Company Number: SC164685

NUCLEAR LIABILITIES FUND LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

NUCLEAR LIABILITIES FUND LIMITED

COMPANY INFORMATION

Directors	Dr Jean Venables (appointed 1 July 2014) The Lady Balfour of Burleigh (term of office ceased 30 June 2014) Mr R Armour (appointed 1 June 2013) Mr N Harrison (term of office ceased 14 June 2014 and reappointed the same date) Mr G Jenkins (term of office ceased 31 October 2014) Mr P Neumann (appointed 1 December 2014) Mr R Wohanka
Secretary	Mrs Jean MacDonald 55 Baker Street London W1U 7EU
Company Number	SC164685
Registered Office	Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Auditor	Deloitte LLP Chartered Accountants London
Solicitors	Shepherd and Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
Bankers	The Bank of New York Mellon London Branch One Canada Square London E14 5AL
Fiduciary Manager	BlackRock Advisors (UK) Limited 12 Throgmorton Avenue London EC2N 2DL
Custodians	The Bank of New York Mellon London Branch One Canada Square London E14 5AL

NUCLEAR LIABILITIES FUND LIMITED

CONTENTS

NUCLEAR LIABILITIES FUND LIMITED
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

I am pleased to present my first, and the eighteenth Annual Report and Accounts of Nuclear Liabilities Fund Limited (the "Fund") for the year to 31 March 2014.

My appointment in July 2014 as chairman has given me the opportunity to reflect on the achievements of the Fund over the last year. The Fund's primary objective is to seek to ensure that it will produce sufficient returns to fulfil the purpose of the Nuclear Liabilities Funding Agreement ('NLFA'): that is, to cover the cost of decommissioning the UK's seven twin Advanced Gas cooled Reactor ('AGR') power stations and the Pressurized Water Reactor ('PWR') power station, all now owned by EDF Energy Nuclear Generation Limited ("EDFE"), and to cover certain of EDFE's uncontracted liabilities (principally the removal and storage of spent fuel). I can now report on progress towards achieving this objective.

Approximately 85% of total assets of the Fund have been invested in the National Loans Fund ("NatLF") at the request of HM Treasury (the NatLF is part of HM Government's consolidated debt management). At 31 March 2014, the £7.5bn now invested by the Fund in the NatLF, represented 86% of total NatLF monies. During the past year, interest payable to the Fund on the £7.5bn has averaged less than 0.40% per annum. Furthermore, corporation tax is payable by the Fund on this interest.

Last year, my predecessor reported on discussions with HM Government regarding the investment policy in relation to the remaining balance of 15% of the Fund's assets to address the potential funding gap arising from lower than required returns, increasing liabilities and the impact of plant life extension. Discussions on re-aligning the investments under the Fund's control continue but some steps have been taken to consider how this might best be done. The remaining 15% of the Fund's assets are managed in such a way as to produce substantially higher returns that those of the National Loans Fund. This is primarily done by exploiting the high liquidity premium available in markets today. Together the two portfolios, in the opinion of the directors, will generate sufficient returns to meet all future liabilities of the Fund. Almost all of the managed assets are invested in the UK.

I can confirm that the Fund will continue to scrutinise its performance carefully. In order to give this matter the time and attention it requires, at the beginning of this year the Fund established an Investment Committee comprising the whole of the board under the chairmanship of one of our directors, Richard Wohanka. The Investment Committee meets monthly to review performance and consider reports from its investment managers, and take any associated decisions.

Notwithstanding these measures, there are further pressures on the asset side. EDFE continues to make good progress with its programme to extend the life of its nuclear power stations (20 years in the case of Sizewell B and an average of 5 years across the reminder of the AGRs) but makes no further decommissioning payment contributions to the Fund in respect of the period of extended lifetime. Additionally, during the past year, £41m was approved by the NDA for payment from the Fund, an increase from £21m in the prior year. The majority of these monies, withdrawals that will continue over the next few years, relate to EDFE's dry store project at Sizewell B station which the NDA has determined, under the terms of the NLFA, qualifies for payment by the Fund. This is a challenging project under significant budgetary and time pressure, which the Fund is monitoring carefully.

There is also the risk of cost increases falling to the Fund. During 2013, EDFE's nuclear liabilities on an undiscounted basis increased by £3,984m, reflecting updated decommissioning and liabilities discharge plans. The Fund is seeking to understand the underlying reasons for this increase and acknowledges that it is not necessarily indicative of a longer term trend but, an increase of this magnitude in liabilities must call into question the Fund's ability to meet its primary objective and raises the unwelcome prospect that the tax-payer might have to step in and meet the shortfall. Despite this increase, the directors are confident that the envisaged investment portfolio will be sufficient to meet all future liabilities.

In order to try to reduce liabilities, and with the agreement and support of EDFE, the NDA and the Shareholder Executive (the arm of Government responsible for managing relationships with entities in which the Government owns shares), the Fund commissioned a review to identify ways in which, in respect of the seven twin AGR power stations operated by EDFE, liabilities scheduled to fall to the Fund might be reduced. The review was completed in September 2013. I am now in a position to provide an update on the actions taken as a result of this review. We are mindful of the fact that any progress in this area is generally dependent on the goodwill and good sense of the parties; the Fund has a great interest, but no formal standing or powers, in this area. I would, therefore, like to acknowledge the very constructive way in which all the parties have worked together to take forward the agreed recommendations and, in particular, thank EDFE which has agreed to do so as an integral part of its project to improve their own decommissioning plans. Longer term, it may be appropriate for the Fund itself to commission R&D where this would deliver cost reductions in managing liabilities which the Fund is required to meet at a future date. The Fund would also like to thank the National Nuclear Laboratory (NNL) for the interest it has expressed in playing an active part in coordinating the necessary nuclear research and development ('R&D'). The Fund has asked NNL to consider how it can best contribute to this task. I am also pleased to welcome the establishment of the Nuclear Innovation and Research Advisory Board (NIRAB) under the chairmanship of Dame Sue Ion. The purpose of NIRAB is to advise Ministers, Government Departments and Agencies on priorities for UK nuclear R&D and innovation, including support for programmes underpinning national energy policy. The Nuclear Decommissioning Authority also have a major role in R&D associated with waste management and decommissioning with much of the work commissioned by their Site Licensee Companies such as Sellafield Ltd and Radioactive Waste Management Ltd. We are pleased to note the emphasis on R&D, particularly in the interim safe storage of waste and spent fuel, as there are significant cost implications for the Fund associated with the management of higher activity waste. It is disappointing therefore that progress to deliver a geological disposal facility for the storage of higher activity radioactive waste remains slow with potentially adverse impacts on the target delivery date of 2040. The Government White Paper issued in July 2014 describes a programme of work over the next two years to seek to take the project forward. The Fund welcomes the White Paper as a significant re-statement by Government of the policy of geological disposal facility and takes heart from the enabling steps being proposed but urges all parties to focus more effort on this area to effect real progress.

This has been a year of change for the Fund. As indicated in last year's statement, in June 2013 Robert Armour formally took office as a trustee and director of the Fund in succession to David Stewart. Robert is already bringing his extensive experience to bear in the work of the Fund. David Venus, who served as Executive Secretary of the Fund since its inception, retired in February 2014. I would like to thank David on behalf of the current and former board members for his calm and thoughtful counsel throughout the many challenges faced by the Fund over the years. George Jenkins also retired as a trustee and director at the end of October 2014; the Fund has been very fortunate indeed to have benefited from someone of his experience and authority in the nuclear engineering profession. Peter Neumann has been appointed to fill the vacancy. Peter has 40 years' experience of nuclear power generation; we welcome him to the board of directors.

In June 2014, Lady Janet Balfour of Burleigh decided to step down as chairman and trustee after 17 years of service. Her contribution cannot be overstated: she has been critical in maintaining the integrity and independence of the Fund as well as in securing wide-spread support for its role. On behalf of my fellow directors, past and present, I would like to thank her for her unstinting efforts.

Finally, we have continued to work closely throughout the year with EDFE, the NDA, the Shareholder Executive and DECC, and other organisations. I would like to thank them and our various advisers for their valuable support and cooperation.

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

Dr Jean Venables CBE
Chairman
Date: 18 December 2014

Business Review

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 (now renamed EDF Energy Nuclear Generation Limited ("EDFE")) existing at 20 March 1996. These comprised, and continue to comprise, seven twin 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 EDFE, the Secretary of State for the Department for Energy and Climate Change ("the Secretary of State"), and five trustees, of whom three are appointed by the Secretary of State and two by EDFE. 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 the environment of the United Kingdom for the benefit of the Nation 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 EDFE (the "Restructuring"), which was completed on 14 January 2005. The terms of Restructuring include various changes to the manner in which the decommissioning liabilities of EDFE nuclear power stations are to be funded and also for the funding of certain of EDFE'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 EDFE in January 2009. The amendments generally reflect the new ownership structure of EDFE 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:

- EDFE 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 EDFE to the Nuclear Decommissioning Authority ('NDA').

- EDFE 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 EDFE's strategy and cost estimate for decommissioning its AGR and PWR stations;

- a plan setting out EDFE's 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').

Business Review (continued)

- Applications for payment of qualifying costs are made monthly by EDFE to the NDA and any approval is then communicated to the Fund which transfers monies to EDFE's account. All this is undertaken within defined periods.

- In providing written confirmation to the Fund that an application is acceptable, the NDA must also state that it is reasonably satisfied that EDFE'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 may be initiated in January 2015 and at each five year anniversary thereafter, unless the Secretary of State after January 2015 requests one between regular reviews.

At 31 March 2014, the Fund's assets after deducting current liabilities were valued at £8,850m. EDFE has estimated the likely cost of decommissioning its existing nuclear power stations and meeting other qualifying uncontracted liabilities as £19,115m on an undiscounted basis, an increase of £3,984m during 2013-14 (2012-13: increased by £580m to £15,131m). However, there are a number of uncertainties regarding decommissioning costs and the ability of the Fund to meet them in full. They include the applied discount rate, station lives, regulatory changes, RPI/CPI and decommissioning inflation, rate of investment return and the incidence of taxation. The directors monitor and regularly discuss these uncertainties with their advisers and colleagues, including those within HM Government.

The Secretary of State has agreed to fund the qualifying liabilities to the extent that they exceed all the assets of the Fund.

As explained above, the object of the Fund is to accrue sufficient assets to meet certain liabilities of EDFE, as and when they arise. As a result, the directors believe that further key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the Fund.

Principal Risks and Uncertainties

The most important challenge to the directors has been the need to invest the Fund so that it will produce sufficient returns to fulfil the purposes of the NLFA and the Trust. Currently, the bulk of the Fund is invested at the request of HM Treasury in the National Loans Fund at rates of return below those which might be obtained elsewhere and against a backdrop of the risk of increasing liabilities. There are also risks associated with the Fund's investment policy. The Investment Committee considers regularly financial risk and objectives and the exposure of the Fund to credit risk, liquidity risk and market risk, which comprises equity price risk; interest rate risk and currency risk.

The Fund also faces potential economic and political risks. A risk register has been compiled by the company's technical adviser and is subject to annual review and regular updating. The risks associated with the liabilities are considered on a lifetime basis. Reports on the more significant risks are presented to the Board quarterly. EDFE are responsible for preparing costed plans for discharging the liabilities but there are risks which lie outside the underpinning assumptions. Liabilities may increase, for example, as the result of an increase in the cost of works. Decision taken by external bodies such as ONR and Government may also adversely affect liabilities. If there are delays, for example, for whatever reason, in constructing the geological disposal facility for higher activity radioactive waste then this will have adverse implications – potentially significant- for the sufficiency of the Fund. Contact is maintained regularly with the various organisations which can impact on the size of the liability.

Employees

The Fund has no employees. All services are procured from third party providers.

Dr Jean Venables CBE
Chairman
Date: 18 December 2014

NUCLEAR LIABILITIES FUND LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2014

The directors submit their annual report and the financial statements of Nuclear Liabilities Fund Limited ("the Fund") for the year ended 31 March 2014.

Results

The Fund's qualifying provision liabilities increased by **£69,939,811** to **£8,843,558,061** (2013: increased by £122,040,461 to £8,773,618,250).

The rate of return for the year achieved by the Fund was 1.04% before tax (2013: 1.5%). This percentage has been calculated by HSBC Bank Plc who were retained by the Fund to measure Fund performance as at 31 March 2014.

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

Future developments concerning the Fund's investment policy are set out on pages 8 to 11.

Presentation of financial statements

The directors are bound by the Companies Act 2006 and International Financial Reporting 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 EDF Energy Nuclear Generation Group Limited ("EDFE") at 29 March 1996 and to make payments for such approved costs which is its Key Performance Indicator (KPI). Accordingly, in the directors' opinion, a more meaningful method of presenting the financial statements would be to use a fund account approach as follows:

	2014	2013
	£	£
Assets less liabilities held to meet qualifying liabilities - value at start of the year	**8,773,618,250**	8,651,577,789
Contributions from EDFE	**26,628,207**	24,266,617
Payments to EDFE	**(41,330,975)**	(21,076,683)
Operating profit on ordinary activities before tax	**90,533,561**	136,019,637
Tax on profit on ordinary activities	**(5,890,982)**	(17,169,110)
Assets less liabilities held to meet qualifying liabilities - value at end of the year	**8,843,558,061**	8,773,618,250

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 Chairman's Statement on pages 1, 2 and 3.

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 Fund as amended by Special Resolutions approved on 14 January 2005.

Statement of investment principles

Although not mandatory, the directors believe that they should be guided by the Myners' Principles to the extent that they are appropriate to the circumstances of the Fund.

Statement of investment principles (continued)

The directors assess the performance of their managers through regular reports. The reports include performance and benchmark figures. The directors are aware of their managers' policies on Environmental, Social and Corporate Governance and receive regular reports on their activities.

Annual report and accounts are published and a website (www.nlf.uk.net) exists to aid transparency for stakeholders.

Market review

Comments made by Ben Bernanke injected havoc into markets in the second half of May 2013 and through June as investors began pricing in the end of ultra-loose monetary policy characterised by large scale bond purchases from the Federal Reserve. Many assets delivered negative returns over the second quarter and nearly all were negative in June, with emerging markets equities underperforming developed market equities. Investment-grade corporate bonds underperformed high-yield as more interest rate sensitive areas came under pressure. Sentiment also turned negative as concerns over liquidity in China's banking sector mounted over the month of June. The market reaction confirmed how important central bank bond purchases have been in propping up asset prices over recent years . The Financial Times reported on 27 June 2013 that there had been US$23.7bn outflow from US bond funds in four weeks. Perhaps alarmed by the speed of spiking bond yields, William Dudley, head of the New York Federal Reserve, aimed to soothe markets by saying asset purchases would be more aggressive than the timeline Bernanke had outlined if US economic growth and the labour market prove weaker than expected. In Europe and the UK, central bankers hinted that an end to quantitative easing was a long time off.

Market volatility was a prominent feature during the third quarter of 2013 as market participants reflected on the impact of a potential US strike on Syria, the outcome of the German elections and the timing of the tapering of quantitative easing by the Federal Reserve. Notwithstanding the focus on central-bank policy measures and geopolitical risks, there was a mood of quietly increasing optimism over improving economic indicators in the US, UK, eurozone, Japan and China. European equity markets performed particularly well over the period, as investors sensed that the continent was finally emerging from its political and financial difficulties. US and UK equities also performed well relative to the broader global equity market. However, uncertainty over Federal Reserve policy took its toll on Asia Pacific and other global emerging markets as investors’ risk appetite ebbed. For much of the period, concerns over the sustainability of Chinese economic growth also had a negative impact on markets in the region, although a subsequent improvement in the country’s economic indicators seemed to reassure investors and boosted commodity prices. The performance of bond markets was mixed, oscillating on conflicting central-bank signals. Given investors’ concerns over tapering, government bonds underperformed investment-grade corporate bonds and high-yield bonds, both of which were helped by the healthier corporate environment. Currency markets witnessed some profit-taking in the US dollar, while sterling strengthened against the dollar and the yen.

The US government shut down for 16 days in early October as politicians once again took the country to the edge of default before reaching a compromise at the 11th hour to raise the debt ceiling. The Federal Reserve announced on 19 December that it would scale back monthly asset purchases from $85bn to $75bn, a small reduction split equally between treasuries and mortgage-backed securities. Increased forward guidance with regard to inflation and the unemployment threshold was no doubt helpful in calming investors after the initial announcement. Developed equity markets reacted positively with the S&P 500 reaching a record high in the final days of 2013 while fixed income sold off as US 10-Year Treasuries hovered around the 3% yield level. The broader market reaction to tapering was far less pronounced than during the summer months.

Market review (continued)

In Europe, the ECB cut the refinancing rate by 25bps to 0.25% early in November as high unemployment and very low inflation continued to plague the eurozone despite significant improvements in broader macroeconomic data. Both manufacturing and services continued to expand. The eurozone economy came out of recession in the third quarter, but the positive aggregate growth figure masks significant intra-region variation. In the UK, positive economic momentum continued to build, Q3 GDP was confirmed at +0.8% quarter-on-quarter and PMI readings remained at the high levels reached in the summer months. The market reacted with gilt yields finishing at highs for the year.

After a very strong rally through 2013, investors' risk appetite diminished into 2014; bonds outperformed in Q1 2014 amid heightened risks in emerging markets and softer-than-expected economic data in the US. Emerging markets struggled against the headwinds of diminishing global liquidity, currency weakness, debt problems and uneven growth. Most notably, China's economy showed signs of further deceleration. Japanese equities were the biggest underperformer, falling by almost 10% during the period. A stronger yen coupled with doubts around the effectiveness of ''Abenomics'' in bringing about inflation and growth caused a sharp reversal in sentiment. In the US most indicators continued to signal a strengthening economy; however, stagnant wage growth raised concerns about the sustainability of the positive momentum. Although these headwinds persisted, equity markets began to rise again in February due in part to positive developments in the US as Congress extended the nation's debt ceiling through mid-March 2015, thereby reducing some degree of fiscal uncertainty for next year. Signs of strengthening in Europe's recovery also boosted sentiment for global equities.

In March, sentiment became dominated by tensions between Russia and Ukraine over Crimea. Concerns that Western sanctions imposed on Russia could lead to more volatility in financial markets drove investors away from risk assets. However, these worries quickly abated and equities rebounded after Russia annexed Crimea as the sanctions turned out to be relatively modest – they did not provoke any serious response from Russia. Also making headlines in March was a statement from Fed Chairwoman Yellen indicating that the Fed may raise short-term interest rates earlier than the markets had previously forecast. This shift in forward guidance took many by surprise, but generally did not deter equity investors.

Market outlook

Growth trends are subdued: the five-year average of nominal GDP growth in developed markets has dipped to its lowest level since the 1930s and even emerging markets are scraping the bottom of their 50-year range. Inflation is now well below most central banks' targets, especially in the Eurozone.

The four major economies will have different levels and trajectories of nominal growth and financial conditions and liquidity are set to tighten globally. The Eurozone, Japan and emerging markets are all trying to export their way out of trouble. . Companies have been the main beneficiaries of government stimulus, squeezing the labour share and thereby consumption, but now public spending is in retreat; this will likely hurt the economy unless companies: a) boost wages, helping consumers but eroding profits or b) re-leverage. In either case, corporate health appears at risk and with rates near zero and QE fully deployed, central banks may not be able to help much further. . In addition, inflation is influenced by currency moves — which are not always within central bank control: countries with rising currencies have seen the biggest fall in inflation (South Korea, UK and the Eurozone) and vice versa (Japan).

Investment policy

During the year to 31 March 2014, the custodian bank to the company was HSBC plc. The Bank of New York Mellon, London Branch, was appointed to this role with effect from 1 October 2014. BlackRock Investment Management (UK) Limited continued to manage the Fund's investments as global fiduciary manager. The majority of the Fund remains invested in the National Loans Fund.

Directors

The following directors served during the year:

Dr J Venables was appointed as a director on 1 July 2014

The Lady Balfour of Burleigh (term of office ceased 30 June 2014)

Mr R Armour (appointed 1 June 2013)
Mr N Harrison (term of office ceased on 14 June 2014 and reappointed the same date)
Mr G Jenkins (term of office ceased on 31 October 2014)
Mr R Wohanka
Mr P Neumann was appointed as a director on 1 December 2014

In their capacity as Trustees of the Nuclear Trust, (a public trust established under Scottish Law by a deed dated 27 March 1996 between EDFE and the Secretary of State 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

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Corporate governance

The Fund is not a listed company therefore it is not obliged to comply with the UK Corporate Governance Code that was issued in 2010 (as amended) by the Financial Reporting Council but we take account of its principles and guidance where these are appropriate to a public trust. During the coming year, the Board will be establishing Audit, Remuneration and Nomination Committees in addition to its existing Investment Committee. This reflects the greater oversight appropriate as the Fund monitors its investment policy and considers the skills and resources needed on, and to support, the Board.

Corporate governance (continued)

The Board also takes note of the need to present a fair, balanced and understandable assessment of the Fund's position and prospects. The Board also takes note of the guidance from the Sharman Panel of Inquiry that going concern considerations should be considered taking an appropriately prudent view of future prospects. This has led the Board to take steps to address the potential funding gap highlighted in the Chairman's statement and focused the Board on the need for an investment strategy intended to address this longer term risk.

The Board

The directors meet regularly to review the overall affairs of the Fund and to consider business specifically reserved for the Board's decision. 12 Board meetings were held during the course of the year (including meetings held by conference call) together with many other meetings between various Board members, advisers, officials from the Department for Energy and Climate Change, the Nuclear Decommissioning Authority ("NDA"), EDFE and others. The directors are responsible for monitoring the investment policy of the Fund. Due to the volume of business, since the beginning of the calendar year investment matters are considered in a separate Investment Committee comprising the whole of the Board, chaired by one of its number, Richard Wohanka. The Investment Committee, which was only established earlier this calendar year, met on two occasions during the reporting period. It has met monthly since then to implement the Fund's investment management policy and monitor performance of the appointed investment managers. It also considers, within the confines of the investment policy, matters relating to financial risk and objectives and the exposure of the Fund to credit risk, liquidity risk and market risk which comprises equity price risk; interest rate risk and currency risk. The Investment Committee manages these risks by reviewing the performance of the Fund's investment managers and advisers and by monitoring the performance of the Fund's portfolio against prescribed benchmarks with support from BlackRock Investment Management (UK) Limited, the Fund's global fiduciary manager. The directors consider these financial risks to be the Fund's principal risk. The directors' approach to the management of financial risk is given in note 13 "Financial Instruments and Financial Risk Management" to the financial statements.

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

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

	Formal Meetings and Conference Calls	Investment Committee Meetings	Total
The Lady Balfour of Burleigh	12	2	14
Mr R Armour (appointed 1 June 2013)	10	2	12
Mr N Harrison	12	1	13
Mr G Jenkins	12	1	13
Mr R Wohanka	12	2	14

With effect from 1 April 2014, directors each receive £26,922 (2013: £25,435) per annum in respect of their normal annual executive board duties. During the reporting period, the chairman received £39,333 (2013: £38,449) as her annual remuneration. On I July 2014, Dr Jean Venables was appointed as chairman. She will receive £24,000 per annum by way of remuneration for 24 days. Additional remuneration is payable to her and to the other trustees for carrying out work in addition to the terms of their respective contracts on a per diem basis in accordance with the Articles of Association of the company.

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 departments 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 continued to review 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 EDFE 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. Based on the latest cash flow forecasts produced by EDFE and reviewed by the NDA, the liabilities that are expected to fall upon the Fund over the next three years amount to approximately £149m. The Fund is well placed to meet these liabilities over the next three years as it has considerable cash resources available to it. In accordance with the NLFA, 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.

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

Dr Jean Venables CBE
Chairman

Date: 18 December 2014

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- make an assessment of the company's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUCLEAR LIABILITIES FUND LIMITED

We have audited the financial statements of Nuclear Liabilities Fund Limited (the "company") for the year ended 31 March 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its financial result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Andrew Partridge CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date: 18 December 2014

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	**2014** **£**	2013 £
Investment income	**2**	**58,550,317**	55,646,438
Realised and unrealised gains on financial assets at fair value through profit and loss	**8**	**29,883,323**	84,099,237
Realised and unrealised gains/(losses) on investment properties	**7**	**4,535,000**	(1,745,000)
Net foreign exchange (losses)/gains		**(578,700)**	90,789
Investment expenses	**3**	**(990,295)**	(845,273)
Administrative expenses		**(1,112,341)**	(1,226,554)
Other operating income		**246,257**	-
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**4**	**90,533,561**	136,019,637
Transfer to qualifying liabilities provision	**14**	**(84,642,579)**	(118,850,527)
Profit on ordinary activities before tax		**5,890,982**	17,169,110
Tax on profit on ordinary activities	**6**	**(5,890,982)**	(17,169,110)
Financial result and total comprehensive income for the year		**-**	-

All amounts relate to continuing activities.

There have been no comprehensive income items recognised for 2013 or 2014 other than those included in the statement of comprehensive income.

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2014

	Notes	**2014** £	2013 £
ASSETS			
NON-CURRENT ASSETS			
Investment properties	**7**	**35,435,000**	38,050,000
Financial assets at fair value through profit and loss	**8**	**784,560,424**	733,910,791
		819,995,424	771,960,791
CURRENT ASSETS			
Other current assets	**9**	**3,973,627**	3,869,310
Cash and cash equivalents	**10**	**8,057,281,457**	8,024,793,612
		8,061,255,084	8,028,662,922
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**11**	**(28,497,200)**	(14,302,171)
Corporation tax payable		**(2,688,369)**	(4,740,052)
		(31,185,569)	(19,042,223)
TOTAL ASSETS LESS CURRENT LIABILITIES	**12**	**8,850,064,939**	8,781,581,490
NON-CURRENT LIABILITIES			
Qualifying liabilities provision	**14**	**(8,843,558,061)**	(8,773,618,250)
Deferred tax provision	**14**	**(6,506,778)**	(7,963,140)
		(8,850,064,839)	(8,781,581,390)
NET ASSETS		**100**	100
EQUITY ATTRIBUTABLE TO OWNERS OF THE FUND			
Ordinary shares	**15**	**100**	100
TOTAL EQUITY (including £2 non-equity interest)		**100**	100

The financial statements for the company with registered number SC164685 were approved and authorised for issue by the Board.

Signed on behalf of the Board of Directors.

Dr Jean Venables CBE
Chairman
Date: 18 December 2014

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Ordinary shares £	Total £
BALANCE AT 1 APRIL 2013	**100**	**100**
Movements during the year	**-**	**-**
BALANCE AT 31 MARCH 2014	**100**	**100**
BALANCE AT 1 APRIL 2012	100	100
Movements during the year	-	-
BALANCE AT 31 MARCH 2013	100	100

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	£	£
Cash flows from operating activities		
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**90,533,561**	136,019,637
Adjustments for:		
Realised and unrealised gains on financial assets at fair value through profit and loss	**(28,402,985)**	(84,099,237)
Realised and unrealised (gains)/losses on investment properties	**(4,535,000)**	1,745,000
(Increase)/Decrease in other current assets	**(104,317)**	648,493
Increase/(Decrease) in trade and other payables	**625,077**	(149,690)
Cash generated from operations	**58,116,336**	54,164,203
Income taxes paid	**(9,399,026)**	(10,570,071)
Net cash from operating activities	**48,717,310**	43,594,132
Cash flows from investing activities		
Proceeds from the sale of investment properties	**7,150,000**	-
Payments to acquire financial assets held at fair value through profit and loss	**(55,166,893)**	(70,176,115)
Proceeds from the sale of financial assets held at fair value through profit and loss	**32,920,245**	58,880,614
Net cash used in investing activities	**(15,096,648)**	(11,295,501)
Cash flows from financing activities		
Contributions from EDFE	**26,649,425**	24,504,032
Payments to EDFE	**(27,782,242)**	(13,633,086)
Net cash from financing activities	**(1,132,817)**	10,870,946
Net increase in cash and cash equivalents	**32,487,845**	43,169,577
Cash and cash equivalents at start of the year	**8,024,793,612**	7,981,624,035
Cash and cash equivalents at end of the year (note 10)	**8,057,281,457**	8,024,793,612

1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The directors consider the value of investment properties and financial assets at fair value through profit and loss to be subject to significant assumptions and estimates. Actual results may differ from estimates. Relevant disclosures for these are provided in notes 1(f), 7 and 8 to these financial statements.

(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 EDFE 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. Based on the latest cash flow forecasts produced by EDFE and reviewed by the NDA, the liabilities that are expected to fall upon the Fund over the next three years amount to approximately £149m. The Fund is well placed to meet these liabilities over the next three years as it has considerable cash resources available to it. In accordance with the NLFA, 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 the going concern basis.

(b) Qualifying liabilities

In accordance with the NLFA, the Fund will, subject to certain exceptions, fund the qualifying liabilities of EDFE. 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 any 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 EDFE 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 £3m (2013: £4m), stated in March 2003 monetary values and indexed to RPI subject to certain conditions. The Fund also receives an annual contribution from EDFE 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 EDFE Team are deducted. Accordingly, these contributions from EDFE represent an increase in the qualifying liabilities provisions as set out in note 14, 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 Fund's right to receive payment is established. Where the Fund 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. For financial assets not categorised at fair value through profit and loss, interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition, except for short-term receivables when the recognition of interest would be immaterial.

1 ACCOUNTING POLICIES (continued)

(c) Investment income (continued)

The Fund's rental income is derived from operating leases and this income is credited to the statement of comprehensive income 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 lease term.

(d) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Differences arising on translation are dealt with in the statement of comprehensive income. Income and expenditure arising in foreign currencies have been converted to sterling at the rates ruling at the dates of the transactions.

(e) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from operating profit on ordinary activities before qualifying liabilities provision and taxation as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are recognised for taxable temporary differences arising on timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

1 ACCOUNTING POLICIES (continued)

(f) Non-current assets

Investment properties

Investment properties comprise non-owner occupied buildings held to earn rental income and capital appreciation. Investment properties are included in the statement of financial position at fair value at the close of business in London and are not depreciated. Changes in fair values are recognised in the statement of comprehensive income in the year in which the change arises. Investment properties are held to be leased out under operating leases.

Financial instruments

Financial assets and financial liabilities are recognised in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets are classified into the following specified categories, financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the Fund is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL comprise listed securities managed by external fund managers on behalf of the Fund. Financial assets at FVTPL are valued at bid market value (fair value) at the close of business in London. Movements in fair values are taken directly to the statement of comprehensive income.

1 ACCOUNTING POLICIES (continued)

(f) Non-current assets (continued)

Loans and receivables

Trade receivables, loans, and other receivables have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances with banks, short-term cash investments held in AAA rated institutions and the National Loans Fund.

(h) New accounting standards

The new accounting standard relevant to the Fund which was applicable for the first time and adopted this year was: amendments to IAS 12 "Deferred Tax: Recovery of underlying assets". At the date of authorisation of these financial statements, the following relevant Standards and Interpretations which have not been applied in these financial statements were in issue but are not yet effective (and in some cases have not yet been adopted by the European Union):

- IFRS 9 - Financial Instruments: Recognition and Measurement
- IFRS 13 - Fair Value Measurement
- IFRS 7 - Disclosure for Offsetting Financial Assets and Financial Liabilities
- IAS 32 - Financial Instruments: Presentation

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

2 INVESTMENT INCOME

	2014	2013
	£	£
Interest on cash and short-term cash investments	**31,561,719**	31,962,391
Income from listed investments	**23,111,917**	20,258,542
Rent receivable	**3,876,681**	3,425,505
	58,550,317	55,646,438

3 INVESTMENT EXPENSES

	2014	2013
	£	£
Investment management charges	**811,697**	793,874
Other investment expenses (note 7)	**178,598**	51,399
	990,295	845,273

4 OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE QUALIFYING LIABILITIES PROVISION AND TAXATION

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

	2014	2013
	£	£
Directors' emoluments	**173,445**	165,480
Auditor's remuneration - audit fees	**25,838**	26,057

5 STAFF COSTS

Staff costs, comprising of directors' emoluments, were as follows:

	2014	2013
	£	£
Wages and salaries	**173,445**	165,480
Social security costs	**18,823**	17,946
	192,268	183,426

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 was five (2013: five). Wages and salaries of £173,445 (2013: £165,480) comprise £143,545 (2013: £140,975) in respect of normal annual board duties and £29,900 (2013: £24,505) for additional work carried out by the directors during the year.

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in year

	2014	2013
	£	£
Current tax		
UK corporation tax at 23% (2013: 24%)	**6,706,917**	9,825,106
Foreign tax	**644,332**	578,940
Adjustments in respect of prior periods	**(3,905)**	-
Total current tax	**7,347,344**	10,404,046
Origination and reversal of temporary differences	**(836,749)**	6,814,984
Effect of reduced tax rate on opening liability	**(619,613)**	(49,920)
Total deferred tax movement	**(1,456,362)**	6,765,064
Tax on profit on ordinary activities	**5,890,982**	17,169,110

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge for year

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK - 23% (2013: 24%). The differences are explained below:

	2014	2013
	£	£
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**90,533,561**	136,019,637
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	**20,822,719**	32,644,713
Effects of:		
Income not taxable (mainly dividends) and other permanent differences	**(4,841,989)**	(4,481,950)
Difference between accounting and taxable gains on unrealised gains and losses	**(10,110,482)**	(11,527,424)
Excess foreign tax	**644,332**	583,691
Capital losses realised in the year	-	-
Adjustments to tax charge in respect of previous periods	**(3,905)**	-
Effect of decrease in tax rates	**(619,693)**	(49,920)
Total tax charge for year	**5,890,982**	17,169,110

There is no allowable deduction for the provision for qualifying liabilities. The Fund is not, in the view of HM Revenue & Customs, 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 1218 CTA 2009.

(c) Factors that may affect future tax charges

The UK government, with effect from 1 April 2013, reduced the main rate of UK Corporation tax from 24% to 23%. In addition the Finance Bill 2013, which was substantively enacted on 2 July 2013, reduced the corporation tax rate to 21% with effect from 1 April 2014 and to 20% from 1 April 2015.

Accordingly, deferred tax balances expected to be realised or settled between 1 April 2014 and 1 April 2015 should be based on the 21% rate; and those expected to be realised or settled after 1 April 2015 should be based on the 20% rate. However, given the lack of certainty of the expected timing of realisation or settlement of balances, the entire balance has been calculated at the 21% rate. The difference between the amounts calculate at the 21% and 20% rates is not material.

7 INVESTMENT PROPERTIES

Fair value model

The fair values of the investment properties as at 31 March 2014 were determined by the Fund's property managers, LaSalle Investment Management Limited ("LIM"). LIM is a firm of chartered surveyors and independent valuers with recognised professional qualifications. In determining the valuations the valuator refers to current market conditions and recent sales transactions of similar properties.

7 INVESTMENT PROPERTIES (continued)

Amounts recognised in statement of comprehensive income:	**2014**	2013
	£	£
Rental income	**3,876,681**	3,425,505
Direct operating expenses on properties that generated rental income	**302,680**	216,383
Direct operating expenses on properties that did not generate rental income	**178,598**	51,399

Reconciliation of carrying amounts:

	Freehold 2014	Freehold 2013
	£	£
Valuation		
At start of the year	**38,050,000**	39,795,000
Disposal proceeds	**(7,150,000)**	-
Realised and unrealised gains and losses (*)	**4,535,000**	(1,745,000)
At end of the year	**35,435,000**	38,050,000

(*) The realised and unrealised gains and losses are included in the statement of comprehensive income on page 16 and comprise: net realised gains of £3,238,974 (2013: £nil) and net unrealised gains of £1,296,026 (2013: losses of £1,745,000).

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

	Freehold 2014	Freehold 2013
	£	£
Cost		
At start of the year	**41,253,479**	41,253,479
Disposals	**(3,911,026)**	-
At end of the year	**37,342,453**	41,253,479

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2014	2013
	£	£
Valuation		
At start of the year	**733,910,791**	638,516,053
Additions	**55,166,893**	70,176,115
Disposals proceeds	**(32,920,245)**	(58,880,614)
Realised and unrealised gains (**)	**28,402,985**	84,099,237
At end of the year	**784,560,424**	733,910,791

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

(**) These realised and unrealised gains are included in the statement of comprehensive income on page 16 and include: net realised losses of £2,401,616 (2013: net realised gains of £10,216,201) and net unrealised gains of £30,804,601 (2013: £73,883,036). Realised and unrealised gains in the statement of comprehensive income of £29,883,323 (2013: £84,099,237) also include net realised gains of £1,480,338 (2013: £nil) arising on futures contracts.

	2014	2013
	£	£
Cost		
At start of the year	**523,812,176**	500,269,932
Additions	**55,166,893**	70,176,115
Disposals	**(34,498,350)**	(46,633,871)
At end of the year	**544,480,719**	523,812,176

All financial assets at fair value through profit and loss are managed by BlackRock and are listed on recognised stock exchanges. These investments comprise the following:

	2014	2013
	£	£
UK index linked gilts	**96,022,070**	100,454,980
UK equities	**412,579,471**	378,594,353
Overseas equities:		
North America	**98,783,697**	89,900,563
Europe	**99,936,405**	85,119,095
Japan	**52,957,807**	53,937,114
Pacific	**24,280,974**	25,904,686
	784,560,424	733,910,791

9 OTHER CURRENT ASSETS

Amounts falling due within one year

	2014	2013
	£	£
Other debtors	**320,936**	225,706
Accrued income	**3,652,691**	3,643,604
	3,973,627	3,869,310

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances with banks, short-term cash investments held in AAA rated institutions and the National Loans Fund. Cash and cash equivalents included in the statement of cash flows and the statement of financial position comprise the following:

	2014	2013
	£	£
Cash balances with banks	**19,799,195**	9,891,647
Short-term cash investments	**8,037,482,262**	8,014,901,965
	8,057,281,457	8,024,793,612

11 TRADE AND OTHER PAYABLES

Amounts falling due within one year

	2014	2013
	£	£
Trade creditors	**634,857**	183,861
Other tax and social security	**193,114**	163,203
Other creditors	**384,240**	201,277
Accruals and deferred income	**27,284,989**	13,753,830
	28,497,200	14,302,171

12 CURRENCY CLASSIFICATION OF TOTAL ASSETS LESS CURRENT LIABILITIES

Total assets less current liabilities as at 31 March 2014 are analysed by currency as follows:

Currency	Non-current assets	Cash and cash equivalents	Other current assets	Current liabilities	Total
	£	£	£	£	£
Pounds Sterling	**544,036,542**	**8,053,790,642**	**3,118,816**	**(31,185,569)**	**8,569,760,431**
US Dollar	**92,520,721**	**1,176,617**	**101,020**	**-**	**93,798,358**
Canadian Dollar	**6,262,976**	**42,287**	**12,407**	**-**	**6,317,670**
Euro	**67,577,276**	**762,863**	**113,798**	**-**	**68,453,937**
Norwegian Krone	**1,776,056**	**11,147**	**-**	**-**	**1,787,203**
Swedish Krona	**7,060,649**	**33,755**	**42,166**	**-**	**7,136,570**
Danish Krone	**3,303,919**	**39,213**	**554**	**-**	**3,343,686**
Swiss Franc	**20,218,505**	**83,286**	**1,695**	**-**	**20,303,486**
Japanese Yen	**52,957,807**	**721,543**	**435,164**	**-**	**54,114,514**
South Korean Won	**6,184,262**	**9,030**	**56,405**	**-**	**6,249,697**
Singapore Dollar	**2,043,489**	**36,317**	**270**	**-**	**2,080,076**
Hong Kong Dollar	**4,514,800**	**92,195**	**5,841**	**-**	**4,612,836**
Australian Dollar	**11,255,811**	**472,255**	**82,808**	**-**	**11,810,874**
New Zealand Dollar	**282,611**	**10,307**	**2,683**	**-**	**295,601**
	819,995,424	**8,057,281,457**	**3,973,627**	**(31,185,569)**	**8,850,064,939**

12 CURRENCY CLASSIFICATION OF TOTAL ASSETS LESS CURRENT LIABILITIES (continued)

Total assets less current liabilities as at 31 March 2013 are analysed by currency as follows:

Currency	Non-current assets	Cash and cash equivalents	Other current assets	Current liabilities	Total
	£	£	£	£	£
Pounds Sterling	517,099,333	8,021,066,195	3,094,630	(19,042,223)	8,522,217,935
US Dollar	83,456,579	1,429,518	96,829	-	84,982,926
Canadian Dollar	6,443,984	21,683	14,035	-	6,479,702
Euro	55,523,582	815,914	51,942	-	56,391,438
Norwegian Krone	1,753,466	22,312	-	-	1,775,778
Swedish Krona	6,637,786	53,357	16,292	-	6,707,435
Danish Krone	2,452,003	40,178	-	-	2,492,181
Swiss Franc	18,752,258	105,386	3,353	-	18,860,997
Japanese Yen	53,937,114	634,085	446,333	-	55,017,532
South Korean Won	6,318,224	9,544	61,432	-	6,389,200
Singapore Dollar	2,333,306	56,337	487	-	2,390,130
Hong Kong Dollar	4,734,657	148,644	8,494	-	4,891,795
Australian Dollar	12,313,557	374,319	71,962	-	12,759,838
New Zealand Dollar	204,942	16,140	3,521	-	224,603
	771,960,791	8,024,793,612	3,869,310	(19,042,223)	8,781,581,490

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments as at 31 March 2014:

	Loans and receivables	**Financial liabilities measured at amortised cost**	**Assets at fair value through profit and loss**
	£	**£**	**£**
Financial assets			
Financial assets at fair value through profit and loss	-	-	**784,560,424**
Other debtors	**320,936**	-	-
Accrued income	**3,652,691**	-	-
Cash balances with banks	**19,799,195**	-	-
Short-term cash investments	**8,037,482,262**	-	-
Financial liabilities			
Trade and other payables	-	**28,304,086**	-

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments as at 31 March 2013:

	Loans and receivables	Financial liabilities measured at amortised cost	Assets at fair value through profit and loss
	£	£	£
Financial assets			
Financial assets at fair value through profit and loss	-	-	733,910,791
Other debtors	225,706	-	-
Accrued income	3,643,604	-	-
Cash balances with banks	9,891,647	-	-
Short-term cash investments	8,014,901,965	-	-
Financial liabilities			
Trade and other payables	-	14,138,968	-

All non-current financial assets are categorised as financial assets at fair value through profit and loss. Those items that are not at fair value through profit and loss have been deemed to be materially equal to fair value.

Fair value measurements recognised in the statement of financial position

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. All listed investments as at 31 March 2014 amounting to £784,560,424 (2013: £733,910,791) are grouped as Level 1 and disclosed as "Financial assets at fair value through profit and loss". All financial liabilities are measured at amortised cost;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). None of the financial assets or liabilities as at 31 March 2014 (2013: £nil) were grouped under Level 2; and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). None of the financial assets or liabilities as at 31 March 2014 (2013: £nil) were grouped under Level 3.

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

Financial risk

The Fund is exposed to a number of financial risks. The directors manage these financial risks by ensuring full and timely access to relevant information from respective managers. The directors meet regularly and at each meeting review investment performance and financial results. They monitor compliance with the Fund's objectives and are directly responsible for ensuring that investment strategy and asset allocation is in accordance with the CA. There have been no significant changes in these financial risks since the prior year.

Credit risk

The Fund invests in high quality liquid market investments. All of these financial assets are held with AAA rated institutions on a short-term basis usually recoverable within six months. Therefore, no significant credit risks are associated with these financial assets.

Liquidity risk

The Fund maintains sufficient cash and readily realisable securities to meet its current liabilities. On the basis that most of the Fund's qualifying 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 liabilities to the extent that the Fund does not have sufficient assets available to it, the directors consider that liquidity is not a significant risk to the Fund. The qualifying liabilities that are expected to fall upon the Fund over the next three years amount to approximately £149m (2013: £99m). The future long-term liability of the Fund in respect of these qualifying liabilities will at all times be limited to the assets available to it.

Market risk

The Fund is exposed to market risk due to the fluctuations in the market prices which are determined by market forces. The Fund is exposed to the following market risks: equity price risk, interest rate risk and currency risk.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Equity price risk

The Fund is exposed to equity price risk due to its investments in listed securities. This risk is managed by diversifying the Fund's investment portfolio. Fluctuations in the market prices of investments are not hedged.

	2014	2013
	£	£
Equity price risk sensitivity analysis		
If there was an 8% (2013: 8%) increase or decrease in equity prices with all other variables held constant, the value of financial assets at fair value through profit and loss would increase or decrease by**:**	**62,764,834**	58,712,863

The impact of an 8% (2013: 8%) change has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historical changes that have been observed over the last three years. The Fund's sensitivity to equity prices over the last three years has been at an average rate of approximately 8% (2013: 8%).

Interest rate risk

The Fund is exposed to interest rate risk due to its investments in interest bearing assets which are categorised as follows:

Assets earning interest as at 31 March 2014:

	Value subject to fixed rate	**Value subject to variable rate**
	£	**£**
UK index linked gilts	-	**96,022,070**
Cash balances with banks	-	**19,799,195**
Short-term cash investments	**7,518,881,712**	**518,600,550**

Assets earning interest as at 31 March 2013:

	Value subject to fixed rate	Value subject to variable rate
	£	£
UK index linked gilts	-	100,454,980
Cash balances with banks	-	9,891,647
Short-term cash investments	7,512,439,249	502,462,716

The maturity dates relating to UK index linked gilts for 2014 ranged between 2019 and 2068 (2013: between 2020 and 2062). The average rate of return before tax for UK index linked gilts during the year was -0.31% (2013: 2.2%) and for short-term cash investments was 0.4% (2013: 0.4%).

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk sensitivity analysis

	2014	2013
	£	£
If there was a 0.40% (2013: 0.40%) increase or decrease in variable interest rates with all other variables held constant, the value of variable interest bearing assets would increase or decrease by	**2,537,687**	2,451,237

In the current financial environment, with the bias coming from the reserve bank and confirmed by market expectations, the interest rates in the UK are not expected to change significantly in the coming period. Therefore, a sensitivity of 0.40% (2013: 0.40%) has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. The Fund's sensitivity to interest rates has not changed significantly from the prior year.

Currency risk

The Fund is exposed to currency risk due to its investments in some of the assets being denominated in currencies other than sterling. An analysis of assets that are held in various currencies is provided in note 12 to these financial statements.

Currency risk sensitivity analysis

	2014	2013
	£	£
If there was a 1.50% (2013: 1.50%) increase or decrease in foreign currency exchange rates with all other variables held constant, the value of assets held in the following currencies would increase or decrease by:		
US Dollar	**1,406,975**	1,274,744
Euro	**1,026,809**	845,872
Japanese Yen	**811,718**	825,263
Other currencies	**959,065**	944,575

A sensitivity of 1.50% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement in respect of these foreign currencies.

14 NON-CURRENT LIABILITIES

	Deferred tax provision	**Qualifying liabilities provision**	**Total 2014**	Total 2013
	£	**£**	**£**	£
At 1 April	**7,963,140**	**8,773,618,250**	**8,781,581,390**	8,652,775,865
EDFE contributions	**-**	**26,628,207**	**26,628,207**	24,266,617
Transfer from statement of comprehensive income	**-**	**84,642,579**	**84,642,579**	118,850,527
Payable to EDFE	**-**	**(41,330,975)**	**(41,330,975)**	(21,076,683)
Deferred tax movement	**(1,456,362)**	**-**	**(1,456,362)**	6,765,064
At 31 March	**6,506,778**	**8,843,558,061**	**8,850,064,839**	8,781,581,390

Deferred tax balance consists of:

	2014	2013
	£	£
Accelerated capital allowances	**1,060,915**	1,155,737
Unrealised gains on equities	**6,732,227**	8,369,464
Unrealised loss on properties	**(1,286,364)**	(1,562,061)
	6,506,778	7,963,140

In accordance with the CA, fixed contributions are received quarterly from EDFE in the sum of £3m (2013 £4m), 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 the Sizewell B reactor power station. The Fund also receives an annual contribution from EDFE 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 EDFE Team are deducted.

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

The amount shown under qualifying liabilities represents the Fund's future potential liability to the Licensee (EDFE) at the date of the statement of financial position. In accordance with 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.

14. NON-CURRENT LIABILITIES (continued)

The process by which EDFE determines its qualifying liabilities is prescribed by the NLFA. Under its terms, EDFE 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.

Additionally, EDFE 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 EDFE to update this plan although EDFE 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 EDFE's audited accounts.

Deferred tax provision takes account of deferred tax payable on the sale of investment properties and financial assets at fair value through profit and loss account to the extent that proceeds exceed cost, adjusted by indexation allowance. The deferred tax provision of £1,060,915 relating to accelerated capital allowances will be unwound when the investment properties are sold. In addition, a deferred tax liability of £5,445,863 has been recognised on the difference between the financial assets and properties at their fair value and the indexed cost in excess of the capital losses brought forward.

15 SHARE CAPITAL

	Authorised	**Allotted, called up and fully paid**	
	£	**No.**	**£**
At 31 March 2013 and 31 March 2014			
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**
	100	100	**100**

15 SHARE CAPITAL (Continued)

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 EDF Energy Nuclear Generation Limited and British Energy Generation (UK) 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.

16 OPERATING LEASE RECEIVABLES

As a lessor, the Fund had rent receivables as at 31 March 2014 under non-cancellable operating leases as follows:

	2014	2013
	£	£
Within one year	**3,002,560**	3,344,974
Between two and five years	**10,723,619**	11,712,332
In more than five years	**19,216,675**	21,036,657

No contingent rentals were recognised in income.

As at 31 March 2014 the Fund held a total of 21 leases, 6 of which expire within five years of the statement of financial position date, with the remaining 15 due to expire beyond five years. The majority of the leases have five yearly rent reviews, with the yearly rental value being adjusted to the market value at this time. A small number of the leases also contain options to break early.

17 RELATED PARTIES AND CONTROLLING INTEREST

The Fund's main shareholder (98%) 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. There was a balance due to the directors as at 31 March 2014 of £39,782 (2013: £nil).

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 £nil (2013: £22,662) was reimbursed to the Department for Business, Innovation and Skills in respect of costs incurred. Also during the year, a sum of £237,415 (2013: £nil) was reversed by the Deparment for Business, Innovation and Skills in respect of costs charged in the previous year. There was a balance due to the Department for Business, Innovation and Skills as at 31 March 2014 of £5,583 (2013: £237,415).

18 CAPITAL MANAGEMENT

The Fund's strategy is to effectively manage the capital in accordance with the prescribed investment policy and, within the confines of that policy, to seek to maximise long-term returns to fulfill the Fund's purpose of discharging qualifying decommissioning and waste management liabilities.