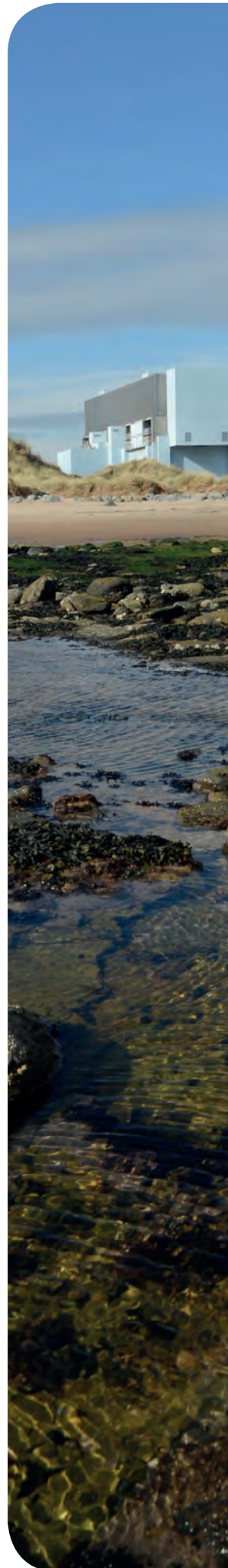



# Funding Future Liabilities

—  
Annual report  
and accounts 2020





The primary objective of the company is to achieve sufficiency of its funds to meet certain costs of decommissioning EDFE's eight nuclear power stations that are currently operating in the UK.

Richard Wohanka  
Chair

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# Purpose, sufficiency and liabilities

The primary purpose of the Nuclear Liabilities Fund Limited is to receive and hold monies, investments and other assets, in order to secure funding for discharging qualifying decommissioning liabilities related to EDF Energy Nuclear Generation Limited's ('EDFE') UK nuclear power stations which were in existence in 1996 and to make payments for approved costs in accordance with the provisions of the Nuclear Liabilities Funding Agreement ('NLFA') entered into on 14 January 2005 and amended and restated on 5 January 2009.

## Sufficiency

In pursuing the purpose of the Nuclear Liabilities Fund Limited, the directors' aim is to help ensure that future generations are not burdened by decommissioning costs related to the consumption of nuclear generated energy by the current generation. This aim requires the directors to seek to ensure that the fund has the required level of assets to discharge the liabilities. This is referred to in this report as 'sufficiency' of the fund.

## The liabilities

When 'liabilities' are referred to in this report, these mean the expected future liability obligations as estimated by EDFE in their 2016 Baseline Decommissioning Plan and the 2016 Uncontracted Liabilities Discharge Plan, together referred to as the '2016 Lifetime Plan'. These liabilities have been updated to take account of inflation. The revised arrangements for managing EDFE's liabilities (covered in detail later in this Report), mean that the liabilities associated solely with defuelling the AGRs (which were about 10% of the total liabilities and which will form only part of EDFE's next Baseline Decommissioning Plan) have been revised, resulting in an increase in the total liabilities.

Opposite – Torness Power Station.  
Photo produced by kind permission of EDFE

## EDFE's UK Nuclear power station sites



There are seven Advanced Gas Cooled Reactor (AGR) stations operating. Sizewell B is a Pressurized Water Reactor (PWR).



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## Chair's statement

# Funding Future Liabilities

The fiscal year 2019–20 has been a momentous one in the history of the Nuclear Liabilities Fund Limited. There has been a high level of activity with regards to both assets and liabilities.



Richard Wohanka  
Chair

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**The fiscal year 2019–20 has been a momentous one in the history of the Nuclear Liabilities Fund Limited. Despite a testing year for financial markets, the fund was well positioned to meet existing liabilities.**

Shortly before the fiscal year end, a significant upward revision of the liabilities, together with the desire to avoid any reduction in the fund's assets held in the National Loans Fund, resulted in a greater likelihood of the fund not being sufficient. This led to reconsideration of the funding arrangements. Agreement with UK Government post fiscal year end put the fund on a more secure footing, resulting in a higher probability of the fund being sufficient to meet future liabilities in their entirety.

There has been a high level of activity with regards to both the Nuclear Liabilities Fund Limited's assets and liabilities.

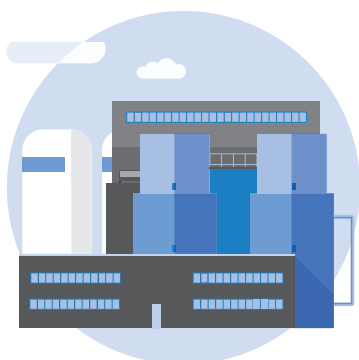
The performance of the overall portfolio for the fiscal year, even though the end of the year coincided with the substantial impact of COVID-19, was positive. The performance of the fund's assets in the Mixed Asset Portfolio ('MAP') was also positive, in spite of the end of the fiscal year coinciding with close to the lowest point in global equity markets.

This resilience is testimony to the well balanced nature of the portfolio and the emphasis in the illiquid part of the portfolio on cash-flow driven investments. In particular the focus of our infrastructure investments on 'availability' as opposed to 'throughput' projects has served the Nuclear Liabilities Fund Limited well. The fact that a number of these are government-backed provides an additional level of security.

The low level of interest rates continues to severely limit the returns we receive from that part of the portfolio invested in the National Loans Fund ('NatLF')<sup>1</sup>. This has meant that the overall portfolio was only able to generate a return of 0.4% for the year. This remains well below our target return for the whole portfolio of 5.7%. This will, however, continue to be the case until the investment in the NatLF has been exhausted and the remaining part of the portfolio is invested in the MAP.

Payments to EDFE for qualifying liabilities are paid out of the NatLF. As disbursements increase hugely over the next few years due to stations closing and defuelling, the liabilities payments are likely to exhaust the NatLF and will then fall to be paid from the MAP.

<sup>1</sup> The National Loans Fund, established on 1 April 1968 and administered by HM Treasury accounts for government borrowing and lending.



# £3bn

As at 31 March 2020 the size of the Mixed Assets Portfolio ('MAP') was approximately £3 billion.

In order to mitigate even lower than anticipated interest rates the programme of transferring funds from the NatLF to the MAP described in last year's Annual Report continued. As part of this process £100 million was transferred to the MAP in October 2019 and a further £150 million was transferred in January 2020. This action, plus a marginally better performance of the MAP than the NatLF has resulted in the share of the total portfolio invested in the MAP increasing from 29% to 32%. As at 31 March 2020 the size of the MAP was approximately £3 billion.

The MAP produced a performance of 0.8%. This was a combination of a resilient performance from the illiquid portion of the MAP of 5.7% and a very negative performance from the liquid part, entirely equities, of -9.4%. However, as we did not reduce our equities holding and as we are primarily invested in North American and emerging market equities, our equities portfolio rebounded strongly in the three months to June 2020 to recover to close to where they stood in price terms before the impact of COVID-19. Meanwhile the cash generative nature of our illiquid portfolio has meant that the MAP weathered the storm well.

This combination of a volatile but, over the long term, strongly performing equities portfolio, with a more stable illiquid portfolio has served the Nuclear Liabilities Fund Limited extremely well in these volatile times.

We are in the process of making a substantial change in the composition of our equities portfolio. We will move away from a portfolio based on market capitalisation indices towards a portfolio focused on investing in companies we believe will experience very positive long-term growth and which will at the same time help in implementing the United Nations Sustainable Development Goals. We will also continue with our substantial investment in emerging markets equities. We believe that this re-configuration of our equities portfolio utilises the long-term nature of our investment horizon and sustains our aim of socially responsible investing.

*We will move away from a portfolio based on market capitalisation indices towards a portfolio focused on investing in companies we believe will experience very positive long-term growth.*

The Nuclear Liabilities Fund Limited's assets proved resilient in the face of difficult financial market conditions. However a review by EDFE of the risks and uncertainties associated with defuelling the AGR stations, completed in February 2020, resulted in an increase of £2.1bn in the estimated liabilities for this phase of decommissioning.

EDFE is undertaking a review of decommissioning liabilities for the AGRs covering the post AGR defuelling period as well as updating the estimates for Sizewell B and uncontracted nuclear liabilities. This work is still to be concluded and the new set of the overall liabilities to be met by the Nuclear Liabilities Fund Limited will not be finalised until the end of 2021.

However, towards the end of the fiscal year 2019–20 it became clear, thanks to the work carried out on the defuelling part of the decommissioning cycle by EDFE that the assets of the fund, as they were deployed, even with the planned programme of transferring funds from the NatLF to the MAP described in last year's report, would have a low probability of being sufficient to meet all the liabilities.

This situation resulted in the directors discussing and agreeing with the Department for Business, Energy and Industrial Strategy ('BEIS') and HM Treasury a solution to the problem. The outcome was a solution that was both highly satisfactory in the eyes of the directors and welcomed by the stakeholders, and led the directors to conclude that the future sufficiency of the fund was assured. The first part of the solution was for BEIS to provide funding of £5.07 billion to the Nuclear Liabilities Fund Limited, to be invested into the NatLF. This has increased the assets of the fund from approximately £9.4 to £14.5 billion. This new funding has eliminated the need to transfer further monies from the NatLF to the MAP. The loan of £350 million made to the British Business Bank was transferred from the MAP to the NatLF on maturity in August 2020. The impact of this new funding is such that liabilities, as currently estimated, can be met from the NatLF for the next 17 years.

Prior to the provision of the new funding the NatLF would have been fully depleted after 10 years. This means that the MAP has a significantly greater period of time to generate returns which accumulate in the portfolio. The investment strategy adopted by the directors will seek to benefit from this lengthening of the investment horizon. Very few financial institutions today have the benefit of such a long investment horizon.

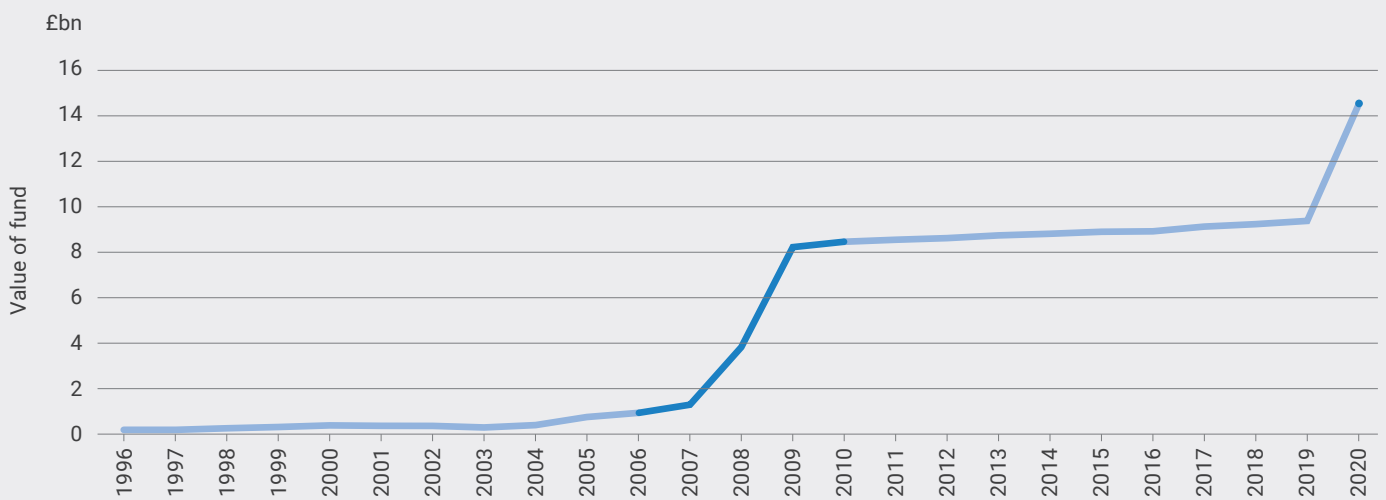
The second part of the solution was that an annual funding review mechanism was established. If as a result of either liabilities increasing above expectations or assets underperforming the target return, a funding shortfall is identified, then either BEIS would provide further funding or a different allocation between the MAP and the NatLF will be adopted to seek a higher return on the Nuclear Liabilities Fund Limited's assets<sup>2</sup>.

The directors continue to have an active engagement with stakeholders. These include UK Government Investments ('UKGI'), BEIS, EDFE, Nuclear Decommissioning Authority ('NDA') and the Non-NDA Liabilities Assurance team ('NLA'). This engagement relates not only to the fund's assets but also with regards to the liabilities. Nuclear Liabilities Fund Limited's directors continue to sit on the Defuelling Steering Panel and the Nuclear Liabilities Committee. These bodies aim to find ways to minimise liabilities. This work has intensified as defuelling of the AGR stations comes closer to starting.

<sup>2</sup> Agreement between The Commissioner of Her Majesty's Treasury and the Secretary of State for Business, Energy and Industrial Strategy and Nuclear Liabilities Fund Limited dated 23 June 2020;

Written Ministerial Statement by Nadhim Zahawi, Parliamentary Under-Secretary (Department for Business, Energy and Industrial Strategy) on 20 July 2020.

There were significant injections of capital in the years between 2006 and 2010, and in 2020.



- Notes:**
- i. The fund assets have increased over the years.
  - ii. In 1996 the initial endowment was £223m.
  - iii. In 2005 the Nuclear Liabilities Fund Limited entered into the Contribution Agreement and the Nuclear Liabilities Funding Agreement. The Contribution Agreement provided for regular contributions to be made by EDFE. In addition an issue of bonds increased fund assets.
  - iv. Between 2006 and 2009 there were a number of corporate events associated with the restructuring of British Energy. These resulted in a significant increases to fund assets over this period.
  - v. In June 2020 the Nuclear Liabilities Fund Limited entered into an agreement with HM Treasury and the Secretary of State for Business, Energy and Industrial Strategy with regards to new funding arrangements which included a capital injection of £5.07bn in July 2020.
  - vi. The investment policy for the Mixed Assets Portfolio has increased the value of the assets, further detail on performance can be seen later in this Report.



In addition the directors have been involved in the major project of renegotiating the NLFA and other key agreements underpinning the decommissioning of EDFE's AGR fleet and Sizewell B. The renegotiation is required in recognition of the imminent change in EDFE's role from operator of the AGRs, to operating AGRs in the run up to final shut down, and defuelling those AGRs ready for decommissioning, and finally working with the NDA in transferring ownership of the plants as defuelling is completed.

Nuclear Liabilities Fund Limited's directors attach great importance to maintaining a strong working relationship with its stakeholders. This fiscal year has seen a high level of activity involving all stakeholders and the directors feel that the sense of a common purpose has been crucial in cementing these relationships.

The Nuclear Liabilities Fund Limited continues to support investments in the UK, both at an early and more developed stage. Investment in UK infrastructure projects continued apace. In addition the Nuclear Liabilities Fund Limited completed its £250 million investment in British Patient Capital, the UK government's principal initiative to support venture capital in the UK.

The transition of fiduciary manager from BlackRock to Aon took place on the 1st July, 2019. The transition went smoothly due to the excellent work of both BlackRock and Aon. The directors wish to thank BlackRock for their work in establishing the current structure of the MAP over the previous five years.

There has been one change to the composition of the board. Sally Bridgeland, chair of the investment committee, stepped down on the completion of her term in April 2020. She was replaced on the board by Margaret Stephens and as chair of the investment committee by Catherine Cripps. I would like to thank Sally for her work over these last few years, in particular the substantial contribution she has made to strengthen the risk framework of the Nuclear Liabilities Fund Limited. Margaret Stephens now chairs the audit committee. Margaret brings valuable experience of investment in infrastructure, working with Government, and risk management. Margaret also sits on the investment committee.

Finally, we completed our annual board effectiveness review, this year internally. The report commented on the good communication and engagement with stakeholders.

As a result of all that has happened in recent times, the directors feel that the Nuclear Liabilities Fund Limited has never been in such a healthy position. Working on the basis of prudent assumptions for both liabilities and assets, it is the opinion of the directors that the Nuclear Liabilities Fund Limited is sufficient to meet the liabilities.



**Richard Wohanka**  
Chair



Infrastructure investments include on-shore wind farms.

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Strategic report

# Our key performance indicators

## A year of growth

Hunterston Charge Hall.  
Photo produced by kind permission of EDFE

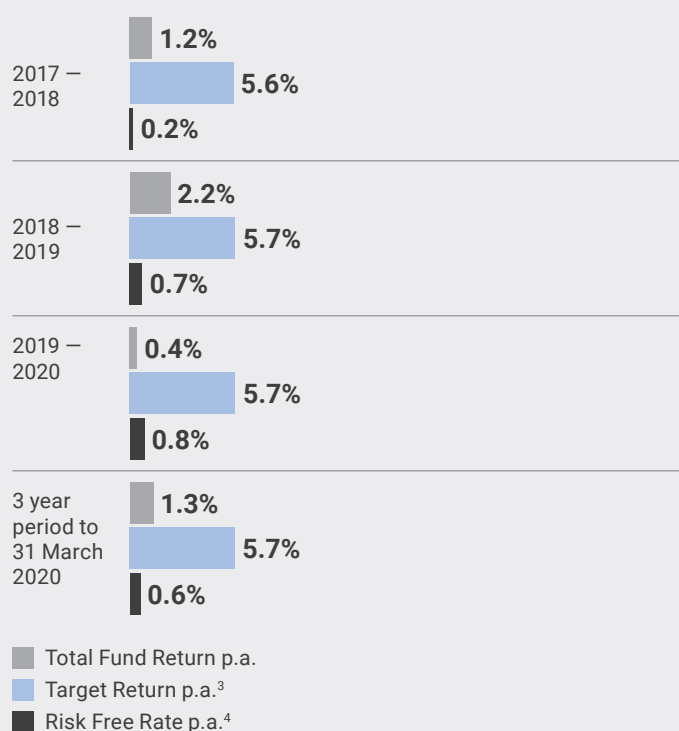


The Nuclear Liabilities Fund Limited’s investment performance is assessed using key performance indicators (‘KPIs’) agreed with UKGI on behalf of BEIS. The KPIs and investment objectives are established to measure performance against the expected future liability obligations. The aim is to provide a summary of the overall returns of the total fund, and a more detailed view of the returns of the Mixed Assets Portfolio.

The KPIs are discussed in more detail in the Investment Performance section.



## KPI 1: Total Fund Return

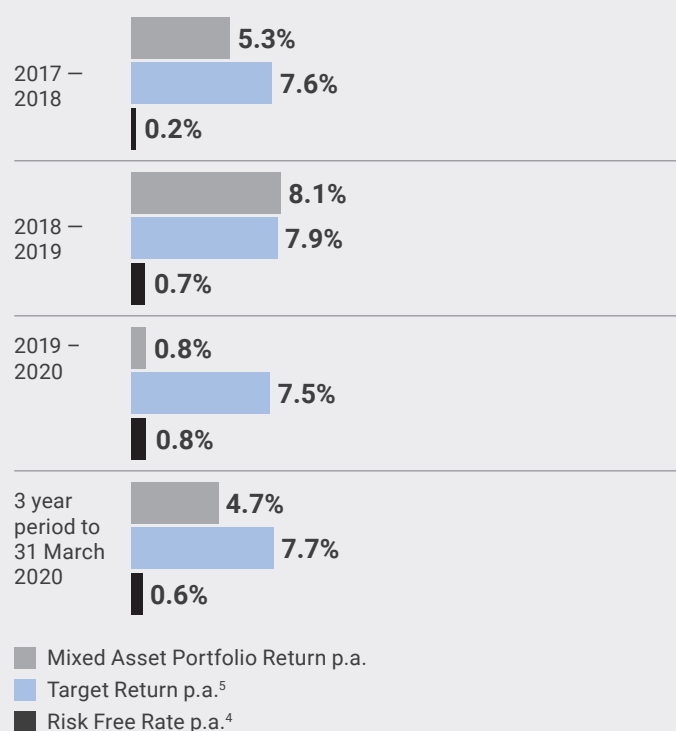


▲ **1.3%** Total Portfolio Return  
3-year period to 31 March 2020

The lower returns from the National Loans Fund ('NatLF') remain the primary driver of under-performance at the total fund level and this is likely to continue to be the case until the percentage of the total portfolio invested in the NatLF is substantially reduced.

This KPI illustrates how the Total Fund has performed against the Target Return for the whole fund. The Target Return was calculated by BlackRock (the fund's fiduciary adviser until end of June 2019) as the Required Return on the NatLF and the MAP to meet the liabilities in full assuming the values of the NatLF and the MAP as of each 31 March. Net of fees, net of tax.

## KPI 2: Mixed Assets Portfolio Return



▲ **4.7%** Mixed Assets Portfolio Return  
3-year period to 31 March 2020

The Mixed Asset Portfolio ('MAP') is that portion of the total fund not currently invested in the NatLF.

This KPI illustrates how the MAP part of the Fund has performed against the Target Return for the MAP. The Target Return for the MAP is the Required Return on the MAP to meet the liabilities in full, calculated assuming returns from the NatLF are in line with future interest rates, as of each 31 March. Net of fees, gross of tax.

The MAP Return was below the Target Return. Further explanation can be seen in the breakdown of Liquid and Illiquid results within the MAP, shown as KPI 3.

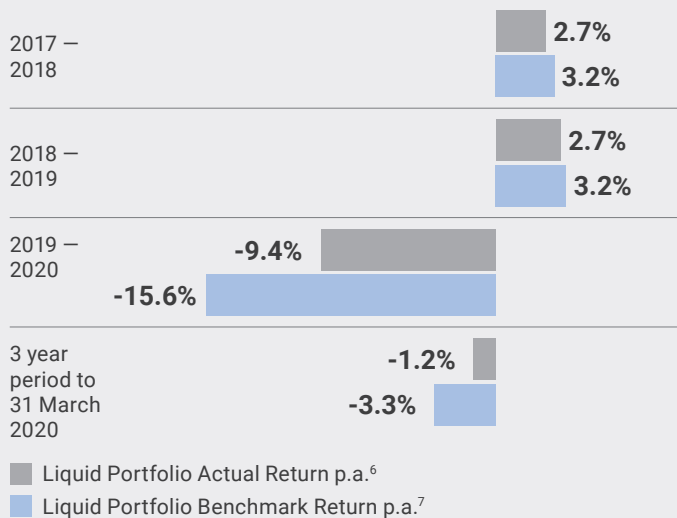
<sup>3</sup> This is the required return on the NatLF and the MAP to meet the liabilities assuming the values of the NatLF and the MAP as of each quarter end since inception. Net of fees, net of tax.

<sup>4</sup> Source: Bloomberg. Based on UK 3-month Treasury Bill rate.

<sup>5</sup> This is the required return on the MAP to meet the liabilities, calculated regarding the assumed returns from the NatLF as of each respective date. Net of fees, gross of tax.

All dates run from 1 April to 31 March

### KPI 3: Mixed Assets Portfolio Return Liquid Portfolio Performance

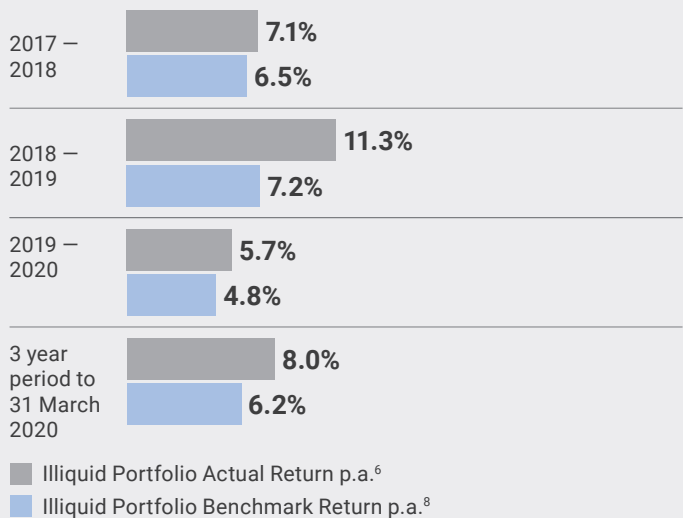


**▼ -1.2%** Liquid Portfolio Return  
3 year period to 31 March 2020

The Liquid Portfolio includes UK equities (both large cap and small cap), global developed equities and emerging markets equities. The Liquid Portfolio was significantly affected by the falls in equity markets in the first quarter of 2020, although performance was ahead of benchmark over this period.

This KPI illustrates how managers have performed against a market index for the liquid part of the portfolio.

### KPI 3: Mixed Assets Portfolio Return Illiquid Portfolio Performance



**▲ 8.0%** Illiquid Portfolio Return  
3 year period to 31 March 2020

The illiquid portfolio includes allocations to Direct Real Estate, Real Estate Mezzanine Debt, UK Growth Equity, Global Private Equity, Infrastructure Debt and Equity, Renewables, UK SME Loans, BBB Loans, Lifetime Mortgages and Cash.

This KPI illustrates how the illiquid portfolio performed against an expected return on this part of the portfolio.

The KPIs for the Liquid and Illiquid Portfolios are a tool to demonstrate the effectiveness of each portfolio against their benchmarks. This is not a measure relative to the liabilities, as is the case for KPI 1 and KPI 2. For KPI 3 the Liquid and Illiquid portfolios are produced on a standalone basis and the MAP return takes into account the relative proportions of each portfolio. The performance of and the allocation to each portfolio varied over the three year period.

6 Both Liquid and Illiquid Portfolio performance is net of management fees and gross of tax. Actual Returns of each of the Liquid Portfolio and Illiquid Portfolio have been calculated as the average of the performance of each investment manager's portfolio, weighted to reflect each investment manager's proportion of total assets under management in each respective Portfolio.

7 The Total Liquid Benchmark Return is calculated using the average of the performance of each relevant comparable index, relevant to each investment manager's specific portfolio of investments, weighted to reflect each manager's proportion of total assets under management in the Liquid Portfolio. For reference, relevant benchmark indices for investment managers in the Liquid Portfolio include FTSE All Share, FTSE Custom World Europe ex UK, FTSE Custom Japan, FTSE Custom North America, FTSE Custom Dev Asia Pac ex Japan, Numis Smaller Companies ex Investment Companies (NDR) Index and MSCI Emerging Markets.

8 In previous years the Illiquid Portfolio Benchmark Return has been set as the fiduciary manager's return proxy for the illiquid portfolio as at the start of the financial year. This year this has been calculated using BlackRock's disclosed expected return assumptions and applying the relevant asset weights. An expected return of 1.7% p.a. on the BBB loan was assumed and an expected return on cash of 0.8% p.a. was assumed. The choice of this benchmark is due to a lack of comparable market benchmarks given the portfolio's composition.

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## Strategic report

# Review of the year

## Changing times

The first planned station shutdown for decommissioning is now only thirteen months away (January 2022). Entry to the decommissioning phase will bring a major change in activity levels and an order of magnitude increase in fund cash outflows (up to a maximum of around £800m per annum during the peak AGR defuelling phase).

### Investments

#### Background

The long term liabilities, the costs of decommissioning, are likely to change over time in line with the costs of labour, materials and evolving technology. The directors estimate how much return will be needed to meet the liabilities and design an investment approach which targets this rate of return while reducing the risk of significant falls in the value of the assets.

Returns are achieved by investing in a number of different asset types: the attendant risks of investing are reduced by diversifying the investments across different types of asset which are expected to react differently in the range of economic scenarios which may present themselves in the longer term.



As the assets in the MAP are not needed for many years it can benefit from the illiquidity premium which normally exists in capital markets: a higher rate of return on illiquid assets like private assets and infrastructure available to long term investors who do not need to sell assets at short notice. The stability of the investment approach is also key in reducing the impact of the costs of buying and selling investments on its returns.

### 1 Investment performance over the year

**As mentioned in the Chair's statement, the fund's assets are divided into two sections: assets held in the NatLF and the MAP.**

As at 31 March 2020, about 68% of the assets of the fund were held in the NatLF where cash can be accessed at short notice. It is used to meet the current and shorter-term payments to EDFE in respect of the liabilities and, by dampening the overall volatility of return and providing liquidity, allow the directors greater freedom in investing the MAP.

We assess the fund's investment performance using key performance indicators ('KPIs') which look at the overall returns of the fund as well as focusing in on the investments in the MAP. The KPIs are summarised on pages 9 and 10.

*As at 31 March 2020, about 68% of the assets of the fund were held in the NatLF where cash can be accessed at short notice.*

The Total Fund Return KPI figure is calculated as an average over the whole lifetime of the fund and the low returns on the investment in the NatLF, which is currently a large proportion of the total fund and has been significantly hit by the low interest rate environment, is the main reason for the shortfall in this KPI result.

The total fund returns continue to be significantly hit by the low interest rate environment and this has generated a gap between the actual and target returns. We began to address this gap a couple of years ago. In the fiscal year 2018–19 we transferred a further £600m from the NatLF to higher returning assets in the MAP, and then in the fiscal year 2019–20 we transferred a further £250 million from the NatLF to higher returning assets in the MAP. At that time a schedule of transfers was agreed for future years.

However, as reported in the Chair's statement, agreement was reached after the end of the fiscal year 2019–20 whereby BEIS provided new funding to the Nuclear Liabilities Fund Limited which eliminated the requirement for the transfer programme. £5.07 billion was provided by BEIS to re-invest in NatLF deposits.

## Statement of investment principles

The Statement of Investment Principles (the 'SIP') sets out the governance structure for setting the investment objectives for the Nuclear Liabilities Fund Limited. It provides detail on the responsibilities of the directors and the investment objectives and principles which they have set for the MAP. A full copy of the SIP is available on the Nuclear Liabilities Fund Limited website.

Deposits in the NatLF are also reviewed on a monthly basis, balancing immediate cash flow needs and views on interest rates with the aim of maximising the interest which can be earned. Turning to the MAP, the well-diversified approach, drawing on both liquid and illiquid assets, has weathered the challenging investment environment throughout the year successfully.

Over the three years (2017–2020), the Liquid Portfolio has significantly underperformed its target KPI, with an actual three-year return of -1.2%, but has outperformed its benchmark three-year return of -3.3%. The Illiquid Portfolio has outperformed its KPI, with an actual three-year return of 8.0% compared to its benchmark three-year return of 6.2%.

In line with the directors' aims for the MAP, each part has also been well-diversified across types of asset which are expected to react differently in the range of economic scenarios which may present themselves. Indeed, the performance of the two parts of the portfolio relative to their benchmarks masks considerable variations of performance across the underlying asset types and managers.

The Liquid Portfolio was severely adversely affected in March 2020 as global markets tumbled rapidly and volatility spiked amid fears over the public health crisis triggered by the COVID-19 pandemic and expectations of a global recession, thus ending the 11 year bull market. However, after the fiscal year end, stocks did rebound and had their strongest quarter since 1998. We remained invested to reap the benefit of the rebound.

## Target Returns

The target return for the total fund for the fiscal year 2019–20 was 5.7%. For the fiscal year 2020–21 we need to achieve a return of 4.9%.

The target return for the MAP for the fiscal year 2019–20 was 7.5%. For the fiscal year 2020–21 it is slightly lower, at 7.3%.

The target returns for the fiscal year 2020–21 are lower than previous years due to the increase in funds held in the National Loans Fund following the new funding provided by BEIS in July 2020.

The Illiquid Portfolio was less severely affected in March 2020 mainly because the severe market stress occurred late in the quarter and the impact on the Illiquid Portfolio will take longer to impact valuations. However, the illiquid portfolio is not so exposed to demand risk so has broadly been resilient.

*The Illiquid Portfolio  
three-year return of 8.0% p.a.  
was above its three-year  
benchmark return  
of 6.2% p.a.<sup>9</sup>*

<sup>9</sup> It should be noted, both the Liquid and Illiquid Portfolios three-year returns are compared to market benchmarks, whereas the MAP and total portfolio three year returns are compared to a target return based on the required return to meet the expected liabilities in full (gross of tax, net of fees).

<sup>10</sup> Revalorisation is adjustment for inflation.

## 2 Liabilities

During the fiscal year 2019–20 EDFE's undiscounted liabilities increased by £2.4bn, from £20.5bn to £22.9bn.

The main factors affecting this change were:

- an increase of £2.1bn as a result of a revision to the decommissioning liabilities based on an updated estimate of the cost of defuelling the AGRs (This is dealt with further later in this Report.)
- revalorisation (+£311m)<sup>10</sup>
- discharge of liabilities (-£27m).

In accordance with the requirements of the NLFA, EDFE made a contribution to the fund and its administration of £23m in the fiscal year 2019–20.

The Nuclear Liabilities Fund Limited made payments to EDFE during the year for work carried out in respect of AGR defuelling and decommissioning preparation (£18m), and management of spent fuel at Sizewell B (£19m). These amounts were confirmed to the directors as qualifying payments under the NLFA by the NLA team prior to payment.

In last year's Annual Report, it was indicated that during the second half of the fiscal year 2019–20 EDFE were scheduled to update their Baseline Decommissioning Plan and Uncontracted Liabilities Discharge Plan, together referred to as the Lifetime Plan. In the event a major revamp of the agreements which underpin the payment of monies to EDFE from NLF in respect of the discharge of qualifying decommissioning liabilities has been undertaken between EDFE, BEIS and NLF. This has resulted in an agreed deferral to an update to the plans which underpin EDFE's liabilities.

The revamp of the agreements is under discussion in recognition of the fact that the scheduled closure of the first of EDFE's AGRs is imminent (2022), and an agreement between the parties that the suite of agreements that underpin the overall arrangements would benefit from an update. The update has been based upon an agreed 'Statement of Principles', and the process is nearing completion. Some key aspects of the revised arrangements are:

- the development of a revised Nuclear Liabilities Funding Agreement ('NLFA') (to which the Nuclear Liabilities Fund Limited is a party), which aims to clarify issues in the original Agreement
- the incorporation of incentivisation arrangements into the revised NLFA, which provide EDFE with the opportunity to achieve incentive payments of up to £100m if agreed defuelling performance targets are met. These are balanced by 'penalty' payments of up to £100m for failure to meet minimum defuelling performance targets

- the exercise by BEIS of the option to transfer ownership of each of the AGRs to NDA Magnox shortly after completion of defuelling at each of the stations. NDA Magnox will from that point assume responsibility for completing decommissioning of each of the AGRs
- the introduction of a new agreement, the Cooperation Agreement, which defines the arrangements for EDFE and NDA Magnox to work together to deliver a seamless transfer of ownership of the AGRs
- the potential for delivering liability reductions by taking advantage of potential synergies between the AGR and Magnox fleets as ownership of the AGRs is transferred to NDA Magnox.

It is expected that the revised agreements will formally be in place by February 2021. The Nuclear Liabilities Fund Limited will only be party to the revised NLFA. A number of the other agreements will however have an impact on ongoing relationships and qualifying liabilities so will still have an impact on the fund.

*During the fiscal year 2019–20 undiscounted liabilities increased by £2.4 billion.*

Infrastructure investments include UK schools.



During the past year the Nuclear Liabilities Fund Limited has continued to play a role in monitoring EDFE's liabilities through participation in both the NLC and the DSP. These bodies were set up following the 2015 HM Government AGR and PWR Nuclear Liabilities Review, and are designed to encourage more efficient management of EDFE's decommissioning liabilities. Both these bodies have continued to enable and encourage external challenge of both the detailed approaches and the programmes being developed to underpin decommissioning of the plants.

The NLC met twice during the year and covered a wide range of topics, including development of EDFE's organisational arrangements to deal with decommissioning and progress with EDFE's Innovation programme designed to provide more certainty in the decommissioning arrangements with the main focus being on defuelling and waste management issues. The NLC also reviewed EDFE's development of its Care and Maintenance and Waste Management strategies and importantly considered the opportunities for leveraging synergies and organisational efficiency gains arising from the planned transfer of ownership of the AGRs from EDFE to NDA Magnox.

The DSP, which provides governance over the important AGR defuelling development programme also met twice during the year. In addition EDFE and Sellafield Ltd have continued to provide the NLF with detailed briefing sessions to allow the board to maintain an appropriate level of understanding of the Advanced Gas Cooled Reactor Operating Programme ('AGROP'). The AGROP is a collaborative programme between EDFE, Sellafield Ltd and Direct Rail Services Ltd.

The objectives of this programme are to:

- enable the minimum AGR defuelling timescales
- ensure best overall value for the UK tax payer
- take account of ongoing operational and generation requirements.

The board continues to be impressed by the progress being made in delivering the AGROP, and by the excellent collaborative behaviours between the three partners.

The board visited Hinkley Point B in July 2019. The visit was aimed specifically at helping the Trustees gauge the level of preparation for decommissioning at the station, since Hinkley Point B is one of the first stations scheduled to be shut down. Site visits are a useful opportunity for the board to see how plants and processes work in practice, and in this particular case to examine the level of engagement with staff regarding the challenging transition from operations to decommissioning. The Trustees were impressed by the openness of all EDFE staff involved in the visit, from all levels of the station organisation, and with the focus on preparing the plant for defuelling. The visit provided the Trustees with comfort that the station leadership and staff are properly focused on meeting the decommissioning challenge.

*During the past year the Nuclear Liabilities Fund Limited has continued to play a role in monitoring the liabilities through participation in both the NLC and the DSP.*

### **A look forward on liabilities**

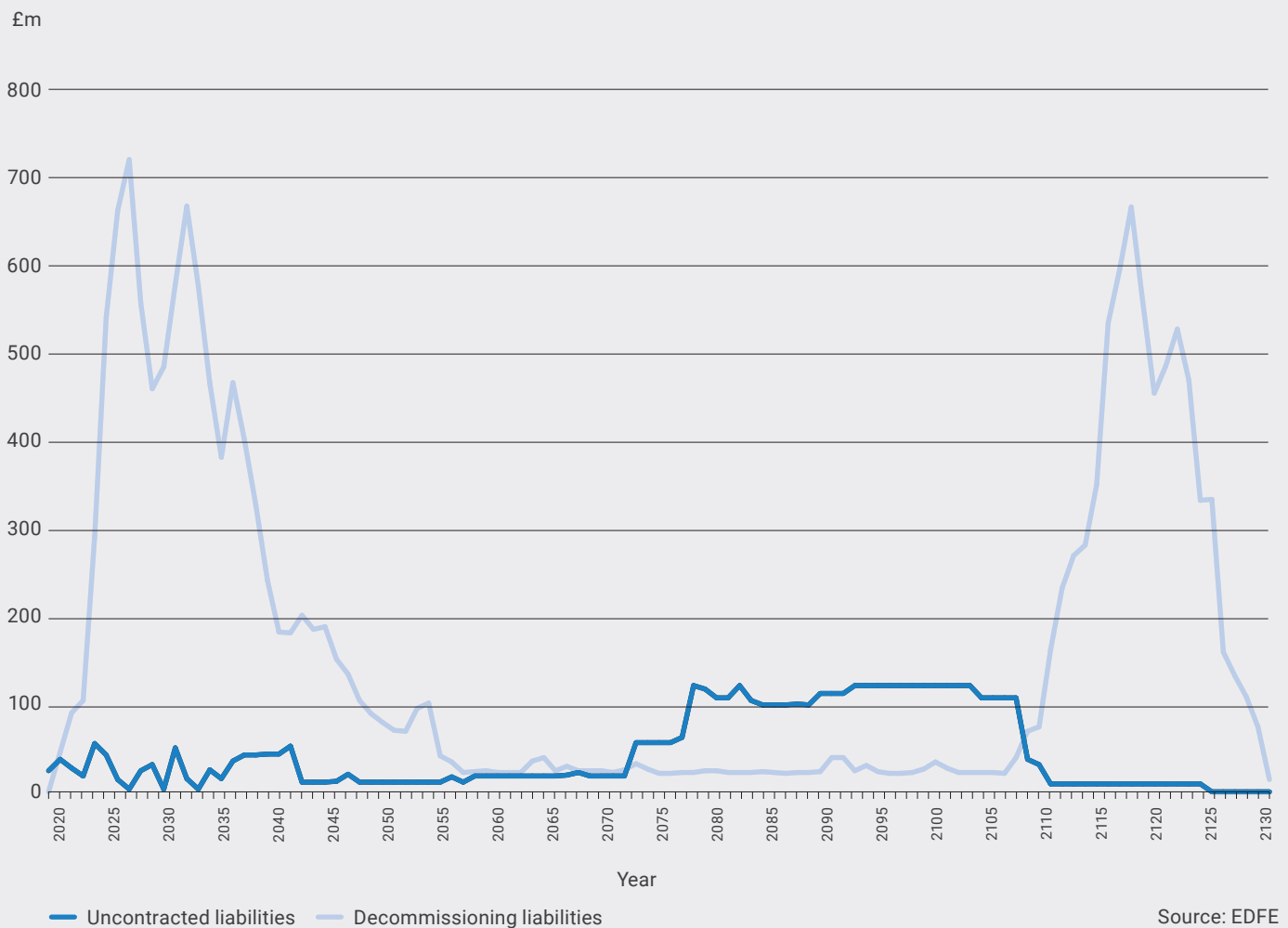
The directors will continue to work with EDFE and also challenge the approaches to decommissioning the EDFE fleet of nuclear power stations through formal routes and by engaging with relevant stakeholders. An important near term area of focus is the ongoing negotiations on the revised NLFA. The other main areas of focus for the NLF over the next 5-year period will be:

- engaging with BEIS to maintain an adequate level of awareness of potential policy changes which might affect the decommissioning liabilities associated with the current EDFE fleet of nuclear stations
- continuing engagement with NDA on decommissioning, and in particular developing relationships with NDA Magnox in light of the planned transfer of ownership of the AGRs to them
- continuing engagement with both the NLC and the DSP to ensure that there continues to be proper challenge to the proposed arrangement for decommissioning the EDFE fleet of nuclear stations.

The update of the Lifetime Plans (now called the Decommissioning Plan Submissions) is planned to complete in December 2021. In the meantime, it was agreed that the liabilities associated solely with defuelling the AGR fleet (which were about 10% of the total EDFE liabilities) would be reviewed during 2019/20, to provide support for the new incentivisation arrangements. This review has completed, and as noted above has resulted in an increase in these estimated liabilities of £2.1bn.



## Projected annual expenditure to discharge the liabilities



Year (2019–2130)	Total (£m)
Uncontracted liabilities	4,822
Decommissioning liabilities	18,061
Total undiscounted liabilities	22,883

This chart illustrates the projected annual expenditure to discharge the liabilities (calculated on an undiscounted, P80 basis and in pounds sterling as at December 2019) through to final disposal of waste streams.

It assumes defuelling and initial de-construction, a period of care and maintenance (this is known as safestore), and thereafter site remediation to a state ready for reuse (together called decommissioning).

It also plots projected annual expenditure on discharging liabilities related to spent AGR fuel loaded before the restructuring of British Energy in 2005 and all PWR fuel loaded at Sizewell B (Uncontracted Liabilities).

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## Strategic report

# Principal risks and uncertainties

The Nuclear Liabilities Fund Limited faces technical, investment, governance and operational risks.

During the course of the year the fund reviewed the approach to risks, with the risk register being split into three:

- liability risk register
- investment risk register
- operational and governance risk register.

Responsibility for the risk registers is delegated to committees and certain directors, however the consideration of risk is a matter for the board and the risk registers are subject to bi-annual review by the board.

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### Technical risks

The Nuclear Liabilities Fund Limited maintains its own technical decommissioning risk register, which contains those risks which the board considers might impact EDFE's costs of decommissioning over the next 100 years. These risks are identified by maintaining a dialogue with EDFE, BEIS, NLA and NDA. Reports on the most significant risks are presented to the board bi-annually, and where necessary, further work is commissioned to understand better the potential impact of particular risks on fund sufficiency.

The first planned station shutdown for decommissioning is now only thirteen months away. As the stations come nearer to end of life there is a higher risk of early closure due to technical challenges arising late in life. The planning process and updates to the decommissioning plans including the estimates of the liabilities have become more detailed, resulting in increases in decommissioning costs.

Entry to the decommissioning phase will bring a major change in activity levels and Nuclear Liabilities Fund Limited cash flows. There is a risk of the liabilities increasing as EDFE's work programme for decommissioning evolves from provisioning estimates into executable plans. Decisions taken by external bodies such as the Office for Nuclear Regulation and HM Government regarding the timescales or requirements for decommissioning may also affect the liabilities. Contact is maintained regularly with the various organisations which can impact on the size of the liabilities.

*The most important challenge to the directors has been the need to invest the fund so that it will produce sufficient returns to fulfil its purpose.*

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### Investment risks

An important challenge to the directors has been the need to invest the fund so that it will produce sufficient returns to fulfil its purpose.

The fund is a long-term investor and the directors aim to balance the desire to maximise the returns from the MAP with a professional investment approach which manages risks.

The approach is set out in Note 13 'Financial Risk Management' to the financial statements.

The Investment Risk Appetite Statements support this approach. They provide guidelines for the fiduciary manager to establish how the asset allocation of the Nuclear Liabilities Fund Limited will develop over the future.

The Investment Risk Appetite Statements were reviewed during the year and are set out on the next page. The board and investment committee work together, with advice from our fiduciary manager, to set and implement the Nuclear Liabilities Fund Limited's investment strategy within this appetite.



## Governance and Operational Risks

Governance and operational risks are now split into a separate risk register enabling an increased focus. The directors strive to uphold a high standard of internal governance and carefully monitor governance risks which may arise from external influence or intervention.

Operational risk management centres around the Nuclear Liabilities Fund Limited's organisational structure and how we work on day-to-day business matters. As a number of key operations are outsourced, management of service provider relationships is an important aspect of operational risk management. The key operational risks are managed through oversight provided by the audit and the investment committees.

The audit committee is responsible for the management of the fund's governance and operational risk registers.

*Considerable work has been undertaken during the course of fiscal year 2019–20 to set out a risk governance framework.*

## Investment Risk Appetite Statements

### The board has a:

- 1 High appetite to take a level of investment risk that maximises the probability of the fund's sufficiency but within the bounds of prudence.
- 2 High appetite for investments selected to deliver positive Environmental, Social and Governance outcomes, as well as to have a high degree of awareness of the United Nation's Sustainable Development Goals.
- 3 High appetite to continue to work with the HMT, BEIS and UKGI to diversify the funds currently held in the National Loans Fund to achieve a return sufficient to pay all liabilities as they fall due<sup>11</sup>.
- 4 Low appetite for the failure of the Mixed Assets Portfolio to meet its return target in the next 3 years.
- 5 Low appetite for concentration of risk positions in the Mixed Assets Portfolio, while making meaningful allocation to each type of asset.
- 6 High appetite for illiquidity in the Mixed Assets portfolio whilst there is a material allocation of assets to the liquid National Loans Fund.
- 7 Low appetite for embarrassment and reputational risk, reflecting the desired standards of a public body.
- 8 Medium appetite to focus NLF investments in the UK, supporting the UK Government.
- 9 High appetite for transparency and understanding, and a low appetite for operational complexity (including taxation treatment).

<sup>11</sup> Risk Statement no 3 is under review following the Agreement between The Commissioner of Her Majesty's Treasury and the Secretary of State for Business, Energy and Industrial Strategy and Nuclear Liabilities Fund Limited dated 23 June 2020.

## Directors' report

# For the year ended 31 March 2020

The directors present their Annual Report together with the financial statements and auditor's report for the year ended 31 March 2020.

### Results

**In the fiscal year 2019–20 Nuclear Liabilities Fund Limited's assets held to meet the qualifying liabilities increased by £28,741,439 to £9,374,257,268 (in the fiscal year 2018–19 the increase was £141,420,389 to £9,402,998,707).**

At this early stage in the Nuclear Liabilities Fund Limited's life, the directors cannot be sufficiently assured of sufficiency to consider paying dividends for some time. No dividends have been paid or proposed for this year or the prior year.

### 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 in accordance with provisions of the NLFA. Accordingly, in the directors' opinion, a more meaningful method of presenting the financial statements would be to use a fund account approach as follows:

	2020 £	2019 £
<b>Assets less liabilities held to meet qualifying liabilities – value at start of the year</b>	9,402,998,707	9,261,578,318
Contributions from EDFE	22,478,275	12,750,380
Amounts payable to EDFE	(58,099,388)	(14,600,173)
Operating profit on ordinary activities before tax	16,924,964	172,811,011
Tax on profit on ordinary activities	(10,045,290)	(29,540,829)
<b>Assets less liabilities held to meet qualifying liabilities – value at end of the year</b>	9,374,257,268	9,402,998,707

## Principal activity and review of business

The principal activities of the Nuclear Liabilities Fund Limited are 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. The Review of the Year section provides further detail on the fund's activities during the course of the fiscal year 2019–20, both from the investment and the liabilities perspectives. An indication of likely future developments is provided on page 14. Furthermore, the key technical and investment risks facing the fund and the Risk Appetite Statements are covered in the Principal Risks and Uncertainties section above.

The directors consider the result for the fiscal year 2019–20 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.

## Directors

The following directors served during the year:

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**Mr R Wohanka**

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**Mr R Armour**

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**Mrs S Bridgeland**

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**Mrs C Cripps**

---

**Dr P Neumann**

In their capacity as trustees of the Nuclear Trust (a public trust established under Scots Law by a deed dated 27 March 1996 between EDFE and the Secretary of State for BEIS and as amended by a deed dated 12 January 2005), the trustees jointly have a legal interest in 98 Ordinary Shares of £1 each in the Nuclear Liabilities Fund Limited.

### Appointments

Following the end of the fiscal year 2019–20, Sally Bridgeland stepped down from the board at the end of her term and Margaret Stephens was appointed as a director with effect from April 2020.

### Company Secretary

Mrs M Hope served as company secretary during the year.

## 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
- 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

Grant Thornton UK LLP has been reappointed as the company's auditor for the financial year ending 31 March 2020.

### Donations

The Nuclear Liabilities Fund Limited has not made any political or charitable donations or incurred any political expenditure during the financial year.

## Directors' report

# Governance

The directors are committed to high standards of corporate governance to ensure that the Nuclear Liabilities Fund Limited is appropriately set up and prepared for future challenges.

### The UK Corporate Governance Code 2018

The Nuclear Liabilities Fund Limited is expected to comply with the UK Corporate Governance Code 2018 (the 'Code'), or to specify and explain any non-compliance in this Report. The directors believe that the adoption of the Code, so far as it is relevant to the Nuclear Liabilities Fund Limited, is a means of embedding best practice in corporate governance. The directors consider that for the fiscal year 2019–20 Nuclear Liabilities Fund Limited was compliant with the Code so far as it is relevant to a non-traded public sector company.

### Section 172 Statement

#### S172 Directors' Duties

The directors have regard to the interests of the Nuclear Liabilities Fund Limited's stakeholders and the impact of decisions on the environment, on the British public, on taxpayers, on the Government and on the confidence in the nuclear industry. The directors, acting fairly and in good faith, consider what is most likely to promote the success of the company in the long term.

- Read about stakeholder engagement on page 7.
- Read about how we manage risks on pages 16 and 17.
- Read about our governance on pages 20 and 21.

and Industrial Strategy may remove any of the A directors and EDF Energy may remove any of the B directors.

The board has three committees: Audit, Investment, and Remuneration and Nomination. These committees ensure appropriate oversight in each area and report to the board. The board and the committees receive appropriate information in order for the board to form judgements, this includes:

- updates on financial performance
- updates on the Nuclear Liabilities Fund Limited's financial position, including expenditure to date and forecasts against budget
- from time to time, briefings on relevant topics (investment or liabilities related)

The board takes note of the targets and objectives given to it by UKGI, acting on behalf of the Secretary of State, BEIS, in the annual letter issued to the chair setting out objectives and priorities. These objectives cover the areas of: asset investment and management; stewardship of the board; strategic liability challenge; and stakeholder engagement. Key performance indicators are set to help monitor and assess performance. Investment key performance indicators are reported on pages 9 and 10.

### Corporate governance

In addition to the Code (see box), the directors refer to the Wates Principles where applicable to a non-listed entity, the Corporate Governance Code for Central Government Departments and the Code of Conduct for board Members of Public Bodies where these are relevant for a public trust such as the Nuclear Trust and its subsidiary the Nuclear Liabilities Fund Limited.

### Appointment and removal of Directors

The three A directors of the Nuclear Liabilities Fund Limited are the three trustees of the Nuclear Trust appointed by the Secretary of State for Business, Energy and Industrial Strategy. The two B directors are the two trustees of the Nuclear Trust appointed by EDF Energy. Under the Articles of Association the Secretary of State for Business, Energy

The board also takes note of the need to present a fair, balanced and understandable assessment of the Fund's position and prospects. It takes note of the guidance from the Sharman Report that going concern considerations should be considered taking an appropriately prudent view of future prospects.

The board has put in place arrangements to manage any conflicts of interest. As part of this each director has disclosed, at the outset of their term as director and again prior to each board meeting, any direct or indirect conflicts of interest. The directors' key outside interests are noted in their biographies on pages 25, 26 and 27.

Each of the directors has been granted an indemnity in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors to the extent permitted by law and the company's Articles of Association.

## Board effectiveness review

In Spring 2020 an internally facilitated review of board effectiveness was carried out. All members of the board, key advisers and stakeholders responded to a series of questions. The review found that the board gets the balance right between focussing on investment and liabilities and has good communication and engagement with its key stakeholders. The board continues to benefit from a diverse membership both in terms of gender and experience. The directors collectively have a wide range of skillsets and expertise in financial services, the investment sector, accountancy, legal, governance, nuclear engineering and pensions management. They are supplemented by the board's investment adviser, Nigel Webber and the board's technical adviser, Paul Crow.

Recommendations from the 2019 review around maintaining appropriate skillsets; preserving current stakeholder

## Board Effectiveness Review 2020

The review highlighted the following key areas for focus:

- i. Stakeholder management in the changing environment
- ii. Ensuring focus on and planning around strategic decisions
- iii. Ongoing focus on investment management
- iv. Ongoing review and strengthening of controls, processes and management of outsourced services.
- v. Consideration of appropriate executive resource for the fund.

engagement practices; and clarifying and communicating the board's role with regards to both investments and liabilities have been implemented. The board continues to consider carefully board succession and the potential to supplement executive resources for the Nuclear Liabilities Fund Limited as the first group of the AGR stations approach end of generation.

The 2020 review noted the continued commitment of the directors to the Nuclear Liabilities Fund, in particular noting the Chair's efforts with regards to securing a solution to the issues around fund sufficiency. Looking ahead, the increased activity of the fund and the growing time commitment required of directors makes it sensible to continue to ensure clarity with regards to executive and non-executive roles, aiming for excellence in independent oversight. The directors should, in the future, be supported by an appropriately sized executive management team and continue to work with advisers to ensure they are used in the most optimal way. The recommendations continue to be developed in discussion with the fund's stakeholders during the fiscal year 2020–21.

## The Investment Committee

During the fiscal year 2019–20 the investment committee comprised three directors: Mrs S Bridgeland, Mrs C Cripps and Mr R Wohanka. Mrs S Bridgeland was chair. After the end of the fiscal year, Mrs S Bridgeland stepped down from the board and Mrs C Cripps took on the role of chair of the investment committee. At this time, Mr R Armour and Dr P Neumann joined the investment committee, meaning that the investment committee comprised the whole board. Mrs M Stephens, who joined the board in April 2020, also joined the investment committee. The committee is supported by an independent investment adviser who provides an additional layer of challenge and scrutiny, both to the investment activities of the Nuclear Liabilities Fund Limited and its incumbent advisers. As the primary purpose of the fund is to receive and hold monies, investments and other assets, all material investment matters, including changes to investment strategy and asset classes, approval of the Statement of Investment Principles and appointment of advisers, are reserved to the board for determination.

The purpose of the investment committee is to conduct the detailed monitoring of the MAP, deal with the re-investments in the NatLF, meet the fiduciary manager on a regular basis, and perform the initial analysis and information gathering required to provide recommendations to the board on key investment decisions. The investment committee meets at least six times during the year and holds ad hoc meetings in response to emerging events, both internal and external, affecting fund returns and prospects.

## The Audit Committee

During the fiscal year 2019–20 the audit committee comprised Mr R Armour, Mrs C Cripps and Dr P Neumann. Mrs C Cripps was chair.

After the end of the fiscal year, Mrs C Cripps stepped down from both the role of chair and membership of the audit committee. Mr R Armour, who had previously held the role of chair of the audit committee, stepped in to be chair of the audit committee from 1 April to 1 July 2020. Mrs M Stephens, who joined the board in April 2020, is now the chair of the audit committee.

The board considers that the members of the audit committee have sufficient recent and relevant experience in order for it to perform its functions effectively, noting in particular that Mrs C Cripps and Mrs M Stephens are qualified chartered accountants and have relevant financial expertise and experience in other organisations of service on audit committees. The committee met four times during the year and also held additional separate meetings on accounting and audit matters. The Nuclear Liabilities Fund Limited outsources accounting and book-keeping to BDO LLP. BDO are overseen by the audit committee and representatives of BDO attend the audit committee meetings. From time to time the external auditor also attends a number of meetings to report on the quality of accounting procedures and their findings in connection with the statutory audit.

The audit committee is responsible for monitoring the integrity of the Nuclear Liabilities Fund

Limited's financial reporting and interim management accounts, and for reviewing and making recommendations to the board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by Grant Thornton UK LLP, the external auditor. The most material matters which the committee considered in connection with the Nuclear Liabilities Fund Limited's financial statements include portfolio valuation and materiality. Consequently, the audit committee has undertaken steps to satisfy itself, and the board, as to the robustness of the audit procedures around the verification of the portfolio valuations used in the Nuclear Liabilities Fund Limited's financial statements. It relies on the investment committee overseeing the process whereby the fund managers are selected and monitored. The fund's fiduciary manager performs operational due diligence on these fund managers which includes a review of the valuation policy they have in place.

## The Remuneration and Nomination Committee

The remuneration and nomination committee comprises the whole board, reflecting the need for unanimity of outcomes and the comparative infrequency of meetings. The committee met four times during the financial year. The committee's role is to make recommendations to the board and the Special Shareholders on the composition of the board, the skills mix required for potential candidates, plan for succession and to monitor remuneration arrangements for both

directors and Nuclear Liabilities Fund Limited employees. Looking forward, as EDFE ramps up its preparations for defuelling, the demands on the directors and current executive will increase and the committee is considering the appropriate executive resource to cover the Nuclear Liabilities Fund Limited's activities.

## The board

The directors meet regularly to review the overall affairs of the Nuclear Liabilities Fund Limited and to consider business specifically reserved for the board's decision. Six board meetings were held during the course of the year (in addition to matters discussed by conference call) together with many other meetings between various board members, advisers, officials from UKGI, BEIS, the NDA, EDFE and others. The directors meet regularly with their advisers and keep in frequent contact with industry bodies, technical specialists and regulators as appropriate. In order to form judgements, the directors receive extensive data ahead of each board meeting. This includes (but is not limited to):

- portfolio performance data provided by the fund's fiduciary manager;
- the investment risk dashboard;
- risk registers (bi-annually); and
- quarterly management accounts.

The attendance of directors at formal meetings of the board, the investment committee, audit committee, and remuneration and nomination committee in the year is set out in the table opposite.





	Board Meetings – 6	Investment Committee Meetings – 6	Audit Committee Meetings – 4	Remuneration and Nomination Committee Meetings – 4
Mr R Wohanka	6	6	n/a	4
Mr R Armour	6	2(2)	4	4
Mrs S Bridgeland	6	6	n/a	4
Mrs C Cripps	6	6	4	3
Dr P Neumann	6	2(2)	4	4

Mr R Armour, Dr P Neumann, Mrs S Bridgeland and Mrs C Cripps were engaged as directors during the fiscal year 2019–20 and each received £28,500 per annum and Mr R Wohanka was employed as chair during the fiscal year and received £31,200 per annum.

### Internal financial controls

The directors have overall responsibility for the internal financial control systems of the Fund.

These systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which decisions are made and that the assets of the Fund are safeguarded.

They are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The board oversees the operation of these financial controls mainly through the monitoring of the investment strategy and regular reviews of the financial results and investment performance. The board has contractually delegated to external agencies, including investment managers, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), and the day to day expense management and accounting and certain company secretarial requirements.

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

The investment committee receives updates from the fiduciary manager regarding the quality and effectiveness of the accounting records and management information maintained on behalf of the Nuclear Liabilities Fund Limited and any issues are escalated to the board. The board reviews the quarterly and annual accounts. The audit committee reviews the nature, scope and findings of the external audit with material issues being highlighted to the board.

The directors continually review the key commercial and financial risks that might affect the Fund. Further details on financial risk management are stated in note 13 to the financial statements.

*The fiduciary manager monitors the operational performance of underlying managers on behalf of the Nuclear Liabilities Fund. This includes reviewing the quality of management information.*

### 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, EDFE's decommissioning liabilities that are expected to fall upon the Fund over the next three years amount to approximately £392m. The Fund is well placed to meet these costs over the next three years as it has considerable cash resources available to it. In accordance with the NLFA, HM Government will be responsible for meeting these costs and liabilities to the extent that the Fund does not have sufficient assets available to it. The directors are satisfied that it is appropriate to prepare the annual report and accounts on a going concern basis.

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



**Richard Wohanka**

Chair

Citypoint  
65 Haymarket Terrace  
Edinburgh EH12 5HD

4 November 2020

## Directors

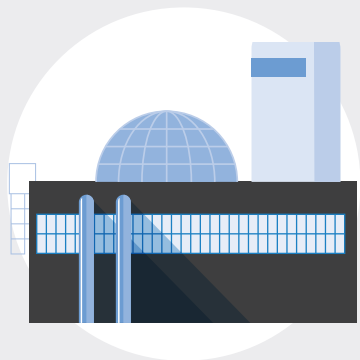
# Statement of Directors' responsibilities

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 (IFRS) 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 IFRS 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
- 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 to 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.

To the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the board and signed on its behalf by:

**Richard Wohanka**  
Chair

4 November 2020

The directors of the Nuclear Liabilities Fund Limited for the fiscal year ending 31 March 2020 were the five trustees of ‘The Nuclear Trust’.



### Richard Wohanka

Director

Chairman

Chair of the Remuneration and Nomination Committee

Member of Investment Committee

Appointed by HM Government, in January 2012 and assumed chairmanship of the fund in November 2016.

Richard is currently chairman of the board of trustees of the Pension Super Fund. He also sits on the boards, as a non-executive director, of the following companies : Union Bancaire Privée Japan and Pershing Square Holdings. He is also a trustee of the James Neill pension plan.

With more than twenty years' experience in asset management, Richard has an impressive track record of successfully growing the businesses he ran. A specialist in international finance, he was CEO of Asset Management and Alternative Investments at Union Bancaire Privée, CEO of Fortis Investment Management from 2001 to 2009 and CEO of WestLB Asset Management from 1998 to 2001. Before this, he worked for thirteen years with Banque Paribas, three of which he spent as CEO of Asset Management.

Richard is multilingual and is an economic history graduate of both Harvard and Cambridge.



### Robert Armour, OBE

Director

Member of Audit Committee

Member of the Investment Committee

Member of the Remuneration and Nomination Committee

Member of the Nuclear Liabilities Committee

Robert Armour was appointed a Director/Trustee of the NLF in June 2013, having been nominated by EDF Energy.

Robert currently holds a number of non-executive appointments including Albion Community Power, Brockwell Energy Group, Eneus Energy and Opportuneo. He is a senior counsel at Gowling WLG, an international legal practice.

Previously, Robert was deputy chairman of Nugen, Chair of the Scottish Council for Development and Industry and Smarter Grid Solutions, General Counsel at British Energy Group and its predecessor companies (1990–2009) and was formerly a member of the board of the Oil and Gas Authority. He was awarded an OBE for services to the electricity industry in 2007.



## Dr Peter Neumann, MIMMM, CEng

Director

Member of Audit Committee

Member of the Investment Committee

Member of the Remuneration and Nomination Committee

Member of the Nuclear Liabilities Committee and the Defuelling Steering Panel

Peter Neumann was appointed as a Director/Trustee of the NLF in December 2014, having been nominated by EDF Energy.

Peter has 45 years' experience in the nuclear power generation business in the UK, and held a range of senior positions in British Energy/EDFE (Nuclear Generation) and its predecessors before retiring in 2008. Amongst these senior positions was Deputy Head of Engineering and Head of Design Authority. Peter played a leading role in providing solutions to the biggest technical and nuclear safety challenges faced by the UK's fleet of Advanced Gas Cooled Reactors during his period in the industry, in many cases leading teams to provide these solutions.

Peter continued to support EDFE as a Senior Consultant, providing independent oversight on the company's approach to a range of business critical technical and non-technical issues prior to joining the NLF board. In addition, up until 2016, Peter was also Chairman of the MOD's Research Programmes Group, which provides independent advice to the MOD's Chief Scientific Adviser on the adequacy of their research programmes in the area of nuclear propulsion.



## Catherine Cripps

Director

Chair of Investment Committee

Member of the Remuneration and Nomination Committee

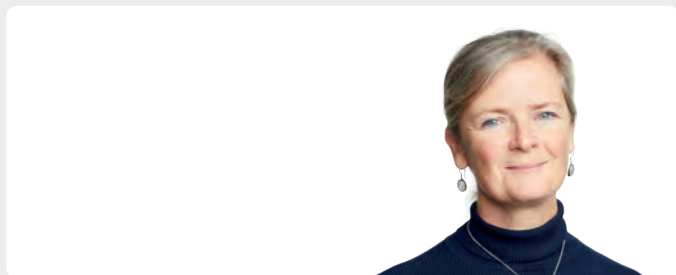
Catherine Cripps was appointed as a director and trustee by HM government in November 2017.

Catherine has had a long career in financial services, qualifying as a Chartered Accountant (ICAEW) in 1989.

Currently, Catherine is a non-executive director of Goldman Sachs International and Goldman Sachs International Bank and sits on the board Risk Committee for both. She is also a non-executive director of CQS Management Ltd., a c\$18bn credit-focused multi-strategy asset manager, where she chairs the Remuneration Committee and sits on the Audit Committee and she is a non-executive director of Merian Global Investors Ltd. and Merian Global Investors Holdings Ltd. which was sold to Jupiter Fund Management plc on 1 July 2020.

Catherine was an Investment Director at GAM from 2006 to 2011 where she was Head of Research for the Multi-Manager team and head of the Segregated Accounts business. Prior to GAM, Catherine was CEO of a multi-strategy fund of hedge fund manager, Aida Capital Limited, which she joined shortly after its inception in 2001. Previously, she held various positions in equity derivatives trading, risk management and product control at different investment banks, including Credit Suisse and Bankers Trust. Between 1995 and 1998 Catherine was based in Asia, both Hong Kong and Singapore.

Catherine holds an MA in Physics from Oxford University and has recently completed a period of postgraduate research at Imperial College, London, specialising in Quantum Information.



## Sally Bridgeland

Director (retired April 2020)

Chair of Investment Committee

Member of the Remuneration and Nomination Committee

Sally Bridgeland was appointed as a director and trustee by HM government in April 2017.

Sally Bridgeland stepped down from the board at the end of her term and Margaret Stephens was appointed as a director with effect from April 2020.

Sally is an actuary with extensive pensions and investment experience as an adviser, trustee and non-executive director.

Sally works with the UK's largest pension schemes in organisational effectiveness and governance projects with Avida International. She is a non-executive director at insurer Royal London Mutual, at Impax Asset Management plc and Local Pensions Partnership (LPP) Limited, where she chairs its FCA regulated investment company.

Until recently Sally was a trustee at both NEST Corporation and the Lloyds Bank pension schemes. She was Chief Executive Officer of the BP Pension Scheme in the interesting years of 2007–14 after twenty years with Aon Hewitt working both as a pensions and investment consultant and in research and innovation.

Sally is an Honorary Group Captain in 601 Squadron of the Royal Auxiliary Air Force and a trustee of the RAF Central Fund. She serves on the Royal Society's Advisory Committee on Maths Education (ACME) and chairs the Strategic Advisory Board of Loughborough University's Centre for Mathematical Cognition.

She is a past Chair of the Worshipful Company of Actuaries' Education Committee and was the first female Master Actuary (July 2016 – July 2017).



## Melissa Hope

Executive Secretary

Melissa Hope was appointed as Company Secretary and executive for the fund by the directors in November 2017.

Melissa is a qualified lawyer, starting out in private practice. Prior to joining NLF she held a variety of roles, both legal and commercial, at SSE plc. Melissa spent 4 years in SSE's venture capital team. This included working on the formation of and SSE's ongoing involvement in two clean energy funds managed by Scottish Equity Partners. Melissa has wide energy industry experience, in particular working on high value, complex commercial transactions and managing diverse stakeholder interests.

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## Independent auditor's report

# Independent auditor's report to the members of Nuclear Liabilities Fund Limited

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### Opinion

We have audited the financial statements of Nuclear Liabilities Fund Limited for the year ended 31 March 2020, which comprise Statement of comprehensive income, Statement of financial position, Statements of changes in equity, Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Nuclear Liabilities Fund Limited's affairs as at 31 March 2020 and of its results for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Nuclear Liabilities Fund Limited in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Nuclear Liabilities Fund Limited's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Nuclear Liabilities Fund Limited's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Nuclear Liabilities Fund Limited's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Nuclear Liabilities Fund Limited's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Nuclear Liabilities Fund Limited's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Nuclear Liabilities Fund Limited will continue in operation.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Nuclear Liabilities Fund Limited and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.



## Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Nuclear Liabilities Fund Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Nuclear Liabilities Fund Limited or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Nuclear Liabilities Fund Limited'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 Nuclear Liabilities Fund Limited'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 Nuclear Liabilities Fund Limited and the Nuclear Liabilities Fund Limited's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

**Paul Flatley**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP Statutory Auditor, Chartered Accountants

London

4 November 2020

## Financial statements

# Statement of comprehensive income for the year ended 31 March 2020

	Notes	2020 £	2019 £
Investment income	2	77,905,589	65,368,532
Realised and unrealised (losses)/gains on financial assets at fair value through profit and loss	8	(45,378,201)	112,689,979
Realised and unrealised (losses)/gains on investment properties	7	(5,223,508)	1,059,367
Net foreign exchange (losses)/gains		(697,066)	252,722
Investment expenses	3	(8,614,520)	(5,738,141)
Administrative expenses		(1,067,330)	(821,448)
Other operating income		-	-
<b>Operating profit on ordinary activities before qualifying liabilities provision and taxation</b>	4	16,924,964	172,811,011
Transfer to qualifying liabilities provision	14	(6,879,674)	(143,270,182)
<b>Profit on ordinary activities before tax</b>		10,045,290	29,540,829
Tax on profit on ordinary activities	6	(10,045,290)	(29,540,829)
<b>Financial result and total comprehensive income for the year</b>		-	-

The accompanying notes and accounting policies on pages 34 to 61 form an integral part of these financial statements.

## Financial statements


Statement of financial position  
at 31 March 2020

	Notes	2020 £	2019 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	7	104,325,000	106,780,000
Financial assets at fair value through profit and loss	8	2,743,933,740	2,540,442,037
Other receivables	9	-	4,264,005
		2,848,258,740	2,651,486,042
<b>CURRENT ASSETS</b>			
Other receivables	9	34,091,632	12,939,280
Cash and cash equivalents	10	6,529,065,152	6,769,777,794
		6,563,156,784	6,782,717,074
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	(34,681,598)	(8,040,277)
Corporation tax payable		-	(13,154,258)
		(34,681,598)	(21,194,535)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	12	9,376,733,926	9,413,008,581
<b>NON-CURRENT LIABILITIES</b>			
Qualifying liabilities provision	14	(9,374,257,268)	(9,402,998,707)
Deferred tax provision	14	(2,476,558)	(10,009,774)
		(9,376,733,826)	(9,413,008,481)
<b>NET ASSETS</b>		100	100
<b>Equity attributable to owners of the fund</b>			
Ordinary shares	15	100	100
<b>Total equity (including £2 non-equity interest)</b>		100	100

The accompanying notes and accounting policies on pages 34 to 61 form an integral part of these financial statements.

The financial statements for the company with registered number SC164685 were approved and authorised for issue by the board on 3 November 2020.

Signed on behalf of the board of directors.



**Richard Wohanka**  
Chair

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 Financial statements

## Statement of changes in equity for the year ended 31 March 2020

	Ordinary shares £	Total £
<b>BALANCE AT 1 APRIL 2019</b>	100	100
Movements during the year	-	-
<b>BALANCE AT 31 MARCH 2020</b>	100	100
<b>BALANCE AT 1 APRIL 2018</b>	100	100
Movements during the year	-	-
<b>BALANCE AT 31 MARCH 2019</b>	100	100

The accompanying notes and accounting policies on pages 34 to 61 form an integral part of these financial statements.

## Financial statements

# Statement of cash flows for the year ended 31 March 2020

	2020 £	2019 £
<b>Cash flows from operating activities</b>		
Operating profit on ordinary activities before qualifying liabilities provision and taxation	16,924,964	172,811,011
Adjustments for:		
Realised and unrealised losses/(gains) on financial assets at fair value through profit and loss	45,378,201	(112,689,979)
Realised and unrealised losses/(gains) on investment properties	5,223,508	(1,059,367)
Increase in other receivables	(6,692,865)	(8,379,029)
Increase in trade and other payables	5,209,206	15,753
Cash generated from operations	66,043,014	50,698,389
Income taxes paid	(40,928,246)	(24,912,717)
<i>Net cash generated from operating activities</i>	25,114,768	25,785,672
<b>Cash flows from investing activities</b>		
Payments to acquire investment properties	(5,308,508)	(760,633)
Proceeds from the sale of investment properties	2,540,000	3,770,000
Payments to acquire financial assets held at fair value through profit and loss	(639,087,499)	(1,160,187,735)
Proceeds from the sale of financial assets held at fair value through profit and loss	390,217,595	517,864,841
<i>Net cash used in investing activities</i>	(251,638,412)	(639,313,527)
<b>Cash flows from financing activities</b>		
Contributions from EDFE	22,478,275	12,750,380
Payments to EDFE in respect of qualifying liabilities	(36,667,273)	(17,331,374)
<i>Net cash used for financing activities</i>	(14,188,998)	(4,580,994)
<b>Net decrease in cash and cash equivalents</b>	(240,712,642)	(618,108,849)
<b>Cash and cash equivalents at start of the year</b>	6,769,777,794	7,387,886,643
<b>Cash and cash equivalents at end of the year (note 10)</b>	6,529,065,152	6,769,777,794

The accompanying notes and accounting policies on pages 34 to 61 form an integral part of these financial statements.

## Financial statements

# Notes to the financial statements for the year ended 31 March 2020

## General information

The Nuclear Liabilities Fund Limited is a private company, limited by shares, incorporated in Scotland under the Companies Act 2006. The address of the registered office is Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD.

## 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(g), 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 Nuclear Liabilities Fund Limited 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 Nuclear Liabilities Fund Limited invests 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.

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 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. This conclusion will be reassessed on an annual basis, if any of these criteria or characteristics change.

### a. Going concern

The principal purpose of the Nuclear Liabilities Fund Limited 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 £392m.

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 Nuclear Liabilities Fund Limited does not have sufficient assets available to it. The board has, in particular, considered the impact of heightened market volatility since the coronavirus (Covid-19) outbreak but does not believe the fund's going concern status is affected. The fund has assets of £9.4bn, the majority of which are cash and cash equivalents and it has minimal liabilities falling due over the next three years. In addition, a cash funding of £5.07bn was provided to the fund in July 2020 (see note 19 for further details). The fund's primary third party suppliers and advisors, including its Custodian, Fiduciary Manager, Accountant and Auditor are not experiencing significant operational difficulties affecting their respective services to the fund. Accordingly, the directors are satisfied that it is appropriate to prepare the annual report and accounts on a going concern basis.

### b. Qualifying liabilities

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

The Contribution Agreement, as amended on 5 January 2009, provides for the making of contributions to the Nuclear Liabilities Fund Limited 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 (2019: £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 £1m adjusted to RPI and the fund receives an appropriate amount after the direct, attributable administration costs of UKGI and the NLA 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 Nuclear Liabilities Fund Limited's right to receive payment is established. Where the Fund has elected to receive its dividends in the form of additional shares rather than

cash, an amount equal to the cash dividend is recognised as income. For financial assets not categorised at fair value through profit and loss, interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition, except for short-term receivables when the recognition of interest would be immaterial. The fund's rental income is derived from operating leases and this income is credited to the 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. Investment expenses

Investment expenses relating to properties, listed investments and fiduciary services are accounted for on an accruals basis. Investment expenses relating to un-listed pooled investments are not separately identifiable as these are charged directly to the investment funds and are therefore included within realised and unrealised gains and losses on financial assets at fair value through profit and loss.

### e. 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.

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### f. 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 Nuclear Liabilities Fund Limited'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.

#### g. 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) and 'amortised cost'. 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 Nuclear Liabilities Fund Limited'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, investments in associates and joint ventures are accounted for as financial assets at fair value through profit or loss.

### 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.

### Amortised cost

Trade receivables and other receivables have fixed or determinable payments that are not quoted in an active market 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.

### h. 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.

### i. Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into and are recorded on the date on which the fund becomes party to the contractual requirements of the financial liability.

The Nuclear Liabilities Fund Limited's financial liabilities measured at amortised cost include trade and other payables and other short-term monetary liabilities which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

A financial liability (in whole or in part) is derecognised when the Fund has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

### j. Defined contribution pension costs

The fund pays fixed contributions into a separately held defined contribution pension plan. Once the contributions have been paid, the fund has no further payment obligations. The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the fund in independently administered funds.

### k. New accounting standards

There were no changes to accounting standards that had a significant impact on these financial statements.

IFRS 16 "Leases: Recognition of assets and liabilities arising from a lease by a lessee" was issued and became effective for accounting periods beginning on or after 1 January 2019. As the fund does not have any leases held by it as a lessee, the introduction of IFRS 16 does not have any impact on the reported results and financial results of the fund.

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### 2 Investment income

	2020 £	2019 £
Interest on cash, short-term cash and loan investments	57,408,911	47,039,398
Income from listed investments	14,406,383	11,979,754
Rent receivable	6,090,295	6,349,380
	77,905,589	65,368,532

#### 3 Investment expenses

	2020 £	2019 £
Investment management charges	8,255,889	5,067,019
Other investment expenses	358,631	671,122
	8,614,520	5,738,141

#### 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:

	2020 £	2019 £
Staff salaries and directors' emoluments	276,976	239,468
Auditor's remuneration – audit fees	52,000	50,000
Defined contribution pension cost	19,046	13,220

#### 5 Staff costs

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

	2020 £	2019 £
Wages and salaries	276,976	239,468
Social security costs	30,118	26,072
Defined contribution pension cost	19,046	13,220
	326,140	278,760

Wages and salaries comprise staff salaries of £131,776 (2019: £94,268) and directors' emoluments of £145,200 (2019: £145,200). The average number of persons acting as directors during the year was five (2019: five). There were two employees during the fiscal year 2019-20 (2018-19: one).

## 6 Tax on profit on ordinary activities

### a. Analysis of charge in year

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax at 19% (2019: 19%)	19,048,770	28,049,596
Foreign tax	-	71,582
Adjustments in respect of prior periods	(1,470,264)	(227,132)
<b>Total current tax</b>	17,578,506	27,894,046
Origination and reversal of temporary differences	(7,533,216)	1,646,783
<b>Total deferred tax movement</b>	(7,533,216)	1,646,783
<b>Tax on profit on ordinary activities</b>	10,045,290	29,540,829

### b. Factors affecting tax charge for year

The tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the UK – 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Operating profit on ordinary activities before qualifying liabilities provision and taxation	16,924,964	172,811,011
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	3,215,743	32,834,092
Effects of:		
Income not taxable (mainly dividends) and other permanent differences	(7,898,914)	(2,943,972)
Difference between accounting and taxable gains on unrealised gains and losses	2,400,199	(193,741)
Excess foreign tax	-	71,582
Deferred tax not recognised	13,798,526	-
Adjustments to tax charge in respect of previous periods	(1,470,264)	(227,132)
<b>Total tax charge for year</b>	10,045,290	29,540,829

The deferred tax not recognised is primarily made up of capital losses with a tax value of £3.8m and deductible temporary differences of £8.8m relating to unrealised losses arising from the revaluation of equities. A deferred tax asset should only be recognised for these items to the extent that it is probable that future taxable profits will be available. The timing of the availability of these profits is not currently foreseen and therefore no deferred tax asset has been recognised.

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 Nuclear Liabilities Fund Limited is a company with investment business as defined in Section 1218 CTA 2009.

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### c. Factors that may affect future tax charges

The UK Government substantively enacted Finance No.2 Bill 2015 on 26 October 2015 which reduced the corporation tax rate to 19% with effect from 1 April 2017. In 2020 Budget announcement the main rate of corporation tax has remained at 19% for fiscal year 2020/21.

## 7 Investment properties

#### Fair value model

The fair values of the investment properties as at 31 March 2020 were determined by CBRE Limited (2019: CBRE Limited). CBRE Limited is a firm of chartered surveyors and independent valuers with recognised professional qualifications. In determining the valuations the valuer considers that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value, due to the Covid-19 global pandemic. Therefore, their valuation is reported on the basis of "material valuation uncertainty" given the unknown future impact that Covid-19 might have on the state market. This conforms to the valuation standards of Royal Institution of Chartered Surveyors.

Amounts recognised in statement of comprehensive income:

	2020 £	2019 £
Rental income	6,090,295	6,349,380
Direct operating expenses on properties that generated rental income	663,873	753,682
Direct operating expenses on properties that did not generate rental income	80,098	230,271

Reconciliation of carrying amounts:

	Freehold Under Construction	Freehold £	Total 2020 £	Total 2019 £
<b>Valuation</b>				
At start of the year	-	106,780,000	106,780,000	108,730,000
Additions	4,920,330	388,178	5,308,508	760,633
Disposal proceeds Realised and unrealised (losses)/gains*	-	(2,540,000)	(2,540,000)	(3,770,000)
	(370,330)	(4,853,178)	(5,223,508)	1,059,367
At end of the year	4,550,000	99,775,000	104,325,000	106,780,000

\* The realised and unrealised gains are included in the statement of comprehensive income on page 32 and comprise: net realised losses of £1,945,730 (2019: realised gains £141,072) and net unrealised losses of £3,277,778 (2019: unrealised gains £918,295).

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

	Freehold Under Construction	Freehold £	Total 2020 £	Total 2019 £
<b>Cost</b>				
At start of the year	-	94,940,126	94,940,126	97,808,420
Additions	4,920,330	388,178	5,308,508	760,633
Disposals	-	(4,485,730)	(4,485,730)	(3,628,927)
At end of the year	4,920,330	90,842,574	95,762,904	94,940,126

## 8 Financial assets at fair value through profit and loss

	2020 £	2019 £
<b>Valuation</b>		
At start of the year	2,540,442,037	1,785,429,164
Additions	639,087,499	1,160,187,735
Disposals proceeds	(390,217,595)	(517,864,841)
Realised and unrealised (losses)/gains**	(45,378,201)	112,689,979
At end of the year	2,743,933,740	2,540,442,037

\*\* The realised and unrealised gains are included in the statement of comprehensive income on page 32 and include: net realised gains of £6,090,267 (2019: £94,655,605) and net unrealised losses of £51,468,468 (2019: unrealised gains £18,034,374).

On the historical cost basis, financial assets at fair value through profit and loss would have been included as follows:

	2020 £	2019 £
<b>Cost</b>		
At start of the year	2,351,736,682	1,614,758,182
Additions	639,087,499	1,160,187,735
Disposals	(384,127,329)	(423,209,235)
At end of the year	2,606,696,852	2,351,736,682

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### 8 Financial assets at fair value through profit and loss (continued)

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

##### Investments listed on recognised stock exchanges

	2020 £	2019 £
<b>Level 1 fair value measurements (note 13)</b>		
UK pooled funds	381,808,590	290,777,902
UK equities	192,737,772	290,311,757
Overseas equities:		
North America	23,327,665	59,298,683
Europe	24,023,079	17,582,658
Japan	1,063,993	135,062
Pacific	23,099,428	65,239,120
Africa	5,373,863	4,192,424
Asia	79,773,043	-
	731,207,433	727,537,606
<b>Unlisted investments</b>		
<b>Level 3 fair value measurements (note 13)</b>		
Loan to British Business Bank Plc	525,000,000	600,000,000
Investments in subsidiaries (see below)	848,349,593	844,297,649
Investments in associates and joint ventures (see below)	639,376,714	368,606,782
	2,012,726,307	1,812,904,431
	2,743,933,740	2,540,442,037

##### Investments in subsidiaries

	2020 £	2019 £
Adams Street UK Mid-Market Solutions LP	237,477,337	225,289,313
Equitix MA 1 LP	428,325,480	389,438,280
London Wall Capital Investments LLP Hodge 2016-1	84,734,557	86,694,224
HarbourVest 2017 Global AIF LP	49,105,201	40,731,901
Macquarie Private Debt Funds ICAV	-	102,143,931
ICG Strategic Equity Side Car II LP	48,707,018	-
	848,349,593	844,297,649

The Nuclear Liabilities Fund Limited 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	
		2020	2019
Adams Street UK Mid-Market Solutions LP	Scotland	99.99%	99.99%
Equitix MA 1 LP	England and Wales	99.00%	99.00%
London Wall Capital Investments LLP Hodge 2016-1	England and Wales	100.00%	100.00%
HarbourVest 2017 Global AIF LP	Scotland	52.50%	52.50%
Macquarie Private Debt Funds ICAV	Ireland	-	52.72%
ICG Strategic Equity Side Car II LP	Cayman Islands	99.80%	-

Adams Street UK Mid-Market Solutions LP invests in high 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 £202,665,357 (2019: £189,661,770) 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 £400,000,000 of which £316,776,559 (2019: £316,776,559) was drawn as at the year-end.

London Wall Capital Investments LLP Hodge 2016-1 invests in the UK residential mortgage sector. The fund's total commitment is £100,000,000 of which £78,500,000 (2019: £78,500,000) was drawn as at the year-end.

HarbourVest 2017 Global AIF LP invests in all types of high quality private equity funds including venture capital and leveraged buyout funds across geographies with an emphasis on North America and Europe. The fund's total commitment is US \$125,000,000 of which US \$64,375,000 (£44,873,721) (2019: US \$52,500,000 – £37,452,575) was drawn as at the year-end.

ICG Strategic Equity Side Car II LP, invests in long-term private equity funds through a portfolio of direct or indirect investments in various sectors such as healthcare, retail, consumer products, energy, information technology and financial services. The Nuclear Liabilities Fund Limited's total commitment is US \$260,000,000 of which US \$53,682,893 (£43,897,827) (2019: US \$Nil) was drawn as at the year-end.

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### 8 Financial assets at fair value through profit and loss (continued)

##### Investments in associates and joint ventures

	2020 £	2019 £
Hermes GPE Infrastructure Fund LP	120,612,250	85,986,141
Macquarie Private Debt Funds ICAV	109,231,573	-
BlackRock Renewable Infrastructure Fund LP	117,994,354	112,955,568
Alcentra UK Direct Lending No 1 LP	86,198,394	111,809,892
Jersey Property Unit Trust	9,038,570	8,655,288
LaSalle Real Estate Debt Strategies III SCSP	48,408,000	35,388,000
HarbourVest 2018 Global Feeder AIF LP	48,859,822	13,811,893
Brookfield Infrastructure Fund IV GP SARL	18,571,453	-
Advent Life Sciences Fund III LP	662,298	-
Atomico V SCSP	2,100,000	-
Amadeus V Technology Fund LP	600,000	-
Balderton Capital VI	3,200,000	-
Balderton Capital VII SLP	1,000,000	-
Connect Ventures Three LP	700,000	-
Crane I LP	3,100,000	-
Dawn Capital II	3,500,000	-
Dawn Capital III LP	5,800,000	-
DDF Parallel LLP	1,000,000	-
Dementia Discovery LP	600,000	-
Hoxton Ventures Fund II LP	1,900,000	-
IQ Capital Fund III LP	1,200,000	-
Kindred Capital Base I SCSP	2,500,000	-
Kindred Capital Opportunity I SCSP	1,900,000	-
Kindred Capital II SCSP	600,000	-
Nauta Capital IV	1,700,000	-
Notion Capital III LP	2,600,000	-
Notion Capital IV LP	1,400,000	-
Passion Capital III LP	200,000	-
Seedcamp IV LP	2,400,000	-
SV7 Impact Medicine Fund LP	600,000	-



**Investments in associates and joint ventures (continued)**

	2020 £	2019 £
Active Partners III LP	800,000	-
Atlantic Bridge III LP	2,600,000	-
Atlantic Bridge IV LP	400,000	-
Dawn Opportunities Fund LP	8,800,000	-
Draper Esprit Plc	5,000,000	-
Environmental Technologies Fund 3 LP	1,000,000	-
FPE Fund II LP	2,300,000	-
Frog Capital II	1,600,000	-
IQ Capital Growth I LP	1,100,000	-
Kennet V SCSP	2,100,000	-
Kester Capital II LP	200,000	-
MVM IV LP	2,100,000	-
Nauta Sidecar Tech I, FCR	100,000	-
Notion Capital Opportunities LP	4,500,000	-
NVM Private Equity Vintage III LP	1,000,000	-
OXX I LP	2,300,000	-
Panoramic Growth Equity II	700,000	-
Prime Ventures Fund V	2,900,000	-
SEP V LP	1,100,000	-
WestBridge	600,000	-
	639,376,714	368,606,782

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".

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

## 8 Financial assets at fair value through profit and loss (continued)

### Summary of associates and joint ventures

	Registered in	Ownership Interest	
		2020	2019
Hermes GPE Infrastructure Fund LP	Scotland	14.12%	14.12%
Macquarie Private Debt Funds ICAV	Ireland	35.05%	-
BlackRock Renewable Infrastructure Fund LP	Ireland	20.00%	20.00%
Alcentra UK Direct Lending No 1 LP	England and Wales	50.00%	50.00%
Jersey Property Unit Trust	Jersey	3.75%	3.75%
LaSalle Real Estate Debt Strategies III SCSP	Luxembourg	9.95%	9.95%
HarbourVest 2018 Global Feeder AIF LP	Scotland	45.35%	45.35%
Brookfield Infrastructure Fund IV GP SARL	Luxembourg	0.33%	-

The Fund made the following investments via British Patient Capital Limited (collectively referred to as "BPC funds"):

	Registered in	Ownership Interest	
		2020	2019
Advent Life Sciences Fund III LP	England and Wales	7.40%	-
Atomico V SCSP	Luxembourg	1.20%	-
Amadeus V Technology Fund LP	Luxembourg	7.10%	-
Balderton Capital VI LP	Luxembourg	1.10%	-
Balderton Capital VII SLP	Luxembourg	2.30%	-
Connect Ventures Three LP	England and Wales	6.10%	-
Crane I LP	England and Wales	8.90%	-
Dawn Capital II LP	England and Wales	2.30%	-
Dawn Capital III LP	England and Wales	6.10%	-
DDF Parallel LLP	England and Wales	15.30%	-
Dementia Discovery LP	England and Wales	0.70%	-
Hoxton Ventures Fund II LP	Luxembourg	11.60%	-
IQ Capital Fund III LP	England and Wales	4.80%	-
Kindred Capital Base I SCSP	Luxembourg	4.90%	-
Kindred Capital Opportunity I SCSP	Luxembourg	4.90%	-
Kindred Capital II SCSP	Luxembourg	6.30%	-
Nauta Capital IV	Spain	1.60%	-
Notion Capital III LP	England and Wales	1.90%	-

**Summary of associates and joint ventures (continued)**

	Registered in	Ownership Interest	
		2020	2019
Notion Capital IV LP	England and Wales	9.50%	-
Passion Capital III LP	England and Wales	9.30%	-
Seedcamp IV LP	England and Wales	8.00%	-
SV7 Impact Medicine Fund LP	England and Wales	5.00%	-
Active Partners III LP	England and Wales	6.00%	-
Atlantic Bridge III LP	Ireland	1.10%	-
Atlantic Bridge IV LP	Ireland	3.70%	-
Dawn Opportunities Fund LP	England and Wales	10.00%	-
Draper Esprit Plc	England and Wales	1.80%	-
Environmental Technologies Fund 3 LP	England and Wales	2.40%	-
FPE Fund II LP	England and Wales	4.00%	-
Frog Capital II	England and Wales	1.80%	-
IQ Capital Growth I LP	England and Wales	9.10%	-
Kennet V SCSP	Luxembourg	6.40%	-
Kester Capital II LP	England and Wales	6.60%	-
MVM IV LP	England and Wales	1.20%	-
Nauta Sidecar Tech I, FCR	Spain	4.40%	-
Notion Capital Opportunities LP	England and Wales	5.60%	-
NVM Private Equity Vintage III LP	England and Wales	2.80%	-
OXX I LP	England and Wales	8.00%	-
Panoramic Growth Equity II	England and Wales	2.50%	-
Prime Ventures Fund V	Netherlands	2.40%	-
SEP V LP	England and Wales	0.80%	-
WestBridge	England and Wales	2.90%	-

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 but £106,916,384 (2019: £78,640,885) was drawn as at the year-end. This is because £16,407,481 of income distributions were set-off against capital drawdowns by Hermes as "recallable profit distributions" whilst the fund has treated these income distributions as realised gains in line with its accounting policies.

Macquarie Private Debt Funds ICAV, an Irish Collective Asset-management Vehicle with variable capital and limited liability, invests in the infrastructure sector across a range of OECD countries. The fund's total commitment is EUR 215,000,000 of which EUR 120,670,002 (£105,791,705) (2019: EUR 116,663,224 – £102,301,241) was drawn as at the year-end.

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### 8 Financial assets at fair value through profit and loss (continued)

BlackRock Renewable Infrastructure Fund LP invests in renewable power infrastructure projects in the UK. The Nuclear Liabilities Fund Limited's total commitment is £130,000,000 of which £108,607,474 (2019: £108,607,474) was drawn as at the year-end.

Alcentra UK Direct Lending No 1 LP invests in secured loans comprising 1st lien senior, unitranche, 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 £150,000,000 of which £104,178,661 (2019: £115,148,048) was drawn as at the year-end.

Jersey Property Unit Trust has been formed to acquire, extend and refurbish a 600,000 square feet freehold office campus located in East London for a total project cost of £230m. The Fund's total commitment is £9,000,000 of which £8,664,140 (2019: £8,495,460) was drawn as at the year-end.

LaSalle Real Estate Debt Strategies III SCSp invests in mezzanine-related lending against high quality real estate assets. The fund's total commitment is £80,000,000 of which £48,982,918 (2019: £35,470,039) was drawn as at the year-end.

HarbourVest 2018 Global Feeder AIF LP invests in all types of high quality private equity funds including venture capital and leveraged buyout funds across geographies with an emphasis on North America and Europe. The fund's total commitment is US \$185,000,000 of which US \$61,050,000 (£47,765,070) (2019: US \$17,575,000 – £14,026,337) was drawn as at the year-end.

Brookfield Infrastructure Fund IV GP SARL invests primarily in infrastructure assets in the transportation, renewable power, utilities, energy and data sectors based in North America, Europe, South America and Asia Pacific. The fund's total commitment is US \$65,000,000 of which US \$25,126,472 (£20,438,936) (2019: US \$Nil) was drawn as at the year-end.

BPC funds invest primarily in information technology, healthcare, energy and financial services sectors mainly across Europe (including the UK) and North America. As at the year-end, the fund's total commitment for all the BPC funds was £200,710,718 of which £77,934,175 (2019: £Nil) was drawn.

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

Financial assets	Fair value as at 31 March 2020	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investments in subsidiaries	£848,349,593 (2019: £844,297,649)	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
Investments in associates and joint ventures	£639,376,714 (2019: £368,606,782)	Level 3			
Loan to British Business Bank Plc	£525,000,000 (2019: £600,000,000)	Level 3			

## 9 Current assets

	2020 £	2019 £
Other receivables		
Other debtors	1,275,969	1,150,405
Accrued income	22,620,181	11,788,875
Corporation tax recoverable	10,195,482	-
	34,091,632	12,939,280
<b>Non-current assets</b>		
<b>Other receivables</b>		
Accrued income	-	4,264,005
	-	4,264,005

Accrued income under non-current assets in 2018-19 related to accrued interest on loans to British Business Bank Plc payable in August 2020.

## 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:

	2020 £	2019 £
Cash balances with banks	14,778,491	17,630,757
Short-term cash investments	6,514,286,661	6,752,147,037
	6,529,065,152	6,769,777,794

## 11 Trade and other payables

	2020 £	2019 £
Trade creditors	482,408	77,624
Other tax and social security	11,685	70,467
Other creditors	4,618,576	31,284
Accruals and deferred income	29,568,929	7,860,902
	34,681,598	8,040,277

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### 12 Currency classification of total assets less current liabilities

Total assets less current liabilities as at 31 March 2020 are analysed by currency as follows:

Currency	Non-current £	Cash and cash equivalents £	Other current assets £	Current liabilities £	Total £
Pounds Sterling	2,041,803,219	6,520,407,059	33,491,054	(34,681,598)	8,561,019,734
US Dollar	480,316,539	743,861	145,805	-	481,206,205
Canadian Dollar	11,745,789	-	-	-	11,745,789
Euro	146,338,444	3,449,788	84,325	-	149,872,557
Arab Emirate Dirham	1,075,811	-	40,759	-	1,116,570
Norwegian Krone	644,029	8,161	-	-	652,190
Swedish Krona	3,091,401	-	-	-	3,091,401
Danish Krone	2,543,511	488	-	-	2,543,999
Brazilian Real	6,607,572	866,872	32,750	-	7,507,194
South African Rand	3,041,015	172,111	-	-	3,213,126
New Taiwan Dollar	21,562,490	1,166,474	63,175	-	22,792,139
Turkish Lira	2,688,358	-	-	-	2,688,358
Swiss Franc	12,058,949	111,241	-	-	12,170,190
Czech Koruna	48,526	-	-	-	48,526
Hungarian Forint	2,857,063	-	-	-	2,857,063
Malaysian Ringgit	634,725	-	-	-	634,725
Polish Zloty	2,723,019	141,289	-	-	2,864,308
Thai Baht	681,900	69,949	-	-	751,849
Japanese Yen	37,493,940	812	-	-	37,494,752
South Korean Won	23,920,189	1,927,047	233,764	-	26,081,000
Singapore Dollar	880,787	-	-	-	880,787
Hong Kong Dollar	40,502,123	-	-	-	40,502,123
Australian Dollar	4,768,220	-	-	-	4,768,220
New Zealand Dollar	231,121	-	-	-	231,121
	2,848,258,740	6,529,065,152	34,091,632	(34,681,598)	9,376,733,926

Total assets less current liabilities as at 31 March 2019 are analysed by currency as follows:

<b>Currency</b>	<b>Non-current assets £</b>	<b>Cash and cash equivalents £</b>	<b>Other current assets £</b>	<b>Current liabilities £</b>	<b>Total £</b>
Pounds Sterling	2,069,838,039	6,760,408,894	12,524,757	(21,194,535)	8,821,577,155
US Dollar	268,109,758	404,547	24,993	-	268,539,298
Canadian Dollar	8,135,314	5,517	-	-	8,140,831
Euro	158,893,488	8,100,690	70,650	-	167,064,828
Norwegian Krone	1,031,351	252	-	-	1,031,603
Swedish Krona	3,946,527	134,307	-	-	4,080,834
Danish Krone	2,434,114	-	-	-	2,434,114
Brazilian Real	5,482,078	6,658	24,058	-	5,512,794
South African Rand	4,192,424	3,036	-	-	4,195,460
New Taiwan Dollar	11,616,153	-	-	-	11,616,153
Turkish Lira	330,048	-	-	-	330,048
Swiss Franc	12,065,988	92,189	-	-	12,158,177
Czech Koruna	85,027	-	-	-	85,027
Hungarian Forint	2,403,338	-	-	-	2,403,338
Malaysian Ringgit	777,725	-	-	-	777,725
Polish Zloty	1,932,239	-	-	-	1,932,239
Thai Baht	3,197,634	-	-	-	3,197,634
Japanese Yen	28,360,512	460,132	1,058	-	28,821,702
South Korean Won	23,932,849	61,193	293,764	-	24,287,806
Singapore Dollar	1,080,482	945	-	-	1,081,427
Hong Kong Dollar	37,725,827	2,549	-	-	37,728,376
Australian Dollar	5,682,034	96,885	-	-	5,778,919
New Zealand Dollar	233,093	-	-	-	233,093
	2,651,486,042	6,769,777,794	12,939,280	(21,194,535)	9,413,008,581

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### 13 Financial instruments and financial risk management

##### Categories of financial instruments as at 31 March 2020:

	Financial assets measured at amortised cost £	Financial liabilities measured at amortised cost £	Assets at fair value through profit and loss £
<b>Financial assets</b>			
Financial assets at fair value through profit and loss	-	-	2,743,933,740
Other debtors	1,275,969	-	-
Accrued income	22,620,181	-	-
Cash balances with banks	14,778,491	-	-
Short-term cash investments	6,514,286,661	-	-
<b>Financial liabilities</b>			
Trade and other payables	-	34,669,913	-

##### Categories of financial instruments as at 31 March 2019:

	Financial assets measured at amortised cost £	Financial liabilities measured at amortised cost £	Assets at fair value through profit and loss £
<b>Financial assets</b>			
Financial assets at fair value through profit and loss	-	-	2,540,442,037
Other debtors	1,150,405	-	-
Accrued income	16,052,880	-	-
Cash balances with banks	17,630,757	-	-
Short-term cash investments	6,752,147,037	-	-
<b>Financial liabilities</b>			
Trade and other payables	-	7,969,810	-

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 have a carrying value that is 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 2020 amounting to £731,207,433 (2019: £727,537,606) 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 2020 (2019: £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 2020 amounting to £2,012,726,307 (2019: £1,812,904,431) are grouped as Level 3 and disclosed as "Financial assets at fair value through profit and loss" (note 8).

### Valuation process for Level 3 valuations

Valuations are the responsibility of the board of directors of the Nuclear Liabilities Fund Limited. The valuation of unlisted equity and 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:

	2020 £	2019 £
<b>Valuation</b>		
At start of the year	1,812,904,431	1,018,850,297
Additions	155,912,539	919,785,536
Disposal proceeds	-	(187,971,032)
Realised and unrealised gains***	43,909,337	62,239,630
At end of the year	2,012,726,307	1,812,904,431

\*\*\* These realised and unrealised gains are included in the statement of comprehensive income on page 17 and include: net realised gains of £Nil (2019: £38,263,308) and net unrealised gains of £43,909,337 (2019: £23,976,322).

During the year the fund received profit distributions from the above Level 3 investments amounting to £27,023,405 (2019: £26,310,722).

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.

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

## 13 Financial instruments and financial risk management (continued)

### Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfil its contractual obligations. The Nuclear Liabilities Fund Limited 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.

### 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 £392m (2019: £209m). 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 a 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.

	2020 £	2019 £
<b>Listed investments price risk sensitivity analysis</b>		
If there was a 10% (2019: 10%) increase or decrease in the fair values, the value of financial assets at fair value through profit and loss would increase or decrease by:	73,120,743	72,753,761

The impact of a 10% (2019: 10%) 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.

	2020 £	2019 £
<b>Unlisted investments price risk sensitivity analysis</b>		
If there was a 10% (2019: 10%) increase or decrease in the fair values, the value of financial assets at fair value through profit and loss would increase or decrease by:	201,272,631	181,290,443

The board considers a movement of 10% (2019: 10%) in the fair values to be within a reasonable expected range based on their understanding of market transactions for these unlisted investments.

### 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 2020:

	Value subject to fixed rate £	Value subject to variable rate £
Loans to British Business Bank Plc	525,000,000	-
Cash balances with banks	-	14,778,491
Short-term cash investments	6,431,536,818	82,749,843

#### Assets earning interest as at 31 March 2019:

	Value subject to fixed rate £	Value subject to variable rate £
Loans to British Business Bank Plc	600,000,000	-
Cash balances with banks	-	17,630,757
Short-term cash investments	6,710,489,500	41,657,537

The average annual rate of return before tax for short-term cash investments was 0.64% (2019: 0.66%) and the annual rate of return before tax for British Business Bank Plc loan was 2% (2019: 2%).

### Interest rate risk sensitivity analysis

	2020 £	2019 £
If there was a 0.50% (2019: 0.50%) increase or decrease in variable interest rates with all other variables held constant, the value of variable interest bearing assets would increase or decrease by:	487,642	296,441

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 likely to remain below 1% in the coming period. Therefore, a sensitivity of 0.50% (2019: 0.50%) has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

### 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.

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### 13 Financial instruments and financial risk management (continued)

##### Currency risk sensitivity analysis

	2020 £	2019 £
If there was a 10% (2019: 10%) 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	48,120,620	26,853,930
Euro	14,987,256	16,706,483
Japanese Yen	3,749,475	2,882,170
Other currencies	14,714,068	12,700,560

A sensitivity of 10% (2019: 10%) 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, in particular to take account of the increased volatility that has been observed in the currency markets since the balance sheet date.

#### 14 Non-current liabilities

	Deferred tax provision £	Qualifying liabilities provision £	Total 2020 £	Total 2019 £
At 1 April	10,009,774	9,402,998,707	9,413,008,481	9,269,941,309
EDFE contributions Transfer from statement of comprehensive income	-	22,478,275 6,879,674	22,478,275 6,879,674	12,750,380 143,270,182
Payable to EDFE	-	(58,099,388)	(58,099,388)	(14,600,173)
Deferred tax movement	(7,533,216)	-	(7,533,216)	1,646,783
At 31 March	2,476,558	9,374,257,268	9,376,733,826	9,413,008,481

Deferred tax balance consists of:

	2020 £	2019 £
Accelerated capital allowances	2,476,558	2,045,054
Unrealised (losses)/gains on investments	(286,667)	7,645,492
Unrealised gains on properties	286,667	319,228
	2,476,558	10,009,774

### Qualifying liabilities provision

In accordance with the Contribution Agreement, fixed contributions are received quarterly from EDFE in the sum of £2m (2018: £2m), 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 Nuclear Liabilities Fund Limited also receives an annual contribution from EDFE for administration costs. This contribution is £1m adjusted to RPI and the fund receives an appropriate amount after the direct, attributable administration costs of UKGI 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, Energy and Industrial Strategy 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

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 £2,476,558 relating to accelerated capital allowances will be unwound when the investment properties are sold. In addition, a deferred tax asset on the capital losses has been recognised to the extent that the deferred tax liability on the gains on properties are offset.

## 15 Share capital

### At 31 March 2019 and 31 March 2020

	Authorised	Allotted, called up and fully paid	
	£	No.	£
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

## Financial statements

### Notes to the financial statements for the year ended 31 March 2020

#### 15 Share capital (Continued)

The Nuclear Liabilities Fund Limited'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, Energy and Industrial Strategy ("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 2020 under non-cancellable operating leases as follows:

	2020 £	2019 £
Within one year	5,893,747	6,176,383
Between two and five years	21,598,804	22,163,938
In more than five years	31,023,619	34,396,456

No contingent rentals were recognised in income.

As at 31 March 2020 the fund held a total of 54 leases, 22 of which expire within five years of the statement of financial position date, with the remaining 32 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 Scots law by British Energy plc and the Secretary of State for the Department for Business, Energy and Industrial Strategy. 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 2020 (2019: £Nil).

The fund considers the Secretary of State for the Department for Business, Energy and Industrial Strategy ('BEIS') also to be a related party. During the year, a sum of £146,353 (2019: £167,830) was paid by the fund to BEIS for their services in administering the Nuclear Liabilities Funding Agreement. As at the year-end, the fund owed £4,600,000 (2019: £Nil) to BEIS in respect of investment transactions relating to BPC funds. This amount, which is included in other creditors, is interest-free and has arisen because the fund makes payments in £5m tranches for all BPC investments acquired on behalf of the fund.

## 18 Capital management

The Nuclear Liabilities Fund Limited'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.

## 19 Post balance sheet event

On 21 July 2020, BEIS provided funding of £5.07bn to the fund. The purpose of the funding was to increase the fund's public sector assets, by making £5.07bn available to the fund in the form of cash deposits in the National Loans Fund. The Trustee Directors of the fund have a fiduciary duty to ensure that the fund remains on track to be sufficient to meet its obligations to pay for future decommissioning liabilities. Following an increase in the estimated costs of discharging liabilities by £2.4bn and with the possibility that these costs will increase further in the future, this contribution offered an alternative investment opportunity to the fund, which would otherwise have had to re-allocate monies from its deposits in the National Loans Fund into investments in the mixed asset portfolio. Such re-allocation would have increased Public Sector Net Debt, and so this alternative funding arrangement avoided an immediate negative fiscal impact for the Government. Further details are provided in the Chair's statement.

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# Company information

## Directors

Mr R Armour  
Mrs S Bridgeland (until 20 April 2020)  
Mrs C Cripps  
Dr P Neumann  
Mrs M Stephens (from 21 April 2020)  
Mr R Wohanka

## Secretary

Mrs M Hope  
c/o BDO LLP  
55 Baker Street  
London W1U 7EU

## Company Number

SC164685

## Registered Office

Citypoint  
65 Haymarket Terrace  
Edinburgh EH12 5HD

## Accountants and tax advisers

BDO LLP  
55 Baker Street  
London W1U 7EU

## Auditor

Grant Thornton UK LLP  
Chartered Accountants  
London

## Bankers

The Bank of New York Mellon  
London Branch  
One Canada Square  
London E14 5AL

## Custodians

The Bank of New York Mellon  
London Branch  
One Canada Square  
London E14 5AL

## Fiduciary Manager

Aon  
PO Box 730  
Redhill  
RH1 9FH

## Independent Financial Advisor

Nigel Webber  
Peak Partners Limited  
24 Clarendon Street  
London SW1V 4RF

## Independent Technical Advisor

Paul Crow  
Corvine Consulting Limited  
5 Wellfield Road  
Folkestone  
Kent CT20 2PJ

## Solicitors

Burges Salmon LLP  
One Glass Wharf  
Bristol  
BS2 0ZX

Shepherd and Wedderburn LLP  
1 Exchange Crescent  
Conference Square  
Edinburgh EH3 8UL



Dungeness B Nuclear Power Station



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