranium inventory. The book value of these borrowings are equal to the fair value.

As at 31 March 2008, borrowings consisted of the Group's Bonds and the fair value has been estimated using the quoted closing clean market price at the balance sheet date. Details of the early redemption of these Bonds are included in note 22.

The basis of valuation of back end fuel costs is included in note 24.

The book value of provisions and other charges is equal to the fair value.

The book value of the NLF liabilities is equal to the fair value, refer to note 27 for details of the valuation.

Foreign Exchange
The Group uses foreign exchange contracts and other derivative instruments as deemed necessary to economically hedge the primary market exposures associated with the Group's underlying assets, liabilities and committed transactions. During the year ended 31 March 2009 the Group had three main sources of exposure to potential foreign currency risk. These exposures related to contracts for the purchase of coal and uranics, which are predominantly in US dollars, and the purchase of carbon allowances, which are in Euros.

The Group has a number of different contracts in place to purchase coal, some of which include pricing which is subject to Dollar exchange rate movements. At 31 March 2009, the Group had a net total of £59m (2008: £nil) of forward contracts in place to economically hedge its exposure to movements in prices of coal. Refer to note 35 for details of the Group's commitments to purchase coal.

The Group incurs pass through foreign currency costs relating to the supply, conversion and enrichment of uranium at the average exchange rate relevant to the fuel supplied. As at 31 March 2009, the Group had foreign currency commitments for nuclear fuel amounting to £199m (2008: £70m) out of a total fuel commitment of £1,483m (2008: £1,440m) (see note 35).

During the year the Group has been involved in the purchase of £1m (2008: £58m) of carbon allowances at the Euro foreign exchange rate ruling at the time of the transaction (see note 2 (ix)). Additionally the Group has £43m (2008: £14m) of commitments to purchase forward carbon allowances at 31 March 2009. At 31 March 2009, the Group had a net total of £21m (2008: £9m) of forward contracts in place to economically hedge its exposure to movements in prices of Phase II carbon allowances.

There are potential future foreign currency receivables in respect of amounts outstanding from the sale of Bruce Power. When these cash flows become more certain in the future, the Group will evaluate currency hedging opportunities.

22. Borrowings

	2009 £m	2008 £m
The borrowings mature as follows:		
Current liabilities		
Amounts falling due within one year	-	61
Non-current liabilities		
Amounts falling due after more than one year but not more than two years	**32**	65
Amounts falling due after more than two years but not more than five years	-	154
Amounts falling due in more than five years	-	236
	32	455
Total borrowings	**32**	516

Borrowings comprise the following:

	2009 £m	2008 £m
Financing secured on uranium inventory	**32**	-
Long-term "project finance" loan – sterling	-	111
Bonds – sterling	-	405
Total borrowings	**32**	516

As at 31 March 2009 the Group has financing secured on certain quantities of uranium inventory purchased during the year. As at 31 March 2009, the effective interest rate of the Group's fixed rate borrowings was 8.0%.

On 5 January 2009 notice was given to holders of the Bonds that the Bonds would be redeemed in whole on 10 February 2009 at the higher of (i) the Make Whole Amount, and (ii) £521m, being 101% of the principal amount outstanding, together with accrued and unpaid interest to (but excluding) the redemption date. On 5 February 2009, British Energy Bond Finance plc, the issuer of the Bonds and a wholly owned subsidiary of British Energy Group plc, announced that the Make Whole Amount had been calculated to be £600m. Accordingly, the Bonds were redeemed on 10 February 2009 for £600m, being equivalent to 116.3% of the principal amount outstanding, together with accrued and unpaid interest in respect of each Bond.

At 31 March 2008, total debt of £516m comprised:

- a long-term "project finance" loan of £111m secured on the assets of Eggborough Power Limited (EPL), a subsidiary company that operates the Eggborough coal-fired power station. The loan bore interest at a rate of 7.0%;
- an aggregate principal amount of £405m sterling denominated guaranteed bonds due between 2009 and 2022. The bonds bore interest at a rate of 7.0%.

As at 31 March 2008, the effective interest rate of the Group's fixed rate borrowings was 7.0%.

Interest on borrowings

	2009 £m	2008 £m
Interest on borrowings fall due as follows:		
Amounts falling due within one year	-	36
Amounts falling due after more than one year but not more than two years	4	32
Amounts falling due after more than two years but not more than five years	-	69
Amounts falling due in more than five years	-	81
Total interest payable on borrowings	**4**	218

Credit facilities

During the year ended 31 March 2009 the Group had committed letter of credit facilities of £275m (2008: £350m), comprising five separate bilateral facilities (2008: five). These facilities contain covenants for the benefit of the facility providers, to support the collateral requirements of the Group's trading business. Two of the five bilateral facilities, totalling £100m, expire in June 2009 and the remaining three facilities, totalling £175m, expire in September 2009. Letter of credit facilities amounting to £200m were drawn in October 2008 and substituted against deferred cash receipts accrued in respect of power already delivered. The drawn letter of credit facilities were cancelled in March 2009. The remaining letter of credit facility was undrawn in the year ended 31 March 2009

On redemption of the Bonds on 10 February 2009, British Energy Bond Finance plc entered into an inter-company facility agreement with Lake Acquisitions. As at 31 March 2009 the amount available under this committed facility was £529m. This facility was undrawn during the year ended 31 March 2009.

23. Trade and Other Payables

	2009 £m	2008 £m
Current liabilities		
NLF liabilities (see note 27)	**23**	23
Trade payables	**413**	256
Other taxes and social security	**67**	43
Cash Sweep Payment accrual (see note 9)	-	102
Accruals	**245**	235
Amounts owed to EDF group undertakings	**6**	-
Total trade and other payables	**754**	659

24. Nuclear Liabilities

	2009 £m	2008 £m
Current liabilities		
Nuclear liabilities	**216**	202
Non-current liabilities		
Nuclear liabilities	**5,231**	5,310
Total nuclear liabilities	**5,447**	5,512

Movements in the nuclear liabilities in the year ended 31 March 2009 are as follows:

	Back end fuel costs contracted £m	Back end fuel costs uncontracted £m	Decom-missioning £m	**2009 Total £m**
As at 31 March 2008	2,168	363	2,981	**5,512**
Charged to the consolidated income statement:				
Revalorisation (see note 10)	62	11	76	**149**
Operating costs	-	(9)	-	**(9)**
Loadings of PWR fuel	-	9	-	**9**
Utilised in the year	(212)	(2)	-	**(214)**
As at 31 March 2009	**2,018**	**372**	**3,057**	**5,447**

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.

During the year ended 31 March 2009 back end fuel costs uncontracted decreased by £9m reflecting a revision in the overall strategy and timing for discharging these liabilities. This revision was approved by the NDA on 31 August 2008. The revision was necessary to bring forward an uncontracted work stream at Sizewell B and this work stream subsequently commenced in the second half of the year ended 31 March 2009.

As part of the Restructuring arrangements the Group is indemnified by the Government for any future shortfall in NLF funding of back end fuel cost uncontracted 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 consolidated income statement.

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.

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.

	Back end fuel costs contracted £m	Back end fuel costs uncontracted £m	Decom-missioning £m	**2009 Total £m**	2008 Total £m
Undiscounted	2,491	2,704	9,322	**14,517**	14,839
Discounted	2,018	504	3,057	**5,579**	5,664
Accrued to date	2,018	372	3,057	**5,447**	5,512

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 consolidated income statement 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 2 (xx), the undiscounted payments in current prices are expected to become payable as follows:

	Back end fuel costs contracted £m	Back end fuel costs uncontracted £m	Decom-missioning £m	**2009 Total £m**	2008 Total £m
Within five years	1,036	34	82	**1,152**	1,073
6-10 years	814	27	1,099	**1,940**	1,856
11-25 years	641	104	2,244	**2,989**	3,348
26-50 years	-	418	1,195	**1,613**	1,646
51 years and over	-	2,121	4,702	**6,823**	6,916
	2,491	**2,704**	**9,322**	**14,517**	14,839

25. Provisions for Other Liabilities and Charges

	2009 £m	2008 £m
Current liabilities		
Contracts provision	**14**	17
Other provisions	**1**	2
	15	19
Non-current liabilities		
Contracts provision	**12**	25
Other provisions	**16**	17
	28	42
Total provisions for other liabilities and charges	**43**	61

Movements in provisions for other liabilities and charges in the year ended 31 March 2009 are as follows:

	Contracts provision £m	Other provisions £m	**2009 Total £m**
As at 1 April 2008	42	19	**61**
Arising during the year	3	-	**3**
Utilised in the year	(2)	-	**(2)**
Transfers	(18)	-	**(18)**
Payments in the year	-	(3)	**(3)**
Revalorisation (see note 10)	1	1	**2**
As at 31 March 2009	**26**	**17**	**43**

(i) Contracts Provision

The Group's portfolio of commodity contracts was fair valued at RED as part of the application of acquisition accounting. The net contracts provision is being utilised over the lives of the contracts fair valued at RED and is expected to be fully utilised by 2011 with the current portion of £14m expected to be utilised within the next 12 months.

The provision utilisation of £2m (2008: £2m) and amounts arising of £3m (2008: £nil), due to exchange rate movements, are presented in the other operating income line of the consolidated income statement. Other operating income also includes £11m (2008: £nil) distributions received from an Enron insolvency claim. For the year ended 31 March 2008, there was also an £8m realisation of a contingent asset relating to the Group's disposal of its interest in Bruce Power LP.

The transfers of £18m to accruals is in respect of commodity contracts which have been delivered over the course of the year ended 31 March 2009. Therefore all payments in respect of this provision are reflected against the reclassified balance within accruals.

(ii) Other Provisions

Other provisions are made up of provisions for onerous leases, a provision for additional unfunded retirement benefits (see note 26) and a provision for Eggborough site restoration costs. £1m (2008: £2m) of the other provisions is expected to be utilised within the next 12 months in relation to onerous leases. Accordingly, this is classified as a current liability. The remainder of the other provisions are classified as non-current.

26. Retirement Benefit Obligations

(i) Pension Schemes

The Group operates two separate defined benefit pension arrangements in the UK within the Electricity Supply Pension Scheme (ESPS), the British Energy Generation Group (BEGG) for the majority of employees and the British Energy Combined Group (BECG) for the employees at Eggborough power station. 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 cash funding requirements of the pension schemes are determined by triennial actuarial valuations by the independent scheme actuaries. The most recent triennial valuations of the BEGG and BECG schemes were carried out at 31 March 2007. Any deficit disclosed in the BEGG or BECG schemes following a triennial actuarial valuation will be funded by the Group. The balance sheet valuations for accounting purposes under IAS 19 have been carried out by a separate independent actuary using the projected unit method.

(ii) Contributions

The Group contributed 27.3% (2008: 22.4%) to the BEGG pension scheme and 22.2% (2008: 19.7%) to the BECG pension scheme as employer's normal contributions for the year ended 31 March 2009. Members who do not participate in the salary conversion arrangement and who are required to pay employee contributions contribute 5% (2008: 5%) and 6% (2008: 6%) to the BEGG and BECG schemes respectively. Members who participate in the salary conversion arrangements have their salaries reduced by 5% (2008: 5%) or 6% (2008: 6%) depending on whether they are members of the BEGG or BECG scheme, these monies being paid to the BEGG and BECG schemes as additional employer contributions.

The Group paid additional agreed employer contributions of £35m (2008: £20m) towards the BEGG scheme's funding deficit during the year ended 31 March 2009. Following the Acquisition, a revised schedule of contributions has been approved by the Trustees to fund the deficit identified at the last triennial valuation. This schedule sets out a revised deficit repair plan comprising contributions of £112m per annum paid in monthly instalments throughout the year ending 31 March 2010, followed by contributions of £12m per annum paid in monthly instalments from 1 April 2010 to 31 December 2013. These arrangements replace the deficit repair plan implemented at the time of the last triennial valuation.

The Group made additional employer contributions of £1m (2008: £1m) to the BECG scheme in the year. Following the Acquisition, agreement has been reached with the Trustees that the deficit will be paid in full by 31 March 2010.

The Group expects to contribute a total of £191m, including additional employer contributions, to the schemes in the year ending 31 March 2010.

At 31 March 2009 there was £8m (2008: £7m) of contributions owed to the pension schemes included in accruals.

(iii) Amounts Recognised in the Consolidated Balance Sheet

The amounts recognised in the consolidated balance sheet under IAS 19 in respect of the Group's funded defined benefit pension schemes are as follows:

	2009 £m	2008 £m
Fair value of plan assets	**2,328**	2,710
Present value of funded defined benefit obligations	**(2,887)**	(2,926)
Retirement benefit obligations recognised in the consolidated balance sheet	**(559)**	(216)

Certain additional retirement benefits are provided to eligible employees. These obligations are unfunded and the liability recorded at 31 March 2009 was £6m (2008: £6m) and is included within other provisions (see note 25).

(iv) Plan Assets, Expected Rates of Return and Benefit Obligations

Changes in the fair value of plan assets are as follows:

	2009 £m	2008 £m
Opening fair value of plan assets	**2,710**	2,671
Expected return on plan assets (see note 10)	**178**	182
Actuarial losses	**(583)**	(145)
Contributions by employer	**112**	85
Contributions by plan participants	**9**	8
Benefits paid	**(98)**	(91)
Closing fair value of plan assets	**2,328**	2,710

The plan assets include no investments in the Group's equity (2008: less than 1% of plan assets).

The major categories of plan assets are as follows:

	2009 £m	2008 £m
Equities	**868**	1,188
Bonds	**1,076**	1,054
Property	**189**	241
Hedge funds	**81**	107
Other	**114**	120
Total	**2,328**	2,710

The expected long-term rate of return on assets assumption was developed with consideration to the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The actual loss on plan assets was £405m (2008: £37m return), £583m (2008: £145m) less the expected return on assets at the beginning of the year.

Changes in the present value of the defined benefit obligations are as follows:

	2009 £m	2008 £m
Opening defined benefit obligations	**2,926**	2,736
Current service cost	**78**	70
Past service cost	**1**	4
Interest cost (see note 10)	**172**	146
Contributions by plan participants	**9**	8
Actuarial (gains)/losses	**(201)**	53
Benefits paid	**(98)**	(91)
Closing defined benefit obligations	**2,887**	2,926

(v) Actuarial Assumptions

The major assumptions used by the actuaries in determining the defined benefit obligations were:

	2009 % p.a.	2008 % p.a.
Price inflation	**2.70**	3.30
Rate of general increase in salaries	**4.20**	4.80
Rate of increase of pensions in payment	**2.70**	3.30
Discount rate	**5.80**	6.00
Expected long-term return on plan assets	**6.55**	6.80

Mortality Assumptions

The mortality assumptions used for the triennial actuarial valuations as at 31 March 2007 for the BEGG and BECG schemes have also been adopted for the IAS 19 determination of both schemes' defined benefit obligations as at 31 March 2009. These assumptions are based on the 00 series tables published by the Continuous Mortality Investigations Bureau. The life expectancy assumptions for members at age 65 are as follows:

	2009 Male Years	2009 Female Years	2008 Male Years	2008 Female Years
Currently aged 65	**21.8**	**24.0**	21.6	24.0
Currently aged 45	**23.7**	**25.2**	23.5	25.9

(vi) Amounts Recognised in the Consolidated Income Statement

Amounts recognised in the consolidated income statement in respect of the retirement benefit obligations are as follows:

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Current service cost (see note 6)	**78**	70
Expected return on plan assets in the pension schemes (see note 10)	**(178)**	(182)
Interest on defined benefit obligations (see note 10)	**172**	146
Total amounts recognised in the consolidated income statement	**72**	34

The current service cost charge for the year is included in staff costs in the consolidated income statement, and comprises £78m (2008: £70m) in respect of the funded defined benefit pension schemes. The interest cost and expected return on plan assets are included in finance charges in the consolidated income statement.

(vii) Amounts Recognised in the Consolidated Statement of Recognised Income and Expense

Amounts recognised in the consolidated statement of recognised income and expense in respect of the retirement benefit obligations are as follows:

	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Actual return less expected return on pension plan assets	**(583)**	(145)
Experience gains arising on defined benefit obligations	**5**	17
Changes in assumptions underlying present value of defined benefit obligations	**196**	(70)
Net actuarial losses on retirement benefit obligations for the year	**(382)**	(198)

The cumulative amount of actuarial gains and losses, before deferred tax, recognised in the consolidated statement of recognised income and expense in respect of funded retirement benefit obligations is a net loss of £341m (2008: £41m gain).

An actuarial gain of £1m (2008: £1m loss) has also been recognised in the consolidated statement of recognised income and expense in respect of the unfunded pension scheme, therefore the total actuarial loss taken to equity is £381m (2008: £199m) (see note 30).

(viii) History of Experience Gains and Losses

The history of schemes' deficits is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of plan assets	**2,328**	2,710	2,671	2,455	1,962
Present value of funded defined benefit obligations	**(2,887)**	(2,926)	(2,736)	(2,670)	(2,343)
Retirement benefit obligation recognised in the consolidated balance sheet	**(559)**	(216)	(65)	(215)	(381)

The history of experience gains and losses is as follows:

	2009 £m	As % of plan assets/ obligations 2009 %	2008 £m	As % of plan assets/ obligations 2008 %	2007 £m	As % of plan assets/ obligations 2007 %	2006 £m	As % of plan assets/ obligations 2006 %	2005 £m	As % of plan assets/ obligations 2005 %
Actual return less expected return on pension plan assets	**(583)**	**(25)**	(145)	(5)	6	-	312	13	2	-
Experience gains/(losses) arising on defined benefit obligations	**5**	**-**	17	1	(25)	(1)	16	1	-	-
Changes in assumptions underlying present value of defined benefit obligations	**196**	**7**	(70)	(2)	88	3	(240)	(9)	80	3

(ix) Sensitivity Analysis

Impact of changing material assumptions	Increase/ decrease in assumption	2009 Indicative effect on scheme liabilities %	Increase/ decrease in assumption	2008 Indicative effect on scheme liabilities %
Price inflation	**0.25%**	**+/-4**	0.25%	+/-4
Rate of general increase in salaries	**0.25%**	**+/-1**	0.25%	+/-1
Rate of increase of pensions in payment	**0.25%**	**+/-3**	0.25%	+/-3
Discount rate	**0.25%**	**-/+4**	0.25%	-/+5
Mortality	**1 year**	**+/-2**	1 year	+/-2

27. NLF Liabilities

	2009 £m	2008 £m
Current liabilities		
NLF liabilities (see note 23)	**23**	23
Non-current liabilities		
NLF liabilities	**167**	185
Total NLF liabilities	**190**	208

Movements in the NLF liabilities in the year ended 31 March 2009 are as follows:

	2009 £m
As at 1 April 2008	**208**
Charged to the consolidated income statement:	
Revalorisation (see note 10)	**6**
Payments in the year	**(24)**
As at 31 March 2009	**190**

The NLF liabilities represent the Group's commitment arising at RED to make fixed decommissioning contributions equal to £20m per annum (indexed to RPI but tapering off as the nuclear power stations were scheduled to close at RED) discounted at 3% real to its net present value.

28. Deferred Income

	2009 £m	2008 £m
As at 31 March	**5**	5

The deferred income recorded relates to consideration received for two options, an Asset Option and a Share Option, which were granted as part of the Restructuring. If exercised, subject to a number of conditions as summarised below, the options would enable the participants in the now redeemed long-term "project finance" loan (see note 22) to acquire the Eggborough power station assets (Asset Option) or to acquire the shares in Eggborough Power Limited (Share Option) which operates the coal-fired power station. In addition, the Group holds a pre-emption right if the participants sell or transfer their options to a third party before 31 March 2010.

The options may be exercised at any time prior to 31 August 2009 following which the participants in the now redeemed "project finance" loan may acquire the shares in, or assets of, Eggborough Power Limited on 31 March 2010 in consideration of, approximately £104m (subject to certain adjustments depending on the condition of the Eggborough power station on 31 March 2010) plus the amount prepaid under the project finance loan which would have been due on or after 31 March 2010 (£97m), together with any premium thereon. From 1 September 2008, the Company was required, if requested, to provide access to certain station property, assets, records and information to enable permitted parties under the options to prepare an evaluation.

The options, if unexercised, expire on 31 March 2010.

The deferred income will be realised upon the exercise or expiry of the options as described above.

29. Called Up Share Capital

	2009 £m	2008 £m
Authorised:		
2,800,000,000 (2008: 2,800,000,000) ordinary shares of 10p each	**280**	280
2,000,000,000 (2008: 2,000,000,000) convertible shares of 10p each	**200**	200
One (2008: one) special rights redeemable preference share of £1	**-**	-
	480	480

	2009 £m	2008 £m
Allotted, called up and fully paid:		
Equity shareholders' funds:		
1,607,494,287 (2008: 1,033,550,744) ordinary shares of 10p each	**161**	103
	161	103
Non-equity shareholder's funds:		
One (2008: one) special rights redeemable preference share of £1	**-**	-
	-	-
Called up share capital	**161**	103

Movements in each class of shares were as follows:

	Ordinary shares of 10p each		Convertible shares of 10p each		Redeemable preference shares of £1 each	
	Number	£	Number	£	Number	£
As at 1 April 2007	576,594,935	57,659,494	-	-	1	1
Arising on NLF partial conversion	-	-	450,000,000	45,000,000	-	-
Re-designation of convertible shares as ordinary shares	450,000,000	45,000,000	(450,000,000)	(45,000,000)	-	-
Warrants exercised	6,955,809	695,581	-	-	-	-
As at 31 March 2008	1,033,550,744	103,355,075	-	-	1	1
Arising on NLF full remaining conversion	-	-	571,204,734	57,120,473	-	-
Re-designation of convertible shares as ordinary shares	571,204,734	57,120,473	(571,204,734)	(57,120,473)	-	-
Warrants exercised	2,738,809	273,881	-	-	-	-
As at 31 March 2009	**1,607,494,287**	**160,749,429**	**-**	**-**	**1**	**1**

Ordinary Shares

The holders of ordinary shares are entitled to be paid any profits of British Energy Group plc available for distribution and determined to be distributed. On the winding up of British Energy Group plc, holders of ordinary shares will be entitled to receive the nominal capital paid up or credited as paid up on the shares together with any further amounts available to be paid which will be allocated proportionately to holders of ordinary shares. The holders of ordinary shares are entitled to receive notice of general meetings and to attend, speak and vote at such meetings.

Convertible Shares

The NLF exercised its right to fully convert its entitlement to the Cash Sweep Payment into convertible shares in British Energy Group plc on 5 January 2009. On the same day, the NLF accepted the Convertible Offer of 774p for each convertible share in respect of its 571,204,734 convertible shares, as part of the Recommended Offers made by EDF. The convertible shares were subsequently redesignated as ordinary shares on 12 March 2009.

On 1 June 2007 British Energy Group plc received notice from the NLF intimating its intention to convert and sell approximately 400 million shares in the Company, with an over allotment option of a further 50 million shares in the Company. As a result on 6 June 2007 British Energy Group plc issued 450 million convertible shares of 10p each to the NLF, which were re-designated as 450 million ordinary shares of 10p each and admitted to the Official List of the UKLA and to trading on the London Stock Exchange on the same day.

Special Rights Redeemable Preference Share of £1

The Special Share is redeemable at par at any time after 30 September 2006 at the option of the Secretary of State, after consulting British Energy Group plc. 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 British Energy Group plc 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 British Energy Group plc'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 British Energy Bond Finance plc, British Energy Limited, British Energy Generation Limited or British Energy Generation (UK) Limited, or a disposal by British Energy Group plc of its shares in these companies. 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.

Warrants

At RED, 29,298,286 Warrants of £0.98 were allotted which were freely exercisable at the option of the Warrant holder. The subscription rights could be exercised at any time in respect of certificated Warrants on lodging of a duly completed subscription notice and remittance of the subscription price or, in respect of Warrants held in uncertificated form, if CREST Co. Limited received a properly authenticated dematerialised instruction and payment through CREST in accordance with its rules. The Warrants entitled the holder to subscribe to acquire an equivalent number of ordinary shares at a subscription price of £0.98 per share within five years of RED.

Following the Acquisition, Warrant holders were entitled to exercise their Warrants during the 30 day period ending on 5 February 2009. On 6 February 2009, a Warrants Trustee, appointed by Lake Acquisitions, accepted the Warrant Offer on behalf of all remaining Warrant holders which resulted in the lapse of 4,025,248 Warrants in accordance with the Warrant Instrument. Accordingly, at 31 March 2009 there were no outstanding Warrants (2008: 6,764,057).

Own Shares

Prior to the Acquisition, the Group had investments in its own shares, held for the purpose of fulfilling the requirements of the Group's share incentive schemes. Following the Acquisition, all British Energy Group plc shares owned by the Company and held on its behalf by the British Energy Employee Share Trust and Abbey National AESOP Trust were purchased by Lake Acquisitions. All share incentive schemes vested with effect from 5 January 2009.

Accordingly, at 31 March 2009 there were no shares held in trust (2008: 1,913,946). The maximum number of own shares held during the year was 3,236,773 (2008: 1,946,438).

30. Equity

	Called up equity share capital £m	Share premium £m	Capital reserve £m	Hedge reserve £m	Warrant reserve £m	Retained earnings £m	Total equity £m
As at 1 April 2007	58	40	767	1	24	1,757	2,647
Net profit for the year attributable to shareholders	-	-	-	-	-	335	335
Net expense recognised directly in equity	-	-	-	(102)	-	(199)	(301)
Deferred tax on items recognised directly in equity (see note 11)	-	-	-	30	-	60	90
Total (expenses)/income for the year	-	-	-	(72)	-	196	124
Equity dividends paid (see note 13)	-	-	-	-	-	(140)	(140)
Shares issued	45	2,295	-	-	-	-	2,340
Capital reduction	-	(2,295)	-	-	-	2,295	-
Share-based payments (see note 32)	-	-	-	-	-	6	6
Purchase of own shares for share incentive schemes	-	-	-	-	-	(2)	(2)
Exercise of Warrants	-	19	-	-	(12)	-	7
As at 31 March 2008	103	59	767	(71)	12	4,112	4,982
Net loss for the year attributable to shareholders	-	-	-	-	-	(127)	(127)
Net income/(expense) recognised directly in equity	-	-	-	105	-	(381)	(276)
Deferred tax on items recognised directly in equity (see note 11)	-	-	-	(29)	-	107	78
Total income/(expenses) for the year	-	-	-	76	-	(401)	(325)
Equity dividends paid (see note 13)	-	-	-	-	-	(291)	(291)
Shares issued	57	4,364	-	-	-	-	4,421
Share-based payments (see note 32)	-	-	-	-	-	10	10
Purchase of own shares for share incentive schemes	-	-	-	-	-	(9)	(9)
Exercise of Warrants	1	6	-	-	(5)	-	2
Lapse of Warrants	-	-	-	-	(7)	7	-
As at 31 March 2009	**161**	**4,429**	**767**	**5**	**-**	**3,428**	**8,790**

(i) Called Up Equity Share Capital
Called up equity share capital represents the nominal value of shares in issue (see note 29).

(ii) Share Premium
The share premium recorded at 31 March 2009 of £4,429m (2008: £59m) represents the fair value of the obligation which was removed as a result of the exercise of the conversion right together with the excess of the fair value of Warrants exercised and Warrant proceeds received since RED over the nominal value of the shares issued on exercise.

As a result of the conversion of the NLF's remaining interest in the Company on 5 January 2009, share premium of £4,364m was recognised during the year (see note 14).

As a result of the partial conversion by the NLF on 6 June 2007 share premium of £2,295m was recognised in the year ended 31 March 2008 (see note 14). Following the partial conversion, on 22 October 2007 the Court of Session in Edinburgh approved a £2,295m reduction of British Energy Group plc's share premium account, thereby creating distributable reserves equal to this value.

(iii) Capital Reserve
The Restructuring involved bondholders and significant creditors compromising their claims against the Group in exchange for, amongst other things, the issue of Bonds (see note 22) by British Energy Bond Finance plc (a wholly owned subsidiary of British Energy Group plc) and new ordinary shares of British Energy Group plc. The capital reserve was created on the issue of shares at RED and represents the excess of the fair value of the claims of the significant creditors and bondholders over the legal liability foregone. The capital reserve is not distributable.

(iv) Hedge Reserve

The £105m gain (2008: £102m loss) in the hedge reserve in the year reflects the fair value movement, before the deferred tax charge of £29m (2008: £30m credit), of the contracts that have been designated as cash flow hedging instruments. This movement comprises a £16m net loss (2008: £84m) on hedging instruments recognised in the year, less a £121m gain (2008: £18m loss) relating to amounts released from the hedge reserve as contracts are delivered and included in the consolidated income statement (see note 21).

Where hedge accounting is permitted, gains and losses on hedging instruments are recognised directly in equity until the contract is settled, at which point the gain or loss is transferred to the consolidated income statement. When trades are de-designated as hedging instruments, cumulative gains or losses are retained in equity until the forecast transaction is settled. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised within equity is transferred to the consolidated income statement of the period.

(v) Warrant Reserve

On Restructuring the shareholders in British Energy plc were entitled to receive Shares and Warrants in British Energy Group plc. The Warrants entitled the holder to subscribe for ordinary shares in British Energy Group plc within five years of RED. As the Warrants were exercised this reserve was transferred to share capital and the share premium account.

Following the Acquisition, Warrant holders were entitled to exercise their Warrants during the 30 day period ending on 5 February 2009. On 6 February 2009, a Warrants Trustee, appointed by Lake Acquisitions, accepted the Warrant Offer on behalf of all remaining Warrant holders which resulted in the lapse of 4,025,248 Warrants in accordance with the Warrant Instrument. Accordingly £7m was released from the Warrant Reserve to retained earnings which represented the fair value of Warrants that lapsed. During the year, 2,738,809 Warrants (2008: 6,955,809) were exercised, resulting in an increase of 2,738,809 ordinary shares (2008: 6,955,809), an increase to share premium of £6m (2008: £19m) and a reduction in the Warrant reserve of £5m (2008: £12m). The proceeds received in the year in relation to the exercise of the Warrants amounted to £2m (2008: £7m).

(vi) Retained Earnings

Total income and expense in the year comprises the loss attributable to shareholders of £127m (2008: £335m profit), net actuarial gains and losses on retirement benefit obligations for the year of £381m loss (2008: £199m) and related deferred tax credit of £107m (2008: £60m).

Equity dividends of £291m (2008: £140m) were paid to ordinary shareholders from retained earnings during the year (see note 13).

Under IFRS 2 £10m (2008: £6m) has been credited to retained earnings in relation to the Share Incentive Plan, the Deferred Incentive Plan and the Long Term Deferred Bonus Plan (see note 32).

During the year £9m (2008: £2m) of own shares were purchased from the market and held in trust in order to satisfy obligations in relation to the Group's share incentive schemes.

Following the lapse of Warrants, £7m was released from the Warrant reserve to retained earnings.

31. Principal Group Companies

Details of British Energy Group plc's principal subsidiary undertakings, which are consolidated into the Group's financial statements, are as follows:

	Country of registration and operation	Class of share	Subsidiary share-holding %	Company share-holding %	Principal activity
British Energy Bond Finance plc	Scotland	Ordinary	-	100	Holding Company
British Energy Limited	Scotland	Ordinary	100	-	Holding Company
British Energy Generation Limited	England and Wales	Ordinary	100	-	Generation and sale of electricity
British Energy Trading and Sales Limited (formerly British Energy Power and Energy Trading Limited)	Scotland	Ordinary	100	-	Energy trading
British Energy Direct Limited	England and Wales	Ordinary	100	-	Sale of electricity
Eggborough Power Limited	England and Wales	Ordinary	100	-	Generation and sale of electricity

A full list of subsidiary undertakings will be annexed to British Energy Group plc's next annual return.

32. Share-based Payments

The expense recognised for share-based payments in respect of employee services received during the year ended 31 March 2009 was £10m (2008: £6m) and related entirely to equity-settled share-based payment transactions. As a result of the Acquisition on 5 January 2009, all share compensations schemes vested with immediate effect. This resulted in the remaining charge for all schemes being accelerated and charged to the consolidated income statement in the year ended 31 March 2009. The charge of £10m has therefore been allocated as £5m to share based payments and £5m to exceptional items for the accelerated charge (see note 6). Also included within the exceptional item charge of £19m is £14m of costs associated with the Share incentive Plan for reimbursement of tax and social security to individuals, as the scheme was approved under Schedule 2 Income Tax (Earnings and Pensions) Act 2003. No further awards are to be made under share compensation schemes in future years. Details of each of the employee share plans are given below.

Share Incentive Plan

Under the Share Incentive Plan (SIP), employees, including the Executive Directors, who were resident in the UK and met the service requirements, were eligible for awards under the SIP. Awards under the SIP were limited each year by relevant tax legislation and for the year ended 31 March 2008 took the form of free shares. The award made in respect of the year ended 31 March 2008 was granted in the year to 31 March 2009. The value of the annual award was linked to performance conditions and in respect of the year ended 31 March 2008 these performance conditions related to cost control, unplanned losses and length of the fixed nuclear book. These were considered to be non-market conditions under IFRS 2 and dividends attached to the awards, therefore the shares were fair valued at the market value on the date of grant. The free shares were initially to be held in a trust and would vest unconditionally for participating employees after being held within the trust for three years contingent upon participants being in continued employment by the Group. Any dividends paid on shares held within the trust would be converted into additional shares.

Following the Acquisition, all awards made under the SIP vested with immediate effect and the Trust was instructed to sell the shares on the employees' behalf.

The following table illustrates the number of, and movements in, share awards under this scheme during the year:

	2009 Number	2008 Number
Outstanding at 1 April	**1,191,997**	748,933
Granted during the year	**1,368,291**	483,527
Forfeited during the year	**(46,042)**	(36,353)
Exercised	**(2,514,246)**	(4,110)
Unvested at 31 March	**-**	1,191,997

The fair value of shares granted during the year was £7.42 per share (2008: £5.43).

The weighted average share price of awards exercised during the year was £7.74 per share (2008: £5.29).

Deferred Incentive Plan

The Deferred Incentive Plan (DIP) was available to selected senior employees who were eligible to receive conditionally awarded options in shares in British Energy Group plc at nil cost. The award made in respect of the year ended 31 March 2008 was granted in the year to 31 March 2009. The value of the annual award was linked to performance conditions and in respect of the year ended 31 March 2008 these performance conditions related to cost control, unplanned losses and length of the fixed nuclear book. The share options were due to vest over a period of between one and three years from the date of grant dependent on the percentage of performance targets achieved and the contractual life of each option granted was 10 years.

Following the Acquisition, all awards made under the DIP vested with immediate effect and all options were subsequently exercised in the year to 31 March 2009.

The following table illustrates the number of, and movements in, share options under this scheme during the year:

	2009 Number	2008 Number
Outstanding at 1 April	**335,885**	-
Granted during the year	**345,979**	348,947
Forfeited during the year	**(7,589)**	(12,355)
Exercised	**(674,275)**	(707)
Unvested at 31 March	**-**	335,885

The fair value of options granted during the year was £7.54 per share (2008: £5.43).

The weighted average share price of options exercised during the year was £7.73 per share (2008: £5.72).

Long Term Deferred Bonus Plan

The Long Term Deferred Bonus Plan (LT Plan) was available to certain Executive Directors and selected senior executives who were eligible to receive conditionally awarded options in shares in British Energy Group plc at nil cost. There was no award made in the year or in the prior year in respect of this scheme. For previous awards granted, the share options vested over a three year period from the date of grant and the contractual life of each option granted was 10 years.

Following the Acquisition, all awards made under the LT Plan vested with immediate effect and all options were subsequently exercised in the year to 31 March 2009.

The following table illustrates the number of, and movements in, share options under this scheme during the year:

	2009 Number	2008 Number
Outstanding at 1 April	**247,951**	276,852
Forfeited during the year	**(35,485)**	(4,804)
Exercised	**(212,466)**	(24,097)
Outstanding at 31 March	-	247,951
Exercisable at 31 March	-	141,048

The weighted average share price of options exercised during the year was £7.73 per share (2008: £5.37).

Interim Bonus Plan

The Interim Bonus Plan (IBP) was a deferred bonus scheme which related to the year ended 31 March 2005. The awards were granted to members of the Executive Committee either wholly in shares at nil cost (in the case of Executive Directors) or in shares and in cash (in the case of Executive Committee members). The awards were based on a proportion of salary and were scheduled to vest over a three year period, with one third of the award vesting immediately, one third after one year and the final third after two years.

Following the Acquisition, all awards made under the IBP vested with immediate effect and all options were subsequently exercised in the year to 31 March 2009.

The following table illustrates the number of, and movements in, share options under this scheme during the year:

	2009 Number	2008 Number
Outstanding at 1 April	**57,206**	57,206
Forfeited during the year	**(12,092)**	-
Exercised	**(45,114)**	-
Outstanding at 31 March	-	57,206
Exercisable at 31 March	-	57,206

The weighted average share price of options exercised during the year was £7.74 per share (2008: nil).

Share Option Schemes Granted by British Energy Limited

Share options were granted in previous years by British Energy Limited. Legal advice was obtained to the effect that the changes in the corporate structure of the Group as a result of the Restructuring did not trigger the early exercise provisions under these options. The Remuneration Committee decided not to allow holders of the options in British Energy Limited to roll them over into options over shares in British Energy Group plc. Prior to the Acquisition, the options granted by British Energy Limited were still capable of exercise, but immediately on exercise the shares would have been converted into shares in British Energy Group plc in the ratio of 50:1. Accordingly the effective exercise price of the options was significantly higher than the Recommended Offers share price and these options were not exercised upon the Acquisition.

33. Contingent Assets

The Group has certain contingent assets as a result of its disposal of its 82.4% interest in Bruce Power LP.

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

In addition, the Group has 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 the Group (see note 34).

34. 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 the Group's 82.4% 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.

The principal tax claim relates to the treatment of expenditure at the Bruce Power Station during the period of the Group's interest. The Canadian tax authorities have issued a decision confirming agreement in part with the Group'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 until all related claims are finalised. In addition, the respective Group companies 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 the respective Group companies could result in a rebate of a material amount of tax to the Group that has not been recognised in the consolidated 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. The respective Group companies have rejected the tax claim and expect to defend the claim if pursued further. The Group is 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 the Group.

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 is alleged resulted in an extended outage of one unit at the plant to carry out repair works and loss of revenues and costs of approximately C$64.5m. The consortium also claims that the alleged erosion may 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 brought on 12 February 2004 by the consortium which acquired the Group's 82.4% interest in the Bruce Power plant. On 21 October 2008, the consortium served a statement of claim confirming that it was seeking to recover C$253.6m in total, comprising C$64.5m in respect of repair costs and lost revenues arising from the extended outage at one unit and C$189.1m in respect of repair costs and lost revenues from a proposed outage to replace the steam generators. On 27 April 2009 the consortium served an amended statement of claim seeking C$276.4m in total, comprising increased amounts of C$64.6m in respect of repair costs and lost revenues arising from the extended outage at one unit, C$206.9m in respect of repair costs and lost revenues from a proposed outage to replace the steam generators and an additional amount of C$4.9m in respect of inspection, monitoring and maintenance costs. Formal arbitration proceedings are expected to commence later this year. The respective Group companies expect to defend 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 adviser, Watson Wyatt. The consortium alleged that the valuation was incorrect, resulting in the Group 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 the respective Group companies and the consortium's claim was dismissed.

The consortium has 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. The respective Group companies expect to defend the claims. 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.

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.

The Group 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 Group is involved in a number of other claims and disputes arising in the normal course of business which are not expected to have a material effect on the Group's financial position.

35. Financial Commitments

(i) Capital Commitments

	2009 £m	2008 £m
Capital expenditure contracted but not provided:		
Property, plant and equipment	**27**	29
Intangible assets	**55**	27
Total capital commitments	**82**	56

(ii) Operating Lease Commitments

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

	2009 £m	2008 £m
Within one year	**1**	-
In the second to fifth years inclusive	**10**	2
Later than five years	**1**	2

(iii) Other Contractual Commitments

Under contractual arrangements, the Group has the following nuclear fuel commitments at 31 March 2009:

	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	Thereafter £m	Total £m
Commitments to purchase in the year	261	236	148	119	65	654	**1,483**

At 31 March 2009, the estimated minimum commitment for the supply of coal was 2m tonnes (2008: 1m tonnes), which, at contract prices on 31 March 2009, equates to approximately £115m (2008: £96m), all of which falls due within one year.

In addition to the liabilities and provisions recognised and described in the notes to the consolidated financial statements, the Group has provided certain guarantees and commitments in respect of the extent of capital expenditure by Eggborough Power Limited. The Group also enters into commitments to purchase and sell electricity in the normal course of business.

36. Related Parties

Prior to the Acquisition, British Energy Group plc was a public limited company owned by the Company's shareholders and operating within an extensive contractual framework established as part of the Restructuring. The most significant contract, in terms of the limitations it placed on the business, was the Contribution Agreement between the Secretary of State and British Energy Group plc. The Contribution Agreement remains in place following the Acquisition, as amended on 5 January 2009.

The Acquisition became effective on 5 January 2009, and from that date the Group considers that its ultimate controlling party is EDF S.A., under the terms of IAS 24 – Related Party Disclosure (IAS 24). The Company's listing on the Official List and admission to trading on the Main Market of the London Stock Exchange was cancelled with effect from 3 February 2009.

The following transactions were carried out with related parties:

(i) Controlling parties

The following disclosure provides the total amount of transactions which have been entered into with other EDF group companies:

	Sales to related parties £m	Purchases from related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Transactions with other EDF group companies	44	24	39	6

(ii) Entities with Significant Influence over the Group

The Group considers Her Majesty's Government (HMG) to have been a related party for the period up until 5 January 2009, due to the significant influence exercised by HMG following the Group's Restructuring. The following transactions took place during the period with HMG and sponsored bodies under its control:

- The Group made payments to the NLF of £26m (2008: £24m). The payments were in relation to fixed decommissioning funding contributions of £18m (2008: £23m), £7m (2008: £nil) in respect of PWR fuel loaded into the Sizewell B reactor and £1m (2008: £1m) in respect of the Group's share of the NLF's administration costs.
- The Group made payments to BNFL, a Government controlled body, of £177m (2008: £289m) during the period in respect of front and back end fuel costs. In addition, under the Government indemnity in respect of historic nuclear liabilities, consideration of £177m (2008: £205m) was passed to BNFL in the period.
- Prior to the Acquisition and the NLF's conversion of its remaining interest in the Company, the Group was required to make Cash Sweep Payments to the NLF depending on certain criteria being met. During the year, a Cash Sweep Payment of £102m was paid in respect of the year ended 31 March 2008. See note 9 for further details.

The Group has also entered into a number of material transactions in its normal course of business with other sponsored bodies and departments of HMG including HM Revenue and Customs.

Following the Acquisition on 5 January 2009, the Group no longer considers HMG to be a related party.

(iii) Key Management Personnel

The compensation of key management personnel is set out in note 7.

37. Ultimate Parent Undertaking

The immediate parent undertaking is Lake Acquisitions Limited.

The Directors consider that the ultimate parent undertaking and controlling party is Electricité de France S.A. (EDF), a company incorporated in France. 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. British Energy Group plc is the parent undertaking of the largest group to consolidate these financial statements for the year ended 31 March 2009. Copies of the consolidated financial statements of British Energy Group plc can be obtained from the Company Secretary at British Energy Group plc, GSO Business Park, East Kilbride, G74 5PG.

38. Non-adjusting Post Balance Sheet Events

On 11 May 2009, Centrica plc announced that it had entered into certain transactions with EDF Group. The main elements of the transactions which impact upon British Energy Group plc are:

- Centrica plc intends to subscribe for a 20% shareholding in Lake Acquisitions. Following the Acquisition, EDF Group and Centrica plc will jointly own, on an 80/20 basis, British Energy Group plc; and
- EDF Group and Centrica plc will have the right to offtake power from the Group's existing nuclear fleet in proportion to their respective shareholdings in Lake Acquisitions.

The above transactions were approved by Centrica plc shareholders at a General Meeting, on 8 June 2009. The transactions remain subject respectively to merger control approvals from the European Commission and UK competition authorities and other regulatory clearances.

Parent Company Financial Statements
Independent Auditors' Report to the Members of British Energy Group plc

We have audited the parent company financial statements of British Energy Group plc for the year ended 31 March 2009 which comprise the balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of British Energy Group plc for the year ended 31 March 2009.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or, if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited parent company financial statements. This other information comprises only the Directors' Report and all of the other information listed on the Directors and Advisers page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow

23 June 2009

Notes:

(a) The maintenance and integrity of the British Energy Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Parent Company Financial Statements
Balance Sheet
as at 31 March 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investments	4	**8,297**	3,887
Current assets			
Debtors	5	**155**	553
Creditors: amounts falling due within one year			
Amounts due to subsidiary undertakings	6	**(21)**	(144)
Net current assets		**134**	409
Total assets less current liabilities		**8,431**	4,296
Capital and reserves			
Called up equity share capital	7,8	**161**	103
Share premium	8	**4,429**	59
Capital reserve	8	**767**	767
Warrant reserve	8	**-**	12
Profit and loss account	8	**3,074**	3,355
Total shareholders' funds (including non-equity shareholder's interests)	8	**8,431**	4,296

The parent company financial statements on pages 55 to 60 were approved by the Board of Directors on 23 June 2009 and signed on its behalf by:

Kusterer

Thomas Kusterer
Director

Parent Company Financial Statements
Notes to the Financial Statements
For the year ended 31 March 2009

1. Accounting Policies

(i) Basis of Preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. British Energy Group plc's financial statements have been prepared in accordance with accounting principles generally accepted in the United Kingdom and are therefore being presented separately from the consolidated financial statements of the British Energy Group, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and International Financial Reporting Interpretations Committee (IFRIC) interpretations.

References to the Company are to British Energy Group plc, the immediate parent company of the British Energy Group. References to the Group are to the Company and its subsidiaries. These financial statements cover the financial year from 1 April 2008 to 31 March 2009, with comparative figures for the financial year from 1 April 2007 to 31 March 2008.

British Energy Group plc is exempt from the requirements of FRS 29 because the Company is included in the British Energy Group plc's publicly available consolidated financial statements for the year ended 31 March 2009, which include disclosures that comply with IFRS 7 - Financial Instruments: Disclosures (IFRS 7), the equivalent International Financial Reporting Standard.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

In accordance with FRS 18 – Accounting Policies the Directors have reviewed British Energy Group plc's accounting policies and confirm that they are the most appropriate. A number of the policies require British Energy Group plc to use a variety of estimation techniques. Significant factors considered when assessing the carrying value of assets include future electricity prices, expected annual output, expected station operating costs, remaining station lives and discount rates.

British Energy Group plc has taken advantage of the exemption under Section 230 of the Companies Act 1985 from presenting a profit and loss account, statement of total recognised gains and losses and cash flow statement. Accordingly neither a profit and loss account, statement of total recognised gains and losses, nor a cash flow statement is presented in these financial statements.

(ii) Fixed Asset Investments

Investments in subsidiaries are initially recorded at the cost of shares allotted. Fixed asset investments are stated at cost less provisions for diminution in value. The carrying value of all fixed asset investments is regularly assessed for permanent impairment and provision made, if appropriate.

(iii) Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on all timing differences that have originated but not reversed by the balance sheet date. Timing differences are differences between taxable profits and those stated in the financial statements. Deferred tax is measured, on an undiscounted basis, at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that it can be regarded as 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 recognised in the profit and loss account except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses in which case the deferred tax is recognised directly in that statement.

(iv) Share-based Payment

British Energy Group plc has four share compensation schemes, the Share Incentive Plan, the Deferred Incentive Plan, the Long Term Deferred Bonus Plan and the Interim Bonus Plan. As a result of the Acquisition on 5 January 2009, all share compensation schemes vested with immediate effect. British Energy Group plc has accounted for these share compensation schemes in accordance with FRS 20 – Share-based Payment.

The fair value of the share compensation schemes has previously been recognised in investments with the corresponding credit included in shareholders' equity. For the year ended 31 March 2009 a disposal has been shown in investments to represent the sale of shares held in trust to fulfil the share compensation schemes.

2. Profits and Dividends of British Energy Group plc

(i) Profits

The retained profit for the financial year attributable to British Energy Group plc was £14m (2008: £27m). British Energy Group plc has distributable reserves at 31 March 2009 of £3,074m (2008: £3,344m).

British Energy Group plc has no employees (2008: nil).

(ii) Dividends Paid, Declared and Proposed

	Year ended 31 March 2009 pence per share	Year ended 31 March 2008 pence per share	**Year ended 31 March 2009 £m**	Year ended 31 March 2008 £m
Paid:				
2008 Base dividend, payable as a final dividend	**13.6**	-	**141**	-
2007 Additional dividend, paid as an interim dividend	**14.5**	-	**150**	-
2007 Base dividend, paid as a final dividend	-	13.6	-	140
			291	140

3. Summary of Directors' Emoluments

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Total emoluments, including pension contributions:		
As Directors	**726**	803
For management services:		
Salaries and other short-term benefits	**2,849**	2,203
Pension costs	**34**	29
	3,609	3,035
Compensation for loss of office	**552**	-
	4,161	3,035

Emoluments of all Directors for services to the Group are borne by associated EDF group companies and are included in the above amounts.

None of the Directors received emoluments for their services as Directors to this Company in the year ended 31 March 2009 (2008: £nil) since the services supplied to this Company are considered to be incidental to those supplied to the Group.

Retirement benefits accrue to no (2008: one) Directors under a defined benefits scheme.

The above amounts for remuneration include the following in respect of the highest paid Director.

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Emoluments	**1,419**	1,402
Compensation for loss of office	**552**	-
	1,971	1,402
Accrued pension at the end of the year	**68**	-
Accrued lump sum at the end of the year	**842**	-

4. Fixed Asset Investments

	£m
Cost and net book value	
As at 31 March 2008	3,887
Additions (see note 8)	10
Arising on partial NLF conversion (see note 8)	4,421
Disposals (see note 8)	(21)
As at 31 March 2009	**8,297**

Investments relate wholly to investments in subsidiary undertakings.

Details of British Energy Group plc's principal subsidiary undertakings are as follows:

	Country of registration and operation	Class of share	Subsidiary share-holding %	Company share-holding %	Principal activity
British Energy Bond Finance plc	Scotland	Ordinary	-	100	Holding Company
British Energy Limited	Scotland	Ordinary	100	-	Holding Company
British Energy Generation Limited	England and Wales	Ordinary	100	-	Generation and sale of electricity
British Energy Trading and Sales Limited (formerly British Energy Power and Energy Trading Limited)	Scotland	Ordinary	100	-	Energy trading
British Energy Direct Limited	England and Wales	Ordinary	100	-	Sale of electricity
Eggborough Power Limited	England and Wales	Ordinary	100	-	Generation and sale of electricity

A full list of subsidiary undertakings will be annexed to British Energy Group plc's next annual return.

5. Debtors

	2009 £m	2008 £m
Amounts due from subsidiary undertakings	**155**	553

Amounts due from subsidiary undertakings, which originated post RED, bear interest at LIBOR plus 2% and are repayable on demand.

6. Creditors: Amounts Falling due Within One Year

	2009 £m	2008 £m
Amounts due to subsidiary undertakings	**21**	144

Amounts due to subsidiary undertakings, which originated post RED, bear interest at LIBOR plus 2% and are repayable on demand.

7. Called Up Share Capital

	2009 £m	2008 £m
Authorised:		
2,800,000,000 (2008: 2,800,000,000) ordinary shares of 10p each	**280**	280
2,000,000,000 (2008: 2,000,000,000) convertible shares of 10p each	**200**	200
One (2008: one) special rights redeemable preference share of £1	-	-
	480	480

	2009 £m	2008 £m
Allotted, called up and fully paid:		
Equity shareholders' funds:		
1,607,494,287 (2008: 1,033,550,744) ordinary shares of 10p each	**161**	103
	161	103
Non-equity shareholder's funds:		
One (2008: one) special rights redeemable preference share of £1	-	-
	-	-
Called up share capital	**161**	103

For details of the rights of each class of British Energy Group plc's shares and the Company's employee share option schemes refer to notes 29 and 32 respectively in the Group's financial statements.

8. Reconciliation of Movement in Shareholders' Funds and Movement in Reserves

	Called up equity share capital £m	Share premium £m	Capital reserve £m	Warrant reserve £m	Profit and loss account £m	Total £m
As at 31 March 2007	58	40	767	24	1,167	2,056
Net profit for the year attributable to shareholders	-	-	-	-	27	27
Equity dividends paid (see note 2)	-	-	-	-	(140)	(140)
Shares issued	45	2,295	-	-	-	2,340
Capital reduction	-	(2,295)	-	-	2,295	-
Share-based payments	-	-	-	-	6	6
Exercise of Warrants	-	19	-	(12)	-	7
As at 31 March 2008	103	59	767	12	3,355	4,296
Net profit for the year attributable to shareholders	-	-	-	-	14	14
Equity dividends paid (see note 2)	-	-	-	-	(291)	(291)
Shares issued	57	4,364	-	-	-	4,421
Share-based payments	-	-	-	-	10	10
Accelerated vesting of share schemes on the Acquisition	-	-	-	-	(21)	(21)
Exercise of Warrants	1	6	-	(5)	-	2
Lapse of Warrants	-	-	-	(7)	7	-
As at 31 March 2009	**161**	**4,429**	**767**	**-**	**3,074**	**8,431**

British Energy Group plc had distributable reserves of £3,074m (2008: £3,344m).

(i) Called Up Equity Share Capital

Called up equity share capital represents the nominal value of shares in issue (see note 7).

(ii) Share Premium

The share premium recorded at 31 March 2009 of £4,429m (2008: £59m) represents the fair value of the obligation which was removed as a result of the exercise of the conversion right together with the excess of the fair value of Warrants exercised and Warrant proceeds received since RED over the nominal value of the shares issued on exercise.

As a result of the conversion of the NLF's remaining interest in the Company on 5 January 2009, share premium of £4,364m was recognised during the year.

As a result of the partial conversion by the NLF on 6 June 2007 share premium of £2,295m was recognised in the year ended 31 March 2008. Following the partial conversion, on 22 October 2007 the Court of Session in Edinburgh approved a £2,295m reduction of British Energy Group plc's share premium account, thereby creating distributable reserves equal to this value.

(iii) Warrant Reserve

On Restructuring the shareholders in British Energy plc were entitled to receive Shares and Warrants in British Energy Group plc. The Warrants entitled the holder to subscribe for ordinary shares in British Energy Group plc within five years of RED. As the Warrants were exercised this reserve was transferred to share capital and the share premium account.

Following the Acquisition, Warrant holders were entitled to exercise their Warrants during the 30 day period ending on 5 February 2009. On 6 February 2009, a Warrants Trustee, appointed by Lake Acquisitions, accepted the Warrant Offer on behalf of all remaining Warrant holders which resulted in the lapse of 4,025,248 Warrants in accordance with the Warrant Instrument. Accordingly £7m was released from the Warrant Reserve to retained earnings which represented the fair value of Warrants that lapsed. During the year, 2,738,809 Warrants (2008: 6,955,809) were exercised, resulting in an increase of 2,738,809 ordinary shares (2008: 6,955,809), an increase to share premium of £6m (2008: £19m) and a reduction in the Warrant reserve of £5m (2008: £12m). The proceeds received in the year in relation to the exercise of the Warrants amounted to £2m (2008: £7m).

9. Contingent Liabilities

British Energy Group plc 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.

British Energy Group plc has given a guarantee and indemnity to the Secretary of State for Business, Enterprise and Regulatory Reform and the Nuclear Liabilities Fund along with a number of other group companies in respect of the Nuclear Liabilities Funding Agreement.

British Energy Group plc has provided a debenture comprising fixed and floating charges to the Secretary of State for Business, Enterprise and Regulatory Reform and the Nuclear Liabilities Fund along with a number of other group companies in respect of any decommissioning default payment.

British Energy Group plc has provided a debenture comprising fixed and floating charges to Barclays Bank along with a number of other group companies in respect of all sums due under the Capacity and Tolling Agreement and the Second Intercompany Loan Agreement.

10. Financial Commitments

(i) Capital Commitments

British Energy Group plc had no capital commitments at 31 March 2009 (2008: £nil).

Glossary

Acquisition
The acquisition of British Energy Group plc by EDF S.A., effective from 5 January 2009.

AGR (Advanced Gas-Cooled Reactor)
The second generation of gas-cooled nuclear reactor built in the UK.

Baseload Generation
Mode of operation of a power station at a constant high level of output for a sustained period of time to assist in meeting minimum national demand.

Bonds
Bonds issued by British Energy Bond Finance plc and redeemed in whole on 10 February 2009.

British Energy Direct
British Energy Direct Limited.

BETTA
British Electricity Transmission and Trading Arrangements.

BNFL
British Nuclear Fuels plc.

BCU (Boiler Closure Unit)
Concrete and steel structure forming part of the reactor pressure boundary, unique to Hartlepool and Heysham 1.

Bruce
The Bruce A and B nuclear power stations in Ontario, Canada.

BSUoS
Balancing Services Use of System.

Clean Dark Spread
The price of electricity less the cost of coal and carbon.

Contribution Agreement
The agreement dated 14 January 2005 and now between the Secretary of State, NLF, British Energy Generation Limited, British Energy Group plc and British Energy Bond Finance plc (as amended from time to time).

Convertible Offer
One of the Recommended Offers made by Lake Acquisitions, available only to the NLF, comprising an offer of 774p in cash for each convertible share.

Decommissioning
The process whereby a nuclear power station is shut down at the end of its economic life, eventually dismantled, and the site made available for other purposes.

DUoS
Distribution Use of System.

EDF
Electricité de France S.A., the ultimate holding company of the EDF group which acquired British Energy Group plc on 5 January 2009.

EDF Energy
EDF Energy (UK) Limited, a subsidiary of EDF S.A. and immediate parent company of Lake Acquisitions. Lake Acquisitions purchased the entire share capital of British Energy as part of the Acquisition.

Emission Limit Values (ELV)
Emission limits imposed under the Large Combustion Plant Directive, requiring operators to maintain emissions within a rate limit at all points in time.

Glossary

Energy Supply Costs
Mainly comprise the costs incurred for the use of the distribution and transmission systems, recovered through revenue, and costs of Renewables Obligation Certificates (ROCs).

EPL
Eggborough Power Limited.

EU ETS
European Union Emissions Trading Scheme.

FGD (Flue Gas Desulphurisation)
Equipment fitted to coal-fired power stations to reduce sulphur dioxide emissions.

Forward Market Price
The average of the mid-point of the daily closing prices over the relevant year for forward annual baseload power (starting with the average forward price of the next six month winter and following six month summer season contracts and thereafter the average forward price of the same following six month summer season contract and subsequent six month winter contract) as reported on European Daily Electricity Markets, published by Heren Energy.

GTMA
Grid Trade Master Agreement.

GW (Gigawatt): GWh (Gigawatt-hour)
One gigawatt equals 1,000MW: one gigawatt-hour represents one hour of electricity consumed at a constant rate of 1GW.

Hold Separate Agreement
Arrangement entered into in respect of Eggborough power station as part of a commitment by EDF S.A. to the European Commission to obtain approval for the Acquisition whereby the operations of Eggborough power station are separated from the rest of EDF Energy.

Investment in Plant
Investment expenditure on plant projects, major repairs and strategic spares across the whole Group.

ISDA
International Swap Dealers Association.

kW (Kilowatt): kWh (Kilowatt-hour)
A kilowatt is a unit of power, representing the rate at which energy is used or produced: one kilowatt-hour is a unit of energy and represents one hour of electricity consumption at a constant rate of 1kW.

Lake Acquisitions
Lake Acquisitions Limited, a wholly owned subsidiary of EDF Energy plc which acquired 100% of the share capital of British Energy Group plc in the Acquisition.

Large Combustion Plant Directive (LCPD)
EC Directive applicable to combustion plants exceeding 50MW thermal, that takes into account recent advances in combustion and abatement technologies to introduce revised limits for releases of SO_2, NO_x and dust. Under UK implementation of the Directive, operators are permitted to elect either the Emission Limits Value (ELV) approach or the National Emissions Reduction Plan (NERP) approach.

Levy Exemption Certificates (LECs)
The climate change levy is a tax on the use of energy in industry, commerce and the public sector. The purpose of the levy is to encourage the efficient use of energy, therefore a range of measures are in place to assist energy users to improve energy efficiency, one of which is the exemption for the use of renewable power. LECs are provided as proof that this exemption is valid. 1 LEC equals 1MWh of renewable energy.

LLW, ILW, HLW (Low, Intermediate, High Level Waste)
Radioactive waste is classified as low, intermediate or high level waste according to its heat generating capacity and radioactivity. LLW comprises slightly radioactive materials, such as discarded protective clothing and used wrapped materials. ILW comprises more radioactive materials, including sludges and resins from the cleaning of fuel storage pond water, fuel cladding and other materials arising from the reprocessing of spent fuel, and some radioactive components arising from the decommissioning of plant. HLW comprises nuclear waste products separated out from uranium and plutonium during the reprocessing of spent nuclear fuel.

Glossary

Load Factor
The electricity produced by a power station expressed as a percentage of the electricity it could have produced if operating at its reference energy generation over a fixed time period, usually one year.

Lost Time Accident (LTA)
An incident which causes one or more days off work (consecutive or not) after, but not including, the day of an occupational injury or illness.

Make Whole Amount
In respect of any repayment date of the Bonds, an amount calculated no earlier than three London business days prior to the repayment date, equal to the sum of the present values of the remaining scheduled payments of principal and interest after the redemption date, discounted to the date of redemption on a quarterly basis at a rate determined by an independent banking firm in London using a standard market convention.

Market Price
The price for annual forward baseload contracts.

Materiel Condition
A term used by nuclear operators, particularly in the United States, in relation to nuclear power stations, and used to describe the physical condition of plant and equipment and the condition of operating procedures, engineering drawings, specifications and manuals (taking safety, maintenance and plant reliability into consideration).

MW (Megawatt): MWh (Megawatt-hour)
One megawatt equals 1,000kW: one megawatt-hour represents one hour of electricity consumption at a constant rate of 1MW.

National Emissions Reduction Plan (NERP)
Emission limits imposed under the Large Combustion Plant Directive, requiring operators to maintain emissions within an annual 'bubble' limit.

NDA
Nuclear Decommissioning Authority.

NLF
An independently administered fund into which the Group makes contributions to cover all qualifying uncontracted nuclear liabilities including costs of decommissioning nuclear power stations and PWR back end fuel costs.

Nuclear Reportable Events (NRE)
Nuclear Reportable Events.

Nuclear Installations Inspectorate (NII)
A part of the Nuclear Safety Division Directorate of the Health and Safety Executive, which administer nuclear site licences.

Outage (Planned and Unplanned)
A period during which a reactor is shut down. The periodic shutdown of a reactor including for maintenance, inspection and testing or, in some cases, for refuelling is known as a planned outage. In the UK, some planned outages are known as statutory outages and are required by the conditions attached to the nuclear site licence needed to operate the station. Unscheduled shutdown of a reactor for a period is known as an unplanned outage.

PWR (Pressurised Water Reactor)
The most recent type of nuclear reactor to be constructed in the UK which uses pressurised water as both the coolant and the moderator.

Quinquennial Review
The five-yearly review of the assumptions underlying the Group's provision for certain nuclear liabilities.

Realised Price
Calculated by dividing revenue from generated electricity by total output for the period.

Recommended Offers
Announced by Lake Acquisitions on 5 November 2008 with respect to the acquisition of the entire issued and to be issued share capital of British Energy Group plc other than the Special Share (being the special rights redeemable preference share of £1 held jointly by the Secretary of State of Her Majesty's Government and the Secretary of State for Scotland). The Recommended Offers culminated in the Acquisition of British Energy Group plc, which took place on 5 January 2009.

Glossary

RED
The Restructuring Effective Date, 14 January 2005.

Renewables Obligation Certificates (ROCs)
Eligible renewable generators receive ROCs for each MWh of electricity generated. These certificates can then be sold to suppliers, in order to fulfil their renewables obligation.

Renewables Obligation Scheme
Scheme introduced by Utilities Act 2000 requiring electricity suppliers to ensure a proportion of sales are derived from renewable sources.

Restructuring
The restructuring of the Group completed on 14 January 2005.

Revalorisation
Revalorisation arises because nuclear liabilities are stated in the balance sheet at current price levels, discounted at 3% per annum from the eventual payment dates. The revalorisation charge is the adjustment that results from restating these liabilities to take into account the effect of inflation in the year and to remove the effect of one year's discount as the eventual dates of payment become one year closer. Revalorisation charges arise in respect of the fixed decommissioning obligation to reflect the unwinding of the discount for the period. A revalorisation credit arises in respect of movements in the value of nuclear liabilities and the NLF receivable to take account of the underlying movement in nuclear liabilities.

RPI
Retail Price Index.

Shares
Ordinary shares in British Energy Group plc.

Small Losses
Events less than 1TWh.

Statutory Outage
The planned shutdown of nuclear reactors for regulatory inspection and maintenance.

TNUoS
Transmission Use of System.

TW (Terawatt): TWh (Terawatt-hour)
One terawatt equals 1,000GW: one terawatt-hour represents one hour of electricity consumption at a constant rate of 1TW.

Unit Capability Factor
The percentage of maximum energy generation that a plant is capable of supplying to the electrical grid, limited only by factors within the control of plant management.

Unit Operating Costs
Calculated by dividing the operating costs of generated electricity plus depreciation and software amortisation by total output for the period.

Unplanned Capability Loss Factor (UCLF)
Unplanned capability loss factor is defined as the ratio of the unplanned energy losses during a given period of time, to the reference energy generation, expressed as a percentage.

Unplanned Energy Loss
In the context of Unplanned Capability Loss Factor, unplanned energy loss is energy that was not produced during the period because of unplanned shutdowns, outage extensions, or unplanned load reductions due to causes under plant management control. Causes of energy losses are considered to be unplanned if they are not scheduled at least four weeks in advance.

UKLA
United Kingdom Listing Authority.

Warrants
Warrants entitling the holder to subscribe for shares in British Energy Group plc.

Glossary

Warrant Instrument
The instrument dated 13 January 2005 and executed by British Energy Group plc under which the Warrants were constituted.

Warrant Offer
The offer made by Lake Acquisitions to the Warrants Trustee immediately following the end of the 30 day period (ending 5 February 2009) for each Warrant in respect of which the Subscription Rights had not been exercised.