Company Number: SC164685

NUCLEAR LIABILITIES FUND LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

NUCLEAR LIABILITIES FUND LIMITED

COMPANY INFORMATION

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

NUCLEAR LIABILITIES FUND LIMITED

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NUCLEAR LIABILITIES FUND LIMITED
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

I am pleased to present the 19th Annual Report and Accounts of Nuclear Liabilities Fund Limited (the "Fund") for the year ended 31 March 2015.

The Fund's primary objective is to seek to ensure that it will produce sufficient returns to fulfil the purpose of the Nuclear Liabilities Funding Agreement ("NLFA"): that is, to cover the cost of decommissioning the UK's seven twin Advanced Gas Cooled Reactor ("AGR") power stations and the single Pressurised Water Reactor ("PWR") power station, all now owned by EDF Energy Nuclear Generation Limited ("EDFE"), and to cover certain of EDFE's uncontracted liabilities (principally the removal and storage of spent fuel).

Approximately 83.55% of total assets of the Fund have been invested in the National Loans Fund ("NatLF") at the request of HM Treasury (the NatLF is part of HM Government's consolidated debt management). At 31 March 2015, the £7.49bn invested by the Fund in the NatLF represented 86.3% of total NatLF monies. During the past year, interest payable to the Fund on the £7.49bn invested in the NatLF has averaged 0.40% per annum. Corporation tax is payable by the Fund on this interest.

As I outlined in last year's report, the Fund has embarked on a carefully considered rebalancing of the assets held outside the NatLF in order to minimise the risk of a gap emerging between the assets of the Fund and the liabilities which it must meet under the NLFA. I can confirm that the Fund, guided by the Investment Committee and its professional advisers, has now committed to, and significantly implemented this programme.

The Fund commissioned an actuarial review of the sufficiency of the Fund to assess whether the assets less the estimated tax liability (if all assets were realised on the valuation date) were greater than 125% of the expected liabilities. It was confirmed that this was not the case and therefore no payments were due by the Fund to Government. Clearly, this finding is sensitive to a number of assumptions but, in the absence of unplanned events, the Trustees believe the realigned portfolio of assets held outside the NatLF, when combined with the NatLF assets, is projected to be sufficient to meet all currently forecasted future liabilities of the Fund.

Looking forward, the Investment Committee will increasingly focus its time and attention on performance monitoring and management. As we now embark upon monitoring the performance of the investments made by the Fund, and examining future investment opportunities, we propose to appoint an independent adviser to support the Investment Committee. The adviser will be a senior but critical friend to the Investment Committee, and not a member or director.

During the course of the year, we have progressed the commitment we made last year to good governance and established two new committees, the Audit Committee and the Remuneration and Nomination Committee. In addition, we secured assistance from an external expert to assist us in modernising the corporate governance processes of the Fund, and bring them more into line with best practice. The Audit Committee has already been active in overseeing the production of this year's Annual Report and Accounts and is now working on a programme of work to examine our internal risk management processes and update the Fund's internal policies. The combined Remuneration and Nomination Committee has been active in helping select our new investment adviser. You will find further details of both committees on page 10.

During the course of the year, the Shareholder Executive initiated an informal Review focussed on optimising the management of the Fund's liabilities. This exercise has proved to be extremely beneficial in highlighting areas for improvement and opportunities to reduce nuclear liabilities. The Fund directors have been extremely active in supporting the Review and expect to play an enlarged role in providing strategic advice and challenge to EDFE's nuclear liabilities in the future, for example through participation in the committees described below.

The directors continue to appraise themselves of developments in the sector, including those which may impact on the sufficiency or liquidity of the Fund, by making site visits and meeting with stakeholders. For example, in June 2014, the Board visited Hinkley Point in Somerset to view the site on which it is proposed to build an EPR nuclear power station. Later in the year, UKEA hosted a visit to the Culham Centre for Fusion Energy. In addition, I visited Sizewell B in Suffolk with another director to view progress with the construction of the dry fuel store, the cost of which is being met by the Fund. It was exciting to see this significant construction project underway. The Board has also invited representatives from several organisations to address the Board and we are grateful to all those who have given so generously of their time. For example, a representative of the Scottish Government attended our January Board meeting to tell us about the distinctive policy being pursued in Scotland in relation to the storage of high level radioactive waste in near-surface stores. The National Nuclear Laboratory, the Nuclear Decommissioning Authority and Radioactive Waste Management Limited have similarly met with us, formally and informally, to ensure that the Board is kept abreast of the relevant issues and aware of opportunities for research and development relevant to the decommissioning and clean up of EDFE's liabilities.

In the reporting period, estimates of EDFE's nuclear liabilities covered by the Fund increased to £19.5bn (undiscounted). The biggest risks to the Fund with regards to its liabilities which could materialise over the next few years are associated with defuelling and unplanned early closure of power stations, causing potential increases in nuclear liabilities. The Fund has, therefore, taken steps to enable it to better challenge their composition and timing by engaging with our stakeholders, EDFE, the NDA and the Department for Energy and Climate Change, in extensive discussions. In addition to taking advice from the Fund's technical adviser, the Fund will now have increased visibility of EDFE's defuelling and decommissioning strategy through its representation on two newly established committees: one on defuelling and a second on the wider topic of nuclear liabilities for which the Fund is liable. These two committees have been established following the Review undertaken by the Shareholder Executive and will provide an opportunity to provide strategic challenge in these areas to improve efficiency. We are very grateful to EDFE for the constructive way in which they have engaged with us on this initiative and we are committed, as are they, to what will be a useful driver for cost efficiency and liabilities containment for both our organisations. We are also pleased to report on steps being taken to develop an ever more collaborative relationship with the Nuclear Decommissioning Authority ("NDA") in relation to the dependencies between activity within the NDA estate and EDFE's liabilities. We look forward to greater transparency in future on how these interactions are being managed. We would like to thank the NDA for hosting a visit by the Board to Sellafield earlier this year to help us understand the activities being carried out on that site and the associated challenges.

Dr Peter Neumann was appointed to the Board in December 2014. Otherwise, this has been a period of stability and consolidation for the composition of the Board which has enabled us to devote substantial amounts of time to considering how best to govern the Fund for the future. I am grateful to all my colleagues for the significant amount of time they have devoted to developing and undertaking the new responsibilities outlined above. I would also like to thank EDFE, the NDA, the Shareholder Executive and DECC once more for their support and assistance throughout the year. Finally, the Fund would like to thank its expert advisers who have guided our activities with tact and insight.

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

Jean Venables

Dr Jean Venables CBE
Chairman
Date: 14-12-15

NUCLEAR LIABILITIES FUND LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2015

Business Review

The Fund was incorporated on 28 March 1996 with the principal object of providing arrangements for funding certain long-term costs of decommissioning the nuclear power stations of British Energy Group plc (now renamed EDF Energy Nuclear Generation Limited ("EDFE")) existing at 20 March 1996. These comprised, and continue to comprise, seven twin Advanced Gas Cooled Reactor stations ("AGRs") and one Pressurised Water Reactor station ("PWR"). The Fund is owned by The Nuclear Trust (the "Trust"), established by deed dated 27 March 1996 (as amended with effect from 14 January 2005), between EDFE, the Secretary of State for the Department for Energy and Climate Change ("the Secretary of State"), and five trustees, of whom three are appointed by the Secretary of State and two by EDFE. The Trust is a public trust under Scottish Law and its trustees are also directors of the Fund, the ordinary share capital of which is owned by the trustees.

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

The obligations of the Fund were set out in the Nuclear Decommissioning Agreement of 29 March 1996, which was terminated on 14 January 2005 and replaced by a Contribution Agreement ("CA") and by the Nuclear Liabilities Funding Agreement ("NLFA") of the same date. These new Agreements were a consequence of the restructuring of British Energy (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"). As part of the terms of the Restructuring, the Secretary of State agreed to fund the qualifying liabilities to the extent that they exceed all the assets of the Fund.

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').

NUCLEAR LIABILITIES FUND LIMITED
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2015

Business Review (continued)

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

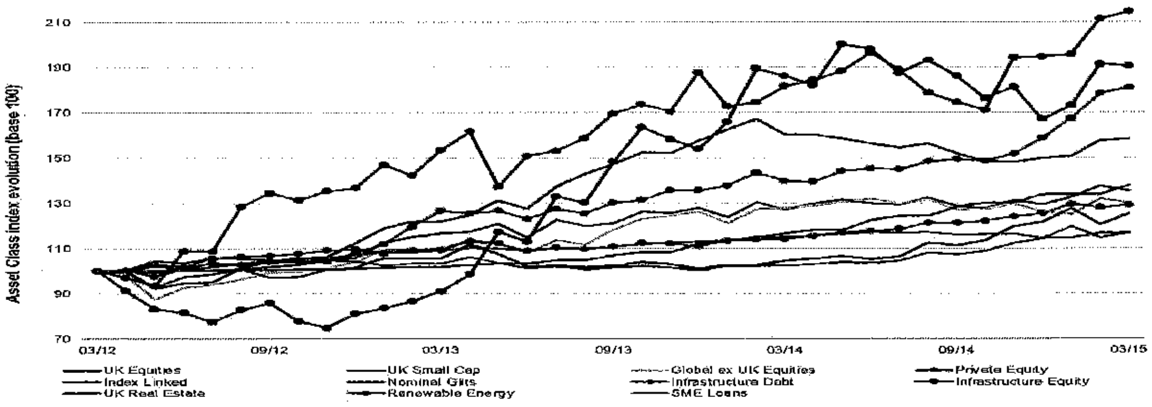
- in providing written confirmation to the Fund that an application is acceptable, the NDA must also state that it is reasonably satisfied that EDFE's technical specifications for the work proposed or undertaken are in accordance with the approved BDPs or the approved UCLDP, and the current approved ALR2.

- a Fund Review shall be initiated in January 2015 and at intervals thereafter, unless the Secretary of State requests one between regular reviews. After discussion with the Secretary of State, it was decided that the circumstances did not warrant a formal review on this occasion.

At 31 March 2015, the Fund's assets after deducting current liabilities were valued at £8.96bn. EDFE has estimated the likely cost of decommissioning its existing nuclear power stations and meeting other qualifying uncontracted liabilities as £19.5bn on an undiscounted basis, an increase of £0.385bn during 2014-15 (2013-14: increased by £3.98bn to £19.115bn). 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.

As explained above, the object of the Fund is to accrue sufficient assets to meet certain liabilities of EDFE, as and when they arise.

Asset Class Performance - 3 year performance as of 31 March 2015



Source: BlackRock, Bloomberg as of 30/09/2015. Performances are annualised and based on the period from 30/03/2012 to 30/03/2015 – except for UK real estate computed back from 30/04/2012. Global equities ex-UK returns are estimated from a composite based on 35% FTSE all world North America + 35% FTSE all world dev Europe ex-UK + 20% FTSE all world Japan + 10% FTSE all world dev APAC ex JP.

Principal Risks and Uncertainties

The most important challenge to the directors has been the need to invest the Fund so that it will produce sufficient returns to fulfil the purposes of the NLFA and the Trust. Currently, the bulk of the Fund is invested at the request of HM Treasury in the National Loans Fund at rates of return below those which might be obtained elsewhere and against a backdrop of the risk of increasing liabilities. There are also risks associated with the Fund's investment policy. The Investment Committee considers regularly financial risk and objectives and the exposure of the Fund to credit risk, liquidity risk and market risk, which comprises equity price risk; interest rate risk and currency risk. The details of how these risks are mitigated are stated on page numbers 34 and 35.

The Fund also faces potential economic and political risks. A risk register has been compiled by the company's technical adviser and is subject to annual review and regular updating. The risks associated with the liabilities are considered on a lifetime basis. Reports on the more significant risks are presented to the Board quarterly. EDFE are responsible for preparing costed plans for discharging the liabilities but there are risks which lie outside the underpinning assumptions. Liabilities may increase, for example, as the result of an increase in the cost of works. Decisions taken by external bodies such as Office for Nuclear Regulation and Government may also adversely affect liabilities. Contact is maintained regularly with the various organisations which can impact on the size of the liability.

Future developments and events after the balance sheet date

There have been no material developments or events which impact financially on the Fund since 31 March 2015.

Employees

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

Approval

Approved by the Board and signed on its behalf by:

Jean Venables

Dr Jean Venables CBE
Chairman
Date: 14-12-15

NUCLEAR LIABILITIES FUND LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2015

The directors submit their annual report and the financial statements of Nuclear Liabilities Fund Limited ("the Fund") for the year ended 31 March 2015.

Results

The Fund's qualifying liabilities provision increased by **£91,336,784** to **£8,934,894,845** (2014: increased by £69,939,811 to £8,843,558,061).

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 page 9.

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:

	2015	2014
	£	**£**
Assets less liabilities held to meet qualifying liabilities		
- value at start of the year	**8,843,558,061**	8,773,618,250
Contributions from EDFE	**26,558,147**	26,628,207
Payments to EDFE	**(62,268,963)**	(41,330,975)
Operating profit on ordinary activities before tax	**155,129,244**	90,533,561
Tax on profit on ordinary activities	**(28,081,644)**	(5,890,982)
Assets less liabilities held to meet qualifying liabilities		
- value at end of the year	**8,934,894,845**	8,843,558,061

Principal activity and review of business

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

A further review of the Fund's activities is given in the Chairman's Statement on pages 1, 2 and 3.

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

Statement of investment principles

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

Statement of investment principles (continued)

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

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

Market outlook as at 31 March 2015

Market trepidation about the first Fed interest rate increase in nine years is awakening global fixed income markets lulled into complacency by years of near-zero rates and regular doses of quantitative easing (QE). However over time fundamentals such as productivity and corporate earnings growth should gradually regain their prominence as drivers of portfolio returns.

The US looks set to continue on its current growth path, with ongoing economic acceleration, improvements in the labour market, an uptick in wages and a bottoming in inflation leaving the door open to rate hikes as early as autumn 2015. The Bank of England (BoE) look set to follow the Fed's lead late in 2015 or early 2016 as a range of factors, including construction spending, helps the UK's recovery. The rest of the world remains in monetary easing mode, due to lacklustre growth and limp inflation expectations. Some 20 central banks – including those of China, Australia and Canada – have cut official interest rates so far this year. The Eurozone and Japan have extraordinary monetary policies in place in the form of QE.

The ECB looks set to run its asset-purchase programme until September 2016 as planned. It is not currently expected to see additional doses of QE beyond that. The Bank of Japan is targeting an inflation rate of 2% and QE will stay in place in a bid to achieve this. Further weakness of the yen, however, appears unlikely. Japan's real effective exchange rate has fallen nearly 30% in three years. This is raising import prices – and further depreciation could undermine policymaker plans to revive consumer spending.

Most emerging markets are cutting rates to cushion slowing export growth. The People's Bank of China (PBoC) may look to further cut interest rates and bank reserve ratios as China's policymakers try to rebalance an economy dependent on credit, investment and exports toward sustainable consumption. Sustained instability in the Chinese financial system would have a profound impact on the broader emerging market complex. Many others (including India) have the room for monetary stimulus with inflation at historically low levels. Some may have delayed easing to await the impact of the Fed's rate rise.

Falling commodity prices have pressured the current account balances of commodity-exporting economies. This is hitting the currencies and depleting the foreign reserves of those dependent on external financing. There may be movement from other countries to raise their interest rates in 2015 to suppress inflation and/or to defend their currencies.

The key drivers of financial markets are likely to remain the broad macro background and potential policy changes. A subdued growth background is expected, but with the potential for a slight acceleration. The US economy is likely to remain the strongest of the major economies, with Euro area growth remaining positive but low. Also expect to see the low inflation environment to continue. The ultra-low level of policy rates is therefore likely to be sustained across the majority of countries with the US and UK leading the way with rate rises. The challenges to growth come from the impact of China's slowdown and potentially higher rates in the US on the global economy. In the Euro area, ECB support is likely to continue to provide stability in the near term, but underlying tensions in the Eurozone will persist until a broader range of reforms are introduced. Modest returns, and relatively high volatility are expected. However, the returns from taking risk are likely, over time, to exceed those from very defensive assets such as high quality government bonds.

Investment policy

I am pleased to confirm that the Fund, with the assistance of its investment advisers, has committed to, and significantly implemented a rebalancing of those assets not invested in the National Loans Fund. This course of action was adopted to address the potential funding gap arising from lower than required returns and increasing liabilities. Its objective is to deliver a return that is sufficient to meet the liabilities in full (although the Fund's ability to do so will be prejudiced by any increases or acceleration in liabilities over and above current estimates) and assumes that amounts invested in the National Loans Fund will be utilised first. The target strategy is expected to generate a higher return which reduces the risk of a shortfall; accesses illiquidity premia in a range of asset classes; provides a high degree of diversification to reduce risk; has greater exposure to real assets and has a deliberate bias to UK investment opportunities. The custodian bank to the Fund was HSBC plc for the period ended 30 September 2014. The Bank of New York Mellon, London Branch, was appointed to this role with effect from 1 October 2014. BlackRock Investment Management (UK) Limited continue to manage the Fund's investments as global fiduciary manager. The majority of the Fund remains invested in the National Loans Fund.

Directors

The following directors served during the year:

Dr Jean Venables* was appointed as a director on 1 July 2014

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

Mr Robert Armour*^
Mr Norman Harrison^ (term of office ceased on 14 June 2014 and reappointed the same date)
Mr George Jenkins (term of office ceased on 31 October 2014)
Mr Richard Wohanka*
Mr Peter Neumann^ was appointed as a director on 1 December 2014

*indicates member of Remuneration and Nomination Committee
^ indicates member of Audit Committee
All directors serve on the Investment Committee

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, accordingly, in the absence of an Annual General Meeting, the company proposes to rely upon the provisions of s487(2) of the Companies Act, 2006, on the automatic reappointment of auditors where initially appointed by shareholders.

Corporate governance

The Fund is not a listed company therefore it is not obliged to comply with the UK Corporate Governance Code that was issued in 2012 by the Financial Reporting Council but we take account of its principles and guidance where these are appropriate to a public trust.

The Board takes note of the need to present a fair, balanced and understandable assessment of the company's position and prospects and also the guidance from the Sharman Panel of Inquiry that going concern considerations should be considered taking an appropriately prudent view of future prospects, reflected in the Going Concern statement below.

The Investment Committee

The directors are responsible for monitoring the investment policy of the Fund. Due to the volume of business, investment matters are considered in a separate Investment Committee comprising the whole of the Board, chaired by one of its number, Richard Wohanka. The Investment Committee met on twelve occasions during the reporting period to implement the Fund's investment management policy and monitor performance of the appointed investment managers. It also considers, within the confines of the investment policy, matters relating to financial risk and objectives and the exposure of the Fund to credit risk, liquidity risk and market risk which comprises equity price risk; interest rate risk and currency risk. The Investment Committee manages these risks by reviewing the performance of the Fund's investment managers and advisers and by monitoring the performance of the Fund's portfolio against prescribed benchmarks with support from BlackRock Investment Management (UK) Limited, the Fund's global fiduciary manager. The directors consider these financial risks to be the Fund's principal risk. The directors' approach to the management of financial risk is given in note 13 "Financial Instruments and Financial Risk Management" to the financial statements.

The Audit Committee

The Audit Committee comprises Norman Harrison (Chairman), Robert Armour and Peter Neumann. Norman Harrison and Robert Armour both have prior experience on similar committees. The principal role of the Audit Committee is to make recommendations to the Board in relation to the integrity of the financial statements of the Fund, its internal controls and internal risk management systems. The Audit Committee also has responsibilities in relation to the selection, appointment and performance of the Fund's external auditors. The Audit Committee has met twice formally and, in addition, the Chairman, Norman Harrison, has held further meetings in connection with this year's audit. This year, the external auditors identified the valuation and ownership of investments (comprising investment properties, financial assets at fair value, cash and cash equivalents) as the most significant audit matter. The Audit Committee obtained further formal assurance from BlackRock Investment Management (UK) Limited, the Fund's global fiduciary manager, to satisfy itself as to the robustness of the process for valuation and title of these assets. Finally, the Fund can confirm that the external auditors do not supply non-audit services to the Fund however it was noted that Deloitte LLP also act for EDFE. Deloitte LLP have satisfied the Audit Committee that their objectivity is not impaired by reason of the fact that the audits are conducted from two different offices and strict confidentiality maintained between the two audit teams.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises Jean Venables (Chairman), Robert Armour and Richard Wohanka. The principal role of this committee is to make recommendations to the Board and the Company's shareholders, The Nuclear Liabilities Fund, The Department for Energy and Climate Change and EDFE, in connection with succession planning and appointments to fill vacancies. In addition, the committee will set policies for recommendation in related areas such as remuneration levels, recovery of expenses and hospitality. The Remuneration and Nomination Committee has met twice, principally in relation to the appointment of an investment adviser.

The Board

The directors meet regularly to review the overall affairs of the Fund and to consider business specifically reserved for Board decision. Twelve Board meetings were held during the course of the year as well as many other meetings in connection with the Fund Review and between various Board members, advisers, Government officials, the Nuclear Decommissioning Authority, EDFE and others. The directors meet regularly with their advisers and keep in frequent contact with industry specialists and regulators such as the Office for Nuclear Regulation, as appropriate.

The attendance of directors at formal meetings of the Board and the Investment Committee in the year ended 31 March 2015 is set out in the table below:

	Board Meetings	Investment Committee Meetings	Total
The Lady Balfour of Burleigh (term of office ceased 30 June 2014)	3	3	6
Dr Jean Venables (appointed 1 July 2014)	9	9	18
Mr Robert Armour	11	11	22
Mr Norman Harrison	12	12	24
Mr George Jenkins (term of office ceased 31 October 2014)	7	7	14
Mr Peter Neumann (appointed 1 December 2014)	4	4	8
Mr Richard Wohanka	12	12	24

With effect from 1 April 2015, directors each receive £27,358 (2014: £26,922) per annum and the chairman receives £24,000 (2014: £39,333) in respect of their normal annual executive board duties. Dr Jean Venables was appointed as chairman with effect from 1 July 2014. She receives £24,000 per annum by way of remuneration for 24 days. Additional remuneration is payable to her and to the other trustees for carrying out work in addition to the terms of their respective contracts on a per diem basis.

Internal financial controls

Notwithstanding the responsibilities of the Audit Committee, 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 via the Investment Committee. The Board has contractually delegated to external agencies, including investment managers, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), and the day-to-day accounting and company secretarial requirements. The investment managers have established an internal control framework to provide reasonable assurance on the effectiveness of internal financial controls on behalf of its client. The effectiveness of the internal financial controls is assessed by the investment managers' compliance and internal audit departments on an ongoing basis.

The Board, sitting as the Investment Committee, 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.

Internal financial controls (continued)

The directors continued to review the key commercial and financial risks including credit risk, cash flow risk and liquidity risk that might affect the Fund together with more general risks such as those relating to compliance with laws and regulations. Further details on financial risks management are stated on page numbers 34 and 35.

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 £136m. 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.

Future developments and events after the balance sheet date

There have been no material developments or events which impact financially on the Fund since 31 March 2015.

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

Jean Venables

Dr Jean Venables CBE
Chairman
Citypoint, 65 Haymarket Terrace, Edinburgh EH12 5HD

Date: 14-12-15

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

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

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

We have audited the financial statements of Nuclear Liabilities Fund Limited (the "company") for the year ended 31 March 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its financial result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

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: 16/12/15.

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £	2014 £
Investment income	2	**61,270,504**	58,550,317
Realised and unrealised gains on financial assets at fair value through profit and loss	8	**94,182,989**	29,883,323
Realised and unrealised gains on investment properties	7	**4,006,916**	4,535,000
Net foreign exchange gains/(losses)		**97,939**	(578,700)
Investment expenses	3	**(3,296,806)**	(990,295)
Administrative expenses		**(1,132,298)**	(1,112,341)
Other operating income		**-**	246,257
Operating profit on ordinary activities before qualifying liabilities provision and taxation	4	**155,129,244**	90,533,561
Transfer to qualifying liabilities provision	14	**(127,047,600)**	(84,642,579)
Profit on ordinary activities before tax		**28,081,644**	5,890,982
Tax on profit on ordinary activities	6	**(28,081,644)**	(5,890,982)
Financial result and total comprehensive income for the year		**-**	-

All amounts relate to continuing activities.

There have been no comprehensive income items recognised for 2015 or 2014 other than those included in the statement of comprehensive income.

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2015

	Notes	2015 £	2014 £
ASSETS			
NON-CURRENT ASSETS			
Investment properties	7	**59,045,000**	35,435,000
Financial assets at fair value through profit and loss	8	**1,296,834,112**	784,560,424
		1,355,879,112	819,995,424
CURRENT ASSETS			
Other current assets	9	**13,209,170**	3,973,627
Cash and cash equivalents	10	**7,633,862,996**	8,057,281,457
		7,647,072,166	8,061,255,084
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**(41,808,991)**	(28,497,200)
Corporation tax payable		**(6,059,896)**	(2,688,369)
		(47,868,887)	(31,185,569)
TOTAL ASSETS LESS CURRENT LIABILITIES	12	**8,955,082,391**	8,850,064,939
NON-CURRENT LIABILITIES			
Qualifying liabilities provision	14	**(8,934,894,845)**	(8,843,558,061)
Deferred tax provision	14	**(20,187,446)**	(6,506,778)
		(8,955,082,291)	(8,850,064,839)
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.

Jean Venables

Dr Jean Venables CBE
Chairman
Date: 14-12-15

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

	Ordinary shares £	Total £
BALANCE AT 1 APRIL 2014	**100**	**100**
Movements during the year	**-**	**-**
BALANCE AT 31 MARCH 2015	**100**	**100**

BALANCE AT 1 APRIL 2014	100	100
Movements during the year	-	-
BALANCE AT 31 MARCH 2015	100	100

NUCLEAR LIABILITIES FUND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	2015 £	2014 £
Cash flows from operating activities		
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**155,129,244**	90,533,561
Adjustments for:		
Realised and unrealised gains on financial assets at fair value through profit and loss	**(90,136,856)**	(28,402,985)
Realised and unrealised gains on investment properties	**(4,006,916)**	(4,535,000)
Increase in other current assets	**(9,235,543)**	(104,317)
Increase in trade and other payables	**1,523,941**	625,077
Cash generated from operations	**53,273,870**	58,116,336
Income taxes paid	**(10,770,815)**	(9,399,026)
Net cash from operating activities	**42,503,055**	48,717,310
Cash flows from investing activities		
Payment to acquire investment properties	**(21,203,084)**	-
Proceeds from the sale of investment properties	**1,600,000**	7,150,000
Payments to acquire financial assets held at fair value through profit and loss	**(608,317,033)**	(55,166,893)
Proceeds from the sale of financial assets held at fair value through profit and loss	**186,180,200**	32,920,245
Net cash used in investing activities	**(441,739,917)**	(15,096,648)
Cash flows from financing activities		
Contributions from EDFE	**26,299,514**	26,649,425
Payments to EDFE in respect of qualifying liabilities	**(50,481,113)**	(27,782,242)
Net cash used for financing activities	**(24,181,599)**	(1,132,817)
Net (decrease)/increase in cash and cash equivalents	**(423,418,461)**	32,487,845
Cash and cash equivalents at start of the year	**8,057,281,457**	8,024,793,612
Cash and cash equivalents at end of the year (note 10)	**7,633,862,996**	8,057,281,457

1 ACCOUNTING POLICIES

Basis of accounting

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Fund is an investment entity and, as such, does not consolidate its subsidiaries. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value. Investments in associates are also classified as fair value through profit or loss, and measured at fair value.

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

The Fund's objective of providing investment management services includes investing in equities, fixed income securities, infrastructure asset-backed funds and property investments for the purpose of returns in the form of investment income and capital appreciation.

1 ACCOUNTING POLICIES (continued)

Assessment as investment entity (continued)

The Fund reports on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Fund's annual reports. The Fund has a clearly documented exit strategy for all of its investments.

The Board has concluded that the Fund meets the additional characteristics of an investment entity, in that it has more than one investment and the investments are predominantly in the form of properties, equities and similar securities.

The Board has also concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

(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 £136m. The Fund is well placed to meet these liabilities over the next three years as it has considerable cash resources available to it. In accordance with the NLFA, HM Government will be responsible for meeting these costs and liabilities to the extent that the Fund does not have sufficient assets available to it, the directors are satisfied that it is appropriate to prepare the annual report and accounts on the going concern basis.

(b) Qualifying liabilities

In accordance with the NLFA, the Fund will, subject to certain exceptions, fund the qualifying liabilities of EDFE. The funding of these qualifying liabilities is limited to the assets of the Fund for the time being, after providing for all other liabilities and charges, and making such reserve out of those assets for any contingent liabilities as the directors shall reasonably determine.

The CA, as amended on 5 January 2009, provides for the making of contributions to the Fund from EDFE by way of the following: a contribution of £150k adjusted to RPI for every tonne of uranium loaded into Sizewell B reactor power station and a quarterly contribution in the sum of £3m (2014: £3m), 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 and unlisted asset-backed investments managed by external fund managers on behalf of the Fund. The unlisted asset-backed investments include investments in subsidiaries and investment in associates.

- investment in subsidiaries: In accordance with the exemption under IFRS 10 Consolidated Financial Statements, the Fund does not consolidate subsidiaries in the financial statements. Investments in subsidiaries are accounted for as financial assets at fair value through profit or loss.
- investments in associates and joint ventures: In accordance with the exemption within IAS 28 Investments in Associates and Joint Ventures, the Fund does not account for its investment in associates and joint ventures using the equity method. Instead, the Fund has elected to measure its investment in associates at fair value through profit or loss.

1 ACCOUNTING POLICIES (continued)

(f) Non-current assets (continued)

Valuation techniques

Financial assets at FVTPL for listed investments 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.

Financial assets at FVTPL for unlisted asset-backed investments, for which there is no currently active market, are calculated using a valuation model which is accepted in the industry. The model uses discounted cash flow analysis which incorporates both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest. Unobservable inputs include assumptions regarding expected future default rates and market liquidity discounts. Movements in fair values are taken directly to the statement of comprehensive income.

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 financial institutions with high credit ratings and the National Loans Fund.

(h) New accounting standards

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 13 - Fair Value Measurement
- IAS 24 - Related Party Disclosure
- IAS 40 - Investment Property

2 INVESTMENT INCOME

	2015	2014
	£	£
Interest on cash and short-term cash investments	**31,646,855**	31,561,719
Income from listed investments	**26,152,207**	23,111,917
Rent receivable	**3,471,442**	3,876,681
	61,270,504	58,550,317

3 INVESTMENT EXPENSES

	2015	2014
	£	£
Investment management charges	**3,195,809**	811,697
Other investment expenses (note 7)	**100,997**	178,598
	3,296,806	990,295

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:

	2015	2014
	£	£
Directors' emoluments	**185,087**	173,445
Auditor's remuneration - audit fees	**26,613**	25,838

5 STAFF COSTS

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

	2015	2014
	£	£
Wages and salaries	**185,087**	173,445
Social security costs	**20,236**	18,823
	205,323	192,268

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 (2014: five). In the year to 31 March 2015, wages and salaries of £185,087 (2014: £173,445) comprising £135,541 (2014: £143,545) in respect of normal annual board duties and £49,546 (2014: £29,900) for additional work were paid.

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in year

	2015	2014
	£	£
Current tax		
UK corporation tax at 21% (2014: 23%)	**13,405,976**	6,706,917
Foreign tax	**990,558**	644,332
Adjustments in respect of prior periods	**4,442**	(3,905)
Total current tax	**14,400,976**	7,347,344
Origination and reversal of temporary differences	**13,990,514**	(836,749)
Effect of reduced tax rate on opening liability	**(309,846)**	(619,613)
Total deferred tax movement	**13,680,668**	(1,456,362)
Tax on profit on ordinary activities	**28,081,644**	5,890,982

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge for year

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK - 21% (2014: 23%). The differences are explained below:

	2015 £	2014 £
Operating profit on ordinary activities before qualifying liabilities provision and taxation	**155,129,244**	90,533,561
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	**32,577,141**	20,822,719
Effects of:		
Income not taxable (mainly dividends) and other permanent differences	**(4,627,957)**	(4,841,989)
Difference between accounting and taxable gains on unrealised gains and losses	**146,832**	(10,110,482)
Excess foreign tax	**990,558**	644,332
Capital losses realised in the year	**-**	-
Adjustments to tax charge in respect of previous periods	**4,442**	(3,905)
Effect of decrease in tax rates	**(1,009,372)**	(619,693)
Total tax charge for year	**28,081,644**	5,890,982

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 substantially enacted Finance Bill 2013 on 2 July 2013 which reduced the corporation tax rate to 21% with effect from 1 April 2014 and to 20% from 1 April 2015. Accordingly, deferred tax balances expected to be realised or settled after 1 April 2015 should be based on the 20% rate.

7 INVESTMENT PROPERTIES

Fair value model

The fair values of the investment properties as at 31 March 2015 were determined by CBRE Limited (2014: LaSalle Investment Management Limited). CBRE Limited 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. This conforms to the valuation standards of Royal Institute of Chartered Surveyors.

7 INVESTMENT PROPERTIES (continued)

Amounts recognised in statement of comprehensive income:	**2015**	2014
	£	£
Rental income	**3,471,442**	3,876,681
Direct operating expenses on properties that generated rental income	**369,099**	302,680
Direct operating expenses on properties that did not generate rental income	**100,997**	178,598

Reconciliation of carrying amounts:

	Freehold	Freehold
	£	£
Valuation		
At start of the year	**35,435,000**	38,050,000
Additions	**21,203,084**	-
Disposal proceeds	**(1,600,000)**	(7,150,000)
Realised and unrealised gains (*)	**4,006,916**	4,535,000
At end of the year	**59,045,000**	35,435,000

(*) The realised and unrealised gains and losses are included in the statement of comprehensive income on page 16 and comprise: net realised losses of £361,603 (2014: realised gains of £3,238,974) and net unrealised gains of £4,368,519 (2014: £1,296,026).

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

	Freehold	Freehold
	2015	2014
	£	£
Cost		
At start of the year	**37,342,453**	41,253,479
Additions	**21,203,084**	-
Disposals	**(1,963,051)**	(3,911,026)
At end of the year	**56,582,486**	37,342,453

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2015	2014
	£	£
Valuation		
At start of the year	**784,560,424**	733,910,791
Additions	**608,317,033**	55,166,893
Disposals proceeds	**(186,180,200)**	(32,920,245)
Realised and unrealised gains (**)	**90,136,855**	28,402,985
At end of the year	**1,296,834,112**	784,560,424

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

(**) These realised and unrealised gains are included in the statement of comprehensive income on page 16 and include: net realised gains of £4,033,910 (2014: net realised losses of £2,401,616) and net unrealised gains of £86,102,945 (2014: £30,804,601). Realised and unrealised gains in the statement of comprehensive income of £94,182,989 (2014: £29,883,323) also include net realised gains of £4,046,134 (2014: £1,480,338) arising on futures contracts.

	2015 £	2014 £
Cost		
At start of the year	**544,480,719**	523,812,176
Additions	**608,317,033**	55,166,893
Disposals	**(183,006,855)**	(34,498,350)
At end of the year	**969,790,897**	544,480,719

Financial assets at fair value through profit and loss comprise the following:

Investments listed on recognised stock exchanges

Level 1 fair value measurements (note 13)	2015 £	2014 £
UK index linked gilts	**116,346,946**	96,022,070
UK equities	**647,915,388**	412,579,471
Overseas equities:		
North America	**123,496,731**	98,783,697
Europe	**107,597,563**	99,936,405
Japan	**67,414,982**	52,957,807
Pacific	**20,469,062**	24,280,974
	1,083,240,672	784,560,424
Unlisted investments through subsidiaries and associates (see below)		
Level 3 fair value measurements (note 13)		
UK Infrastructure equity	**136,053,652**	-
UK Infrastructure debt	**77,539,788**	-
	213,593,440	-
	1,296,834,112	784,560,424

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

Investments in subsidiaries

	2015	2014
	£	£
Adams Street UK Mid-Market Solutions LP (Equity)	3,803,420	-
Equitix MA 1 LP (Equity)	57,128,232	-
	60,931,652	-

The Fund meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries but rather, it recognises them as investments at fair value through profit or loss.

Summary of unconsolidated subsidiaries

	Registered in	Ownership Interest	
		2015	2014
Adams Street UK Mid-Market Solutions LP	Scotland	99.99%	-
Equitix MA 1 LP	England & Wales	99.00%	-

Adams Street UK Mid-Market Solutions LP invests in growth equity investments in UK mid market private companies via primaries, secondaries and co-investments. The Fund's total commitment is £240,000,000 of which £4,800,000 was drawn as at the year-end.

Equitix MA 1 LP invests principally in the equity and shareholder loans in PPP projects and social infrastructure projects including, but not limited to, hospitals and health projects, schools and education projects, waste projects, university accommodation, utility related infrastructure and highways projects. The Fund's total commitment is £100,000,000 of which £57,119,322 was drawn as at the year-end.

Investments in associates and joint ventures

	2015	2014
	£	£
Hermes GPE Infrastructure Fund LP (Equity)	75,122,000	-
Macquarie Infrastructure Debt Fund LP (Debt)	25,420,804	-
BlackRock Renewable Infrastructure Fund LP (Debt)	4,316,000	-
Alcentra UK Direct Lending No 1 LP (Debt)	47,802,984	-
	152,661,788	-

The above table shows associates and joint ventures of the Fund which have been recognised at fair value through profit or loss as permitted by IAS 28 "Investments in Associates and Joint Ventures".

Summary of associates and joint ventures

	Registered in	Ownership Interest	
		2015	2014
Hermes GPE Infrastructure Fund LP	Scotland	17.86%	-
Macquarie Infrastructure Debt Fund LP	Guernsey	27.91%	-
BlackRock Renewable Infrastructure Fund LP	Ireland	20.00%	-
Alcentra UK Direct Lending No 1 LP	England & Wales	50.00%	-

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

Hermes GPE Infrastructure Fund LP invests in economic infrastructure sectors with well-established regulatory regimes (e.g. water, renewable energy) predominantly in the UK and selectively in other OECD countries. The Fund's total commitment is £100,000,000 of which £74,000,131 was drawn as at the year-end.

Macquarie Infrastructure Debt Fund LP invests in a portfolio of investment grade debt of infrastructure borrowers in the UK. The Fund's total commitment is £175,000,000 of which £22,714,576 was drawn as at the year-end.

BlackRock Renewable Infrastructure Fund LP invests in renewable power infrastructure projects in the UK. The Fund's total commitment is £100,000,000 of which £4,316,000 was drawn as at the year-end.

Alcentra UK Direct Lending No 1 LP invests in secured loans comprising 1st lien senior, uni-tranche, mezzanine and mezzanine-related and equity investments in high-quality, middle-market, sponsored and unsponsored leveraged transactions in the UK. The Fund's total commitment is £100,000,000 of which £46,322,331 was drawn as at the year-end.

The following table gives information about how the fair values unlisted financial assets are determined in particular, the valuation technique and inputs used.

Financial assets	Fair value as at 31 March 2015	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted UK infrastructure funds	£213,593,440	Level 3	Valuation is based on a discounted cash flow model which incorporates both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest	Unobservable inputs include assumptions regarding expected future default rates and market liquidity discounts	Movements in fair values are taken directly to statement of comprehensive income

9 OTHER CURRENT ASSETS

Amounts falling due within one year

	2015 £	2014 £
Other debtors	**8,624,758**	320,936
Accrued income	**4,584,412**	3,652,691
	13,209,170	3,973,627

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances with banks, short-term cash investments held in financial institutions with high credit ratings 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:

	2015	2014
	£	£
Cash balances with banks	**36,298,842**	19,799,195
Short-term cash investments	**7,597,564,154**	8,037,482,262
	7,633,862,996	8,057,281,457

11 TRADE AND OTHER PAYABLES
Amounts falling due within one year

	2015	2014
	£	£
Trade creditors	**899,087**	634,857
Other tax and social security	**139,648**	193,114
Other creditors	**404,818**	384,240
Accruals and deferred income	**40,365,438**	27,284,989
	41,808,991	28,497,200

12 CURRENCY CLASSIFICATION OF TOTAL ASSETS LESS CURRENT LIABILITIES

Total assets less current liabilities as at 31 March 2015 are analysed by currency as follows:

Currency	Non-current assets	Cash and cash equivalents	Other current assets	Current liabilities	Total
	£	£	£	£	£
Pounds Sterling	1,036,900,774	7,633,272,452	12,360,289	(47,868,887)	8,634,664,628
US Dollar	116,664,537	130,453	118,368	-	116,913,358
Canadian Dollar	6,832,194	6,610	10,583	-	6,849,387
Euro	72,272,640	173,954	59,277	-	72,505,871
Norwegian Krone	1,574,132	1,527	-	-	1,575,659
Swedish Krona	7,375,352	2,156	62,501	-	7,440,009
Danish Krone	4,088,500	3,123	45,033	-	4,136,656
Swiss Franc	22,286,939	1,312	-	-	22,288,251
Japanese Yen	67,414,982	113,888	455,003	-	67,983,873
South Korean Won	-	2	-	-	2
Singapore Dollar	2,352,522	12,522	-	-	2,365,044
Hong Kong Dollar	5,786,759	14,122	14,479	-	5,815,360
Australian Dollar	11,990,132	130,453	79,776	-	12,200,361
New Zealand Dollar	339,649	422	3,861	-	343,932
	1,355,879,112	7,633,862,996	13,209,170	(47,868,887)	8,955,082,391

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

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

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

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments as at 31 March 2015:

	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	-	-	**1,296,834,112**
Other debtors	**8,624,758**	-	-
Accrued income	**4,584,412**	-	-
Cash balances with banks	**36,298,842**	-	-
Short-term cash investments	**7,597,564,154**	-	-
Financial liabilities			
Trade and other payables	-	**41,669,343**	-

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments as at 31 March 2014:

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

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 2015 amounting to £1,083,240,672 (2014: £784,560,424) are grouped as Level 1 and disclosed as "Financial assets at fair value through profit and loss" (note 8). 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 2015 (2014: £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). All unlisted investments as at 31 March 2015 amounting to £213,593,440 (2014: £nil) are grouped as Level 3 and disclosed as "Financial assets at fair value through profit and loss" (note 8).

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Valuation process for Level 3 valuations

Valuations are the responsibility of the board of directors of the Fund. The valuation of unlisted infrastructure equity and infrastructure debt is performed by the valuation department of the investment manager and reviewed by the investment committee of the investment manager on a quarterly basis.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 (note 8) between the beginning and the end of the reporting year:

	2015	2014
	£	£
Valuation		
At start of the year	-	-
Additions	**209,272,360**	-
Disposal proceeds	-	-
Realised and unrealised gains (***)	**4,321,080**	-
At end of the year	**213,593,440**	-

(***) These realised and unrealised gains are included in the statement of comprehensive income on page 16 and include: net realised gains of £nil (2014: £nil) and net unrealised gains of £4,321,080 (2014: £nil).

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 management

The directors manage 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 objectives of the Fund.

Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfil its contractual obligations. The Fund is exposed to credit risk in respect of cash balances with banks and short-term cash investments. The Fund invests in high quality liquid market investments held with financial institutions with high credit ratings and the National Loans Fund on a short-term basis usually recoverable within six months. Therefore, no significant credit risks are associated with these investments.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 £136m (2014: £149m). 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.

Price risk

Price risk is defined as the risk that the fair value of a financial instrument held by the Fund will fluctuate. Investments are measured at fair value through profit or loss. The prices of the Fund's listed investments are determined by market forces. This risk is managed by diversifying the Fund's investment portfolio. Fluctuations in the market prices of listed investments are not hedged. The unlisted investments are valued on an unlevered, discounted cash flow basis. Therefore, the value of these investments will be (amongst other risk factors) a function of the discounted value of their expected cash flows and, as such, will vary with movements in interest rates and competition for such assets. The discount factors are subjective and therefore it is feasible that a reasonable alternative assumption may be used resulting in a different valuation for these unlisted investments.

	2015 **£**	2014 £
Listed investments price risk sensitivity analysis		
If there was a 10% (2014: 8%) increase or decrease in the fair values, the value of financial assets at fair value through profit and loss would increase or decrease by:	108,324,067	62,764,834

The impact of a 10% (2014: 8%) change has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement.

	2015 **£**	2014 £
Unlisted investments price risk sensitivity analysis		
If there was a 10% (2014: nil%) increase or decrease in the fair values, the value of financial assets at fair value through profit and loss would increase or decrease by:	21,359,344	-

The Board considers a movement of 10% in the fair values to be within a reasonable expected range based on their understanding of market transactions for these unlisted investments.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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 2015:

	Value subject to fixed rate £	**Value subject to variable rate £**
UK index linked gilts	-	**116,346,946**
Cash balances with banks	-	**36,298,842**
Short-term cash investments	**7,489,466,680**	**108,097,474**

Assets earning interest as at 31 March 2014:

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

The maturity dates relating to UK index linked gilts for 2015 ranged between 2020 and 2068 (2014: between 2019 and 2068). The average rate of return before tax for UK index linked gilts during the year was 21.06% (2014: -0.31%) and for short-term cash investments was 0.40% (2014: 0.40%).

Interest rate risk sensitivity analysis

	2015 £	2014 £
If there was a 0.40% (2014: 0.40%) increase or decrease in variable interest rates with all other variables held constant, the value of variable interest bearing assets would increase or decrease by	**1,042,973**	2,537,687

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% (2014: 0.40%) has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. The Fund's sensitivity to interest rates has not changed significantly from the prior year.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	2015	2014
	£	£
If there was a 1.50% (2014: 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	**1,753,700**	1,406,975
Euro	**1,087,588**	1,026,809
Japanese Yen	**1,019,758**	811,718
Other currencies	**945,220**	959,065

A sensitivity of 1.5% 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 2015**	Total 2014
	£	**£**	**£**	£
At 1 April	**6,506,778**	**8,843,558,061**	**8,850,064,839**	8,781,581,390
EDFE contributions	**-**	**26,558,147**	**26,558,147**	26,628,207
Transfer from statement of comprehensive income	**-**	**127,047,600**	**127,047,600**	84,642,579
Payable to EDFE	**-**	**(62,268,963)**	**(62,268,963)**	(41,330,975)
Deferred tax movement	**13,680,668**	**-**	**13,680,668**	(1,456,362)
At 31 March	**20,187,446**	**8,934,894,845**	**8,955,082,291**	8,850,064,839

Deferred tax balance consists of:

	2015	2014
	£	£
Accelerated capital allowances	**1,012,642**	1,060,915
Unrealised gains on equities	**19,902,854**	6,732,227
Unrealised loss on properties	**(728,050)**	(1,286,364)
	20,187,446	6,506,778

14 NON-CURRENT LIABILITIES (continued)

In accordance with the CA, fixed contributions are received quarterly from EDFE in the sum of £3m (2014: £3m), 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 provision 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.

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 £1,012,642 relating to accelerated capital allowances will be unwound when the investment properties are sold. In addition, a deferred tax liability of £19,174,804 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 2014 and 31 March 2015			
98 Ordinary shares of £1 each	98	98	**98**
1 A Special rights redeemable preference share of £1 ("the A special share")	1	1	**1**
1 B Special rights redeemable preference share of £1 ("the B special share")	1	1	**1**
	100	100	**100**

15 SHARE CAPITAL (Continued)

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

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

16 OPERATING LEASE RECEIVABLES

As a lessor, the Fund had rent receivables as at 31 March 2015 under non-cancellable operating leases as follows:

	2015	2014
	£	£
Within one year	**4,183,574**	3,002,560
Between two and five years	**13,554,946**	10,723,619
In more than five years	**27,347,690**	19,216,675

No contingent rentals were recognised in income.

As at 31 March 2015 the Fund held a total of 31 leases, 10 of which expire within five years of the statement of financial position date, with the remaining 21 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 no balance due to the directors as at 31 March 2015 (2014: £39,782).

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 £50,508 (2014: £nil) was reimbursed to the Department for Business, Innovation and Skills in respect of costs incurred. Also during the year, a sum of £nil (2014: £237,415) was reversed by the Deparment for Business, Innovation and Skills in respect of costs charged in the previous year. There was a balance due to the Department for Business, Innovation and Skills as at 31 March 2015 of £nil (2014: £5,538).

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 fulfil the Fund's purpose of discharging qualifying decommissioning and waste management liabilities.