

NUCLEAR LIABILITIES FUND LIMITED

ANNUAL REPORT

YEAR ENDED 31 MARCH 2009

NUCLEAR LIABILITIES FUND LIMITED

COMPANY INFORMATION

Directors	The Lady Balfour of Burleigh CBE Mr G Jenkins Ms A Richards Sir James Sassoon Mr D Stewart CVO
Secretary	Mr D A Venus PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Company Number	SC164685
Registered Office	16 Rothesay Place Edinburgh EH3 7SQ
Auditors	Deloitte LLP Chartered Accountants London
Solicitors	Shepherd and Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
Bankers	HSBC Bank Plc 8 Canada Square London E14 5HQ
Investment Managers	State Street Global Advisors Limited 20 Churchill Place Canary Wharf London E14 5HJ LaSalle Investment Management Limited 33 Cavendish Square London W1A 2NF
Custodians	HSBC Bank Plc Global Investor Services 8 Canada Square London E14 5HJ

NUCLEAR LIABILITIES FUND LIMITED

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NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF THE DIRECTORS
YEAR ENDED 31 MARCH 2009

The directors are pleased to present the thirteenth Annual Report of Nuclear Liabilities Fund Limited (the "Fund") for the year to 31 March 2009.

Purpose of the Fund

The Fund was incorporated on 28 March 1996 with the principal object of providing arrangements for funding certain long-term costs of decommissioning the nuclear power stations of British Energy Group plc ("BE") existing at 20 March 1996. These comprised, and continue to comprise, seven advanced gas cooled reactor stations ("AGRs") and one pressurised water reactor station ("PWR").

The Fund is owned by The Nuclear Trust (the "Trust"), established by deed dated 27 March 1996 (as amended with effect from 14 January 2005), between BE, the Secretary of State for the Department for Business, Innovation and Skills (formerly Department for Business, Enterprise and Regulatory Reform) ("the Secretary of State"), and five trustees, of whom three are appointed by the Secretary of State and two by BE. The Trust is a public trust under Scottish Law and its trustees are also directors of the Fund, the ordinary share capital of which is owned by the trustees.

The primary purpose of the Trust is "to protect and preserve for the benefit of the Nation the environment of the United Kingdom, by being a member, directly or through nominees, of a company limited by shares or by guarantee, the purpose of which is to receive and hold monies, investments and other assets for the purpose of making payments towards discharging Nuclear Liabilities."

The obligations of the Fund were set out in the Nuclear Decommissioning Agreement of 29 March 1996, which was terminated on 14 January 2005 and replaced by a Contribution Agreement ("CA") and by the Nuclear Liabilities Funding Agreement ("NLFA") of the same date. These new Agreements were a consequence of the restructuring of BE (the "Restructuring") which was completed on 14 January 2005 (full details can be found on BE's website at www.british-energy.com). The terms of Restructuring include various changes to the manner in which the decommissioning liabilities of BE nuclear power stations are to be funded and also for the funding of certain of BE's contracted and uncontracted nuclear liabilities (together called the "qualifying liabilities").

The terms of the NLFA and other agreements put in place at the time of Restructuring have been amended as a consequence of the sale of the Fund's remaining stake in BE in January 2009. The amendments generally reflect the new ownership structure of BE without compromising the arrangements put in place to facilitate the funding, and in due course, the implementation of decommissioning.

The principal obligations, duties and rights of the Fund as set out in the NLFA and the CA are:

- BE make quarterly payments into the Fund under the terms of the CA. Payments from the Fund to meet qualifying liabilities can only be made by application by BE to the Nuclear Decommissioning Authority ('NDA').
- BE prepares and submits (at its cost) for the review and approval by the NDA:
 - ◆ every five years, or three years prior to station closure, whichever is earlier, a lifetime Baseline Decommissioning Plan ('BDP') setting out its strategy and cost estimate for decommissioning its AGR and PWR stations;
 - ◆ a plan setting out its strategy for discharging Uncontracted Liabilities (the 'UCLDP');
 - ◆ for each financial period, an Annual Liabilities Report ('ALR2'), which is in effect a 3-year rolling near term work plan; and
 - ◆ an annual reconciliation of movements in liabilities over the preceding financial period (Annual Liabilities Report, Part 1 or 'ALR1').

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF THE DIRECTORS (continued)
YEAR ENDED 31 MARCH 2009

Purpose of the Fund (continued)

- Applications for payment of qualifying costs are made monthly by BE to the NDA and any approval is then communicated to the NLF which transfers monies to BE's account. All this is undertaken within defined periods.
- In providing written confirmation to the NLF that an application is acceptable, the NDA must also state that it is reasonably satisfied that BE's technical specifications for the work proposed or undertaken are in accordance with the approved BDPs or the approved UCLDP, and the current approved ALR2.
- A Fund Review will be initiated in January 2015 and normally at each ten year anniversary thereafter.

At 31 March 2009 the Fund's assets after deducting current liabilities were valued at £8,276m. The investment policy of the Fund is determined by the Secretary of State after consultation with Fund directors. The Secretary of State has agreed to fund the qualifying liabilities to the extent they exceed all the assets of the Fund.

Review of the year

The purchase of British Energy by EDF was completed on 19 January 2009 when the Fund received £4,421m for its residual interest in BE of approximately 36%. This sum, together with £2,340m raised from the sale in May 2007 of some 28% of the Fund's interest in BE, has been invested to fund the long term decommissioning costs of BE's existing stations, plus certain other contracted and uncontracted nuclear liabilities of BE as they arise. At the request of HM Government, the proceeds of sale from both tranches have been invested in the National Loans Fund which is central government's main borrowing and lending account. That fund is administered by HM Treasury, with bank accounts maintained at the Bank of England. At 31 March 2009 the sum of £7,397m was held by the Fund in the National Loans Fund.

Lady Balfour's term of office as a director and Chairman of the Fund came to an end on 1 November 2008. Following a selection process which followed the rules of the Office of the Commission for Public Appointments, which rules apply to any appointment by Government of a Trustee to The Nuclear Trust, we were very pleased that Lady Balfour was reappointed as a Trustee to the Nuclear Trust on 10 July 2009 and as a Director and Chairman of this Fund on the same date.

We have followed closely developments during the year paving the way for new build and arrangements for decommissioning in due course. In June 2008 the Nuclear Liabilities Financing Advisory Board ('NLFAB') was established for the purpose of providing independent scrutiny and advice on the suitability of the funded decommissioning programme to be submitted by operators of new nuclear power stations. We were pleased that our Chairman, Lady Balfour, was also appointed Chairman of the NLFAB in November 2008 and we know that her experience of managing a segregated fund over the last thirteen years will be invaluable to the NLFAB's deliberations.

We are very grateful to our colleagues and various advisers for their hard work, diligence and expertise during the course of the sale process which spanned some 10 months. It was a complex matter requiring liaison and discussion with numerous parties. We were fortunate that Lady Balfour was able and willing to act as consultant to the Fund, with the assent of the Secretary of State, during the period from the date of cessation of her term of office to the date of her reappointment.

We wish to thank the Shareholder Executive, the Department of Business Innovation and Skills, the Department of Energy and Climate Change, BE, the Nuclear Decommissioning Authority, the Nuclear Installations Inspectorate and many other organisations and individuals for their help and co-operation throughout the year.

This statement was approved by the board and signed on its behalf.

The Lady Balfour of Burleigh CBE
Chairman
Date: 9 September 2009

NUCLEAR LIABILITIES FUND LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2009

The directors submit their annual report and the financial statements of Nuclear Liabilities Fund Limited ("the Fund") for the year ended 31 March 2009.

Results

The Fund's value increased by **£4,434,347,010** to **£8,275,841,539** (2008: increased by £2,519,522,731 to £3,841,494,529).

The rate of return for the year achieved by the Fund, excluding the effect of the sale of the Fund's remaining stake in British Energy Group Plc ("BE"), was 0.30% before tax (2008: 4.08%). This percentage has been calculated by HSBC Bank Plc, retained by the Fund as performance measurers.

No dividends have been paid or proposed for this or the prior year.

Future developments concerning the Fund's investment policy are set out on page 4.

Presentation of financial statements

The directors are bound by the Companies Act 1985 and United Kingdom accounting standards in the presentation of the financial statements. However, the purpose of the Fund is to receive and hold monies, investments and other assets, so as to secure funding for discharging qualifying liabilities relating to existing stations ("the Stations") of BE at 29 March 1996 and to make payments for such approved costs. Accordingly, in the directors' opinion, a more meaningful method of presenting the financial statements would be to use a fund account approach as follows:

	2009	2008
	£	£
Assets held to meet qualifying liabilities - value at start of the year	3,841,494,529	1,321,971,798
Contributions from BE	31,493,188	126,417,935
BE cashsweep converted into BE shares	4,421,124,641	2,340,000,000
Payments to BE	(3,482,479)	(93,890)
Realised net investment income	190,484,985	152,385,886
Taxation	(49,157,953)	(50,139,935)
Decrease in unrealised gains and losses-securities	(141,124,362)	(41,007,265)
Decrease in unrealised gains and losses-properties	(14,991,010)	(8,040,000)
	<hr/> 8,275,841,539 <hr/>	<hr/> 3,841,494,529 <hr/>

Principal activity and review of business

The principal activity of the Fund is to provide arrangements for funding the costs of decommissioning the Stations and for meeting all costs and liabilities relating to the management, storage, retrieval and disposal of unirradiated, operational or spent nuclear fuel and associated waste.

A further review of the Fund's activities is given in the Statement of the Directors on pages 1 and 2.

The directors consider the result for the year under review to be consistent with the objectives set out in the Memorandum of Association of the Company as amended by Special Resolutions approved on 14 January 2005.

NUCLEAR LIABILITIES FUND LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2009

Statement of investment principles

Following publication of the Myners Review of Institutional Investment in 2002, the directors considered the ten principles identified in the Review and how they might be applied to the Fund. The Myners Principles are currently a largely voluntary code of conduct applying to pension schemes and, therefore, are not of specific application to the Fund. The directors though do believe that they should be guided by the Principles to the extent that they are appropriate to the circumstances of the Fund.

More recently, HM Government has reduced the Myners Principles from ten to six. The directors will revisit how the Fund applies the Myners Principles once discussions regarding the long-term investment strategy are concluded.

Market review

The twelve months to 31 March 2009 were dominated by declining equity markets, increasingly correlated asset class returns and unprecedented volatility. The environment dramatically worsened after Lehman Brothers filed for bankruptcy in mid-September 2008. As equity markets around the world endured a sixth consecutive quarter (Q1'09) of disappointment, many investment categories tumbled in early March 2009 to levels more than 50% below the peaks they had achieved less than 18 months ago, although there was a strong rally in equity markets during March 2009.

Gilts continued to perform well throughout the scheme year, as sinking UK growth prospects and intensifying credit concerns increased the safe-haven appeal of high-quality issues. The flight to safety, risk aversion and falling rates all boosted Gilts returns. The pattern continued in the first quarter of 2009 as all the major equity markets declined yet government bonds saw positive returns.

The Fund has been insulated from the market turmoil to a significant extent due to the very high weighting in cash. This strategy will, however, constrain the growth prospects of the Fund going forward.

Market outlook

The UK slipped into recession during the second half of 2008. The contraction began in the third quarter, picked up speed in the fourth quarter, and most commentators say that this is likely to persist throughout 2009. This recession is expected to be on par with the 1979-1981 downturn. Our investment advisers anticipate that the economic recovery will begin in 2010, as the global recovery widens and that equity markets will strengthen ahead of that. Despite the decline in oil prices and the weakness of the economy, headline inflation remained at elevated levels in February 2009. However, a marked slowing of inflation is expected in the coming months as lower oil prices and the 2.5% VAT cut finally get passed to consumers. Indeed, by the second half of 2009, inflation should drop to near zero. Inflation is expected to reaccelerate in 2010 as oil prices begin to rise and the VAT cut expires. Over the last 16 months, the Bank of England has cut its official Bank Rate from 5.25% to a record low of 0.50%. Although rates are unlikely to drop any lower, rate increases are not anticipated until 2011. At the request of HM Government, some ninety per cent of the Fund's assets are deposited with the National Loans Fund which is central government's main borrowing and lending account. The range of interest rates payable by that fund according to the deposit term is expected to move in relation to Bank Rate (and in relation to the outlook for interest rates generally) and is therefore not anticipated to rise significantly in the short term.

Investment policy

The Secretary of State for Department for Business, Innovation and Skills has amended the investment policy of the Fund with effect from 14 January 2005, the date of Restructuring. By agreement with the Secretary of State, the amendment has not yet been implemented. State Street Global Advisers continue to manage the Fund's equity and index-linked investments, while LaSalle Investment Management manage the properties owned by the Fund.

NUCLEAR LIABILITIES FUND LIMITED

DIRECTORS' REPORT (continued)

YEAR ENDED 31 MARCH 2009

Directors

The following directors who served throughout the year had no beneficial interests in the share capital of the Fund:

The Lady Balfour of Burleigh CBE (term of office ceased 31 October 2008; reappointed 10 July 2009)

Mr G Jenkins (appointed 1 April 2008)

Ms A Richards (appointed 1 January 2008)

Sir James Sassoon (appointed 1 January 2008)

Mr D Stewart CVO (appointed 1 April 2008)

In their capacity as Trustees of the Nuclear Trust, (a public trust established under Scottish Law by a deed dated 27 March 1996 between British Energy Plc and the Secretary of State for Department for Business, Innovation and Skills, as amended by a deed dated 12 January 2005) the directors jointly have a legal interest in 98 Ordinary Shares of £1 each in the Fund.

Audit information

In the case of each of the persons named as directors above, being directors at the date of approval of this report, as far as each is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he or she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the company's auditors are aware of this information. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Corporate governance

Whilst the Fund is not obliged to comply with the Combined Code, the directors consider that during the year the Fund has complied with the Code in so far as its provisions are applicable.

The Board

The five directors meet regularly to review the overall affairs of the Fund and to consider business specifically reserved for the Board's decision. Twenty one Board meetings were held during the course of the year (including meetings held by conference call) together with a great many other meetings between various Board members, advisers, officials from the Department for Business, Innovation and Skills, the Nuclear Decommissioning Authority and others. The directors are responsible for monitoring the prescribed investment policy of the Fund and, at Board meetings, they considered, within the confines of this policy, matters relating to financial risk and objectives and the exposure of the Fund to such financial risk. This was achieved by reviewing the performance of its investment managers and advisers and by monitoring the performance of the Fund's portfolio against prescribed benchmarks. The directors' approach to the management of financial risk is given in note 15 "Financial Instruments" to the financial statements.

The directors liaised regularly with their advisers and kept in frequent contact with industry specialists and regulators as appropriate.

The attendance of directors at Board meetings in the year is set out in the table below:

	Regular Meetings	Extraordinary Meetings and Conference Calls	Total
The Lady Balfour of Burleigh CBE*	9	12	21
Mr G Jenkins	9	10	19
Ms A Richards	9	10	19
Sir James Sassoon	9	11	20
Mr D Stewart CVO	9	11	20

* includes meetings attended during the period 1 November 2008 to 31 March 2009 as a consultant.

NUCLEAR LIABILITIES FUND LIMITED

DIRECTORS' REPORT (continued)

YEAR ENDED 31 MARCH 2009

The Board (continued)

Directors each receive £24,607 (2008: £23,650) per annum in respect of their normal annual non-executive board duties and the chairman £36,911 (2008: £35,476) per annum. Additional remuneration is payable on a per diem basis agreed by the Department for Business, Innovation and Skills and British Energy Group plc in respect of additional work carried out by the directors.

Internal financial controls

The directors have overall responsibility for the internal financial control systems of the Fund. These systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which decisions are made and that the assets of the Fund are safeguarded. The financial controls operated by the Board include the monitoring of the investment strategy and regular reviews of the financial results and investment performance. The Board has contractually delegated to external agencies, including investment managers, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), and the day-to-day accounting and company secretarial requirements.

The investment managers have established an internal control framework to provide reasonable assurance on the effectiveness of internal financial controls on behalf of its client. The effectiveness of the internal financial controls is assessed by the investment managers' compliance and internal audit department on an ongoing basis.

The Board meets representatives of the investment managers and receives reports upon the quality and effectiveness of the accounting records and management information maintained on behalf of the Fund. It reviews the quarterly and annual accounts and reviews the nature and scope of the external audit and the findings therefrom.

These systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The directors have continued their ongoing review of the key commercial and financial risks that might affect the Fund together with more general risks such as those relating to compliance with laws and regulations.

Going concern

The principal purpose of the Fund is to provide arrangements for funding certain long-term costs of decommissioning the nuclear power stations of BE existing at 20 March 1996 and for meeting all costs and liabilities relating to the management, storage, retrieval and disposal of unirradiated, operational or spent nuclear fuel and associated waste. On the basis that most of these costs and liabilities will not fall due for payment for a number of years and on the basis that HM Government will be responsible for meeting these costs and liabilities to the extent that the Fund does not have sufficient assets available to it, the directors are satisfied that it is appropriate to prepare the annual report and accounts on a going concern basis.

Auditors

A resolution to re-appoint the auditors, Deloitte LLP, will be proposed at the Annual General Meeting.

This report was approved by the board and signed on its behalf.

The Lady Balfour of Burleigh CBE
Chairman

Date: 9 September 2009

NUCLEAR LIABILITIES FUND LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NUCLEAR LIABILITIES FUND LIMITED**

We have audited the financial statements of Nuclear Liabilities Fund Limited for the year ended 31 March 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the 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 financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the 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 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 financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NUCLEAR LIABILITIES FUND LIMITED (continued)**

Opinion

In our opinion:

- the 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 and of its profit for the year then ended;
- the 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 financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

Date: 10 September 2009

NUCLEAR LIABILITIES FUND LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2009

	Notes	2009 £	2008 £
Investment income	2	202,156,136	170,876,989
Realised gains on investments	10	3,210,189	12,350,128
Realised losses on investments	10	(5,068,420)	(11,870,767)
Net foreign exchange gains		225,512	89,502
Investment expenses	3	(9,064,525)	(18,123,059)
Administrative expenses		(973,907)	(936,907)
		<hr/>	<hr/>
		190,484,985	152,385,886
Increase in unrealised losses on other fixed asset investments	6	(64,739,537)	(26,530,273)
		<hr/>	<hr/>
Operating profit on ordinary activities before decommissioning provision and taxation	4	125,745,448	125,855,613
Transfer from/(to) decommissioning provisions	16	14,788,340	(53,198,686)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		140,533,788	72,656,927
Tax on ordinary activities	7	(49,157,953)	(50,139,935)
		<hr/>	<hr/>
Profit on ordinary activities after taxation transferred to profit and loss reserve	8	91,375,835	22,516,992
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 2009

	2009 £	2008 £
Profit on ordinary activities after taxation	91,375,835	22,516,992
Decrease in cumulative unrealised gains and losses on property investments	(14,991,010)	(8,040,000)
Decrease in cumulative unrealised gains on other fixed asset investments	(76,384,825)	(14,476,992)
	<hr/>	<hr/>
	-	-
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NUCLEAR LIABILITIES FUND LIMITED

BALANCE SHEET

31 MARCH 2009

	Notes	2009 £	2008 £
FIXED ASSETS			
Investment properties	9	39,005,000	53,950,000
Other fixed asset investments	10	408,933,335	740,808,107
		447,938,335	794,758,107
CURRENT ASSETS			
Debtors	11	16,146,476	152,737,036
Short-term deposits	12	7,838,217,945	2,922,078,497
Cash at bank		905,642	1,896,911
		7,855,270,063	3,076,712,444
CREDITORS: amounts falling due within one year	13	(26,540,833)	(29,162,770)
NET CURRENT ASSETS		7,828,729,230	3,047,549,674
TOTAL ASSETS LESS CURRENT LIABILITIES	14	8,276,667,565	3,842,307,781
PROVISIONS FOR LIABILITIES			
Qualifying liabilities	16	(8,275,841,539)	(3,841,494,529)
Deferred taxation	16	(825,926)	(813,152)
		(8,276,667,465)	(3,842,307,681)
NET ASSETS		100	100
CAPITAL AND RESERVES (including non-equity interests)			
Called up share capital	17	100	100
Unrealised capital reserve	18	72,974,826	169,518,954
Profit and loss account	18	(72,974,826)	(169,518,954)
SHAREHOLDERS' FUNDS (including £2 non-equity interest)	19	100	100

The financial statements were approved and authorised for issue by the Board.

Signed on behalf of the Board of Directors.

The Lady Balfour of Burleigh CBE
Chairman

Date: 9 September 2009

NUCLEAR LIABILITIES FUND LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2009

	2009 £	2008 £
Net cash inflow from operating activities (note 22)	227,161,234	105,340,119
Taxation (note 20)	(54,503,005)	(27,604,454)
Capital expenditure and financial investment (note 20)	188,846,169	16,946,992
	<u>361,504,398</u>	<u>94,682,657</u>
Management of liquid resources (note 20)	(4,916,139,448)	(2,630,277,222)
Financing - contributions from British Energy plc (note 20)	4,553,643,781	2,535,662,361
(Decrease)/increase in cash (note 21)	<u>(991,269)</u>	<u>67,796</u>

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2009

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards under the historical cost convention, modified by the revaluation of fixed asset investments.

The principal accounting policies that have been applied consistently throughout the year and the preceding year in the preparation of the financial statements are as follows:

(a) Going concern

The principal purpose of the Fund is to provide arrangements for funding certain long-term costs of decommissioning the nuclear power stations of BE existing at 20 March 1996 and for meeting all costs and liabilities relating to the management, storage, retrieval and disposal of unirradiated, operational or spent nuclear fuel and associated waste. On the basis that most of these costs and liabilities will not fall due for payment for a number of years and on the basis that HM Government will be responsible for meeting these costs and liabilities to the extent that the Fund does not have sufficient assets available to it, the directors are satisfied that it is appropriate to prepare the annual report and accounts on a going concern basis.

(b) Decommissioning liabilities

In accordance with the NLFA, the Fund will, subject to certain exceptions, fund the qualifying liabilities of BE. The funding of these qualifying liabilities is limited to the assets of the Fund for the time being, after providing for all other liabilities and charges, and making such reserve out of those assets for contingent liabilities as the directors shall reasonably determine. The CA, as amended on 5 January 2009, provides for the making of contributions to the Fund from BE by way of the following: a contribution of £150k adjusted to RPI for every tonne of uranium loaded into Sizewell B reactor power station and a quarterly contribution in the sum of £5m, stated in March 2003 monetary values and indexed to RPI subject to certain conditions. The Fund also receives an annual contribution from BE for administration costs. This contribution is in the sum of £1m and the Fund receives an appropriate amount after the direct, attributable administration costs of the Shareholder Executive and the NDA British Energy Team are deducted. Accordingly, these contributions from BE represent an increase in the decommissioning provisions as set out in note 16, not an accretion to shareholders' funds.

(c) Investment income

Dividends are recognised as income on the date that the related investments are marked ex-dividend. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the company's right to receive payment is established. Income from fixed interest securities, other investment income and deposit interest are included on an accruals basis. Where the company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income.

The Fund's rental income is derived from operating leases and this income is credited to the profit and loss account on a straight-line basis over the lease term. Benefits allowed and allowable as an incentive to sign an operating lease are recognised on a straight-line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

(d) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Differences arising on translation are dealt with in the profit and loss account. Income and expenditure arising in foreign currencies have been converted to sterling at the rates ruling at the dates of the transactions.

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

1 ACCOUNTING POLICIES (continued)

(e) Taxation

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

Deferred tax is provided for by using the incremental liability method. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future, have occurred at the balance sheet date. In particular, provision is not made in respect of unrealised gains and losses on investments as at the balance sheet date because there was no binding obligation to dispose of those investments at that date. Deferred tax assets and liabilities are not discounted.

(f) Fixed asset investments

Investment properties

Investment properties are included in the balance sheet at their open mid market value at the close of business in London, in accordance with Statement of Standard Accounting Practice No. 19 (SSAP 19) and are not depreciated. This treatment is not in accordance with the Companies Act 1985 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company. If this departure from the Act had not been made, the profit for the financial year would have been decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. Unrealised gains and losses are dealt with in the unrealised capital reserve account. All investment properties are held to be leased out under operating leases.

Other investments

Funds are invested in listed securities by external fund managers on behalf of the Fund and are regarded as fixed asset investments. They are valued at mid market value at the close of business in London. The excess over cost of such valuation is credited to the unrealised capital reserve. On disposal of a revalued investment, the gain or loss previously not recognised from the last revaluation is taken to the profit and loss account in the current year and a transfer made from the unrealised capital reserve to the profit and loss reserve to reflect previously recognised unrealised amounts. Increases/decreases in unrealised losses are dealt with in the profit and loss account.

(g) Short-term deposits

Short-term deposits comprise cash held by investment managers and cash on deposit with the National Loans Fund. Movement in balances on short-term deposits is recognised as management of liquid resources in the cash flow statement.

(h) Unrealised capital reserve

Accounted for in this reserve are increases and decreases in the valuation of investments above cost held at the balance sheet date.

(i) Segmental disclosure

The Fund has a single class of business and a single geographical segment. Accordingly, segmental disclosure is not required per Statement of Standard Accounting Practice 25 'Segmental reporting' ("SSAP 25").

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

2 INVESTMENT INCOME

	2009	2008
	£	£
Interest on fixed-term bonds	45,280,692	15,751,750
Interest on cash and short-term deposits	135,620,949	133,118,566
Income from listed investments	17,368,454	18,114,965
Rent receivable	3,886,041	3,891,708
	202,156,136	170,876,989

During the year, the fixed-term bonds issued by British Energy Group Plc ("BE") were redeemed in full before their maturity date. Included within interest on fixed-term bonds is £33,028,149 representing the "make whole" amount that was payable by BE in accordance with the Bond terms in the event of early redemption.

3 INVESTMENT EXPENSES

	2009	2008
	£	£
Investment management charges	686,861	831,045
Other investment expenses	8,377,664	17,292,014
	9,064,525	18,123,059

4 OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE DECOMMISSIONING PROVISION AND TAXATION

The operating profit on ordinary activities before decommissioning provision and taxation is stated after charging the following:

	2009	2008
	£	£
Directors' emoluments	294,089	399,543
Auditors' remuneration - audit fees	21,900	26,000
	315,989	425,543

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2009	2008
	£	£
Wages and salaries	294,089	399,543
Social security costs	35,788	41,168
	329,877	440,711

Wages and salaries are comprised wholly of directors' emoluments for their work and time as the Fund employs no staff.

The average number of persons acting as directors during the year remained at five (2008: five). Wages and salaries of £294,089 (2008: £399,543) comprise £135,339 (2008: 139,543) in respect of normal annual board duties and £158,750 (2008: £260,000) for additional work carried out by the directors during the year.

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

**6 INCREASE IN UNREALISED LOSSES ON OTHER
FIXED ASSET INVESTMENTS**

	2009 £	2008 £
Increase in unrealised losses	<u>(64,739,537)</u>	<u>(26,530,273)</u>

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in year

	2009 £	2008 £
Current year taxation		
UK corporation tax at 28% (2008 - 30%)	52,849,625	50,660,616
Adjustments in respect of prior periods corporation tax	<u>(3,704,446)</u>	<u>(375,893)</u>
Total current tax	<u>49,145,179</u>	<u>50,284,723</u>
Origination and reversal of timing differences	12,774	(85,223)
Effect of reduced tax rate on opening liability	-	(59,565)
Total deferred tax	<u>12,774</u>	<u>(144,788)</u>
Tax on ordinary activities	<u>49,157,953</u>	<u>50,139,935</u>

(b) Factors affecting tax charge for year

The tax assessed for the year is higher (2008: higher) than the standard rate of corporation tax in the UK - 28% (2008: 30%). The differences are explained below:

	2009 £	2008 £
Operating profit on ordinary activities before decommissioning provision and taxation	<u>125,745,448</u>	<u>125,855,613</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	35,208,725	37,756,684
Effects of:		
Income not taxable (mainly dividends) and other permanent differences	(960,037)	711,539
Increase in unrealised investment losses on equities not allowable for tax purposes	18,149,996	12,313,161
Capital allowances for tax purposes in excess of depreciation	(25,038)	(76,319)
Movement in accrued overseas income taxable on a receipts basis but recognised in the financial statements on an accruals basis	12,265	(44,449)
Capital losses realised in the year	463,714	-
Adjustments to tax charge in respect of previous periods	<u>(3,704,446)</u>	<u>(375,893)</u>
Current tax charge for year	<u>49,145,179</u>	<u>50,284,723</u>

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

7 TAXATION ON ORDINARY ACTIVITIES (continued)

There is no allowable deduction for the provision for decommissioning liabilities. The Fund will not, in the view of HM Revenue and Customs, be treated as carrying on any form of trading activity and hence, such a general provision is not allowable for taxation purposes. The Fund is a company with investment business as defined in Section 130 ICTA 1988.

(c) Factors that may affect future tax charges

No provision has been made for deferred taxation on gains or losses recognised on revaluing fixed asset investments to market value. Corporation tax would become payable on the sale of such investments to the extent that proceeds exceeded historical cost, adjusted by indexation allowance. It is estimated that no corporation tax (2008 - £800,000) would become payable if property was sold for its market value. It is estimated that no corporation tax (2008 - £7,500,000) would become payable if shares and securities were sold for their market value.

It is not considered possible to estimate the amount that is likely to become payable or recoverable in the foreseeable future in respect of revalued fixed assets investments. There are numerous transactions in shares and securities each year and the actual tax liability depends on the particular investments disposed of.

8 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO PROFIT AND LOSS RESERVE

This corresponds to an equivalent decrease in the unrealised capital reserve of the Fund during the year (see note 18).

9 INVESTMENT PROPERTIES

	Freehold 2009 £	Freehold 2008 £
Valuation		
At start of the year	53,950,000	61,990,000
Additions	46,010	-
Decrease in unrealised gains	(9,594,102)	(6,786,395)
Increase in unrealised losses	(5,396,908)	(1,253,605)
At end of the year	39,005,000	53,950,000

The properties' valuations as at 31 March 2009 were determined on an open market valuation basis by the Fund's property managers, LaSalle Investment Management, chartered surveyors.

The movements in unrealised gains and losses on investment properties are included in the Statement of Total Recognised Gains and Losses on page 11.

On the historical cost basis, freehold investment properties would have been included as follows:

	2009 £	2008 £
Cost		
At start of the year	43,610,890	43,610,890
Additions	46,010	-
At end of the year	43,656,900	43,610,890

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

10 OTHER FIXED ASSET INVESTMENTS

	2009	2008
	£	£
Valuation		
At start of the year	740,808,107	798,283,003
Additions	44,158,142	39,336,699
Disposals proceeds	(233,050,321)	(56,283,691)
Realised gains on disposals	3,210,189	12,350,128
Realised losses on disposals	(5,068,420)	(11,870,767)
Decrease in unrealised investment gains	(76,384,825)	(14,476,992)
Increase in unrealised investment losses	(64,739,537)	(26,530,273)
	<hr/>	<hr/>
At end of the year	408,933,335	740,808,107
	<hr/> <hr/>	<hr/> <hr/>
Cost		
At start of the year	640,693,445	648,005,413
Additions	44,158,142	39,336,699
Disposals	(232,472,051)	(46,648,667)
	<hr/>	<hr/>
At end of the year	452,379,536	640,693,445
	<hr/> <hr/>	<hr/> <hr/>

All other fixed asset investments are managed by State Street Global Advisors and are listed on recognised stock exchanges. These investments comprise the following:

	2009	2008
	£	£
UK index linked gilts	61,665,506	63,734,304
UK equities	202,330,705	286,491,899
UK bonds*	-	206,185,368
Overseas equities:		
North America	45,361,560	53,932,713
Europe	51,138,531	74,283,708
Japan	36,330,124	41,066,666
Pacific	12,106,909	15,113,449
	<hr/>	<hr/>
	408,933,335	740,808,107
	<hr/> <hr/>	<hr/> <hr/>

No deferred taxation has been provided to reflect the tax charges which would arise if these investments were sold at 31 March 2009 at their market valuation. An estimate of the unprovided deferred tax is shown in Note 7(c).

*On 14 January 2005, British Energy Holdings plc ("BEH") issued £275m in principal amount of 7% Guaranteed Bonds 2005-2022 ("the Bonds"), for nil consideration, credited as fully paid, to the Fund. The issuance of the Bonds forms part of the total contributions to be made by BEH to the Fund, as provided for in the CA (see note 1a) and as such, represents an increase in the qualifying liabilities of the Fund as set out in note 16, not an accretion to shareholders' funds. BEH redeemed to the Fund the principal amount of the Bonds in instalments on 31 March annually in accordance with the CA. However, on 10 February 2009, BEH made a full redemption of the principal amount of Bonds outstanding which amounted to £202.6m.

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

11 DEBTORS

	2009	2008
	£	£
BE cashsweep debtor	-	101,958,129
Other debtors	318,580	116,036
Prepayments and accrued income	15,827,896	50,662,871
	<u>16,146,476</u>	<u>152,737,036</u>

12 SHORT-TERM DEPOSITS

These comprise the cash deposits, equated into sterling, denominated in currencies of the following geographical markets:

	2009	2008
	£	£
United Kingdom	7,837,821,412	2,921,105,969
North America	160,249	246,881
Europe	100,513	562,318
Japan	71,033	84,906
Pacific	64,738	78,423
	<u>7,838,217,945</u>	<u>2,922,078,497</u>

13 CREDITORS

Amounts falling due within one year

	2009	2008
	£	£
Trade creditors	475,447	320,627
Corporation tax	22,095,263	27,453,088
Other tax and social security	154,924	182,220
Other creditors	234,557	150,650
Accruals and deferred income	3,580,642	1,056,185
	<u>26,540,833</u>	<u>29,162,770</u>

14 CURRENCY CLASSIFICATION OF TOTAL ASSETS LESS CURRENT LIABILITIES

Total assets less current liabilities as at 31 March 2009 are analysed by currency as follows:

Currency	Investments	Cash	Debtors	Creditors	Total
	£	£	£	£	£
Pounds Sterling	302,873,931	7,838,727,054	15,618,950	(26,540,833)	8,130,679,102
US Dollar	45,517,672	160,249	77,717	-	45,755,638
Euro	37,939,990	48,464	30,391	-	38,018,845
Norwegian Krone	857,683	6,244	-	-	863,927
Swedish Krona	2,500,510	3,161	776	-	2,504,447
Danish Krone	1,129,638	9,183	-	-	1,138,821
Swiss Franc	8,793,115	33,461	477	-	8,827,053
Japanese Yen	36,330,125	71,033	372,678	-	36,773,836
Singapore Dollar	1,174,787	4,603	-	-	1,179,390
Hong Kong Dollar	4,252,570	10,283	4,668	-	4,267,521
Australian Dollar	6,454,574	38,530	39,897	-	6,533,001
New Zealand Dollar	113,740	11,322	922	-	125,984
	<u>447,938,335</u>	<u>7,839,123,587</u>	<u>16,146,476</u>	<u>(26,540,833)</u>	<u>8,276,667,565</u>

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

14. CURRENCY CLASSIFICATION OF TOTAL ASSETS LESS CURRENT LIABILITIES
(Continued)

Total assets less current liabilities as at 31 March 2008 are analysed by currency as follows:

Currency	Investments £	Cash £	Debtors £	Creditors £	Total £
Pounds Sterling	610,346,001	2,923,002,880	152,165,704	(29,162,770)	3,656,351,815
US Dollar	54,152,165	246,881	62,706	-	54,461,752
Euro	56,964,076	485,093	64,446	-	57,513,615
Norwegian Krone	1,444,741	947	-	-	1,445,688
Swedish Krona	3,792,176	366	3,635	-	3,796,177
Danish Krone	1,559,015	16,843	-	-	1,575,858
Swiss Franc	10,523,700	59,069	274	-	10,583,043
Japanese Yen	41,005,030	84,906	372,288	-	41,462,224
Singapore Dollar	1,570,685	159	-	-	1,570,844
Indonesian Rupiah	-	15	-	-	15
Hong Kong Dollar	5,065,240	7,076	5,917	-	5,078,233
Australian Dollar	8,168,764	64,109	60,715	-	8,293,588
New Zealand Dollar	166,514	7,064	1,351	-	174,929
	794,758,107	2,923,975,408	152,737,036	(29,162,770)	3,842,307,781

15 FINANCIAL INSTRUMENTS

The company's investment objective is to fund long-term costs of decommissioning certain nuclear generating plants from an international investment portfolio.

In pursuing its investment objective, the company faces risks to both assets and revenue. These risks, and the directors' approach to the management of the risks, are as follows:

Risk

Credit

Failure by counterparties to deliver securities which the company has paid for, or to pay for securities which the company has delivered.

Liquidity

Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.

Market Price

The company's assets consist principally of quoted equities, fixed interest stocks and properties, the values of which are determined by market forces.

Interest Rate

Assets and net revenue may be affected by interest rate movements.

Currency

Certain of the company's assets and liabilities are denominated in currencies other than sterling. As a result, movements in exchange rates may affect the sterling value of the portfolio, cash, investment purchases and sales and income.

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

15 FINANCIAL INSTRUMENTS (Continued)

Management of Risk

Credit

Most transactions are settled on the basis of delivery against payment.

Liquidity

The company's investments are principally quoted equities and fixed interest stocks and are readily realisable.

Market Price

The Board manages the market price risks inherent in the company's portfolio by ensuring full and timely access to relevant information from respective managers. The Board meets regularly and at each meeting reviews investment performance and financial results. It monitors compliance with the company's objectives and is directly responsible for ensuring that investment strategy and asset allocation is in accordance with the CA.

Interest Rate

The company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board. The effect of interest rate changes on the valuation of equities and properties forms part of the market price risk, which is considered separately. Investments in fixed deposits and certificates of deposits are restricted to counterparties with credit ratings of AA or better.

Currency

Income denominated in foreign currencies is converted to sterling on receipt.

16 PROVISIONS FOR LIABILITIES

	Deferred taxation	Qualifying liabilities	Total 2009	Total 2008
	£	£	£	£
At 1 April	813,152	3,841,494,529	3,842,307,681	1,322,929,738
BE cashsweep payment for 2006-07	-	-	-	361,742
BE cashsweep payment for 2007-08	-	-	-	101,958,129
BE cashsweep converted into BE shares	-	4,421,124,641	4,421,124,641	2,340,000,000
BE other contributions in cash	-	31,493,188	31,493,188	24,098,064
Transfer (to)/from profit and loss account	-	(14,788,340)	(14,788,340)	53,198,686
Payable to BEH	-	(3,482,479)	(3,482,479)	(93,890)
Deferred tax movement	12,774	-	12,774	(144,788)
At 31 March	825,926	8,275,841,539	8,276,667,465	3,842,307,681

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

16 PROVISIONS FOR LIABILITIES (Continued)

Deferred tax balance consists of:

	2009	2008
	£	£
Overseas income receivable	147,708	159,973
Accelerated capital allowances	678,218	653,179
	825,926	813,152
	825,926	813,152

In accordance with the Contributions Agreement, fixed contributions are received quarterly from BE in the sum of £5m, stated in March 2003 monetary values and indexed to RPI together with £150k, which is also indexed to RPI, for every tonne of uranium loaded into Sizewell B reactor power station. In addition, an annual contribution equal to approximately 36% of BE's adjusted net cash flow was payable to the Fund ("BE cashsweep payment") in the year to 31 March 2008. On 19 January 2009, the Fund exercised its right to sell down its entire cashsweep entitlement when the purchase of BE by EDF was completed converting approximately 36% of the Fund's entitlement to convertible shares in BE. A total of 571m ordinary shares of 10p each in BE were acquired by EDF at a price of 774p per share. The gross proceeds received by the Fund amounted to £4,421m, which are included in the above table. The Fund also receives an annual contribution from BE for administration costs not exceeding £1m.

In accordance with the NLFA, the Fund will, subject to certain exceptions, fund the qualifying liabilities of BE, as represented by the payments to BEH in the above table.

The amount shown under qualifying liabilities represents the Fund's future potential liability to the Licensee (British Energy Generation Limited) at the balance sheet date. By the NLFA, the liability of the Fund in respect of qualifying liabilities will at all times be limited to the assets available to it. The Secretary of State for the Department for Business, Innovations and Skills has undertaken that HM Government will be responsible for meeting qualifying liabilities to the extent that the Fund does not have sufficient assets available to it. The directors have considered it appropriate to set the provision so that the total provisions for qualifying liabilities equal the total net assets less current liabilities and called up share capital of the Fund.

Based upon current estimates of Station lives and lifetime output projections, BE has calculated the likely undiscounted cost of decommissioning its existing nuclear power stations and meeting other qualifying uncontracted liabilities (together the "qualifying liabilities") at £12,026m at current prices. The equivalent sum discounted at 3% per annum is approximately £3,561m at the same date (the difference between the undiscounted and discounted amounts reflects the fact that the majority of the qualifying liabilities will not fall due for payment for a number of years. The choice of discount rate which it is appropriate to apply to the qualifying liabilities is a matter of judgement. BE at present apply a rate of 3% per annum but this will not necessarily be the actual rate over the life of the Fund. This will be determined by a number of variable factors).

The process by which BE determines its qualifying liabilities is prescribed by the NLFA. Under its terms, BE is required to prepare and update full life plans for decommissioning their power stations every five years, or three years prior to station closure, or in the event legislation or government policy changes, whichever occurs first. These plans are required to contain the most recent estimates of the costs of decommissioning.

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

16 PROVISIONS FOR LIABILITIES (Continued)

Additionally, BE is required to prepare an initial high level plan for the discharge of its uncontracted liabilities which are intended to be paid by the Fund. Unlike the decommissioning plans the NLFA does not require BE to update this plan although BE has told the NDA that it will do so if it is justified.

The NDA is required to review the above plans with a view to approving them (or otherwise). Once they are approved the costs are reported in BE's audited accounts.

17 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No.	£
At 1 April 2008 and 31 March 2009			
98 Ordinary shares of £1 each	98	98	98
1 A Special rights redeemable preference share of £1 ("the A special share")	1	1	1
1 B Special rights redeemable preference share of £1 ("the B special share")	1	1	1
	<u>100</u>	<u>100</u>	<u>100</u>

The Fund's authorised and issued share capital is £100, divided into 98 ordinary shares of £1 each, which are held by the Trustees of the Nuclear Trust in their capacity as such, one A special rights redeemable preference share of £1 ("the A special share") held by the Secretary of State for the Department for Business, Innovations and Skills ("the holder of the A special share") and one B special rights redeemable preference share of £1 ("the B special share"), which is jointly held by British Energy Generation Limited, formerly Nuclear Electric Limited, and British Energy Generation (UK) Limited, formerly Scottish Nuclear Limited (together "the holder of the B special share").

The A and B special share rights require the consent of the holders of the A and B special shares for certain matters, including for an alteration of the Fund's memorandum and articles of association, a change to its share capital or any transfers of shares in the Fund. On a winding up, the holder of the A special share and the holder of the B special share shall be entitled to repayment of the capital paid on the A special share and the B special share respectively in priority to any repayment of capital on the ordinary shares, but the A special share and the B special share shall carry no other right to participate in the capital of the Fund. Neither the A special share nor the B special share enjoy voting rights nor do they carry any right to participate in profits.

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

18 RESERVES

Unrealised capital reserve

	Unrealised gain on investments £
At 1 April 2008	169,518,954
Transfer of realised profit on disposal of investments	(5,168,293)
Decrease in unrealised gains	(91,375,835)
At 31 March 2009	72,974,826

Profit and loss account

	£
At 1 April 2008	(169,518,954)
Profit for the year	91,375,835
Transfer of realised profit on disposal of investments	5,168,293
At 31 March 2009	(72,974,826)

19 SHAREHOLDERS' FUNDS

	2009 £	2008 £
Shareholders' funds at 1 April	100	100
Revenue profit for the financial year	91,375,835	22,516,992
Decrease in capital reserve	(91,375,835)	(22,516,992)
Shareholders' funds at 31 March	100	100
Comprising:		
Non-equity shareholders' interest	2	2
Equity shareholders' interest	98	98
	100	100

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

20 GROSS CASH FLOWS

	2009 £	2008 £
Taxation		
Corporation tax paid	(54,275,000)	(27,200,000)
Overseas tax paid	(765,862)	(662,940)
Income tax repayment	143,641	149,625
Corporation tax repayment	394,216	108,861
	<u>(54,503,005)</u>	<u>(27,604,454)</u>
 Capital expenditure and financial investment		
Payments to acquire investment properties	(46,010)	-
Payments to acquire fixed asset investments	(44,158,142)	(39,336,699)
Receipts from sale of fixed asset investments	233,050,321	56,283,691
	<u>188,846,169</u>	<u>16,946,992</u>
 Management of liquid resources		
Short-term deposits	(4,916,139,448)	(2,630,277,222)
	<u>(4,916,139,448)</u>	<u>(2,630,277,222)</u>
 Financing		
Contributions from BE	4,554,871,824	2,535,756,251
Payments to BE	(1,228,043)	(93,890)
	<u>4,553,643,781</u>	<u>2,535,662,361</u>

21 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2008 £	Cash flows £	At 31 March 2009 £
Cash at bank and in hand	1,896,911	(991,269)	905,642
Short-term deposits	2,922,078,497	4,916,139,448	7,838,217,945
	<u>2,923,975,408</u>	<u>4,915,148,179</u>	<u>7,839,123,587</u>

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009 £	2008 £
Operating profit on ordinary activities before decommissioning provision and taxation	125,745,448	125,855,613
Increase in unrealised losses on other fixed asset investments	64,739,537	26,530,273
Net loss/(gain) on sale of fixed assets investments	1,858,231	(479,361)
Decrease/(increase) in debtors	34,632,431	(46,027,966)
Increase/(decrease) in creditors	185,587	(538,440)
Net cash inflow from operating activities	227,161,234	105,340,119

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2009 £	2008 £
(Decrease)/increase in cash in the year	(991,269)	67,796
Cash used to increase liquid resources	4,916,139,448	2,630,277,222
Change in net funds	4,915,148,179	2,630,345,018
Net funds at 1 April	2,923,975,408	293,630,390
Net funds at 31 March	7,839,123,587	2,923,975,408

24 RELATED PARTIES AND CONTROLLING INTEREST

The Fund's main shareholder (98%) and controlling party is the Nuclear Trust, a public trust established under Scottish law by British Energy plc and the Secretary of State for the Department for Business, Innovation and Skills. The trustees of the Nuclear Trust are the directors of the Fund. Details of payments to directors are set out in note 5.

The Fund considers the Secretary of State for the Department for Business, Innovation and Skills also to be a related party. During the year, a sum of £5.3m (2008 - £227k) was reimbursed to the Department for Business, Innovation and Skills in respect of costs incurred and which the Fund was directed to pay in terms of the NLFA. There were no balances as at the year-end (2008: £nil).

NUCLEAR LIABILITIES FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2009

25 OPTION TO CONVERT THE NLF CASH SWEEP PAYMENT INTO SHARES IN BRITISH ENERGY GROUP PLC

Under the terms of the CA between the Fund and BE, entered into on 14 January 2005, the Fund received an annual contribution from BE equal to approximately 64% of BE's adjusted net cash flow (the "NLF cashsweep payment"). The payment percentage was capable to adjustment for certain corporate actions but could never exceed 64%. The Fund had the right to convert all or part of the NLF cashsweep payment into a number of shares in BE, but must seek agreement from the Secretary of State for Department for Business, Innovation and Skills ("Secretary of State") in order to exercise the conversion option, or could be directed to exercise the conversion option by order of the Secretary of State. Following receipt of a direction from Secretary of State, the Fund exercised its right to sell down part of its cashsweep entitlement on 31 May 2007, thereby reducing its interest in BE by way of cashsweep from approximately 64% to approximately 36%. By operation of the CA, the interest had reduced to 35.35% on 31 March 2008. Following receipt of a further direction from the Secretary of State, the Fund exercised its right to sell its residual cashsweep entitlement on 19 January 2009 and thereby reducing its interest in BE by way of cashsweep from approximately 35.35% to Nil on 31 March 2009.