Company Number: SC164685

NUCLEAR LIABILITIES FUND LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2013

NUCLEAR LIABILITIES FUND LIMITED

COMPANY INFORMATION

Directors	The Lady Balfour of Burleigh (term of office ceased 9 July 2012 and reappointed on the same date) Mr R Armour (appointed 1 June 2013) Mr N Harrison Mr G Jenkins Mr D Stewart (term of office ceased 17 November 2012) Mr R Wohanka
Secretary	Mr D A Venus BDO LLP 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	HSBC Bank Plc 8 Canada Square London E14 5HQ
Investment Managers	BlackRock Advisors (UK) Limited 12 Throgmorton Avenue London EC2N 2DL LaSalle Investment Management Limited 33 Cavendish Square London W1A 2NF
Custodians	HSBC Bank Plc Global Investor Services 8 Canada Square London E14 5HJ

NUCLEAR LIABILITIES FUND LIMITED

CONTENTS

NUCLEAR LIABILITIES FUND LIMITED
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

I am pleased to present the seventeenth Annual Report of Nuclear Liabilities Fund Limited (the "Fund") for the year to 31 March 2013.

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 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').

Purpose of the Fund (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 2013 the Fund's assets after deducting current liabilities were valued at £8,782m. 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/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. 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

For the past five years, 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 purpose of the Nuclear Liabilities Funding Agreement ('NLFA'): that is, to cover the cost of decommissioning the seven Advanced Gas-cooled Reactors ('AGRs') and the Pressurized Water Reactor ('PWR') at Sizewell B, all now owned by EDF Energy Plc ("EDFE"), and to cover certain uncontracted liabilities (removal and storage of spent fuel and the like).

Until 2005, the directors of the Fund followed a diversified investment policy, as set out in the Nuclear Decommissioning Agreement adopted when the Fund was established. Assets were invested in equities, gilts, property and cash, producing returns consistent with the market. In 2007 the Fund was augmented by the £2.34bn inflow from the conversion and sale of shares in the restructured British Energy, followed by a further £4.42bn from the sale of British Energy shares to EDF in January 2009. These monies, approximately 90% of total Fund's assets, 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 2013, the £7.5bn now invested by the Fund in the NatLF, represented 92% 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. Although the other 10% of the Fund's assets achieve higher returns, and the long-term horizons of the Fund may give scope for net returns to improve over time, such growth is inevitably constrained.

Review of the year (continued)

There are further pressures on the asset side. Quarterly payments are made to the Fund by the operator on behalf of each station during its working life. At the time of restructuring in 2005, the station lifetimes then agreed with the regulators were set down in the NLFA which determined that contributions would cease station by station as each arrived at that agreed date. Station lives have been extended but the original dates stand as those on which contributions cease. Where a station continues to generate beyond the date assumed for closure in the NFLA, additional liabilities accrue but no further contributions are due by EDFE for that station to the Fund.

The Fund has long horizons but already withdrawals are being made. During the past year, there has been an increase in payments to meet EDFE’s qualifying liabilities: £21m was approved by the NDA for payment from the Fund. The majority of these monies, withdrawals that will continue over the next three years, relate to EDFE’s dry store project at Sizewell B station. This will store spent fuel that has been generated to date and is at present stored in wet ponds on site. These ponds will soon be full and additional capacity will be required. The transfer will take place between 2018 and the scheduled closure of the reactor in 2035. The NDA has determined, under the terms of the NLFA, that the expense of the new store qualifies for payment by the Fund.

These concerns have for the past five years or so led the Fund directors to engage with Government officials to find a more appropriate investment policy for the Fund. We appreciate that HM Government must look for all possible sources of support in managing the UK economy, especially during present difficult times. They must, however, be mindful that the Fund was established as an independent, ring-fenced fund, with a defined prime purpose. We are also aware that, postponing an acknowledgement of such a significant liability runs counter to the principle, clearly expressed by Ministers, that such accumulating costs should not be subject to intergenerational transfer. Should the Fund prove to be insufficient, costs will fall to future taxpayers.

In a continuing effort to reconcile HM Government’s policy aims with the need for a fund that will be adequate, the Fund’s directors, with assistance from their investment advisers, have put forward proposals for an alternative investment strategy which aims to achieve our primary purpose.

The directors consider it essential to the purpose and mission of the Fund that the board is as fully informed as possible of technological advances and initiatives in waste management and decommissioning techniques and practices, in the UK and overseas. This enables us to understand the management of liabilities by EDFE and the NDA and to encourage interested parties to achieve value for money for all of us in the UK. We have appointed Dr John Wilkins as an independent technical adviser to the Fund to help keep us up to date. Dr Wilkins, a much respected figure in the nuclear industry, is a former Head of Site at Harwell nuclear establishment.

With the agreement and support of EDFE, the NDA and the Shareholder Executive, Dr Wilkins has facilitated a review to identify ways in which, in respect of the seven AGRs operated by EDFE, liabilities scheduled to fall to the Fund might be reduced. The review was completed in September 2013. Conclusions were discussed between EDFE and the NDA, with a view to taking forward agreed recommendations. Further work might include targeted research and development (R&D), consistent with the terms of The Nuclear Trust, aimed at finding value for money solutions to the challenges of decommissioning.

Review of the year (continued)

The review ties in well with the welcome announcement from the Secretary of State in March 2013 of the formulation of a Nuclear Industrial Strategy, and the establishment of the Nuclear Industry Council with responsibility for delivering the strategy. We note the part that the National Nuclear Laboratory is to play in coordinating nuclear (‘R&D’) and we look forward to working with them once their mission has been restated. We are pleased to note the emphasis on R&D, particularly in the interim safe storage of waste and spent fuel. In the long term, the UK’s strategy is to dispose of higher activity waste in a geological disposal facility. It is disappointing that progress has been slow. Solutions to this and many other waste management issues are essential for continued public confidence in the UK nuclear industry and in nuclear new build. We welcome the progress that has been made over the last year leading to the announcement that the necessary consents to build a new station at Hinkley Point have been granted. While this Fund will have no part in the accumulation of monies to decommission this or any other new station, we are pleased to note that HM Government’s Guidance discusses structures that are similar to the NLF arrangement, where a specific ring-fenced fund is overseen by a board with a majority of independent directors. It is encouraging it is proposed that the new fund will have a mixed investment portfolio.

We have kept ourselves aware of developments overseas in the management of civil nuclear waste. In particular, we were interested to read the conclusions of the Blue Ribbon Commission in the United States into the management of spent nuclear fuel and high-level nuclear waste. For nearly three decades, nuclear utilities have been paying an annual fee into a central Nuclear Waste Fund ("NWT") which has accumulated assets of US$27bn, growing by about US$750m per year. Until now these monies have been unavailable to the civil waste programme, as waste management needs have been subject to the award of annual appropriations by the federal government, contrary to the original intent of the US Congress. The Commission recommends that this practice should discontinue so that funding is no longer related to federal budgets, and that the NWT should enjoy greater autonomy in decisions about expenditure. This recommendation aligns practice at the NWT with that of this Fund inasmuch as the Fund is not subject to Government appropriation or stipend and the NLFA provides that the Fund shall promptly pay any application by EDFE for funding that the NDA approves as qualifying.

The term of office of David Stewart, a Licensee trustee/director came to an end in November 2012. David, who had served as a Fund director since 2006, kindly agreed to continue to act as a consultant to the Fund until a successor was appointed at the beginning of June 2013. The Fund's board is extremely grateful for his dedicated service and for giving us his expertise and skill. Robert Armour has been appointed by EDFE to act in David’s place. Robert was General Counsel and Company Secretary of British Energy until its sale to EDFE in 2008 and brings to the Fund deep knowledge of the UK civil nuclear industry in general and in particular the role of regulators and HM Government in shaping the industry.

Review of the year (continued)

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.

The Lady Balfour of Burleigh CBE
Chairman

Date: 18 December 2013

NUCLEAR LIABILITIES FUND LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2013

The directors submit their annual report and the financial statements of Nuclear Liabilities Fund Limited ("the Fund") for the year ended 31 March 2013.

Results

The Fund's qualifying provision liabilities increased by **£122,040,461** to **£8,773,618,250** (2012: increased by £62,490,974 to £8,651,577,789).

The rate of return for the year achieved by the Fund was 1.5% before tax (2012: 0.7%). 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 6 to 10.

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:

	2013	2012
	£	**£**
Assets less liabilities held to meet qualifying liabilities		
- value at start of the year	**8,651,577,789**	8,589,086,815
Contributions from EDFE	**24,266,617**	31,075,412
Payments to EDFE	**(21,076,683)**	(10,029,886)
Operating profit on ordinary activities before tax	**136,019,637**	56,044,344
Tax on ordinary activities	**(17,169,110)**	(14,598,896)
Assets less liabilities held to meet qualifying liabilities		
- value at end of the year	**8,773,618,250**	8,651,577,789

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 2, 3 and 4.

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 discussions, 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

The strong start to 2012 made by equity markets reversed somewhat in the second quarter of 2012, reacting principally to resurgent Eurozone tensions. Fears of a precipitous break-up of the euro and negotiations on how to re-capitalise Spanish banks saw Spanish and Italian equities coming under particular pressure over the middle of the quarter. By the start of June the MSCI-World Index had retraced all of its year-to-date gains. Then, with the Greek elections returning a coalition committed to working within the conditions of the EU bailout and with progress made on shoring up the Spanish banking sector, equity markets responded with gains in June. The MSCI World Total Return Index declined about 5% over the quarter.

US economic data also weakened over that quarter. Non-farm payroll figures disappointed in April and May, and retail sales also slowed after a long period of upward momentum. Annualised GDP growth for Q1 slowed to 1.9%. On a relative basis, US equity markets held up well with the S&P 500 Index down less than 3% for the quarter. Despite lowered expectations, company earnings reports for the first quarter painted a healthy picture of US corporations, and particularly of the Information Technology sector. The risks of plunging Chinese growth or of soaring crude oil prices did not materialise this quarter. The People’s bank of China dropped its policy rate by 0.25% in order to stabilise Chinese growth at its revised target of 7.5% year-on-year. Crude oil prices declined as a result of muted demand and plentiful supply.

International equities climbed higher in the third quarter, powered mainly by policy action from the world’s largest central banks. However, investor sentiment was clearly affected by jitters about the global economy and the ongoing debt crisis in Europe. The quarter began with concerted efforts from three major central banks — the European Central Bank (ECB) lowered its benchmark interest rate, the Bank of England increased its bond-buying programme and China’s central bank lowered rates for the second time within a month. Manufacturing activity continued to slow in Europe, China and the US and the International Monetary Fund lowered its forecasts for global economic growth. Economies across Europe faced stagnation and the slowdown in China continued to weigh on the outlook for global growth.

Yields on Spanish debt soared higher in July as the ability of Spain to contain its severe debt problems grew increasingly questionable and the notion of a euro collapse rose again to the forefront of investor concerns. The ECB chairman Mario Draghi acted to allay these fears by stating his commitment to hold the Eurozone together.

Market review (continued)

In September, the Fed announced its surprisingly aggressive policy actions, sparking equity market rallies around the world. Small cap stocks got an extra boost as yield seeking investors turned to riskier assets as a source of meaningful returns. Additional policy accommodation came in September from central banks in Japan and China. The global rally began to slow near the end of the quarter as investors questioned whether the Fed's policy programmes would be effective in stimulating growth. All the while, the broader issues around Europe's ongoing debt crisis remain unresolved.

International equity markets continued to be highly volatile during the fourth quarter as political uncertainty in key nations stoked concerns about global economic growth. As fears of a Eurozone break up faded, concerns about fiscal issues in the US took the spotlight in the fourth quarter of 2012. Automatic tax increases and spending cuts set to take effect at the beginning of 2013, known as the 'fiscal cliff', threatened to push the US into recession unless politicians could agree upon alternate measures to reduce the nation's budget deficit before the end of 2012. Over the quarter, investors grew increasingly fearful that political gridlock would preclude a budget deal prior to the deadline. Equity markets around the world wavered in the months leading up to the last day of the year as investors reacted to varying cues from Washington DC, signalling that policy makers were spiralling toward a stalemate or making progress toward reaching an agreement. Ultimately, the US averted the 'fiscal cliff' with a last-minute tax deal, spurring relief rallies in stock markets globally.

While news flow about US budget talks garnered most of investors' attention during the quarter, it did so against a backdrop of slowing global trade, deepening recession in a number of European countries and slowing growth in China, the world's second largest economy, where a once-in-a-decade leadership change introduced additional political uncertainty. Early in October, the International Monetary Fund lowered its global growth forecasts for 2012 and 2013 and warned that the world economy was at risk of falling into recession. In November, the European Union cut its Eurozone forecasts as growth slowed even in the core economies, France and Germany. Later in the quarter, the central bank of Germany pared its outlook for the country's growth.

Improving investor sentiment overshadowed ongoing macro risks to the world economy and pushed international equity markets higher in the first quarter of 2013. International equities advanced in January in a powerful global relief rally after the United States averted the worst of its fiscal cliff situation with a last minute tax deal. Investors were also encouraged by reports on key indicators that signalled modest but broad-based improvements in the world's major economies, particularly China. The risk rally stalled in February and March as the global impact of the inevitable US spending cuts and concerns over the Italian presidential election stalemate and the Cypriot banking crisis undermined investor confidence.

International equity prices weakened amid these flare-ups in the Eurozone crisis, although market sentiment was supported by the continuation of accommodative policy from the world's largest central banks. The US Federal Reserve and the Bank of England continued their stimulus programs to drive growth in their respective economies, while the European Central Bank maintained easy monetary policy as part of its quest to restore confidence in the euro. In Japan, strong rhetoric from recently elected Prime Minister Shinzo Abe and Bank of Japan governor nominee Haruhiko Kuroda stirred up high expectations for aggressive stimulus measures in Japan.

Most developed countries posted gains (in US dollar terms) for the first quarter. Greek equities continued their rebound and the Irish stock market posted an impressive gain. Japanese equities benefited from expectations for more aggressive monetary policy action, while a weaker yen attracted foreign investors and boosted the nation's exporters. In European markets, Switzerland, Sweden and Belgium exhibited considerable strength, while the core economies, France and Germany, were only marginally positive. The region's more troubled countries fell into negative territory including Portugal, Austria, Spain and Italy.

Market outlook

One key question for investors is 'are we about to repeat 2011 and 2012?' During those periods, strong starts were followed by spring/summer sell-offs prompted by the Eurozone and weaker growth. Some commentators believe that there may be some volatility in the coming months given the extent of the rally but that a period of extended weakness is unlikely. The key reason is the strength of the US economy which despite experiencing sub-trend growth is beginning to benefit from stronger private sector fundamentals. In summary, whilst the Eurozone will continue to be a source of volatility and China is unlikely to surprise on the upside, a less volatile course for markets is expected than previous years.

Europe re-emerged in the headlines during the latter stages of the first quarter. Italian political risk has become elevated as a result of the inconclusive election result and is likely to remain in this state as the country edges towards another technocrat caretaker government. Cyprus became associated with bank bailouts and possible social unrest but whilst the potential for volatility surrounding this issue remains, we are not excessively concerned about contagion risk into the broader global financial system. Observing measures of Eurozone stress, we have not seen levels spike to those reached in 2012 or 2011.

Generally, market volatility has remained low, but caution has not entirely disappeared, given the persistence of sluggish growth. The US continues to outperform the rest of the developed world but recent measures of economic sentiment in both the US and China have disappointed. In Europe, we are still in contraction territory with the most likely path for the next twelve months one of shallow, prolonged recession. The European crisis will not end if the potential for growth and increased competitiveness does not improve. Many believe that the recent growth deterioration in Europe is more of a risk to global markets than possible contagion from small economies such as Cyprus.

Chinese equities have underperformed. Chinese central bank has shifted its monetary policies from easy to neutral and expressed concerns about accelerating inflation. More recently, the Chinese banking regulator imposed new regulations to limit the expansion and improve the transparency of so-called "wealth management products". The new restrictions on these products may represent a moderate headwind to Chinese economic growth. The economic data in China has also lost some momentum recently after improvements at the end of 2012, which impacted the domestic equity market causing some volatility in commodities markets such as Brent crude. In summary, China is still growing but structural issues need to be addressed and we expect a volatile medium-term outlook. Inflation is replacing 'hard landing' as the key risk. Overall, commnetators remain somewhat cautious on emerging market equities given the expectation of volatility in Chinese growth data and a resilient US dollar.

Japanese economic data has seen some improvement thanks to the recent yen weakness but recent surveys such as the Tankan print has shown little in the way of significant gains. However, sentiment is positive. In the first monetary policy meeting with Kuroda as governor, the Bank of Japan (BoJ) significantly increased the pace of monthly Japanese government bond purchases, doubled the average maturity of new bond purchases to 7 years, and expanded holdings of riskier assets (Japanese-REITS and equity ETFs). A monetary base target was also announced, with base money targeted to double to ¥270 trillion by the end of 2014. The BoJ surpassed consensus expectations by some measure when it announced a new monetary policy framework, significantly increased quantitative easing and broke with past BoJ rhetoric during the post-meeting press conference. The BoJ committed itself to realising a 2% inflation goal within two years.

UK inflation has been consistently above target inflation profile since November 2009 and inflation expectations have hit a four-and-a-half year high of 3.3%, as implied by the 10-year breakeven, a product of higher expected fuel costs and the depreciation of sterling, leading to increased imported inflation, as the cost of buying goods in other currencies becomes more expensive.

Market outlook (continued)

Inflation linked bonds returned over 9% in the first quarter of 2013 as the National Statistician recommended no change be made to the methodology of the Retail Prices Index; the market had been strongly discounting a narrowing in the RPI/CPI pricing methodology and the unexpected outcome prompted the sharpest one day rally in Index Linked gilts since 1987.

The Bank of England has a new Governor, with Mark Carney taking over from Sir Mervyn King. He is understood to want to take a wider view of managing the economy, rather than simply focussing on inflation. Changes to the Monetary Policy Committee (MPC) remit now allow the MPC to review and explicitly communicate, similarly to the Fed, the horizon over which it considers it appropriate to return inflation to target. For now, the MPC’s position is likely to remain inflation tolerant, not willing to stifle any growth by tightening monetary policy. Many observors continue to maintain that official interest rates in both the UK and US will stay ‘lower for longer’ given the desire to ensure that recovery is fully enabled.

Investment policy

The Secretary of State for Department for Energy and Climate Change ("the Secretary of State") 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 for Department for Energy and Climate Change, the amendment was not implemented and discussions continue with HM Government. During the year BlackRock Advisors (UK) Limited were appointed to manage the Fund's equity and index-linked investments in place of State Street Global Advisers. LaSalle Investment Management continue to manage the properties owned by the Fund. In 2009 the Trustees decided that, due to the volatile conditions and fears over the concentration risk with one manager, they would diversify the management of the liquidity fund investments between SSgA, JPM and HSBC. Conditions are now less volatile and the fear of a collapse in global finance has receded. Consequently the Trustees decided to consolidate their liquidity fund investments with SSgA. This decision was also implemented in order to take advantage of the lower investment management fees that are provided by consolidation.

Directors

The following directors served during the year:

The Lady Balfour of Burleigh (term of office ceased 9 July 2012 and reappointed on the same date)
Mr N Harrison
Mr G Jenkins
Mr D Stewart (term of office ceased 17 November 2012)
Mr R Wohanka

Mr R Armour was appointed as a director on 1 June 2013.

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 obliged to comply with the UK Corporate Governance Code that was issued in 2010 by the Financial Reporting Council.

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

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

	Formal Meetings and Conference Calls	General Meetings	Total
The Lady Balfour of Burleigh	12	1	13
Mr N Harrison	12	1	13
Mr G Jenkins	12	1	13
Mr D Stewart (term of office ceased 17 November 2012)	8	1	9
Mr R Wohanka	12	1	13

Directors each receive £25,435 (2012: £25,435) per annum in respect of their normal annual executive board duties and the chairman £38,154 (2012: £38,154) 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 £99m. 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: 18 December 2013

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 2013 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. 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 2013 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 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: 19 December 2013

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
Investment income	2	**55,646,438**	61,635,694
Realised and unrealised gains/(losses) on financial assets at fair value through profit and loss	8	**84,099,237**	(1,974,785)
Realised and unrealised losses on investment properties	7	**(1,745,000)**	(1,650,000)
Net foreign exchange gains/(losses)		**90,789**	(12,742)
Investment expenses	3	**(845,273)**	(810,186)
Administrative expenses		**(1,226,554)**	(1,143,637)
Operating profit on ordinary activities before qualifying liabilities provision and taxation	4	**136,019,637**	56,044,344
Transfer to qualifying liabilities provision	14	**(118,850,527)**	(41,445,448)
Profit on ordinary activities before tax		**17,169,110**	14,598,896
Tax on ordinary activities	6	**(17,169,110)**	(14,598,896)
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 2012 or 2013 other than those included in the statement of comprehensive income.

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2013

	Notes	2013 £	2012 £
ASSETS			
NON-CURRENT ASSETS			
Investment properties	**7**	**38,050,000**	39,795,000
Financial assets at fair value through profit and loss	**8**	**733,910,791**	638,516,053
		771,960,791	678,311,053
CURRENT ASSETS			
Other current assets	**9**	**3,869,310**	4,517,803
Cash and cash equivalents	**10**	**8,024,793,612**	7,981,624,035
		8,028,662,922	7,986,141,838
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**11**	**(14,302,171)**	(6,770,850)
Corporation tax payable		**(4,740,052)**	(4,906,076)
		(19,042,223)	(11,676,926)
TOTAL ASSETS LESS CURRENT LIABILITIES	**12**	**8,781,581,490**	8,652,775,965
NON-CURRENT LIABILITIES			
Qualifying liabilities provision	**14**	**(8,773,618,250)**	(8,651,577,789)
Deferred tax provision	**14**	**(7,963,140)**	(1,198,076)
		(8,781,581,390)	(8,652,775,865)
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.

The Lady Balfour of Burleigh CBE
Chairman

Date: 18 December 2013

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	Ordinary shares £	Total £
BALANCE AT 1 APRIL 2012	**100**	**100**
Movements during the year	**-**	**-**
BALANCE AT 31 MARCH 2013	**100**	**100**
BALANCE AT 1 APRIL 2011	100	100
Movements during the year	-	-
BALANCE AT 31 MARCH 2012	100	100

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

	2013	2012
	£	**£**
Cash flows from operating activities		
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**136,019,637**	56,044,344
Adjustments for:		
Realised and unrealised (gains)/losses on financial assets at fair value through profit and loss	**(84,099,237)**	1,974,785
Realised and unrealised losses on investment properties	**1,745,000**	1,650,000
Decrease in other current assets	**648,493**	5,257,372
(Decrease)/Increase in trade and other payables	**(149,690)**	108,040
Cash generated from operations	**54,164,203**	65,034,541
Income taxes paid	**(10,570,071)**	(13,445,605)
Net cash from operating activities	**43,594,132**	51,588,936
Cash flows from investing activities		
Proceeds from the sale of investment properties	**-**	2,250,000
Payments to acquire financial assets held at fair value through profit and loss	**(70,176,115)**	(60,956,722)
Proceeds from the sale of financial assets held at fair value through profit and loss	**58,880,614**	42,065,162
Net cash used in investing activities	**(11,295,501)**	(16,641,560)
Cash flows from financing activities		
Contributions from EDFE	**24,504,032**	31,075,412
Payments to EDFE	**(13,633,086)**	(8,404,553)
Net cash from financing activities	**10,870,946**	22,670,859
Net increase in cash and cash equivalents	**43,169,577**	57,618,235
Cash and cash equivalents at start of the year	**7,981,624,035**	7,924,005,800
Cash and cash equivalents at end of the year (note 10)	**8,024,793,612**	7,981,624,035

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 £99m. 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 £4m (2012: £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

	2013	2012
	£	£
Interest on cash and short-term cash investments	**31,962,391**	38,580,443
Income from listed investments	**20,258,542**	19,492,615
Rent receivable	**3,425,505**	3,562,636
	55,646,438	61,635,694

3 INVESTMENT EXPENSES

	2013	2012
	£	£
Investment management charges	**793,874**	827,123
Other investment expenses (note 7)	**51,399**	(16,937)
	845,273	810,186

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:

	2013	2012
	£	£
Directors' emoluments	**165,480**	140,266
Auditor's remuneration - audit fees	**26,057**	26,316

5 STAFF COSTS

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

	2013	2012
	£	£
Wages and salaries	**165,480**	140,266
Social security costs	**17,946**	14,494
	183,426	154,760

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 (2012: four). Wages and salaries of £165,480 (2012: £140,266) comprise £140,975 (2012: £119,921) in respect of normal annual board duties and £24,505 (2012: £20,345) for additional work carried out by the directors during the year.

6 TAX ON ORDINARY ACTIVITIES

(a) Analysis of charge in year

	2013	2012
	£	£
Current tax		
UK corporation tax at 24% (2012: 26%)	**9,825,106**	14,099,434
Foreign tax	**578,940**	696,916
Adjustments in respect of prior periods		
Foreign tax/corporation tax	**-**	(108,293)
Total current tax	**10,404,046**	14,688,057
Origination and reversal of temporary differences	**6,814,984**	9,858
Effect of reduced tax rate on opening liability	**(49,920)**	(99,019)
Total deferred tax movement	**6,765,064**	(89,161)
Tax on ordinary activities	**17,169,110**	14,598,896

6 TAXATION ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge for year

The tax assessed for the year is lower (2012: higher) than the standard rate of corporation tax in the UK - 24% (2012: 26%). The differences are explained below:

	2013	2012
	£	£
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**136,019,637**	56,044,344
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012: 26%)	**32,644,713**	14,571,529
Effects of:		
Income not taxable (mainly dividends) and other permanent differences	**(4,481,950)**	(5,228,611)
Difference between accounting and taxable gains on unrealised gains and losses	**(11,527,424)**	5,152,449
Excess foreign tax	**583,691**	696,916
Capital losses realised in the year	-	(386,075)
Adjustments to tax charge in respect of previous periods	-	(108,293)
Effect of decrease in tax rates	**(49,920)**	(99,019)
Total tax charge for year	**17,169,110**	14,598,896

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 2012, reduced the main rate of UK Corporation tax from 25% to 24%. In addition the Finance Bill 2012 was substantively enacted on 17 July 2012, which reduced the corporation tax rate to 23% with effect from 1 April 2013. The UK deferred tax balances as at 31 March 2013 have therefore been calculated based on the reduced corporation tax rate of 23%.

The Budget on 20 March 2013 announced that the UK corporation tax rate will reduce by a further 2% from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at 31 March 2013 and consequently the effect of this is not included in these financial statements.

7 INVESTMENT PROPERTIES

Fair value model

The fair values of the investment properties as at 31 March 2013 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:	**2013**	2012
	£	£
Rental income	**3,425,505**	3,562,636
Direct operating expenses on properties that generated rental income	**216,383**	248,541
Direct operating expenses on properties that did not generate rental income	**51,399**	(16,937)

Reconciliation of carrying amounts:

	Freehold 2013	Freehold 2012
	£	£
Valuation		
At start of the year	**39,795,000**	43,695,000
Disposal proceeds	**-**	(2,250,000)
Realised and unrealised losses (*)	**(1,745,000)**	(1,650,000)
At end of the year	**38,050,000**	39,795,000

(*) The realised and unrealised losses are included in the statement of comprehensive income on page 16 and comprise: net realised losses of £nil (2012: £108,548) and net unrealised losses of £1,745,000 (2012: £1,541,452).

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

	Freehold 2013	Freehold 2012
	£	£
Cost		
At start of the year	**41,253,479**	43,612,027
Disposals	**-**	(2,358,548)
At end of the year	**41,253,479**	41,253,479

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2013	2012
	£	£
Valuation		
At start of the year	**638,516,053**	621,599,278
Additions	**70,176,115**	60,956,722
Disposals proceeds	**(58,880,614)**	(42,065,162)
Realised and unrealised gains/(losses) (**)	**84,099,237**	(1,974,785)
At end of the year	**733,910,791**	638,516,053

(**) The realised and unrealised gains/(losses) are included in the statement of comprehensive income on page 16 and comprise: net realised gains of £10,216,201 (2012: £6,348,355) and net unrealised gains of £73,883,036 (2012: net unrealised losses - £8,323,140).

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

	2013 £	2012 £
Cost		
At start of the year	**500,269,932**	475,030,017
Additions	**70,176,115**	60,956,722
Disposals	**(46,633,871)**	(35,716,807)
At end of the year	**523,812,176**	500,269,932

All financial assets at fair value through profit and loss are managed by BlackRock (2012: State Street Global Advisors) and are listed on recognised stock exchanges. These investments comprise the following:

	2013 £	2012 £
UK index linked gilts	**100,454,980**	89,870,828
UK equities	**378,594,353**	329,415,484
Overseas equities:		
North America	**89,900,563**	76,621,117
Europe	**85,119,095**	73,017,746
Japan	**53,937,114**	47,466,496
Pacific	**25,904,686**	22,124,382
	733,910,791	638,516,053

9 OTHER CURRENT ASSETS

Amounts falling due within one year

	2013 £	2012 £
Other debtors	**225,706**	235,339
Accrued income	**3,643,604**	4,282,464
	3,869,310	4,517,803

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:

	2013 £	2012 £
Cash balances with banks	**9,891,647**	1,531,266
Short-term cash investments	**8,014,901,965**	7,980,092,769
	8,024,793,612	7,981,624,035

11 TRADE AND OTHER PAYABLES

Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	**183,861**	370,559
Other tax and social security	**163,203**	203,626
Other creditors	**201,277**	192,678
Accruals and deferred income	**13,753,830**	6,003,987
	14,302,171	6,770,850

12 CURRENCY CLASSIFICATION OF TOTAL ASSETS LESS CURRENT LIABILITIES

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**

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

Total assets less current liabilities as at 31 March 2012 are analysed by currency as follows:

Currency	Non-current assets	Cash and cash equivalents	Other current assets	Current liabilities	Total
	£	£	£	£	£
Pounds Sterling	459,081,312	7,980,472,023	3,199,884	(11,676,926)	8,431,076,293
US Dollar	76,621,117	605,251	605,769	-	77,832,137
Euro	49,513,494	100,483	70,442	-	49,684,419
Norwegian Krone	1,839,566	12,426	-	-	1,851,992
Swedish Krona	5,332,632	54,827	47,672	-	5,435,131
Danish Krone	2,122,197	15,654	450	-	2,138,301
Swiss Franc	14,209,857	55,442	941	-	14,266,240
Japanese Yen	47,466,496	168,534	483,124	-	48,118,154
South Korean Won	6,249,856	8,802	44,055	-	6,302,713
Singapore Dollar	1,966,664	7,479	-	-	1,974,143
Hong Kong Dollar	4,742,486	6,282	4,284	-	4,753,052
Australian Dollar	8,995,939	112,173	57,685	-	9,165,797
New Zealand Dollar	169,437	4,659	3,497	-	177,593
	678,311,053	7,981,624,035	4,517,803	(11,676,926)	8,652,775,965

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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**	-

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments as at 31 March 2012:

	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	-	-	638,516,053
Other debtors	235,339	-	-
Accrued income	4,282,464	-	-
Cash balances with banks	1,531,266	-	-
Short-term cash investments	7,980,092,769	-	-
Financial liabilities			
Trade and other payables	-	6,567,224	-

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 2013 amounting to £733,910,791 (2012: £638,516,053) 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 2013 (2012: £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 2013 (2012: £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 £99m (2012: £132m). 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.

	2013	2012
	£	£
Equity price risk sensitivity analysis		
If there was an 8% (2012: 17%) 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**:**	**58,712,863**	108,574,730

The impact of an 8% (2012: 17%) 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% (2012: 17%).

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 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**

Assets earning interest as at 31 March 2012:

	Value subject to fixed rate	Value subject to variable rate
	£	£
UK index linked gilts	-	89,870,828
Cash balances with banks	-	1,531,266
Short-term cash investments	7,482,189,166	497,903,603

The maturity dates relating to UK index linked gilts for 2013 ranged between 2020 and 2062 (2012: between 2017 and 2062). The average rate of return before tax for UK index linked gilts during the year was 2.2% (2012: 3.3%) and for short-term cash investments was 0.4% (2012: 0.5%).

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk sensitivity analysis

	2013	2012
	£	£
If there was a 0.40% (2012: 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	**2,451,237**	2,946,528

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% (2012: 0.50%) 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

	2013	2012
	£	£
If there was a 1.50% (2012: 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	**1,274,744**	1,167,482
Euro	**845,872**	745,266
Japanese Yen	**825,263**	721,772
Other currencies	**944,575**	690,974

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 2013**	Total 2012
	£	**£**	**£**	£
At 1 April	**1,198,076**	**8,651,577,789**	**8,652,775,865**	8,590,374,052
EDFE contributions	**-**	**24,266,617**	**24,266,617**	31,075,412
Transfer from statement of comprehensive income	**-**	**118,850,527**	**118,850,527**	41,445,448
Payable to EDFE	**-**	**(21,076,683)**	**(21,076,683)**	(10,029,886)
Deferred tax movement	**6,765,064**	**-**	**6,765,064**	(89,161)
At 31 March	**7,963,140**	**8,773,618,250**	**8,781,581,390**	8,652,775,865

Deferred tax balance consists of:

	2013	2012
	£	£
Accelerated capital allowances	**1,155,737**	1,198,076
Unrealised gains on equities	**8,369,464**	**-**
Unrealised loss on properties	**(1,562,061)**	**-**
	7,963,140	1,198,076

In accordance with the CA, fixed contributions are received quarterly from EDFE in the sum of £4m (2012 £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 £1,155,737 relating to accelerated capital allowances will be unwound when the investment properties are sold. In addition, a deferred tax liability of £6,807,403 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 2012 and 31 March 2013			
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 rent receivables as at 31 March 2013 under non-cancellable operating leases as follows:

	2013	2012
	£	£
Within one year	**3,344,974**	3,435,574
Between two and five years	**11,712,332**	12,766,815
In more than five years	**21,036,657**	23,575,367

No contingent rentals were recognised in income.

As at 31 March 2013 the Fund held a total of 28 leases, eight of which expire within five years of the statement of financial position date, with the remaining 20 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 2013 of £nil (2012: £5,071).

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 £22,662 (2012 - £89,474) was reimbursed to the Department for Business, Innovation and Skills in respect of costs incurred. There was a balance due to the Department for Business, Innovation and Skills as at 31 March 2013 of £237,415 (2012: £22,662).

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.