Company Number: SC164685

NUCLEAR LIABILITIES FUND LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2011

NUCLEAR LIABILITIES FUND LIMITED

COMPANY INFORMATION

Directors	The Lady Balfour of Burleigh CBE Mr N Harrison (appointed on 15 June 2011) Mr G Jenkins Ms A Richards (resigned on 30 June 2011) The Lord Sassoon of Ashley Park (resigned on 14 May 2010) 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	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	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 HSBC Global Asset management (UK) Limited Ground Floor Frobisher House Nelson Gate Commercial Road Southampton SO15 1GX J.P. Morgan Asset Management (UK) Limited Finsbury Dials 20 Finsbury Street London EC2Y 9AQ
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
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

I am pleased to present the fifteenth Annual Report of Nuclear Liabilities Fund Limited (the "Fund") for the year to 31 March 2011.

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 (now renamed EDF Energy Nuclear Generation Group Limited ("EDFE")) 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 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').
- Applications for payment of qualifying costs are made monthly by EDFE to the NDA and any approval is then communicated to the NLF which transfers monies to EDFE's account. All this is undertaken within defined periods.

Purpose of the Fund (continued)

- In providing written confirmation to the NLF 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.
- 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 was not implemented and discussions continue with HM Government.
- A Fund Review will be initiated in January 2015 and at each ten year anniversary thereafter, unless the Secretary of State after January 2015 requests one between regular reviews.

At 31 March 2011 the Fund's assets after deducting current liabilities were valued at £8,590m. EDFE has estimated the likely cost of decommissioning its existing nuclear power stations and meeting other qualifying uncontracted liabilities. 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 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. EDFE is currently revising its lifetime Baseline Decommissioning Plan for submission to the NDA and the directors are discussing investment policy with HM Government; 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

We have followed the unfolding events at Fukushima with concerned interest. Dr Mike Weightman's interim report, commissioned by HM Government ("HMG") following the Fukushima incident and published in May, concluded that the UK enjoys a strong safety culture, the UK's current nuclear safety measures are adequate and that immediate safety improvements to the country's operating reactors are not necessary. This is reassuring both to the UK public and the UK nuclear industry but firm conclusions should not be drawn until Dr Weightman's full report is published in September. It cannot be ruled out that the full report may, for example, recommend certain changes in waste management processes and techniques which could lead to an increase in costs falling to the Fund.

During the year, the NLF, HMG, the NDA and EDFE have continued to discuss ways in which the quantum of liabilities arising from the decommissioning and waste management of EDFE's existing UK nuclear stations may be diminished. This has led to the establishment of work streams, approved by all parties and partly funded by the NLF, to look at ways in which liabilities may be mitigated. We are grateful for this quadripartite co-operation which demonstrates how all interested parties are keen to work together to provide technical and financial benefits to the decommissioning process.

We are sorry that Anne Richards, newly appointed as a main board director of Aberdeen Asset Management plc, was unable to put herself forward for re-appointment as a director of the Fund upon the expiry of her term of office. Anne's contribution over the last three years has been invaluable and I would like to join my colleagues in expressing our appreciation for the expertise, commitment and dedication that Anne brought to the role. We are very pleased that Norman Harrison was appointed as a new independent director with effect from 15 June 2011. Norman has a long and distinguished career in the nuclear industry, both within the public and private sectors, and his detailed knowledge and technical expertise will be of great value to us.

The directors have continued to meet regularly and work closely with the NDA, EDFE and HMG. These relationships are vital to our work and we are very grateful to the management and staff at the NDA and the EDFE, and the officials at the Shareholder Executive and Department of Energy and Climate Change, for their continuing co-operation and assistance.

I would like to thank my board colleagues and our secretary and his colleagues for their continuing support, dedication and hard work in what has been a busy year.

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

The Lady Balfour of Burleigh CBE
Chairman

Date: 24 August 2011

NUCLEAR LIABILITIES FUND LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2011

The directors submit their annual report and the financial statements of Nuclear Liabilities Fund Limited ("the Fund") for the year ended 31 March 2011.

Results

The Fund's assets held to meet qualifying liabilities increased by **£95,492,650** to **£8,589,086,815** (2010: increased by £217,752,626 to £8,493,594,165).

The rate of return for the year achieved by the Fund was 1% before tax (2010: 2.3%). This percentage has been calculated by HSBC Bank Plc who are retained by the Fund to measure Fund performance.

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 4, 5 and 6.

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:

	2011	2010
	£	**£**
Assets held to meet qualifying liabilities - value at start of the year	**8,493,594,165**	8,275,841,539
Contributions from EDFE	**22,473,830**	31,479,997
Payments to EDFE	**(7,769,739)**	(9,097,353)
Operating profit on ordinary activities before tax	**86,380,960**	215,715,243
Tax on ordinary activities	**(5,592,401)**	(20,345,261)
Assets held to meet qualifying liabilities - value at end of the year	**8,589,086,815**	8,493,594,165

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)

Currently there are ongoing discussions surrounding the long-term investment strategy. These discussions cover areas of the Myners' Principles such as setting clear objectives with respect to risk and the liabilities. The directors are also incorporating other issues into their discussion, such as liquidity requirements, tax impact, regulatory constraints and the unique circumstance of the Fund. Once any change in strategy has been agreed, the directors will take into account the remaining Myners' Principles when implementing a change to the current investment strategy. A Statement of Investment Principles will then be drawn up to record the decisions.

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

World GDP fell 0.5% in 2009, the first outright contraction in the 40-year history of the data. However, the recession ended around the middle of that year, with growth rebounding to 5.1% in 2010, before slowing slightly to 4.3% in 2011, because of policy tightening in the developing economies and lacklustre performances in most of the advanced ones.

Global equities have recently been buffeted by turmoil in Libya and other Arab nations, which kept upward pressure on oil prices. Concern about US jobs, European bonds, and global trade reinforced the sense of caution, even before a record earthquake struck off the coast of north-eastern Japan on 11 March 2011. Fragile sentiment persisted into late March, when worries about the tsunami-damaged Fukushima nuclear station drove many equity indices to their lowest levels of the year. Only then did investors start looking for values more aggressively. When the Bank of Japan added tens of trillions of yen of fresh liquidity to keep financial conditions more benign, share prices around the world began a steady rebound that carried through to the end of the fiscal year. Commodity prices recovered, and some sectors were helped by anticipation of increased demand for energy and materials in support of Japanese reconstruction.

The spirited rally helped global equities turn what could have been a rough 2011 first quarter into another solid performance for major indices. Deepening credit woes in peripheral Europe, and the tragic devastation in Japan, left many developed markets with losses in March. In spite of this, most only conceded a portion of the healthy gains that they had achieved during the previous twelve months, when solid earnings reports and rising economic optimism had boosted share prices. Stubborn fiscal challenges across the developed markets reminded investors that emerging countries, even with an ongoing trend to tighter money, still had considerable financial flexibility and ample growth potential. This lifted the MSCI Emerging Markets Index to fresh post-2008 highs.

While equities were dealing with the biggest surges in volatility since the middle of 2010, fixed income securities showed remarkable poise. Even as inflation concerns continued during January and February 2011, yield curves that had already steepened dramatically kept bond prices from suffering too greatly, and broad fixed income benchmarks finished the period with positive returns. Robust corporate earnings helped credit spreads narrow throughout the period, and they only rose modestly during the middle of March 2011. The most troubling arena in the bond markets remained peripheral Europe, where Greek yields stayed elevated in the low teens, Irish yields made their way into double digits, and Portuguese yields broke through the 8% barrier. The larger eurozone markets came to face a different challenge during the year, when the European Central Bank (ECB) began to hint more directly about a rate hike. With euro zone inflation reaching 2.4% through February 2011, well above the 2% target, the ECB seemed reluctant to wait any longer before reacting to price pressures. The Bank of England appeared more willing to stay patient, while the US Federal Reserve expressed its desire to see more convincing job gains before moving to tighten policy.

Market review (continued)

Given the challenging stumbling blocks that confronted investors during the twelve months to 31 March 2011, financial markets did remarkably well to build on their broad recovery from the abyss that had engulfed them just over two years ago. Despite surging fuel prices, ongoing interest rate rises in emerging countries, unaffordable yield levels for peripheral European borrowers, and the painfully tragic consequences of the Japanese earthquake, confidence levels stayed strong enough to foster continued economic resilience, burgeoning capital markets activity, and another quarter of positive returns for financial assets. Whatever the merits of the quantitative easing measures adopted by the US Federal Reserve, many commentators believe that the steady expansion of the Federal Reserve's balance sheet has played a major role in the ongoing buoyancy of security prices. Consistent corporate earnings and appealing valuations across a range of stocks and bonds have also played a part; but without minimal yields on cash, the incentives to keep building positions in risky assets might not seem so unrelenting.

Market outlook

The risks to global growth appear skewed to the downside, largely reflecting the potential for fallout from the European debt crisis and US rating downgrade.

US revisions of prior economic growth, relatively weak current activity and weakening confidence data point to slow future growth for the remainder of 2011. This has been reinforced by business and consumer nervousness that resulted from the political wrangling that took place over increasing the US debt ceiling limit. Recent data suggest the chances of the economy contracting have slightly increased. Although outright deflation is not imminent, stabilization of markets and pre-emption of credit contraction may require additional quantitative easing. This would lead to a combination of weak near-term growth, but rising long term inflationary expectations.

The developments in Europe should not be overlooked by investors and policymakers. Compared to the lack of effectiveness of US policymaking, many commentators believe that Europe is even more pedestrian in its ability to keep up with, or get ahead of current events. Markets have forced the European leaders and the European Central Bank to take action by driving yields on Spanish and Italian bonds higher. Sovereign bond risk and bank capital risk have become entangled in such a way that questions about liquidity and the solvency under stress of many European banks, especially in the periphery, have increased. In order to restore stability, a more substantial commitment to Italy and Spain has been sought by markets.

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 was not implemented and discussions continue with HM Government. 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.

Directors

The following directors served throughout the year:

The Lady Balfour of Burleigh CBE
Mr G Jenkins
Ms A Richards (resigned on 30 June 2011)
The Lord Sassoon of Ashley Park (resigned on 14 May 2010)
Mr D Stewart CVO

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

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 auditors are 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 auditors are aware of that information.

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

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 obliged to comply with the Combined Code on Corporate Governance that was issued in 2008 by the Financial Reporting Council.

The Board

During the year the number of directors in office averaged four. They meet regularly to review the overall affairs of the Fund and to consider business specifically reserved for the Board's decision. Eleven 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 Business, Innovation and Skills, the Nuclear Decommissioning Authority, EDFE and others. The directors are responsible for monitoring the prescribed investment policy of the Fund and, at Board meetings, they consider, within the confines of this 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 directors manage 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. 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 Board (continued)

The directors met 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	11	1	12
Mr G Jenkins	11	1	12
Ms A Richards	11	1	12
The Lord Sassoon of Ashley Park (resigned on 14 May 2010)	1	-	1
Mr D Stewart CVO	11	1	12

Directors each receive £25,435 (2010: £24,840) per annum in respect of their normal annual non-executive board duties and the chairman £38,154 (2010: £37,261) per annum. Additional remuneration is payable on a per diem basis in terms of 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 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 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 £116m. 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.

The Lady Balfour of Burleigh CBE
Chairman

Date: 24 August 2011

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 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 2011 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 2011 and of its financial results 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 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.

Stuart McLaren (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date: 25 August 2011

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
Investment income	2	**58,901,180**	53,978,659
Realised and unrealised gains on financial assets at fair value through profit and loss	8	**27,849,732**	160,545,552
Realised and unrealised gains on investment properties	7	**1,723,000**	2,980,675
Net foreign exchange losses		**(148,234)**	(57,300)
Investment expenses	3	**(842,864)**	(473,322)
Administrative expenses		**(1,101,854)**	(1,259,021)
Operating profit on ordinary activities before qualifying liabilities provision and taxation	4	**86,380,960**	215,715,243
Transfer to qualifying liabilities provision	14	**(80,788,559)**	(195,369,982)
Profit on ordinary activities before tax		**5,592,401**	20,345,261
Tax on ordinary activities	6	**(5,592,401)**	(20,345,261)
Financial result and total comprehensive income for the year		**-**	-

All amounts relate to continuing activities.

There have been no other comprehensive income items recognised for 2010 or 2011 other than those included in the statement of comprehensive income.

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Investment properties	**7**	**43,695,000**	42,105,000
Financial assets at fair value through profit and loss	**8**	**621,599,278**	580,891,847
		665,294,278	622,996,847
CURRENT ASSETS			
Other current assets	**9**	**9,775,175**	7,778,987
Cash and cash equivalents	**10**	**7,924,005,800**	7,879,846,619
		7,933,780,975	7,887,625,606
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**11**	**(5,037,476)**	(5,599,258)
Corporation tax payable		**(3,663,625)**	(3,201,073)
		(8,701,101)	(8,800,331)
TOTAL ASSETS LESS CURRENT LIABILITIES	**12**	**8,590,374,152**	8,501,822,122
NON-CURRENT LIABILITIES			
Qualifying liabilities provision	**14**	**(8,589,086,815)**	(8,493,594,165)
Deferred tax provision	**14**	**(1,287,237)**	(8,227,857)
		(8,590,374,052)	(8,501,822,022)
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 with registered number SC164685 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: 24 August 2011

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Ordinary shares £	Total £
BALANCE AT 1 APRIL 2010	**100**	**100**
Movements during the year	**-**	**-**
BALANCE AT 31 MARCH 2011	**100**	**100**
BALANCE AT 1 APRIL 2009	100	100
Movements during the year	-	-
BALANCE AT 31 MARCH 2010	100	100

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	£	**£**
Cash flows from operating activities		
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**86,380,960**	215,715,243
Adjustments for:		
Realised and unrealised gains on financial assets at fair value through profit and loss	**(27,849,732)**	(160,545,552)
Realised and unrealised gains on investment properties	**(1,723,000)**	(2,980,675)
(Increase)/decrease in other current assets	**(1,996,188)**	8,367,489
Increase/(decrease) in trade and other payables	**56,820**	(351,837)
Cash generated from operations	**54,868,860**	60,204,668
Income taxes paid	**(12,070,470)**	(31,837,520)
Net cash from operating activities	**42,798,390**	28,367,148
Cash flows from investing activities		
Payment to acquire investment properties	**-**	(119,325)
Proceeds from the sale of investment properties	**133,000**	-
Payments to acquire financial assets held at fair value through profit and loss	**(39,697,567)**	(37,870,787)
Proceeds from the sale of financial assets held at fair value through profit and loss	**26,839,868**	26,457,827
Net cash used in investing activities	**(12,724,699)**	(11,532,285)
Cash flows from financing activities		
Contributions from BE	**22,459,241**	31,198,721
Payments to BE	**(8,373,751)**	(7,310,552)
Net cash from financing activities	**14,085,490**	23,888,169
Net increase in cash and cash equivalents	**44,159,181**	40,723,032
Cash and cash equivalents at start of the year	**7,879,846,619**	7,839,123,587
Cash and cash equivalents at end of the year (note 10)	**7,924,005,800**	7,879,846,619

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 that 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 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. 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 £116m. 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.

(b) Qualifying liabilities

In accordance with the Nuclear Liabilities Funding Agreement ("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 Contribution Agreement ("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 £4m (2010: £5m), 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 Nuclear Decommissioning Authority ("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.

1 ACCOUNTING POLICIES (continued)

(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.

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

1 ACCOUNTING POLICIES (continued)

(e) Taxation (continued)

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.

(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.

1 ACCOUNTING POLICIES (continued)

(f) Non-current assets (continued)

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.

(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

No new accounting standards relevant to the Fund were applicable for the first time and adopted this year.

At the date of authorisation of these financial statements, the following 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
- IAS 24 - Related Party Disclosures

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

2 INVESTMENT INCOME

	2011	2010
	£	£
Interest on cash and short-term cash investments	**38,526,920**	35,802,259
Income from listed investments	**16,541,549**	14,434,503
Rent receivable	**3,832,711**	3,741,897
	58,901,180	53,978,659

3 INVESTMENT EXPENSES

	2011	2010
	£	£
Investment management charges	**754,614**	620,212
Other investment expenses	**88,250**	(146,890)
	842,864	473,322

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:

	2011	2010
	£	£
Directors' emoluments	**142,198**	162,121
Auditor's remuneration - audit fees	**22,403**	24,193

5 STAFF COSTS

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

	2011	2010
	£	£
Wages and salaries	**142,198**	162,121
Social security costs	**14,829**	17,094
	157,027	179,215

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 four (2010: five). Wages and salaries of £142,198 (2010: £162,121) comprise £117,948 (2010: 136,621) in respect of normal annual board duties and £24,250 (2010: £25,500) for additional work carried out by the directors during the year.

6 TAX ON ORDINARY ACTIVITIES

(a) Analysis of charge in year

	2011	2010
	£	£
Current tax		
UK corporation tax at 28% (2010: 28%)	**11,830,869**	12,186,568
Foreign tax	**698,361**	806,837
Adjustments in respect of prior periods corporation tax	**3,791**	(50,075)
Total current tax	**12,533,021**	12,943,330
Origination and reversal of temporary differences	**(6,352,916)**	7,401,931
Effect of reduced tax rate on opening liability	**(587,704)**	-
Total deferred tax movement	**(6,940,620)**	7,401,931
Tax on ordinary activities	**5,592,401**	20,345,261

6 TAXATION ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge for year

The tax assessed for the year is lower (2010: lower) than the standard rate of corporation tax in the UK - 28% (2010: 28%). The differences are explained below:

	2011	2010
	£	£
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**86,380,960**	215,715,243
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	**24,186,669**	60,400,268
Effects of:		
Income not taxable (mainly dividends) and other permanent differences	**(5,054,806)**	(4,423,369)
Difference between accounting and taxable gains on unrealised gains and losses	**(14,076,677)**	(38,393,086)
Recognition of industrial buildings allowance deferred tax	**-**	663,288
Excess foreign tax	**698,361**	806,837
Capital losses realised in the year	**(68,868)**	1,341,398
Adjustments to tax charge in respect of previous periods	**3,791**	(50,075)
Effect of decrease in tax rates	**(96,069)**	-
Total tax charge for year	**5,592,401**	20,345,261

There is no allowable deduction for the provision for qualifying 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 1218 CTA 2009.

(c) Factors that may affect future tax charges

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 financial assets at fair value through profit and loss. There are numerous transactions in shares and securities each year and the actual tax liability depends on the disposal of particular investments.

7 INVESTMENT PROPERTIES

Fair value model

The fair values of the investment properties as at 31 March 2011 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:	**2011**	2010
	£	£
Rental income	**3,832,711**	3,741,897
Direct operating expenses on properties that generated rental income	**274,005**	206,813

Reconciliation of carrying amounts:

	Freehold 2011	Freehold 2010
	£	£
Valuation		
At start of the year	**42,105,000**	39,005,000
Additions	**-**	119,325
Disposal proceeds	**(133,000)**	-
Realised and unrealised gains (*)	**1,723,000**	2,980,675
At end of the year	**43,695,000**	42,105,000

(*) The realised and unrealised gains are included in the statement of comprehensive income on page 13 and comprise: net realised losses of £31,198 (2010: £nil) and net unrealised gains of £1,754,198 (2010: £2,980,675).

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

	Freehold 2011	Freehold 2010
	£	£
Cost		
At start of the year	**43,776,225**	43,656,900
Additions	**-**	119,325
Disposals	**(164,198)**	-
At end of the year	**43,612,027**	43,776,225

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2011	2010
	£	£
Valuation		
At start of the year	**580,891,847**	408,933,335
Additions	**39,697,567**	37,870,787
Disposals proceeds	**(26,839,868)**	(26,457,827)
Realised and unrealised gains (**)	**27,849,732**	160,545,552
At end of the year	**621,599,278**	580,891,847

(**) The realised and unrealised gains are included in the statement of comprehensive income on page 13 and comprise: net realised gains of £1,902,690 (2010: net realised losses - £3,522,870) and net unrealised gains of £25,947,042 (2010: £164,068,422).

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

	2011	2010
	£	£
Cost		
At start of the year	**460,269,627**	452,379,536
Additions	**39,697,567**	37,870,787
Disposals	**(24,937,177)**	(29,980,696)
At end of the year	**475,030,017**	460,269,627

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

	2011	2010
	£	£
UK index linked gilts	**74,061,868**	69,434,435
UK equities	**325,464,329**	305,570,212
Overseas equities:		
North America	**70,742,095**	63,456,510
Europe	**80,680,395**	74,312,564
Japan	**47,212,156**	47,785,879
Pacific	**23,438,435**	20,332,247
	621,599,278	580,891,847

9 OTHER CURRENT ASSETS

Amounts falling due within one year

	2011	2010
	£	£
Other debtors	**187,798**	381,974
Accrued income	**9,587,377**	7,397,013
	9,775,175	7,778,987

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:

	2011	2010
	£	£
Cash balances with banks	**1,913,995**	429,657
Short-term cash investments	**7,922,091,805**	7,879,416,962
	7,924,005,800	7,879,846,619

11 TRADE AND OTHER PAYABLES

Amounts falling due within one year

	2011	2010
	£	£
Trade creditors	**327,534**	213,111
Other tax and social security	**183,430**	171,848
Other creditors	**121,530**	97,719
Accruals and deferred income	**4,404,982**	5,116,580
	5,037,476	5,599,258

12 CURRENCY CLASSIFICATION OF TOTAL ASSETS LESS CURRENT LIABILITIES

Total assets less current liabilities as at 31 March 2011 are analysed by currency as follows:

Currency	**Non-current assets**	**Cash and cash equivalents**	**Other current assets**	**Current liabilities**	**Total**
	£	**£**	**£**	**£**	**£**
Pounds Sterling	**443,221,195**	**7,923,020,374**	**8,617,008**	**(8,701,101)**	**8,366,157,476**
US Dollar	**70,742,095**	**484,712**	**516,012**	**-**	**71,742,819**
Euro	**57,535,750**	**6,740**	**31,106**	**-**	**57,573,596**
Norwegian Krone	**1,801,044**	**7,165**	**-**	**-**	**1,808,209**
Swedish Krona	**5,845,659**	**16,734**	**13,238**	**-**	**5,875,631**
Danish Krone	**2,289,812**	**11,276**	**516**	**-**	**2,301,604**
Swiss Franc	**13,208,130**	**14,110**	**867**	**-**	**13,223,107**
Japanese Yen	**47,212,156**	**259,346**	**477,290**	**-**	**47,948,792**
South Korean Won	**6,477,647**	**96**	**54,153**	**-**	**6,531,896**
Singapore Dollar	**2,043,048**	**48,967**	**-**	**-**	**2,092,015**
Hong Kong Dollar	**4,899,833**	**5,813**	**4,710**	**-**	**4,910,356**
Australian Dollar	**9,871,991**	**106,876**	**58,941**	**-**	**10,037,808**
New Zealand Dollar	**145,918**	**23,591**	**1,334**	**-**	**170,843**
	665,294,278	**7,924,005,800**	**9,775,175**	**(8,701,101)**	**8,590,374,152**

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

Total assets less current liabilities as at 31 March 2010 are analysed by currency as follows:

Currency	Non-current assets	Cash and cash equivalents	Other current assets	Current liabilities	Total
	£	£	£	£	£
Pounds Sterling	417,109,647	7,878,851,857	7,206,231	(8,800,331)	8,294,367,404
US Dollar	63,834,105	384,691	70,689	-	64,289,485
Euro	53,966,192	164,306	36,932	-	54,167,430
Norwegian Krone	1,447,516	2,884	-	-	1,450,400
Swedish Krona	4,348,018	2,012	23,424	-	4,373,454
Danish Krone	1,785,425	24,450	-	-	1,809,875
Swiss Franc	12,597,503	90,469	3,011	-	12,690,983
Japanese Yen	47,785,879	217,861	371,325	-	48,375,065
South Korean Won	4,950,702	-	13,099	-	4,963,801
Singapore Dollar	1,776,241	59,275	-	-	1,835,516
Hong Kong Dollar	3,946,018	9,704	5,865	-	3,961,587
Australian Dollar	9,314,491	37,084	48,361	-	9,399,936
New Zealand Dollar	135,110	2,026	50	-	137,186
	622,996,847	7,879,846,619	7,778,987	(8,800,331)	8,501,822,122

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments as at 31 March 2011:

	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	-	-	**621,599,278**
Other debtors	**187,798**	-	-
Accrued income	**9,587,377**	-	-
Cash balances with banks	**1,913,995**	-	-
Short-term cash investments	**7,922,091,805**	-	-
Financial liabilities			
Trade and other payables	-	**4,854,046**	-

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments as at 31 March 2010:

	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	-	-	580,891,847
Other debtors	381,974	-	-
Accrued income	7,397,013	-	-
Cash balances with banks	429,657	-	-
Short-term cash investments	7,879,416,962	-	-
Financial liabilities			
Trade and other payables	-	5,427,410	-

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 2011 amounting to £621,599,278 (2010: £580,891,847) 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 2011 (2010: £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 2011 (2010: £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 Contribution Agreement. 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.

The Fund's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements is as follows:

	2011	2010
	£	£
Financial assets		
UK index linked gilts	**74,061,868**	69,434,435
Other debtors	**187,798**	381,974
Accrued income	**9,587,377**	7,397,013
Cash balances with banks	**1,913,995**	429,657
Short-term cash investments	**7,922,091,805**	7,879,416,962

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 £116m (2010: £36m). 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.

	2011	2010
	£	£
Equity price risk sensitivity analysis		
If there was a 15% 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**:**	**93,239,892**	87,133,777

The impact of a 15% 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 15%.

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 2011:

	Value subject to fixed rate	**Value subject to variable rate**
	£	**£**
UK index linked gilts	-	**74,061,868**
Cash balances with banks	-	**1,913,995**
Short-term cash investments	**7,441,250,140**	**480,841,665**

Assets earning interest as at 31 March 2010:

	Value subject to fixed rate	Value subject to variable rate
	£	£
UK index linked gilts	-	69,434,435
Cash balances with banks	-	429,657
Short-term cash investments	7,407,094,281	472,322,681

The maturity dates relating to UK index linked gilts for both 2011 and 2010 ranged between 2016 and 2055. The average rate of return for UK index linked gilts during the year was 6.68% (2010: 10.41%) and for short-term cash investments was 0.5% (2010: 0.49%).

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk sensitivity analysis

	2011	2010
	£	£
If there was a 0.50% 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	**2,784,088**	2,710,933

A sensitivity of 0.50% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. When applied to short-term interest rates this would represent a two to three rate increase which is reasonably possible in the current environment with the bias coming from the reserve bank and confirmed by market expectations that interest rates in the UK are more likely to move up than down in the coming period. 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

	2011	2010
	£	£
If there was a 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	**1,076,142**	964,342
Euro	**863,604**	812,511
Japanese Yen	**719,232**	725,625
Other currencies	**704,272**	609,341

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 2011**	Total 2010
	£	**£**	**£**	£
At 1 April	**8,227,857**	**8,493,594,165**	**8,501,822,022**	8,276,667,465
EDFE contributions	**-**	**22,473,830**	**22,473,830**	31,479,997
Transfer from statement of comprehensive income	**-**	**80,788,559**	**80,788,559**	195,369,982
Payable to EDFE	**-**	**(7,769,739)**	**(7,769,739)**	(9,097,353)
Deferred tax movement	**(6,940,620)**	**-**	**(6,940,620)**	7,401,931
At 31 March	**1,287,237**	**8,589,086,815**	**8,590,374,052**	8,501,822,022

Deferred tax balance consists of:

	2011	2010
	£	£
Accelerated capital allowances	**1,287,237**	1,361,537
Revaluation of investment properties	**-**	(1,587,627)
Revaluation of financial assets	**-**	8,453,947
	1,287,237	8,227,857

In accordance with the Contributions Agreement, fixed contributions are received quarterly from EDFE in the sum of £4m (2010: £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 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 Nuclear Decommissioning Authority ("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 to the extent that proceeds exceed historical cost, adjusted by indexation allowance. The deferred tax provision of £1,287,237 relating to Accelerated Capital Allowances will be unwound when the investment properties are sold. In addition, a potential deferred tax asset of £1,653,646 arises on capital losses in excess of the taxable temporary differences that would otherwise arise on the sale of investment properties and financial assets at fair value through profit and loss. This potential deferred tax asset is not recognised in the financial statements because its recovery depends on the uncertain incidence and timing of future capital gains against which the losses could be offset.

15 SHARE CAPITAL

	Authorised	Allotted, called up and fully paid	
	£	No.	£
At 31 March 2010 and 31 March 2011			
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, formerly British Energy Generation 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.

16 OPERATING LEASE RECEIVABLES

As a lessor, the Fund had annual rent receivables as at 31 March 2011 under non-cancellable operating leases as follows:

	2011	2010
	£	£
Within one year	**3,486,237**	3,763,615
Between two and five years	**12,842,299**	14,162,887
In more than five years	**25,680,865**	30,193,090

No contingent rentals were recognised in income.

As at 31 March 2011 the Fund held a total of 32 leases, 10 of which expire within five years of the statement of financial position date, with the remaining 22 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%) 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. There were no balances due to/from the directors as at 31 March 2011 (2010: £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 (2010 - £35k) 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 due to/from the Department for Business, Innovation and Skills as at 31 March 2011 (2010: £nil).

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.