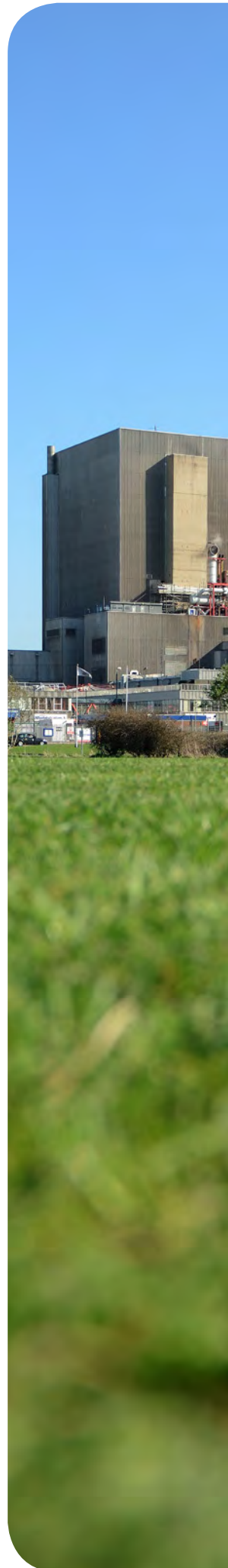


Protecting future generations

—
Annual report
and accounts 2024



Nuclear Liabilities Fund Limited
provides funding to protect future
generations from environmental hazards
resulting from electricity generated and
enjoyed by previous generations.



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Our purpose

The primary purpose of Nuclear Liabilities Fund Limited is to receive and hold monies, investments and other assets, in order to secure funding for discharging certain liabilities related to the decommissioning of eight nuclear power stations currently operated by EDF Energy Nuclear Generation Limited ('EDF Energy').

Nuclear Liabilities Fund Limited is the operating company for The Nuclear Trust, a Scottish public trust established in March 1996 to set aside and ring-fence decommissioning funds.

Three stations have ceased generation and have entered the decommissioning phase, which comprises reactor defueling and the deconstruction of station infrastructure. Planning for decommissioning is underway for the other Advanced Gas-cooled Reactor ('AGR') stations. Final site clearance is expected to take over 100 years from end of generation.

EDF Energy's UK nuclear power station sites





Notes:

Hinkley Point B ceased generation on 1 August 2022
 Hunterston B ceased generation on 7 January 2022
 Dungeness B ceased generation on 7 June 2021




Map kindly produced by EDF Energy, June 2022

Strategic objectives

Strategic objectives

 Maintain sufficiency of the fund Ensure that the assets of the company are sufficient to meet the costs of discharging relevant liabilities	 Discharge liabilities Make payments for relevant liabilities in accordance with the Nuclear Liabilities Funding Agreement
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Achieved through

 Monitoring investment performance see page 8	 Setting investment principles see page 12
 Monitoring liabilities see page 13	 Engaging with stakeholders see page 14
 Managing risks see page 18	 Good corporate governance see page 22

Sufficiency

In discharging the purpose of Nuclear Liabilities Fund Limited, the directors aim to ensure that future generations will not be burdened by costs arising from the benefits of nuclear power enjoyed by earlier generations. In order to meet this aim, the directors work to ensure that the fund has the required level of projected assets to discharge the relevant liabilities as they arise; where this aim is met it is referred to as 'sufficiency of the fund'.

Liabilities

When 'liabilities' or 'relevant liabilities' are referred to in this report, these are the costs of nuclear liabilities that are to be met by Nuclear Liabilities Fund Limited, being those costs of decommissioning and management of spent fuel defined in the Nuclear Liabilities Funding Agreement between Nuclear Liabilities Fund Limited, EDF Energy and the Secretary of State for Energy Security and Net Zero ('DESNZ').

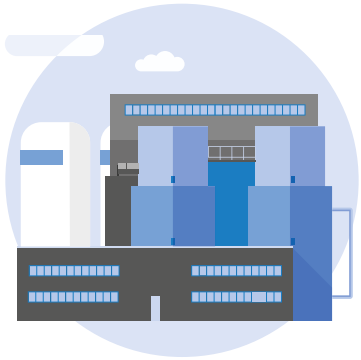
Statement from the Chair

Protecting future generations



Chris Hitchen
Chair

Total assets increased to £20.6 billion, despite £0.5 billion being paid out to meet costs of decommissioning. This brings the total paid out so far to £1.7 billion, a major contribution to protecting future generations from these costs, and to protecting our environment.



£20.6bn

.....
Total fund size as at 31 March 2024
.....

I am delighted to introduce the Nuclear Liabilities Fund Limited Annual Report and Accounts for the fiscal year 2023–24, my first full year as chair after joining in August 2022. Whilst each individual year is of limited significance for a fund with an expected life of over one hundred years, I am pleased to report that this year has been a broadly satisfactory one for the fund. Total fund size increased to £20.6 billion, despite £0.5 billion being paid out to meet costs of decommissioning. This brings the total paid out so far to £1.7 billion, a major contribution to protecting current taxpayers and future generations from these costs, and to protecting our environment.

Nuclear power is an integral part of the UK’s low-carbon generating capacity for the future, secured by a responsible, pre-funded approach to decommissioning. Nuclear Liabilities Fund Limited plays its part by covering the costs of decommissioning eight nuclear power stations currently operated by EDF Energy, most of which are at, or near, the end of their generating lives. As more of these stations

cease generation, the fund’s annual payments will continue at a high level. We know, though, that we must also invest a portion of the fund, the Mixed Asset Portfolio (“MAP”) to meet costs which will be incurred many years in the future, from around 2050 through to 2120.

Asset allocation for the MAP involves taking long-term investment risks to achieve good long-term returns. The MAP’s success cannot be measured over a single year, or indeed over three, five or ten years. As it happens, performance over the fiscal year 2023–24 was itself mixed, with illiquid investments returns being positive, although behind expectations, however the liquid investments – equities, fixed income and liquid alternative strategies – performed well. Our aim is to set the portfolio up in such a way that it can chart a course through the ups and downs of markets, and changes of the hands on the helm – there may easily be fifteen or more generations of trustees, executives and advisors over the course of one hundred years!



£1.7bn

Payments from the fund to discharge liabilities to date



One such change happened in January 2024 when Margaret Stephens, our audit committee chair, stepped down from the board. I am grateful to Margaret for her stewardship of the fund over her four years, and for her careful balance of challenge and support, both of which are important for executives and for chairs. I am also grateful to Philip Luxford, a director at DESNZ, who stepped in as a director on our board pending the recruitment of a permanent replacement. It was an exchange that I believe freshened and broadened our perspective, and also potentially the perspective of our sponsoring department.

Nuclear Liabilities Fund Limited is a ring-fenced fund structured as a Scottish public trust, designed to keep it at arms' length both from the nuclear industry and from government. As such, it is vital to its success to have strong working relationships and close collaboration with stakeholders. We are approaching the time when the first AGR station – expected to be Hunterston B in 2026 – will be transferred from EDF Energy, its

operator, to Nuclear Restoration Services ('NRS'), the subsidiary of the Nuclear Decommissioning Authority ('NDA') which will manage each station through decommissioning. As time goes on, and more stations are transferred, our relationships with these bodies will become as key to our delivery of our mission as our relationship with EDF Energy has been hitherto, and potentially for much longer.

My executive and board colleagues have worked hard with counterparts to establish how these relationships can best work for all concerned, and this resulted in us reaching an agreement in principle in May 2024. As I write this statement, dialogue continues to turn these principles into procedures to ensure that we have sufficient line of sight to future expenditure patterns whilst giving surety of funding to those carrying out the vital decommissioning work.

Unlike government funding, which tends to have annual funding cycles, Nuclear Liabilities Fund Limited funding is not time constrained. We can release more money when it might lead to a more efficient outcome, or keep money invested if better opportunities are expected later on. We look forward to working with our partners in decommissioning and in government to explore these opportunities over coming months, years and decades.

Chris Hitchen
Chair

Top image: Hinkley Point B power station. Photo produced by kind permission of EDF.

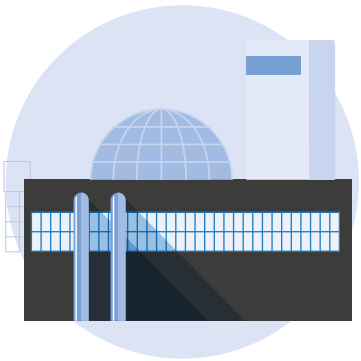
Statement from the Chief Executive

Delivering on our purpose



Melissa Hope
Chief Executive

As defueling progresses at three of EDF Energy’s stations, an important focus during the fiscal year 2023–24 was supporting the progression to the next stage in the decommissioning process – the transfer of stations to the NDA.



7.3% p.a.

MAP performance per annum since 2014

In May 2023, government confirmed that decommissioning the AGR stations post transfer to the NDA should be funded by Nuclear Liabilities Fund Limited. This decision meant that discussions on the post station transfer funding arrangements between NLF and NDA could start in earnest. As mentioned in the Statement from the Chair, these discussions have led to an agreement in principle being reached just after the fiscal year end, in May 2024. Since then we have continued to engage with our counterparts in NDA, NRS and DESNZ to progress arrangements, ready for the first station transfer in 2026.

Defueling and decommissioning work continued during the fiscal year 2023–24 and Nuclear Liabilities Fund Limited made payments of £0.5bn to EDF to cover liability costs. We continue to be involved in programme oversight meetings which at operating stations involve discussions on EDF Energy’s preparations for station closure. At stations where generation has ceased, discussions cover the progress with defueling and preparations for transfer of the stations to NRS. The payments made by the fund enable EDF Energy’s focus to be on defueling the reactors safely and efficiently, whilst making preparations for the handover of the stations to NRS.

Investment performance and activities are reported fully on [page 11](#) onwards. Notable achievements during the year were the re-structure of the liquid portfolio and significant new commitments to illiquid credit and infrastructure investments. It is pleasing to see that the performance of the MAP over 10 years from 2014 is strong and has returned 7.3% p.a. over this period.

The board and executive team

Following a year of change in the fiscal year 2022–23, Nuclear Liabilities Fund Limited had a largely settled year. Margaret Stephens retired from the board and her position as chair of the audit committee in January 2024, and I would like to reiterate Chris’s acknowledgement of Margaret’s valuable contribution during her time with the fund. We are grateful for Margaret’s diligent guidance and efforts, particularly in enhancing our governance and controls. I look forward to working with Margaret’s successor, Elizabeth Flockhart, who was appointed by DESNZ in August 2024.

Our annual board effectiveness review was carried out in early 2024 and the results were positive. Further detail can be found on [page 23](#).

Governance and operations

In last year's report we noted the introduction of the liabilities project committee. This is now fully established and a crucial governance forum as we progress discussions on future AGR arrangements. Another development noted in last year's report was the introduction of the fund's strategic risks. This has proved a valuable addition to our risk management with the strategic risks being discussed at each board meeting and comprising an important element of the board's decision making process. The service provider framework established early in the year has since been put into practice, with a review completed and reported to the audit committee.

As in previous years, we are very grateful to the Non-NDA Nuclear Liabilities Assurance ('NLA') team for their crucial role in providing the assurance on the costs payable by Nuclear Liabilities Fund Limited throughout the year.

Looking ahead

We will continue to:

- Focus on providing support to the nuclear decommissioning programme, both in terms of funding current spend and working with NDA and NRS to establish the arrangements for funding decommissioning spend post transfer of the AGR stations.
- Take a long-term view on investment, looking to invest independently of market cycles and make the most of our extended time horizon, with the goal of maintaining sufficiency of the fund.

From an organisational perspective, our priority is to evolve and develop our organisation as a sustainable and resilient organisation, set up appropriately to fulfil our purpose over the coming years. Part of this is to ensure readiness for the post station transfer arrangements, and part is to ensure we have an effective

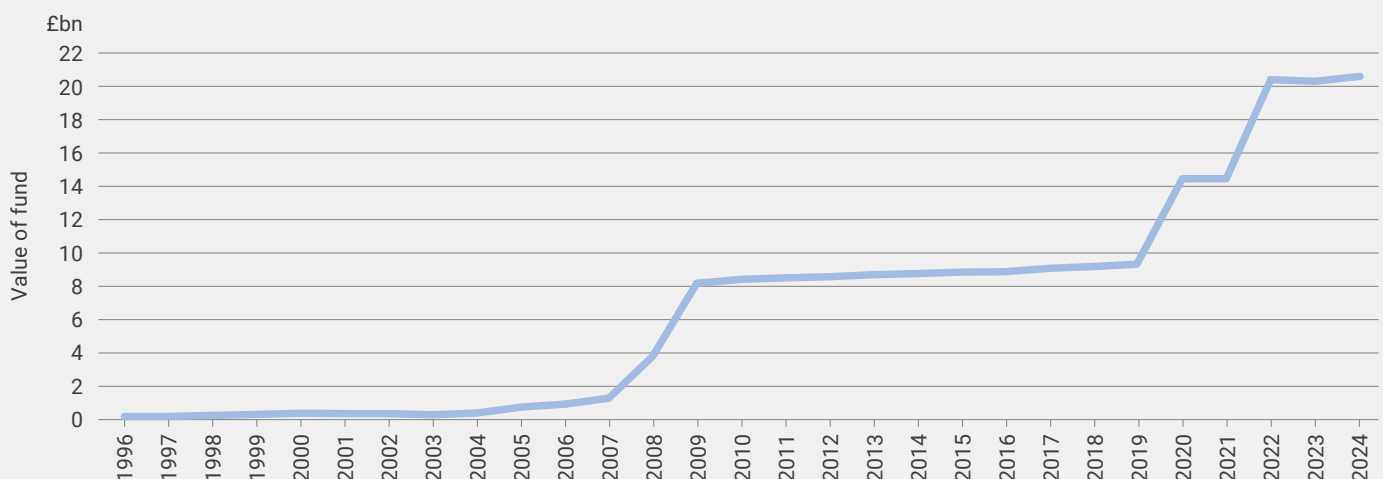
and efficient set-up to manage our investment interests with robust governance and operations.

I would like to take this opportunity to firstly thank our small but brilliant executive team for all their hard work, during what has been another successful year for Nuclear Liabilities Fund Limited. Secondly, to thank our stakeholders, in particular DESNZ and EDF Energy, for their support throughout the year. We look forward to working with DESNZ, EDF Energy, NRS and NDA as we progress through the next steps of the decommissioning journey.



Melissa Hope
Chief Executive

Evolution of the fund since inception.



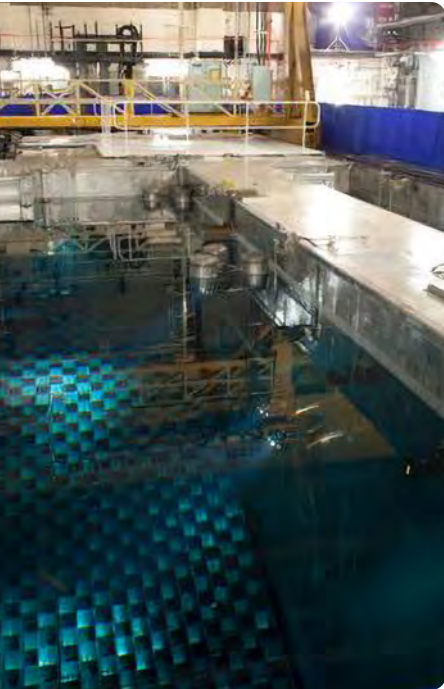
Notes:

- i. The fund assets have increased over the years.
- ii. In 1996 the initial endowment was £223m.
- iii. In 2005 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 EDF Energy. 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 Nuclear Liabilities Fund Limited entered into an agreement with HM Treasury and the Secretary of State for Business, Energy and Industrial Strategy (now DESNZ) with regards to new funding arrangements which included a capital injection of £5.07bn in July 2020.
- vi. In March 2022 a capital injection of £5.61bn was received primarily in relation to the increase in Corporation Tax rates.
- vii. Despite increased costs of defueling in recent years, the fund has maintained a balance in excess of £20bn.

Strategic report

Our key performance indicators

Sizewell B fuel pond.
Photo produced by kind permission of
EDF Energy

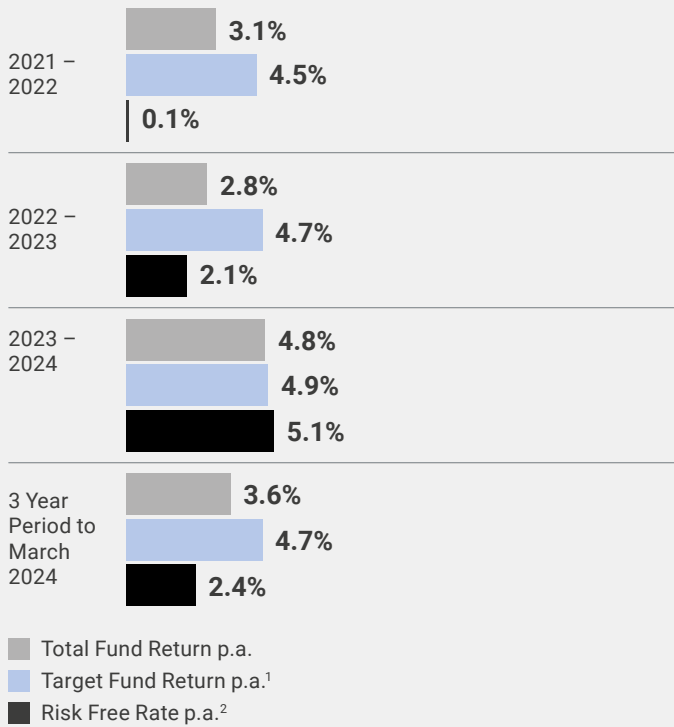


Nuclear Liabilities Fund Limited’s investment performance is assessed using key performance indicators (‘KPIs’) that were agreed for the fiscal year 2023–24 with DESNZ. The KPIs and investment objectives are established to measure performance against the expected future liability obligations. The aim 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 on page 12](#).



KPI 1: Total Fund Return



▲ **3.6%** Total Portfolio Return
3-year period to 31 March 2024

The total fund is split between the National Loans Fund ('NatLF') and the actively managed Mixed Assets Portfolio ('MAP'), as further explained at [page 11](#).

As interest rates increased over the course of the year, KPI 1 saw improved performance versus prior years as the significant weighting of the NatLF benefitted from improved returns.

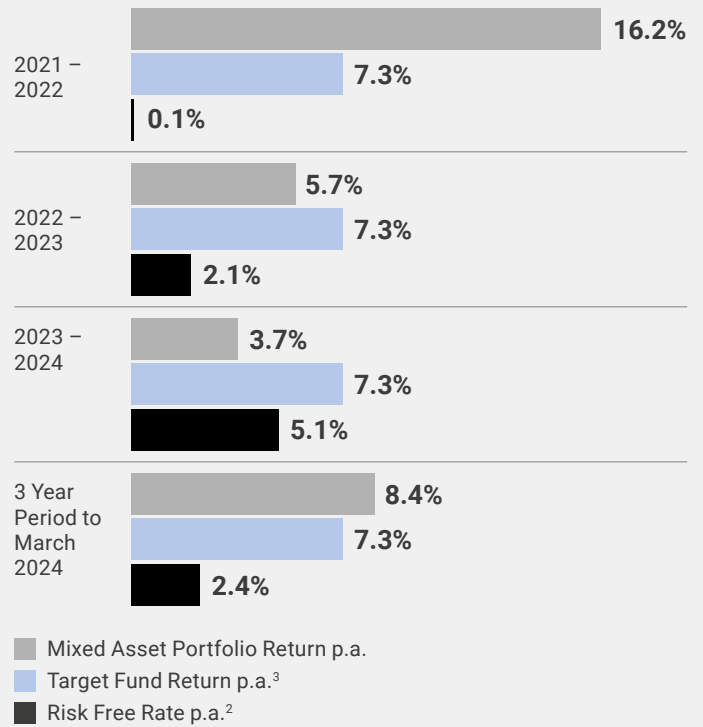
While the weighting of the NatLF remains significant, the returns from the MAP performance are subject to a lower weighting. The overall target noted above covers the life of the fund, into the next century as further discussed on [page 12](#).

This KPI illustrates how the whole fund has performed against the Target Return for the whole fund over its life.

The Target Return was calculated 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.

All dates run from 1 April to 31 March

KPI 2: Mixed Assets Portfolio Return



▲ **8.4%** Mixed Assets Portfolio Return
3-year period to 31 March 2024

The MAP is the 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 as agreed by the Board of Nuclear Liabilities Fund Limited with reference to the cost of liabilities and future returns.

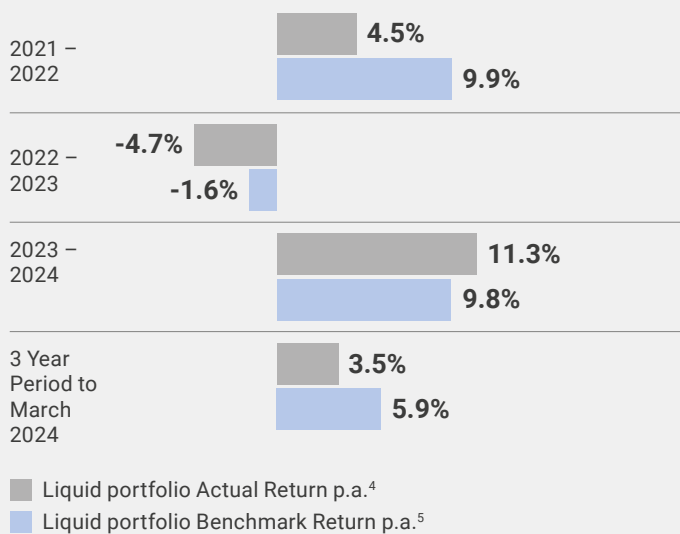
The MAP Return of 3.7% for the year was behind the Target return. This was primarily as a result of subdued returns and foreign exchange headwinds in the illiquid portfolio. Further breakdown of liquid and illiquid results within the MAP, are shown under KPI 3.

1 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.

2 The risk-free rate is calculated as the geometric average of the UK Gilts 3-month index ('GUKG3M') at the start of each quarter.

3 This is the required return on the MAP to meet the liabilities, as agreed by the Board of Nuclear Liabilities Fund Limited. Net of fees, gross of tax.

KPI 3: Mixed Assets Portfolio Return Liquid Portfolio Performance



▲ **3.5%** Liquid Portfolio Return
3 year period to 31 March 2024

The liquid portfolio (comprising c.30% of the MAP) includes global equities (including emerging market and synthetic exposure), fixed income, liquid alternatives and cash.

This KPI illustrates how managers have performed against a market index for the liquid part of the portfolio – with a portfolio target of cash + 4% p.a. (over rolling 3-year periods) adopted from 1 September 2023 onwards. This absolute return target reflects the dynamic asset allocation implemented within the liquid portfolio.

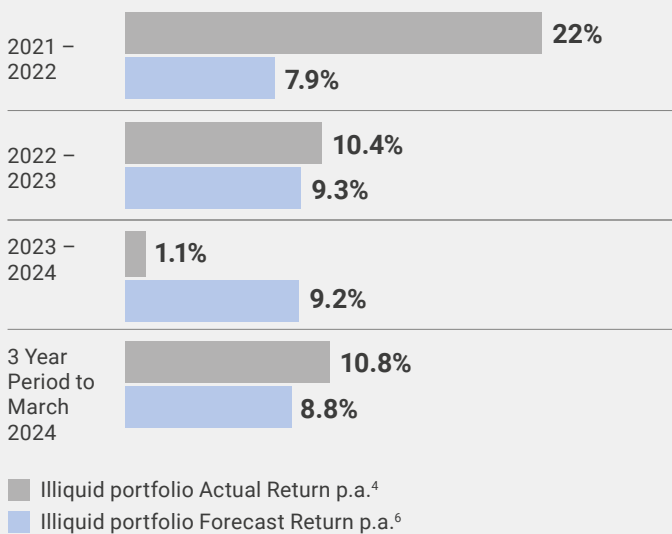
4 Both liquid and illiquid portfolio performance is net of management fees and gross of tax. Actual Returns of each of the liquid portfolio and illiquid portfolio have been calculated as the average of the performance of each investment manager’s portfolio, weighted to reflect each investment manager’s proportion of total assets under management in each respective portfolio.

5 Historically and over the period to 31 August 2023, the Liquid Benchmark Return was calculated using the average of the performance of the benchmark index return for each investment manager, weighted to reflect each manager’s proportion of total assets under management in the liquid portfolio at the start of the quarter.

– For reference, relevant benchmark indices for investment managers in the liquid portfolio are MSCI All-Countries World Index, MSCI Emerging Markets Index, MSCI World Index and SONIA.

– From 1 September 2023 onwards the Benchmark Return is SONIA + 4% p.a.

KPI 3: Mixed Assets Portfolio Return Illiquid Portfolio Performance



▲ **10.8%** Illiquid Portfolio Return
3 year period to 31 March 2024

The illiquid portfolio (comprising c.70% of the MAP) includes allocations to infrastructure, real estate, private credit, UK growth equity and global private equity asset classes.

The KPIs for the liquid and illiquid portfolios are a tool to demonstrate the effectiveness of each portfolio against expectation. 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 results are produced on a standalone basis and the MAP return takes into account the relative proportions of each portfolio.

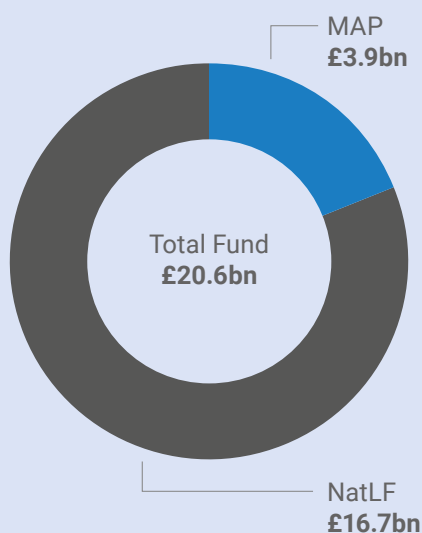
6 This is a forecast based on Aon’s Capital Market Assumptions (‘CMA’) and uses Nuclear Liabilities Fund Limited asset allocation. The CMA are “best estimates” of annualised returns representing the long term capital market outlook (i.e. 10 years). The Aon Asset Model, calibrated to these CMAs, is then used to project simulations of future outcomes for the portfolio and the return is taken as the median annualised return over a 10-year period. The Aon Asset Model is a complete, consistent and arbitrage free economic scenario generation model which includes all major markets and asset classes.

Strategic report

Review of the year

Three stations have ceased generation. Nuclear Liabilities Fund Limited is funding the safe and efficient defueling of these stations and preparations for the next stage of decommissioning. The directors continue to focus on the composition and performance of the fund to maximise opportunities for long term growth to ensure sufficiency.

Fund size and composition



Background

The fund's liabilities (see [page 3](#)) are likely to change over time in line with the costs of labour, materials and evolving technology. In order to secure sufficiency of the fund, the directors agree a rate of return required to meet the liabilities and design an investment approach which targets this rate of return while managing 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 over time.

The National Loans Fund⁷

As at 31 March 2024, the fund held c.£16.7bn (c.81% of the fund) in the NatLF (including accrued interest). The NatLF provides liquidity to meet decommissioning costs and the costs of running the fund, allowing funding certainty over the short to medium term. Current projections show the NatLF to be fully utilised in the early 2050's. Recent increases in short term interest rates have increased the returns from the NatLF which were close to zero two years ago.

The Mixed Assets Portfolio

The MAP balance as 31 March 2024 was c.£3.9bn (c.19% of the fund). As noted above, the assets in the MAP are not needed for many years while the NatLF is used to meet the costs of decommissioning.

As a result, the focus for the MAP is long term growth, and the current forecast is for the MAP to be valued at around £20bn in today's money when the fund's holding in the NatLF is exhausted in around 25 years' time. The MAP will then continue to grow whilst being used to meet decommissioning costs in anticipation of the increased costs at the start of the next century (see graph of annual expenditure on [page 15](#)). The MAP benefits from the so-called 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 agree to give up their right to sell assets at short notice. Holding assets for long periods of time is also key in reducing the impact of the costs of buying and selling investments on the MAP returns. The MAP is invested c.30% in liquid and c.70% illiquid assets as at 31 March 2024. The liquid investments are also used to meet capital calls from the illiquid portfolio. Both liquid and illiquid assets are managed by external investment advisers.

⁷ The National Loans Fund, established on 1 April 1968 and administered by HM Treasury accounts for government borrowing and lending.

1 Investment performance over the year

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 detailed on [pages 9 and 10](#).

The Total Portfolio Return KPI figure is calculated as an average over the whole lifetime of the fund. Because of the very high weighting towards the NatLF over the first 30 years of the fund's life, and the low risk, low return nature of the NatLF, it is expected that the fund will lag its lifetime return target for several years until the weighting of the NatLF falls and the value of the MAP, which targets a higher return, increases.

As interest rates have risen over the past two years, the significant weighting of investment in the NatLF has seen improved returns and this has helped the Total Portfolio Return KPI to be only marginally below target this year – 4.8% vs target of 4.9%. We are cognisant, however, that rates are expected to fall in the coming year. As a result, we expect this KPI to continue to undershoot its target over the short to medium term.

As the NatLF is utilised to pay for the costs of decommissioning, and the MAP grows, it is expected that the Total Portfolio Return will increase. When the MAP is the dominant asset, the performance will be more aligned to the performance of the MAP (KPI 2). Current projections show that in approximately 10 years the weighting of the NatLF and the MAP will be c.50/50, and by the early 2050's, the NatLF will be fully utilised.

Monthly interest rates on the NatLF have improved throughout the year from around 4% at the start of the year to over 5% by the end of the year. The first months of the fiscal year 2024–25 have continued to see short term interest rates in excess of 5% but the investment committee

The MAP three-year return of 8.4% p.a. was above its three-year target return of 7.3% p.a.

and board are aware that these rates are likely to reduce as central banks consider rate cuts as a result of inflation reducing significantly.

On a three-year basis, the MAP has returned 8.4% p.a., meaning that the MAP exceeded its target return over this term although it fell short of its target return in the past year. It should be noted that we do not expect smooth returns year after year throughout the 100 year life of the fund.

The MAP combines both liquid and illiquid investments in a well-diversified portfolio. The benefits of this diversification can be seen by the fact that the liquid portfolio performed strongly and offset the weaker performance of the illiquid portfolio in the year, a reversal of the pattern in the preceding financial year (see KPI 3 on [page 10](#)).

Investment activity within the MAP continued in the year with two new illiquid commitments (totalling c.£650m) made in the illiquid credit and renewable energy infrastructure asset classes.

In addition, an existing infrastructure investment was restructured to improve the diversification of the investment.

The liquid portfolio outperformed the benchmark in the year (11.3% vs 9.8%) as global markets responded positively to strong corporate earnings and inflation began to moderate. Over the three year cycle, the liquid portfolio performance of 3.5% lags the benchmark which returned 5.9%.

The liquid portfolio was restructured in the second half of the year whilst maintaining an equity exposure to ESG/impact focussed investments. In addition, this change has seen the liquid portfolio increase the range of asset classes in which it is invested, with new exposures to fixed income and liquid alternative strategies. This change has also led to both cost savings and administrative efficiencies being achieved.

The illiquid portfolio fell short of its forecast return this year (1.1% vs 9.2%) following relatively subdued performance and foreign exchange headwinds. Although performance this year has not been particularly strong, returns over three years and since 2014 returns are above target.

As mentioned above, we do not, and should not, expect returns to be smooth year after year. Despite this, we believe the fund is well placed to benefit from long term asset growth and to meet investment targets over the longer term.

Statement of investment principles

The Statement of Investment Principles (the 'SIP') sets out the governance structure for setting the investment objectives for 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 our [website](#).

Target returns

The target return for the total fund for the fiscal year 2023–24 was 4.9%. This remains at 4.9% for the fiscal year 2024–25.

The target return for the MAP for the fiscal year 2023–24 was 7.3%. For the fiscal year 2024–25 it remains at 7.3%.



Above image: Pile cap and fueling machine, Hunterston B. Image supplied courtesy of EDF Energy.

The directors were pleased with progress of the defueling programme at Hunterston B; the station successfully completed defueling its first reactor in September 2023 and has demonstrated a strong commitment to safe and efficient operations.

Liabilities

Costs of discharging liabilities

During the fiscal year 2023–24, undiscounted liabilities decreased from £27.3bn to £27.2bn. The decrease reflects that in the fiscal year 2023–24, the fund made payments to EDF Energy of c£0.5bn to cover the discharge of liabilities detailed below. However, underlying liabilities have increased as expected. Most of the increase relates to inflation, but there has been some additional scope and cost approved under the NLFA decommissioning change notice procedures, including an increase in expected works power costs.

As noted in previous years, the calculation of liabilities has been aligned with the Annual Funding Review mechanism which reflects the Annual Liabilities Report submitted by EDF Energy under the Nuclear Liabilities Funding Agreement ('NLFA') (21st Edition with values stated at December 2022 monetary values) and adjusted for forecast spend and inflation to 31 March 2024.

In the fiscal year 2023–24, EDF Energy made a contribution to the fund and its administration of £16m, in accordance with the requirements of the NLFA. This figure was £11m lower than 2022–23 as no additional payments were due for fuel loading at Sizewell B.

Discharge of liabilities

Three AGR stations have now ceased generation. Payments from the fund to EDF Energy will remain high over the next 15 years as the remainder of the AGR fleet reaches the end of its generating life and defueling and decommissioning work is carried out.

In fiscal year 2023–24, the fund met the costs of defueling activity at Dungeness B, Hinkley Point B and Hunterston B (including site costs) and 'defueling readiness' preparations to mitigate risks associated with unplanned end of generation at the other stations.

The directors are pleased to note that in September 2023 a major milestone was reached when EDF Energy defueled the first reactor at Hunterston B, the lead station in the defueling programme. Work is now well underway on defueling the second reactor. Good progress has also been made with defueling Hinkley Point B, assisted by the benefits of learning from Hunterston B. It was always understood the Dungeness B would be a challenging station to defuel and this is reflected in the associated cost of liabilities. Nevertheless, it is encouraging that defueling has now commenced at Dungeness B.

Scrutinising costs and monitoring liabilities

The Non-NDA Liabilities Assurance team ('NLA') a segregated part of the NDA,⁸ continue to carry out assurance, scrutiny and audit activity on behalf of DESNZ and Nuclear Liabilities Fund Limited in relation to EDF Energy's cost submissions and plans. This ensures that payments from the fund are only made in respect of qualifying costs in accordance with the NLFA, and provides the directors with confidence in the robustness of liabilities estimates and the application of consistent methodology.

The directors of Nuclear Liabilities Fund Limited actively participate in quarterly and annual reviews of defueling progress and EDF Energy's performance against KPIs and performance measures agreed under the NLFA. We attend regular and ad hoc meetings with the NLA to discuss key issues arising from assurance activity. Issues discussed in detail have included the impact of fluctuating works power prices, movements in spend profile and risks to costs. The directors have had helpful engagements with EDF Energy to understand plans to mitigate the costs of defueling Dungeness B.

⁸ The Nuclear Decommissioning Authority ('NDA') is a non-departmental body created by the Energy Act 2004 whose functions include the decommissioning of designated nuclear installations. It is sponsored and funded by DESNZ.

AGR station transfer and long term decommissioning programme

DESNZ has exercised its option to transfer the AGR stations to the NDA after completion of defueling by EDF Energy. The long-term AGR decommissioning programme will be managed via the NDA's subsidiary company, Nuclear Restoration Services Limited ('NRS'). Nuclear Liabilities Fund Limited will continue to fund the long term decommissioning programme post-transfer. The fund welcomes the intent of these arrangements to leverage the unique expertise of EDF Energy, the NDA and NRS in order to create efficiencies, generate synergies and thereby reduce costs over the long term.

Stakeholder collaboration, reporting and oversight

The directors continue to play an active role in the governance meeting arrangements established by DESNZ under the Co-operation Memorandum of Understanding ('MoU') signed in June 2021 to facilitate efficient AGR defueling and seamless station transfer. The directors actively participate in the Decommissioning Senior Alignment Panel ('SAP'), which oversees the programmes of deconstruction strategy alignment and transfer activity and are invited by DESNZ to attend the annual CEO and Permanent Secretary MoU review meeting.

The directors continue to participate in the AGR Operating Programme ('AGROP'), and in the Defueling Steering Panel ('DSP'). These committees scrutinise the many risks that can impact on defueling and that, if realised, would contribute to significant cost increases to the fund.

During the year, members of the board have been pleased with the commitment to collaboration that has been shown by all parties.

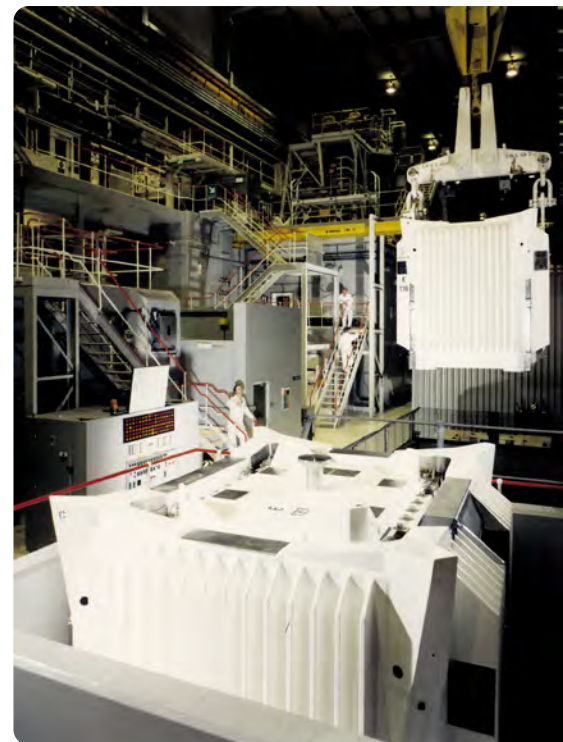
We would like to thank EDF Energy for facilitating insightful visits to Hinkley Point B and Torness power stations.

These visits are a valuable way to improve technical understanding of defueling and decommissioning activity, so that we can meaningfully understand reporting and provide effective scrutiny and challenge of liabilities estimates alongside DESNZ and the NLA.

We would also like to thank NLA, NDA and NRS for facilitating a visit to Oldbury Power Station which provided an opportunity for us to see post-defueling deconstruction and decommissioning activity on site. NDA have also provided insight into their corporate structure and processes as part of our engagement on future arrangements.

Nuclear decommissioning cost estimates

We have engaged with the government's Contingent Liability Central Capability ('CLCC') unit's cross-government nuclear decommissioning cost review and welcome the recommendations set out in its [report](#) published in November 2023. We are pleased to have been invited to participate in a nuclear decommissioning estimates working group. This group will look at different methodologies, techniques and assumptions used to estimate decommissioning costs and risk across government nuclear decommissioning entities, with a view to establishing best practice and consistency.



A look forward on liabilities

The directors remain committed to working with our stakeholders in a fully collaborative manner and will continue to constructively engage on decommissioning matters through formal routes and by engaging with relevant stakeholders.

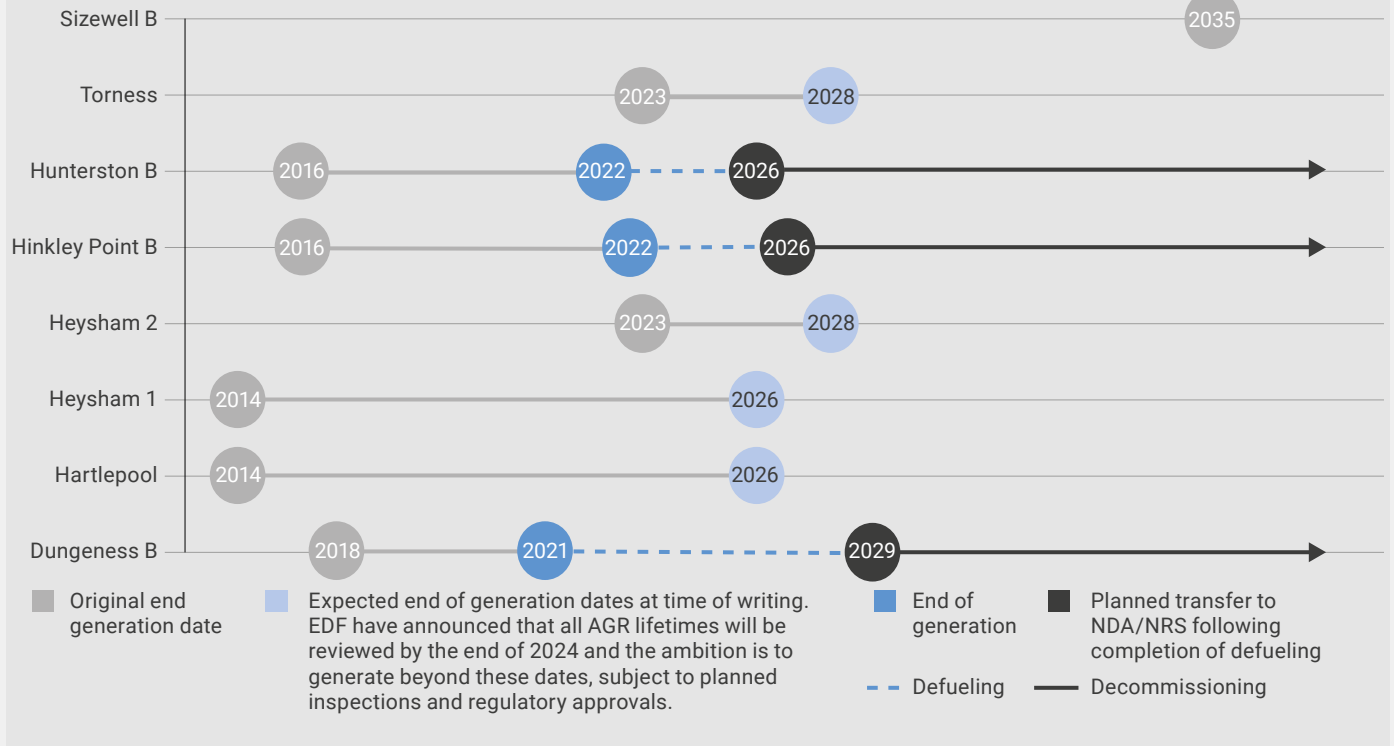
The main area of focus over the next year will be the formal agreements with DESNZ, NDA and NRS under which we will continue to fund decommissioning activities following AGR station transfer. We will also be monitoring closely the defueling programme at Dungeness B.

The directors will continue to engage with DESNZ and the NDA regarding policy changes and developments that might affect the liabilities, including the development of a geological disposal facility and associated waste management strategies and potential opportunities for research and development, which could generate further savings in decommissioning costs over the longer term.

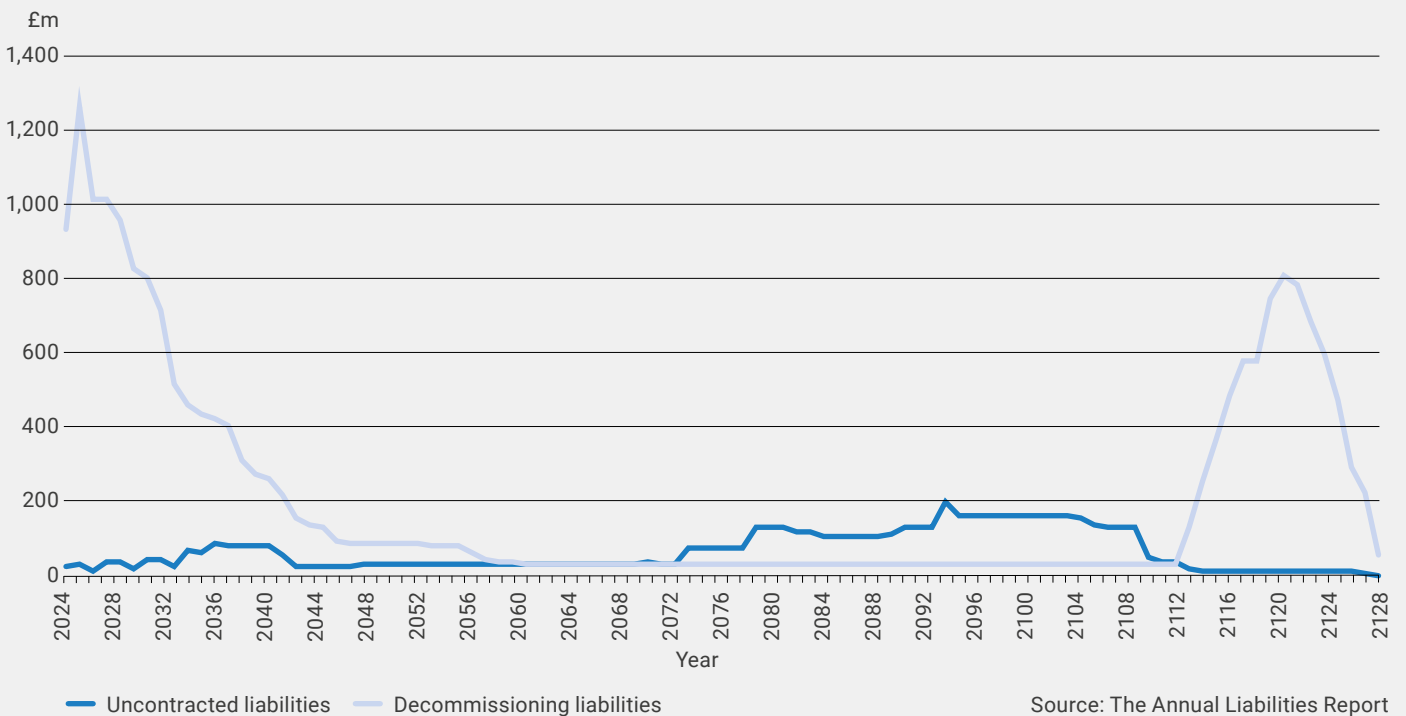
Top image: Fuel handling plant, Sellafield.
Image supplied courtesy of the NDA.



Expected end of generation and transfer dates

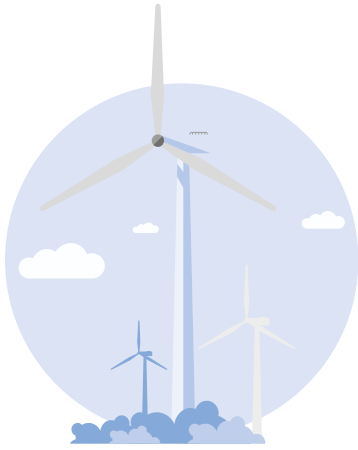


Projected annual expenditure to discharge the liabilities



Source: The Annual Liabilities Report delivered by EDF Energy under the NLFA as at December 2022, adjusted for forecast spend and inflation.

Year (2024–2121)	Total (£m)
Uncontracted liabilities	6,332
Decommissioning liabilities	20,818
Total undiscounted liabilities	27,150



Strategic report

Environmental, social and governance considerations

Environmental, social and governance ('ESG') outcomes are a continuing area of focus for the directors and are factored into the decisions the directors make, both in terms of our own operations and our investments.

We believe ESG is a key component of the success of the Nuclear Liabilities Fund Limited. Examples of our approach at the organisational level are outlined below:

Environmental

Nuclear power generates low carbon electricity, supporting the UK's net zero goals. Nuclear Liabilities Fund Limited aims to ensure that when nuclear power stations come to the end of their generating life, there are funds in place to safely remove and manage nuclear waste.

Social

We strive to embed a culture where everyone feels respected, valued and included. We are proud of our gender diversity and are taking steps to ascertain whether there are any barriers in place to further broaden our diversity.

Governance

The board are committed to high standards of corporate governance with regard to both public and private sector codes of conduct and best practice. We report on our governance arrangements annually in this report. More details can be found on [page 22](#).

The directors expect the fund's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns, the transition to a low-carbon economy, and crystallisation of climate change risks) in the selection, retention and realisation of investments on behalf of the fund. Further detail is included in the Statement of Investment Principles on our [website](#).

We review ESG across our portfolio annually alongside our investment adviser. This includes a review of our investment managers' participation in collaborative external initiatives such as the Principles for Responsible Investment; the integration of climate change and Net Zero targets across our portfolio; and measures of our managers' alignment to the UN Sustainable Development Goals where this is a core part of their mandate. The following page outlines asset management and portfolio initiatives provided by some of our asset managers.

Manager: Equitix

Engaged Entity: Hub South West Scotland

Equitix is the largest private sector shareholder in Hub South West Scotland ('HSW') which is a public-private partnership that enables cost efficient design and construction of community infrastructure within the areas of Lanarkshire, Ayrshire and Dumfries & Galloway. The hub model brings together public sector bodies and private companies to deliver new projects across education, health, leisure, office and housing sectors.

HSW's 2022–2023 impact delivered the creation of 761 jobs, 458 local supply chain engagement events, 612 educational events and £375m work packages.



Manager: LCM Partners

Engaged Entity: HST Marine

LCM are partnered with a number of owner/operators of offshore marine transport vessels across the UK and Europe, providing financing secured against these vessels.

One such vessel is the HST Millie, designed and manufactured in the UK, and used to transport industrial personnel to an offshore wind-farm off Scotland. The vessel incorporates the latest clean energy propulsion technology that all but eliminates its Nitrous Oxide emissions. The vessel's hybrid electric propulsion system also cuts fuel consumption by 30% compared to similarly powered diesel power vehicles and offers full electric propulsion capabilities for clean operation.

Manager: Westbrook

Engaged Entity: Harforde Court

Westbrook own a business park in southern England. This has been refurbished to improve the appearance, desirability and environmental performance of the assets to attract a better quality of tenant, seeking higher quality space which is expected to benefit the local area.

The work undertaken included the installation of LED lighting, upgrading of electrics, replacement of gas boilers/heating system and addition of Electric Vehicle charging points. As a result of these works the properties Energy Performance Certificate improved from Grade D to Grade B and occupancy increased from c.30% to 100%.

Tenants are transitioning to new 'green' leases that enable them to increase the amount and quality of ESG data that can be collected.



Photos kindly shared by the investment managers and engaged entities noted above.

Strategic report

Principal risks and uncertainties

Risk management is an important consideration. We have identified our strategic risks and these are considered by the board at each meeting, being important inputs to any decision making.

Nuclear Liabilities Fund Limited maintains the following risk registers:

- liability risk register
- investment risk register
- governance and operational 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 reviewed by the board at six-monthly intervals.

Liability risks

Sufficiency of the fund may be impacted by increases in the relevant liabilities and/or changes to the phasing of spend. Nuclear Liabilities Fund Limited does not own or control the decommissioning programme and/or the liabilities, however, we ensure that EDF Energy's liabilities estimates receive appropriate challenge and scrutiny and we monitor risks via our own liability risk register. During the fiscal year 2023–24 we have actively engaged with stakeholders on risks to defueling progress at

Dungeness B, Hinkley Point B and Hunterston B stations and mitigating measures. To mitigate against the risk of cost escalation post-station transfer we are expecting EDF Energy and NRS to collaborate on the development of decommissioning plans.

Sustained inflationary pressure is a significant component of liabilities risk and one that is difficult to mitigate. In carrying out our assessment of the sufficiency of the fund, we adjust liabilities estimates for inflation (using CPI) and apply a nuclear inflation premium.

Strategic risks

- 1 Constitutional or political**
A constitutional attack on, or a lack of consideration of, the set-up or independence of the fund.
- 2 Liabilities**
Increases in the level of the liabilities and/or significant changes to the timing of liabilities.
- 3 Investment**
Poor asset performance and an inability to achieve long term investment returns.
- 4 Governance**
Inappropriate or insufficient oversight or decision making.
- 5 Operations**
Insufficient fund operations or inadequate controls.
- 6 Reputation and stakeholder management**
Poor management of our reputation or failure in management of/engagement with stakeholders impacting confidence in NLF and the associated arrangements.

Investment risks

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 risk.

The approach is set out in note 15 'Financial Risk Management' to the financial statements.

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

The board and investment committee work together, with advice from our investment adviser, to set and implement Nuclear Liabilities Fund Limited's investment strategy within this Risk Appetite Framework.

Governance and operational risks

The audit committee is responsible for the oversight of Nuclear Liabilities Fund Limited's governance and operational risk registers. The directors strive to uphold a high standard of internal governance and carefully monitor governance, constitutional or political risks which may arise from external influence or intervention and actions or circumstances which may damage the reputation of the fund.

Operational risk management centres around Nuclear Liabilities Fund Limited's organisational structure, how we work on day-to-day business matters and how we use external service providers. As a number of key operations are outsourced, management of service provider relationships is an important aspect of operational risk management. The framework for oversight of service providers which was introduced last year, was successfully put into practice this year, with a review of service providers undertaken. Cyber security risk has been, and will continue to be, an area of focus both internally and in arrangements with our service providers.

Solvency and liquidity risks

The view of the directors is that Nuclear Liabilities Fund Limited is in a strong position when considering solvency and liquidity risks.

The directors expect to be able to meet the company's liabilities including its obligations to discharge decommissioning liabilities under the NLFA for the foreseeable future. Following the most recent Annual Funding Review, it was agreed that the fund was sufficient and there was no requirement for reallocation of investments or additional contributions at this time.

In addition, the substantial liquid assets that the company holds within the National Loans Fund ensure that payments and liabilities will continue to be met as they fall due, and this is expected to the case for a number of years into the future.

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 Low appetite for the failure of the Mixed Assets Portfolio to meet its return target over the long term.
- 4 Low appetite for concentration of risk positions in the Mixed Assets Portfolio, while making meaningful allocation to each type of asset.
- 5 High appetite for illiquidity in the Mixed Assets Portfolio whilst there is a material allocation of assets to the liquid National Loans Fund.
- 6 Low appetite for embarrassment and reputational risk, reflecting the desired standards of a public body.
- 7 Medium appetite to focus fund investments in the UK, supporting the UK Government.
- 8 High appetite for transparency and understanding of operational complexity, including taxation treatment.

Directors' report

For the year ended 31 March 2024

The directors present their Annual Report together with the financial statements and auditor's report for the year ended 31 March 2024.

Results

In the fiscal year 2023–24 Nuclear Liabilities Fund Limited's assets held to meet the liabilities increased by £176,705,708 to £20,479,168,206 (in the year 2022–23 decrease of £226,488,201 to £20,302,462,498).

At this early stage in 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 Nuclear Liabilities Fund Limited is to receive and hold monies, investments and other assets, so as to secure funding for discharging relevant liabilities relating to the

decommissioning of eight nuclear power stations currently operated by EDF Energy and to make payments to EDF Energy in accordance with provisions of the Nuclear Liabilities Funding Agreement. Accordingly, in the directors' opinion, an alternative method of presenting the financial statements would be to use a fund account approach as follows:

	2024 £	2023 £
Assets less liabilities held to meet relevant liabilities – value at start of the year	20,302,462,498	20,528,950,699
Contributions from EDF Energy	16,184,168	27,347,988
Amounts payable to EDF Energy	(542,835,530)	(550,245,315)
Profit on ordinary activities before tax	935,770,774	449,541,321
Tax on profit on ordinary activities	(232,413,704)	(153,132,195)
Assets less liabilities held to meet relevant liabilities – value at end of the year	20,479,168,206	20,302,462,498

Principal activity and review of business

The principal activities of 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 Chair's statement and the Strategic Review provide further detail on Nuclear Liability Fund's activities during the course of the fiscal year 2023–24, both from the investment and the liabilities perspectives. An indication of likely future developments with regards to liabilities is provided on [page 14](#). Furthermore, the key risks facing the fund and the Risk Appetite Statements are covered in the Principal Risks and Uncertainties section on [pages 18](#) and [19](#).

The directors consider the result for the fiscal year 2023–24 to be consistent with the objectives set out in the Articles of Association of the company as amended by Special Resolutions approved on 13 January 2005 and further amended by Special Resolutions approved on 22 June 2021.

Directors

The following directors served during the year:

Mr C Hitchen

Dr M Grant

**Mr P Luxford, interim
(February – July 2024)**

Mrs A McNeil

Mr L Nunneley

**Mrs M Stephens
(resigned January 2024)**

In their capacity as trustees of the Nuclear Trust (a public trust established under Scots Law by a deed dated 27 March 1996 between EDF Energy and the Secretary of State for DESNZ, as amended by a deed dated 12 January 2005, and as further amended by a deed dated 23 June 2021), the directors jointly have a legal interest in 98 Ordinary Shares of £1 each in Nuclear Liabilities Fund Limited.

Resignations and appointments

Mrs Margaret Stephens resigned from her role as director and chair of the audit committee in January 2024. Mr Philip Luxford was appointed as an interim director from 1 February 2024 to 31 July 2024.

Following the end of the fiscal year 2023–24, in August 2024, Mrs Elizabeth Flockhart was appointed as director, chair of the audit committee and member of the investment committee.

Company Secretary

Mrs Melissa 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

CLA Evelyn Partners has been appointed as auditor for the year ending 31 March 2024.

Donations

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

Energy and carbon reporting

There is no energy and carbon usage reporting in this report. Nuclear Liabilities Fund Limited is categorised as a 'low energy user' under the Streamlined Energy and Carbon Reporting Guidance (March 2019) as consumption was less than 40MWh during the fiscal year 2023–24, therefore there is no requirement to report.

Directors' report

Governance

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

The UK Corporate Governance Code 2018

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 Nuclear Liabilities Fund Limited, is a means of embedding best practice in corporate governance. For the fiscal year 2023–24 Nuclear Liabilities Fund Limited, the directors have sought to comply with a number of provisions within the Code so far as it is relevant and proportionate to a non traded public sector company and taking account of the purpose of the company, its constitutional arrangements and the limited size of its board and executive operations.

Section 172 Statement

S172 Directors' Duties

The directors have regard to the interests of 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 14](#).
- Read about how we manage risks on [pages 18 and 19](#).
- Read about our governance on [pages 22 to 25](#).

The directors comply with the Nolan Principles (the seven principles of public life) but in their dual role as directors and trustees of the Nuclear Trust, are cognisant of the need to act independently of government and in accordance with fiduciary duties in order to fulfil the purpose of The Nuclear Trust.

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 DESNZ. The two B directors are the two trustees of the Nuclear Trust appointed by EDF Energy in consultation with DESNZ.

The board has three permanent committees: the audit committee, the investment committee and the remuneration and nomination committee. There is one temporary committee, the liabilities project committee. These committees ensure appropriate oversight in each area and report to the board.

Corporate governance

Although classed as a 'central government fund' by the Office for National Statistics, as a result of the fund's purpose and constitution, Nuclear Liabilities Fund Limited and its directors have a distinct and

unique status. Nuclear Liabilities Fund Limited operates with regard to both public sector codes of conduct and standards for public bodies and private sector corporate governance best practice as far as appropriate and proportionate.

The board and the committees receive appropriate information in order to form judgements, including:

- updates on investment performance
- updates on Nuclear Liabilities Fund Limited’s financial position, including expenditure to date and forecasts against budget
- from time to time, briefings on relevant topics (investment, liabilities or governance related)
- updates on preparations for station closure and defueling, and preparations for transition and transfer of AGR stations to the NDA.

The board takes note of the targets and objectives for the fiscal year 2023–24 given to it by DESNZ. This was 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](#).

The board also takes note of the need to present a fair, balanced and understandable assessment of Nuclear Liabilities Fund Limited’s position and prospects. It takes note of the guidance from the Financial Reporting Council paper, "Guidance on the Going Concern Basis and Reporting on Solvency and Liquidity Risks".

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 our [website](#).

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 February 2024 an internal review of board effectiveness was carried out. All members of the board, key advisers and stakeholders were consulted. On the whole, it was felt that the board and the governance of Nuclear Liabilities Fund Limited is working well. Following substantial changes to the board, the fund has benefited from a more settled period, with only one change during the year.

Looking at the optimal shape of the organisation and most efficient ways of working, including delegations and use of external advisors are important follow-up actions to the review. This work will complement the ongoing preparations for the transition to post-station transfer funding arrangements.

The investment committee

The investment committee comprised three directors: Luke Nunneley, Chris Hitchen and Margaret Stephens. Margaret Stephens stepped down from the board and the investment committee in January 2024. Philip Luxford joined the committee on an interim basis between February and July 2024. Following the end of the fiscal year, in August 2024, Elizabeth Flockhart was appointed a member of the committee.

Board effectiveness review 2024

The results of the review were positive: the board and governance of the fund is working well. Now, we must look to the future and prepare for the transition to post-station transfer funding arrangements, an enlarged MAP, considering both the optimal structure and the best use of resources for the fund.

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 SIP 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 investment adviser 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 generally meets 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 liabilities project committee

The liabilities project committee was established as a temporary committee of the board in May 2023 in order to provide additional governance and oversight of the negotiation of arrangements under which the fund will continue to meet the costs associated with decommissioning the AGR stations following transfer to the NDA.

The committee meets monthly with additional meetings as required. The committee operates in accordance with delegated authority and terms of reference approved by the board. The final decision to enter into legally binding arrangements with NDA and NRS is reserved to the board.

The committee also receives reports on general liabilities matters arising from the current NLFA arrangements with EDF Energy.

The audit committee

At the start of the fiscal year 2023–24, the audit committee comprised of Martin Grant, Alison McNeil and Margaret Stephens. Margaret chaired the audit committee from July 2020 until her retirement from the board and the audit committee in January 2024. Upon Margaret's retirement, Martin Grant was appointed chair of the audit committee on a temporary basis, pending the appointment of a new director and chair of the committee by DESNZ. Following the end of the fiscal year, in August 2024, Elizabeth Flockhart was appointed chair.

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. The report of the audit committee, which forms part of this governance statement, can be found on [page 29](#).

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 twice during the financial year. The committee's role is to make recommendations to the board and the 'Special Shareholders' (DESNZ and EDF Energy as holders of an A and a B special share respectively in the company) 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 employees. As we look towards the transfer of stations, post-defueling from EDF Energy to the Nuclear Decommissioning Authority, it will be important to consider the skillset and composition of the board, and support provided by the executive and independent advisers.

The remuneration and nomination committee makes recommendations to the Special Shareholders on directors' remuneration. Employees' remuneration is considered on an annual basis and benchmarking is used to inform this process.

The board

The directors meet regularly to review the overall affairs of 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 virtually) together with meetings between various board members, advisers, officials from DESNZ, NDA, EDF Energy 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):

- market updates from the fund's investment adviser;
- reports from each committee;
- a summary of the strategic risks; and
- an update on policy matters from DESNZ.

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.

The chair receives a salary of £43,000 per annum. The other directors receive £28,500 per annum pro rata on a monthly basis. Two directors were awarded an additional £15,000 in recognition of extra work undertaken in relation to arrangements with DESNZ, NDA and NRS for AGR transfer and future funding.

It should be noted that as an interim appointment from DESNZ, Philip Luxford did not receive a salary.

Internal financial controls

The directors have overall responsibility for the internal financial control systems of Nuclear Liabilities Fund Limited. 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 the investment adviser who oversees the investment managers and the management of the investment portfolio. Custodial services (which include the safeguarding of the assets), and the day to day expense management and accounting and certain company secretarial requirements are also outsourced.

The investment adviser oversees the investment and operational performance of the investment managers, through pre-investment and ongoing due diligence. It is expected that the investment managers have established internal control frameworks to provide reasonable assurance on the effectiveness of their 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.

Attendance table – 1 April 2023 to 31 March 2024 Board and Main Committees

	Board	Investment committee	Audit committee	Remuneration & nomination committee
Number of meetings Directors/Trustees	6	6	4	2
Alison McNeil	6		4	2
Chris Hitchen	6	6	1*	2
Luke Nunneley	6	6		2
Martin Grant ¹	6		4	2
Margaret Stephens ²	4 (4)	5 (5)	3 (3)	1 (1)
Philip Luxford ³	1 (1)	1 (1)	1 (1)	

Where there is a number in brackets, this denotes the maximum number of meetings the individual could have attended during their term on a committee or the board.

Where there is no second number in brackets, the individual attended all meetings held in the fiscal year.

The investment committee receives updates from the investment adviser regarding the quality and effectiveness of the accounting records and management information maintained on behalf of Nuclear Liabilities Fund Limited and any issues are escalated to the board. The board reviews the quarterly management accounts 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 Nuclear Liabilities Fund Limited. Further details on financial risk management are stated in note 15 to the financial statements.

In May 2023 the board established a liabilities project committee, that provides governance and oversight of the arrangements under which the fund will continue to meet the costs associated with decommissioning the AGR stations following transfer to the NDA.

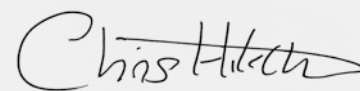
Going concern

The principal purpose of Nuclear Liabilities Fund Limited is to receive and hold monies, investments and other assets, so as to secure funding for discharging relevant liabilities related to the decommissioning of eight nuclear power stations currently operated by EDF Energy and to make payment to EDF Energy in accordance with the provisions of the NLFA. Based on the liability cashflows used in the Annual Funding Review, the expected outflows to cover the decommissioning liabilities over the next three years amount to c.£3.5bn. Nuclear Liabilities Fund Limited 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, UK 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.

Notes:

- Following Margaret Stephen's departure on 18 January 2024, Dr Martin Grant was appointed interim Chair of the Audit Committee.
 - Margaret Stephens resigned on 18 January 2024.
 - Philip Luxford was appointed interim Trustee 01 February to 31 July 2024.
- * In his capacity as NLF Chair, Chris Hitchen attended an Audit Committee meeting.

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



Chris Hitchen
Chair

Citypoint
65 Haymarket Terrace
Edinburgh EH12 5HD

19 November 2024

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.

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 company financial statements in accordance with UK-adopted international accounting standards. 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 for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether international accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

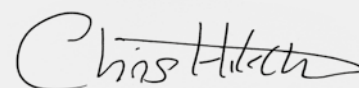
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

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

To the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the United Kingdom, 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:



Chris Hitchen
Chair

19 November 2024

The directors and officers of Nuclear Liabilities Fund Limited for the fiscal year ending 31 March 2024.



Chris Hitchen

Director

Chair

Chair of the Remuneration and Nomination Committee

Member of the Investment Committee

Member of the Liabilities Project Committee

Chris Hitchen was appointed as NLF Chair, a director and trustee by DESNZ, in August 2022.



Dr Martin Grant, FREng

Director

Member and interim chair of the Audit Committee

Member of the Remuneration and Nomination Committee

Member of the Liabilities Project Committee

Martin Grant was appointed as a director and trustee in December 2020, having been nominated by EDF Energy and was re-appointed for a further 3 year term in December 2023.



Alison McNeil

Director

Member of the Audit Committee

Member of the Remuneration and Nomination Committee

Chair of Liabilities Project Committee

Alison was appointed as a director and trustee in December 2021, having been nominated by EDF Energy.



Luke Nunneley

Director

Chair of Investment Committee

Member of the Remuneration and Nomination Committee

Luke Nunneley was appointed as a director and trustee by DESNZ in May 2022.



Margaret Stephens

Director (resigned in January 2024)

Chair of the Audit Committee

Member of the Investment Committee

Member of the Remuneration
and Nomination Committee

Margaret Stephens was appointed as a director and trustee by DESNZ in April 2020.



Melissa Hope

Chief Executive

Melissa Hope was appointed as Company Secretary for the fund by the directors in November 2017 and in March 2022 was appointed to the role of Chief Executive.

Report from the audit committee

Report from the audit committee for the year ended 31 March 2024

Meetings and membership

The audit committee met formally four times during the year and also held additional meetings on accounting and audit matters.

The audit committee comprises three directors. Details of those serving during the fiscal year are set out on [pages 24, 27 and 28](#) and full biographies, including qualifications of the current members, are available on Nuclear Liabilities Fund Limited's [website](#).

Margaret Stephens resigned as director and chair of the audit committee in January 2024.

Dr Martin Grant was appointed interim chair and Philip Luxford was appointed a member of the committee on an interim basis.

Nuclear Liabilities Fund Limited outsources accounting and book-keeping to BDO LLP ('BDO'). BDO is overseen by the audit committee and representatives of BDO attend the audit committee meetings. From time to time, we invite the external auditor to attend meetings to report on the quality of accounting procedures and their findings in connection with the statutory audit.

Responsibilities

The primary responsibilities of the audit committee are to:

- monitor the integrity of all financial statements
- review and make recommendations to the board on significant financial reporting issues and judgements which they contain, having regard to matters raised by the external auditor
- keep under review the adequacy and effectiveness of internal financial controls systems, payments processes and policies
- oversee the governance and operational risk register and carry out an annual review of all risk registers, to satisfy itself that the approach and process for selecting risks is working satisfactorily and then report to the board, which retains primary responsibility for risk management
- be responsible for operational compliance and controls including procedures for the detection and prevention of fraud and bribery and the performance of service providers
- oversee the arrangements for the annual funding review and assessment of fund sufficiency.

Significant issues considered in the year

The most significant matters which the audit committee considered were valuation of investments and accounting estimates of taxation in the context of the financial statements.

As detailed on [page 24](#) under the heading of internal financial controls, the investment adviser performs operational due diligence on investment managers which includes a review of investment valuation policies. Findings are reported to the investment committee.

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 company's financial statements.

The audit committee has received and discussed with the auditor its report on the results of the audit. We have reviewed the Annual Report and Financial Statements and are satisfied with the clarity and completeness of disclosure and the appropriateness of the accounting policies adopted and have recommended these to the board for approval.

Other areas of focus in the fiscal year 2023–24 have been a review of the controls in place for the oversight and management of service providers, a review of mitigations against cyber security risks, including the updated IT policy, monitoring of liabilities spend, tax matters and the selection and appointment of new external auditors.

Effectiveness review

The audit committee has carried out an internal review of its effectiveness. The committee considers that it has continued to function well in the fiscal year 2023–24. Reviews of key areas of focus were completed as planned and the committee continued to provide a critical perspective and challenge and exert an appropriate level of influence.

Internal audit

Nuclear Liabilities Fund Limited does not have an internal audit function. The audit committee considers the existing controls and monitoring and reporting by third parties to be appropriate and adequate and will continue to review this annually.

External audit

CLA Evelyn Partners provided external audit services for the first time in the fiscal year 2023–24.

No significant concerns with the quality and effectiveness of the 2023–24 audit were identified and the auditor provides no non-audit services to the company. The audit committee is satisfied that the auditor has fulfilled its obligations and remains independent and objective.

On behalf of the audit committee

19 November 2024



Independent auditor's report

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

Opinion

We have audited the financial statements of Nuclear Liabilities Fund Limited (the 'company') for the year ended 31 March 2024 which comprise Statement of comprehensive income, Statement of financial position, Statements of changes in equity, Statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 company 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Matters on which we are required to report by exception

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

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
- 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

As explained more fully in the directors' responsibilities statement set out on page 26, 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 company'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 company 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We also drew on our existing understanding of the company's industry and regulation.

We understand that the company complies with requirements of the framework through:

- making note of relevant updates from external experts and updating internal procedures and controls as necessary as legal and regulatory requirements change; and
- given the management structure and reporting lines, any litigation or claims would come to the Directors' attention and are considered at Board meetings.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements; and
- Health and safety, Environmental and Pollution regulations, due to the nature of the Company's operations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- reviewed the procedures management has implemented over compliance with the regulations; and
- inspected board and audit committee meeting minutes.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the company's financial statements to material misstatement, including how fraud might occur.

The key areas identified as part of the discussion were:

- manipulation of the financial statements through manual journal entries; and
- valuation of investments where estimates are made by management.

These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included;

- testing of a sample of journal entries, selected through applying specific risk assessments based on the processes and controls surrounding journal entries; and
- challenging management regarding the assumptions used in the estimates identified above, and comparison to third-party correspondence as appropriate.

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

CLA Evelyn Partners Limited

Matthew Maneely

Senior Statutory Auditor, for and on behalf of

CLA Evelyn Partners Limited
Portwall Place
Portwall Lane
Bristol
BS1 6NA

CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

19 November 2024

Financial statements

Statement of comprehensive income for the year ended 31 March 2024

	Notes	2024 £	2023 £
Investment income	3	837,769,746	381,272,668
Realised and unrealised gains on financial assets at fair value through profit and loss	10	106,793,465	79,836,605
Realised and unrealised losses on investment properties	9	-	(3,886,584)
Net foreign exchange (losses)/gains		(591,537)	910,666
Investment expenses	4	(5,659,622)	(7,186,720)
Administrative expenses		(1,654,732)	(1,405,314)
Operating profit on ordinary activities	5	936,657,320	449,541,321
Interest payable and similar expenses	7	(886,546)	-
Profit on ordinary activities before tax		935,770,774	449,541,321
Tax on profit on ordinary activities	8	(232,413,704)	(153,132,195)
Transfer to relevant liabilities provision	16	(703,357,070)	(296,409,126)
Financial result and total comprehensive income for the year		-	-

The accompanying notes and accounting policies on [pages 38 to 62](#) form an integral part of these financial statements.

Financial statements

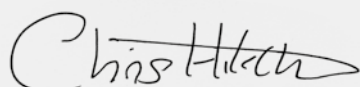
Statement of financial position
at 31 March 2024

	Notes	2024 £	2023 £
ASSETS			
Non-current assets			
Financial assets at fair value through profit and loss	10	3,448,759,943	3,140,410,060
		3,448,759,943	3,140,410,060
CURRENT ASSETS			
Other receivables	11	193,110,721	152,576,606
Cash and cash equivalents	12	16,956,328,542	17,163,941,647
		17,149,439,263	17,316,518,253
LIABILITIES			
Current liabilities			
Trade and other payables	13	(2,122,723)	(21,109,396)
		(2,122,723)	(21,109,396)
TOTAL ASSETS LESS CURRENT LIABILITIES	14	20,596,076,483	20,435,818,917
Non-current liabilities			
Relevant liabilities provision	16	(20,479,168,206)	(20,302,462,498)
Deferred tax provision	16	(116,908,177)	(133,356,319)
		(20,596,076,383)	(20,435,818,817)
NET ASSETS		100	100
Equity attributable to owners of the fund			
Ordinary shares	17	100	100
Total equity (including £2 non-equity interest)		100	100

The accompanying notes and accounting policies on [pages 38 to 62](#) 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 19 November 2024.

Signed on behalf of the Board of Directors.



Chris Hitchen
Chair

 Financial statements

Statement of changes in equity for the year ended 31 March 2024

	Ordinary shares £	Total £
BALANCE AT 1 APRIL 2023	100	100
Movements during the year	-	-
BALANCE AT 31 MARCH 2024	100	100
BALANCE AT 1 APRIL 2022	100	100
Movements during the year	-	-
BALANCE AT 31 MARCH 2023	100	100

The accompanying notes and accounting policies on [pages 38 to 62](#) form an integral part of these financial statements.

Financial statements

Statement of cash flows

for the year ended 31 March 2024

	2024 £	2023 £
Cash flows from operating activities		
Operating profit on ordinary activities	936,657,320	449,541,321
Adjustments for:		
Realised and unrealised gains on financial assets at fair value through profit and loss	(106,793,465)	(79,836,605)
Realised and unrealised losses on investment properties	-	3,886,584
Increase in other receivables	(52,143,613)	(111,783,127)
Decrease in trade and other payables	(954,257)	(320,400)
Cash generated from operations	776,765,985	261,487,773
Interest paid	(250,929)	-
Corporation tax paid	(264,167,028)	(75,194,322)
<i>Net cash generated from operating activities</i>	512,348,028	186,293,451
Cash flows from investing activities		
Proceeds from the sale of investment properties	-	37,313,416
Payments to acquire financial assets held at fair value through profit and loss	(1,187,854,118)	(506,371,033)
Proceeds from the sale of financial assets held at fair value through profit and loss	986,297,700	525,520,465
<i>Net cash (paid)/received for investing activities</i>	(201,556,418)	56,462,848
Cash flows from financing activities		
Contributions from EDF Energy	28,733,656	14,798,499
Payments to EDF Energy in respect of relevant liabilities	(547,138,371)	(549,576,004)
<i>Net cash paid for financing activities</i>	(518,404,715)	(534,777,505)
Net decrease in cash and cash equivalents	(207,613,105)	(292,021,206)
Cash and cash equivalents at start of the year	17,163,941,647	17,455,962,853
Cash and cash equivalents at end of the year (note 12)	16,956,328,542	17,163,941,647

The accompanying notes and accounting policies on [pages 38 to 62](#) form an integral part of these financial statements.

Financial statements

Notes to the financial statements for the year ended 31 March 2024

General information

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 United Kingdom.

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 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), 2 and 10 to these financial statements.

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

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

Basis of consolidation

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

Assessment as investment entity

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

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

The fund invests in equities, infrastructure, private equity, real estate and credit funds 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 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 fund is to provide arrangements for funding relevant liabilities. Based on the latest cash flow forecasts produced by EDF Energy and reviewed by the Non-NDA Liabilities Assurance team within the NDA, the liabilities that are expected to fall upon the fund over the next three years amount to approximately £3.5bn. The fund is well placed to meet these liabilities over the next three years as it has considerable cash resources available to it. In accordance with the NLFA, HM Government will be responsible for meeting these costs and liabilities to the extent that the fund does not have sufficient assets available to it. The fund has total assets less current liabilities of £20.6bn, the majority of which are cash and cash equivalents and it has minimal current liabilities. Accordingly, the directors are satisfied that it is appropriate to prepare the annual report and accounts on a going concern basis.

(b) Relevant liabilities

In accordance with the NLFA, the fund will, subject to certain exceptions, fund the relevant liabilities of EDF Energy. The funding of these relevant 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 fund from EDF Energy. The contributions from EDF Energy represent an increase in the relevant liabilities provisions as set out in note 16, not an accretion to shareholders' funds.

(c) Investment income

Dividends are recognised as income on the date that the related investments are marked ex-dividend. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the fund's right to receive payment is established. Where the fund has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income. For financial assets not categorised at fair value through profit and loss, interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition, except for short-term receivables when the recognition of interest would be immaterial. Interest receivable on short-term cash deposits from the National Loans Fund is based on the interest rates offered by H M Treasury at the start of each investment period and the rates are fixed for the duration of the investment period.

(d) Investment expenses

Investment expenses relating to 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.

(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 relevant liabilities provision and taxation as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The fund's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Financial statements

Notes to the financial statements for the year ended 31 March 2024

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

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 fund's documented risk management or investment strategy, and information about the fund is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL comprise listed and unlisted asset-backed investments managed by external fund managers on behalf of the fund. The unlisted asset-backed investments include investments in subsidiaries and investment in associates.

- Investment in subsidiaries: In accordance with the exemption under IFRS 10 Consolidated Financial Statements, the fund does not consolidate subsidiaries in the financial statements. Investments in subsidiaries are accounted for as financial assets at fair value through profit or loss.
- Investments in associates and joint ventures: In accordance with the exemption within IAS 28 Investments in Associates and Joint Ventures, the fund does not account for its investment in associates and joint ventures using the equity method. Instead, 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. Movements in fair values are taken directly to the statement of comprehensive income. For financial assets at FVTPL for unlisted asset-backed investments, for which there is no currently active market, the fair value is based on a summation of the fair value of the underlying investments ('fund NAV'), attributable to the investor. In calculating fund NAV, the fund managers use various valuation methodologies recognised and accepted in the industry, incorporating both observable and non-observable data. Movements in fund NAV fair values are taken directly to the statement of comprehensive income. Distributions from unlisted investments are treated as disposal proceeds and any surplus treated as realised gains.

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 investment.

(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 fund'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 separate defined contribution pension plans. 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 plans 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.

The fund does not consider that any relevant standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

2 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the application of estimates and assumptions which may affect the results reported in the financial statements. Estimates, by their nature, are based on judgement and available information.

As disclosed in note 1, the directors have concluded that the fund meets the definition of an investment entity as defined in IFRS 10. This conclusion involved a degree of judgement and assessment as to whether the fund met the criteria outlined in the accounting standards.

Significant accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are those used to determine the fair value of the investments as disclosed in note 10 to the financial statements.

Financial statements

Notes to the financial statements for the year ended 31 March 2024

3 Investment income

	2024 £	2023 £
Interest on cash and short-term cash investments	833,997,726	373,371,604
Income from listed investments	3,772,020	6,692,890
Rent receivable	-	1,208,174
	837,769,746	381,272,668

The significant increase in interest income was due to the impact of higher interest rates on cash deposits held with the National Loans Fund during the year.

4 Investment expenses

	2024 £	2023 £
Investment management charges	5,605,575	6,938,721
Other investment expenses	54,047	247,999
	5,659,622	7,186,720

5 Operating profit on ordinary activities

The operating profit on ordinary activities is stated after charging the following:

	2024 £	2023 £
Staff salaries and directors' emoluments	574,108	501,779
Auditor's remuneration – audit fees	77,460	66,000
Defined contribution pension cost	50,730	42,857

6 Staff costs

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

	2024 £	2023 £
Wages and salaries	574,108	501,779
Social security costs	59,271	54,503
Defined contribution pension cost	50,730	42,857
	684,109	599,139

Wages and salaries comprise staff salaries of £382,198 (2023: £353,325) and directors' emoluments of £191,910 (2023: £148,454). The average number of persons acting as directors during the year was five (2023: five). There were four employees at the end of the fiscal year 2023–24 (2022–23: four).

Directors' emoluments of £191,910 (2023: £148,454) comprised £161,910 (2023: £148,454) in respect of normal director duties and £30,000 (2023: £Nil) for ex-gratia payments awarded to two directors in recognition for additional work in relation to arrangements with DESNZ, NDA and NRS for AGR transfer and future funding.

7 Interest payable and similar expenses

	2024 £	2023 £
Interest payable to HM Revenue and Customs	886,546	-

Interest payable to HM Revenue and Customs relates to interest on under-estimated quarterly instalment payments for corporation tax.

8 Tax on profit on ordinary activities

a. Analysis of charge in year

	2024 £	2023 £
Current tax		
UK corporation tax at 25% (2023: 19%)	244,671,948	85,771,107
Foreign tax	201,830	314,812
Adjustments in respect of prior periods	3,988,068	2,051,828
Total current tax	248,861,846	88,137,747
Origination and reversal of temporary differences	(23,643,283)	(1,760,502)
Adjustments in respect of prior periods	7,195,141	66,754,950
Total deferred tax movement	(16,448,142)	64,994,448
Tax on profit on ordinary activities	232,413,704	153,132,195

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Notes to the financial statements for the year ended 31 March 2024

8 Tax on profit on ordinary activities (continued)

b. Factors affecting tax charge for year

	2024 £	2023 £
Profit on ordinary activities before tax	935,770,774	449,541,321
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023: 19%)	233,942,694	85,412,851
Effects of:		
Income not taxable for tax purposes	(12,997,302)	(638,150)
Fixed asset differences	-	275,689
Remeasurement of deferred tax for changes in tax rates	-	(600,125)
Indexation allowance on chargeable gains	-	167,962
Adjustments to current tax in respect of previous periods	3,988,068	2,051,828
Adjustments to deferred tax in respect of previous periods	7,195,141	66,754,950
Foreign tax credits	201,830	314,812
Other tax adjustments, reliefs and transfers	83,273	(607,622)
Total tax charge for year	232,413,704	153,132,195

There is no allowable deduction for the provision for relevant liabilities. The fund is not, in the view of HM Revenue & Customs, carrying on any form of trading activity and hence the provision for the payment of decommissioning costs is not allowable for taxation purposes. The fund is a company with investment business as defined in Section 1218 CTA 2009.

The effective rate of tax for the year ended 31 March 2024 is 24.8%, which is lower than the standard rate of UK corporation tax of 25%. This is due to non-taxable dividend income.

c. Factors that may affect future tax charges

The corporation tax rate increased to 25% effective from 1 April 2023. As a result, deferred tax balances in respect of temporary differences expected to reverse after 31 March 2024 are measured at the 25% tax rate.

9 Investment properties

Fair value model

The fund did not hold any investment properties as at 31 March 2024 or 31 March 2023 as the remaining properties within the property portfolio were sold during the year ended 31 March 2023.

Amounts recognised in statement of comprehensive income:

	2024 £	2023 £
Rental income	-	1,208,174
Direct operating expenses on properties that generated rental income	-	94,566
Direct operating expenses on properties that did not generate rental income	-	84,148

Reconciliation of carrying amounts:

	Total 2024 £	Total 2023 £
Valuation		
At start of the year	-	41,200,000
Disposal proceeds	-	(37,313,416)
Realised and unrealised losses*	-	(3,886,584)
At end of the year	-	-

* The realised and unrealised losses are included in the statement of comprehensive income on [page 34](#) and comprise: net realised losses of £Nil (2023: realised losses £4,964,173) and net unrealised gains of £Nil (2023: unrealised gains £1,077,589).

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

	Total 2024 £	Total 2023 £
Cost		
At start of the year	-	42,277,590
Disposals	-	(42,277,590)
At end of the year	-	-

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Notes to the financial statements for the year ended 31 March 2024

10 Financial assets at fair value through profit and loss

	2024 £	2023 £
Valuation		
At start of the year	3,140,410,060	3,079,722,887
Additions	1,187,854,118	506,371,033
Disposals proceeds	(986,297,700)	(525,520,465)
Realised and unrealised gains**	106,793,465	79,836,605
At end of the year	3,448,759,943	3,140,410,060

** The realised and unrealised gains are included in the statement of comprehensive income on [page 34](#) and include: net realised gains of £153,058,580 (2023: realised gains £167,658,600) and net unrealised losses of £46,265,115 (2023: unrealised losses £87,821,995).

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

	2024 £	2023 £
Cost		
At start of the year	2,670,862,426	2,522,331,689
Additions	1,187,854,118	506,371,033
Disposals	(832,910,696)	(357,840,296)
At end of the year	3,025,805,848	2,670,862,426

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

Investments listed on recognised stock exchanges

	2024 £	2023 £
Level 1 fair value measurements (note 15)		
UK equities	-	29,125,536
Overseas equities	41,005,021	502,697,927
	41,005,021	531,823,463
Level 2 fair value measurements (note 15)		
Overseas unit trust funds (see below)	737,677,893	-
Unlisted investments		
Level 3 fair value measurements (note 15)		
Investments in subsidiaries (see below)	1,432,962,835	1,310,527,391
Investments in associates and joint ventures – ownership interest of greater than 20% (see below)	412,067,850	441,441,328
Investments in associates and joint ventures – ownership interest of less than 20%	825,046,344	856,617,878
	2,670,077,029	2,608,586,597
	3,448,759,943	3,140,410,060

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Notes to the financial statements for the year ended 31 March 2024

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

Investments in unit trust funds

	2024 £	2023 £
Adept Strategy 30 Fund	284,035,229	-
Adept Strategy 27 Fund	180,068,840	-
Adept Strategy 31 Fund	131,748,647	-
Adept Strategy 2 Fund	71,143,738	-
Adept Strategy 18 Fund	35,448,097	-
Adept Strategy 25 Fund	35,233,342	-
	737,677,893	-

Adept Strategy 30 Fund is a unit trust fund registered in Ireland that seeks capital growth by focusing on strategic asset allocation decisions and investing in multiple strategies addressing a range of impact themes that contribute to the transition to a more sustainable economy. The fund held 17,337,276 units as at the year-end (2023: Nil).

Adept Strategy 27 Fund is a unit trust fund registered in Ireland that seeks to limit downside risk by investing across a range of hedge fund strategies which aim to generate returns with little correlation to traditional asset classes. The fund held 14,166,713 units as at the year-end (2023: Nil).

Adept Strategy 31 Fund is a unit trust fund registered in Ireland that seeks to limit the downside risk experienced by traditional asset classes with a focus on low fees, low complexity and high liquidity. This is achieved through a variety of diversified strategies that have historically performed well during equity market sell-offs. The fund held 12,261,505 units as at the year-end (2023: Nil).

Adept Strategy 2 Fund is a unit trust fund registered in Ireland that seeks to invest in fixed income investments that offer medium-term value. The fund held 5,449,163 units as at the year-end (2023: Nil).

Adept Strategy 18 Fund is a unit trust fund registered in Ireland that invests across a combination of multi-asset credit managers and strategies, diversified across credit markets and sustainability styles. The fund held 3,590,516 units as at the year-end (2023: Nil).

Adept Strategy 25 Fund is a unit trust fund registered in Ireland that invests across the entire low risk fixed income bond market. The fund held 3,136,313 units as at the year-end (2023: Nil).

Unlisted investments

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

Associates and joint ventures have been recognised at fair value through profit or loss as permitted by IAS 28 "Investments in Associates and Joint Ventures".

Investments in subsidiaries

	2024 £	2023 £
ICG Strategic Equity Side Car II LP	477,008,494	469,348,576
Equitix MA 1 LP	423,601,600	447,565,140
Adams Street UK Mid-Market Solutions LP	188,376,747	222,214,377
LCM Partners Solo VII SLP	131,441,362	-
AEW UK Urban Real Estate Fund LP	92,986,484	80,107,645
HarbourVest 2017 Global AIF LP	84,398,950	83,272,149
Adams Street UK Mid-Market Solutions II LP	35,149,198	8,019,504
	1,432,962,835	1,310,527,391

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Notes to the financial statements for the year ended 31 March 2024

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

Summary of unconsolidated subsidiaries

	Registered in	Ownership Interest	
		2024	2023
ICG Strategic Equity Side Car II LP	Cayman Islands	96.55%	96.55%
Equitix MA 1 LP	England and Wales	99.00%	99.00%
Adams Street UK Mid-Market Solutions LP	Scotland	99.99%	99.99%
LCM Partners SOLO VII SLP	Luxembourg	99.01%	-%
AEW UK Urban Real Estate Fund LP	England and Wales	70.29%	70.29%
HarbourVest 2017 Global AIF LP	Scotland	50.67%	52.50%
Adams Street UK Mid-Market Solutions II LP	Scotland	99.99%	99.99%

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 fund's total commitment is US \$378,000,000 of which US \$354,559,930 (£280,683,922) (2023: US \$354,559,930 – £286,767,980) was drawn as at the year-end leaving an undrawn balance of US \$23,440,070 (£18,556,104) (2023: US \$23,440,070 – £18,958,322).

Equitix MA 1 LP invests principally in the equity and shareholder loans in Public Private Partnership projects and social infrastructure projects including, but not limited to: hospitals and health projects, schools and education projects, rail projects, utility related infrastructure and highways' projects. The fund's total commitment is £400,000,000 of which £400,000,000 (2023: £400,000,000) was drawn as at the year-end leaving an undrawn balance of £Nil (2023: £Nil).

Adams Street UK Mid-Market Solutions LP invests in high growth equity investments primarily in the UK mid market private companies via primaries, secondaries and co-investments. The fund's total commitment is £240,000,000 of which £240,000,000 (2023: £240,000,000) was drawn as at the year-end leaving an undrawn balance of £Nil (2023: £Nil).

LCM Partners SOLO VII SLP invests in high-quality, asset-backed diverse range of attractive segments within secured loans, asset finance and leasing products which fall outside the remit of banks and other traditional lenders. The fund's total commitment is £250,000,000 of which £126,633,663 (2023: £Nil) was drawn as at the year-end leaving an undrawn balance of £123,366,337 (2023: £Nil).

AEW UK Urban Real Estate Fund LP invests in multi sector portfolio of commercial property assets throughout the United Kingdom. The fund's total commitment is £120,000,000 of which £106,262,995 (2023: £88,924,927) was drawn as at the year-end leaving an undrawn balance of £13,737,005 (2023: £31,075,073).

HarbourVest 2017 Global AIF LP invests in 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 \$100,625,000 (£79,658,803) (2023: US \$90,625,000 – £73,297,476) was drawn as at the year-end leaving an undrawn balance of US \$24,375,000 (£19,296,232) (2023: US \$34,375,000 – £27,802,490).

Adams Street UK Mid-Market Solutions II LP invests in high growth equity investments primarily in the UK and Europe mid market private companies via primaries, secondaries and co-investments. The fund's total commitment is £240,000,000 (2023: £140,000,000) of which £36,959,900 (2023: £8,000,000) was drawn as at the year-end leaving an undrawn balance of £203,040,100 (2023: £132,000,000).

Investments in associates and joint ventures – ownership interest of greater than 20%

	2024 £	2023 £
Macquarie Private Debt Funds ICAV	163,898,047	185,419,875
HarbourVest 2018 Global Feeder AIF LP	159,291,754	161,687,921
AEW UK Core Plus Property Feeder Fund	74,095,252	72,225,806
Alcentra UK Direct Lending No 1 LP	14,782,797	22,107,726
	412,067,850	441,441,328

Summary of associates and joint ventures – ownership interest of greater than 20%

	Registered in	Ownership Interest	
		2024	2023
Macquarie Private Debt Funds ICAV	Ireland	34.22%	34.22%
HarbourVest 2018 Global Feeder AIF LP	Scotland	45.35%	45.35%
AEW UK Core Plus Property Feeder Fund	England and Wales	25.50%	25.50%
Alcentra UK Direct Lending No 1 LP	England and Wales	50.00%	50.00%

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 201,816,432 (£172,581,180) (2023: EUR 201,816,432 – £177,421,039) was drawn as at the year-end leaving an undrawn balance of EUR 13,183,568 (£11,273,788) (2023: EUR 13,183,568 – £11,589,950).

HarbourVest 2018 Global Feeder AIF LP invests in 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 \$148,000,000 (£117,162,761) (2023: US \$139,675,000 – £112,969,104) was drawn as at the year-end leaving an undrawn balance of US \$37,000,000 (£29,290,690) (2023: US \$45,325,000 – £36,658,848).

AEW UK Core Plus Property Feeder Fund is a unit trust fund which invests in multi sector portfolio of commercial property assets throughout the United Kingdom. The fund held 61,291,465 units as at the year-end (2023: 59,264,631 units).

Alcentra UK Direct Lending No 1 LP invests in secured loans comprising 1st lien senior, uni- tranche, mezzanine and mezzanine-related and equity investments in high-quality, middle-market, sponsored and unsponsored leveraged transactions in the UK. The fund's total commitment is £150,000,000 of which £35,080,797 (2023: £40,780,797) was drawn as at the year-end leaving an undrawn balance of £114,919,203 (2023: £109,219,203).

As at 31 March 2024, the fund's total undrawn commitment for all level 3 unlisted investments amounted to £1,079,459,587 (2023: £673,302,773).

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Notes to the financial statements for the year ended 31 March 2024

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

The following table gives information about how the fair values for unlisted financial assets are determined.

Financial assets	Fair value as at 31 March 2024	Fair value hierarchy
Investments in subsidiaries	£1,432,962,835 (2023: £1,310,527,391)	Level 3
Investments in associates and joint ventures – ownership interest of greater than 20%	£412,067,850 (2023: £441,441,328)	Level 3
Investments in associates and joint ventures – ownership interest of less than 20%	£825,046,344 (2023: £856,617,878)	Level 3

Valuation technique

Valuation is based on a summation of the fair value of the underlying investments, calculated by fund managers using recognised valuation methodologies accepted in the industry, incorporating both observable and non-observable data. Movements in fair values are taken directly to statement of comprehensive income.

11 Current assets

	2024 £	2023 £
Other receivables		
Other debtors	34,117	14,230,151
Accrued income	190,799,714	138,346,455
Corporation tax recoverable	2,276,890	-
	193,110,721	152,576,606

Accrued income relates to income earned during the year but not received at year-end. Significant increase in accrued income was due to the increase in interest rates impacting interest receivable on cash deposits with the National Loans Fund received upon the maturity of cash deposits after the year-end.



12 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 (see further details under credit risk in note 15). Cash and cash equivalents included in the statement of cash flows and the statement of financial position comprise the following:

	2024 £	2023 £
Cash balances with banks	176,379,203	157,600,740
Short-term cash investments	16,779,949,339	17,006,340,907
	16,956,328,542	17,163,941,647

13 Trade and other payables

	2024 £	2023 £
Trade creditors	56,086	173,930
Corporation tax	-	13,028,292
Other tax and social security	163,240	35,877
Other creditors	10,452	430,722
Accruals and deferred income	1,892,945	7,440,575
	2,122,723	21,109,396

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Notes to the financial statements for the year ended 31 March 2024

14 Currency classification of total assets less current liabilities

Total assets less current liabilities as at 31 March 2024 are analysed by currency as follows:

Currency	Non-current assets £	Cash and cash equivalents £	Other current assets £	Current liabilities £	Total £
Pounds Sterling	2,106,633,293	16,952,359,309	193,022,671	(2,122,723)	19,249,892,550
US Dollar	1,147,506,022	3,481,359	4,096	-	1,150,991,477
Euro	164,378,632	333,417	-	-	164,712,049
Other Currencies	30,241,996	154,457	83,954	-	30,480,407
	3,448,759,943	16,956,328,542	193,110,721	(2,122,723)	20,596,076,483

Total assets less current liabilities as at 31 March 2023 are analysed by currency as follows:

Currency	Non-current assets £	Cash and cash equivalents £	Other current assets £	Current liabilities £	Total £
Pounds Sterling	1,414,772,121	17,156,313,706	151,996,103	(21,109,396)	18,701,972,534
US Dollar	1,283,573,225	6,373,107	242,636	-	1,290,188,968
Euro	249,231,276	543,719	-	-	249,774,995
Japanese Yen	15,928,388	11,123	-	-	15,939,511
Other currencies	176,905,050	699,992	337,867	-	177,942,909
	3,140,410,060	17,163,941,647	152,576,606	(21,109,396)	20,435,818,917

15 Financial instruments and financial risk management

Categories of financial instruments as at 31 March 2024:

	Financial assets measured at amortised cost £	Financial liabilities measured at amortised cost £	Assets at fair value through profit and loss £
Financial assets			
Financial assets at fair value through profit and loss	-	-	3,448,759,943
Other debtors	34,117	-	-
Accrued income	190,799,714	-	-
Cash balances with banks	176,379,203	-	-
Short-term cash investments	16,779,949,339	-	-
Financial liabilities			
Trade and other payables	-	1,959,483	-

Categories of financial instruments as at 31 March 2023:

	Financial assets measured at amortised cost £	Financial liabilities measured at amortised cost £	Assets at fair value through profit and loss £
Financial assets			
Financial assets at fair value through profit and loss	-	-	3,140,410,060
Other debtors	14,230,151	-	-
Accrued income	138,346,455	-	-
Cash balances with banks	157,600,740	-	-
Short-term cash investments	17,006,340,907	-	-
Financial liabilities			
Trade and other payables	-	8,045,227	-

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.

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Notes to the financial statements for the year ended 31 March 2024

15 Financial instruments and financial risk management (continued)

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 2024 amounting to £41,005,021 (2023: £531,823,463) are grouped as Level 1 and disclosed as "Financial assets at fair value through profit and loss" (note 10). 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). Investments in unit trust funds as at 31 March 2024 amounting to £737,677,893 (2023: £Nil) are grouped as Level 2 and disclosed as "Financial assets at fair value through profit and loss" (note 10); 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 2024 amounting to £2,670,077,029 (2023: £2,608,586,597) are grouped as Level 3 and disclosed as "Financial assets at fair value through profit and loss" (note 10).

Level 3 reconciliation

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

	2024 £	2023 £
Valuation		
At start of the year	2,608,586,597	2,499,440,490
Additions	217,647,744	315,345,757
Disposal proceeds	(178,457,857)	(351,461,451)
Realised and unrealised gains***	22,300,545	145,261,801
At end of the year	2,670,077,029	2,608,586,597

*** These realised and unrealised gains are included in the statement of comprehensive income on page 34 and include: net realised gains of £127,687,372 (2023: realised gains £201,439,882) and net unrealised losses of £105,386,827 (2023: unrealised losses £56,178,081).

During the year the fund received profit distributions from the above Level 3 investments amounting to £123,648,647 (2023: £201,723,486). These distributions have been included in both disposal proceeds and realised gains in the table above.

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 responsible for ensuring that investment strategy and asset allocation is in accordance with the objectives of the fund.

Credit risk

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

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 relevant 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 relevant liabilities that are expected to fall upon the fund over the next three years amount to approximately £3.5bn (2023: £3.0bn). The future long-term liability of the fund in respect of these relevant liabilities will at all times be limited to the assets available to it.

Price risk

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

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Notes to the financial statements for the year ended 31 March 2024

15 Financial instruments and financial risk management (continued)

	2024 £	2023 £
Listed investments price risk sensitivity analysis		
If there was a 10% (2023: 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:	4,100,502	53,182,346

The impact of a 10% (2023: 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.

	2024 £	2023 £
Unit trust investments price risk sensitivity analysis		
If there was a 10% (2023: Nil) increase or decrease in the fair values, the value of financial assets at fair value through profit and loss would increase or decrease by:	73,767,789	-

The impact of a 10% (2023: Nil) 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.

	2024 £	2023 £
Unlisted investments price risk sensitivity analysis		
If there was a 10% (2023: Nil) increase or decrease in the fair values, the value of financial assets at fair value through profit and loss would increase or decrease by:	267,007,703	260,858,660

The Board considers a movement of 10% (2023: 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 2024:

	Value subject to fixed rate £	Value subject to variable rate £
Cash balances with banks	-	176,379,203
Short-term cash investments	16,469,552,145	310,397,194

Assets earning interest as at 31 March 2023:

	Value subject to fixed rate £	Value subject to variable rate £
Cash balances with banks	-	157,600,740
Short-term cash investments	16,542,974,919	463,365,988

The average annual rate of return before tax for short-term cash investments was 4.93% (2023: 2.18%).

Interest rate risk sensitivity analysis

	2024 £	2023 £
If there was a 4% (2023: 4%) increase or decrease in variable interest rates with all other variables held constant, the value of variable interest receivable would increase or decrease by:	19,471,056	24,838,669

Although the short-term cash investments are subject to fixed rates, the maturity of these range from 1–6 months. As a result, the interest rate sensitivity for the short-term cash investments has been disclosed in addition to the variable rate noted above. There would be a lag effect on these investments of interest rate movements as the balances mature.

	2024 £	2023 £
If there was a 4% (2023: 4%) increase or decrease in short-term fixed interest rates with all other variables held constant, the value of short-term interest receivable would increase or decrease by:	658,782,086	661,718,997

The impact of a 4% (2023: 4%) change has been selected as this is considered reasonable given the current level of interest rates observed both on a historical basis and market expectations for future movement.

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Notes to the financial statements for the year ended 31 March 2024

15 Financial instruments and financial risk management (continued)

Currency risk

The fund is exposed to currency risk due to its investments in some of the assets being denominated in currencies other than sterling. An analysis of assets that are held in various currencies is provided in note 14 to these financial statements.

Currency risk sensitivity analysis

	2024 £	2023 £
If there was a 10% (2023: 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	115,099,148	129,018,897
Euro	16,471,205	24,977,499
Japanese Yen	-	1,593,951
Other currencies	3,048,041	17,794,291

A sensitivity of 10% (2023: 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.

16 Non-current liabilities

	Deferred tax provision £	Relevant liabilities provision £	Total 2024 £	Total 2023 £
At 1 April	133,356,319	20,302,462,498	20,435,818,817	20,597,312,570
EDF Energy contributions	-	16,184,168	16,184,168	27,347,988
Transfer from statement of comprehensive income	-	703,357,070	703,357,070	296,409,126
Payable to EDF Energy	-	(542,835,530)	(542,835,530)	(550,245,315)
Deferred tax movement	(16,448,142)	-	(16,448,142)	64,994,448
At 31 March	116,908,177	20,479,168,206	20,596,076,383	20,435,818,817

Deferred tax balance consists of:

	2024 £	2023 £
Accelerated capital allowances	(49,494)	(59,457)
Unrealised gain on investments	116,957,671	133,415,776
	116,908,177	133,356,319

Relevant liabilities provision

In accordance with the Contribution Agreement, fixed contributions are received quarterly from EDF Energy in the sum of £2m (2023: £2m), stated in March 2003 monetary values and indexed to RPI together with £150k, which is also indexed to RPI, for every tonne of fuel loaded into the Sizewell B reactor power station. The fund also receives an annual contribution from EDF for administration costs. This contribution is £1m adjusted to RPI and the fund receives an appropriate amount after the direct, attributable administration costs of DESNZ and NLA are deducted. In accordance with the NLFA, the fund will, subject to certain exceptions, fund the relevant liabilities of EDF Energy, as represented by the payments to EDF Energy in the above table.

The amount shown under relevant liabilities provision represents the fund's future potential liability to the Licensee (EDF Energy) at the date of the statement of financial position. In accordance with the NLFA, the liability of the fund in respect of relevant liabilities will at all times be limited to the assets available to it. The Secretary of State for the Department for Energy Security and Net Zero has undertaken that HM Government will be responsible for meeting relevant 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 relevant liabilities equal the total net assets less current liabilities and called up share capital of the fund.

The process by which EDF Energy determines its relevant liabilities and prepares cost estimates is prescribed by the NLFA. All cost estimates are subject to review, scrutiny and approval by the NLA.

Deferred tax

Deferred tax provision takes account of deferred tax payable on the sale of financial assets at fair value through profit and loss to the extent that the carrying value of those assets exceeds the estimated tax basis of those assets.

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Notes to the financial statements for the year ended 31 March 2024

17 Share capital

At 31 March 2023 and 31 March 2024

	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

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

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.

18 Related parties and controlling interest

The main shareholders of Nuclear Liabilities Fund Limited are the trustees of The Nuclear Trust, who jointly hold 98% of the ordinary shares. The Nuclear Trust is a public trust established in 1996 under Scots law by Deed of Trust. The trustees of the Nuclear Trust are the directors of Nuclear Liabilities Fund Limited. Details of payments to directors are set out in note 6. As at 31 March 2024, a balance of £40,500 (2023: £Nil) was due to the directors and this balance is included within trade and other payables.

The fund considers the Secretary of State for the Department for Energy Security and Net Zero also to be a related party. During the year, a sum of £109,964 (2023: £102,720) was paid by the fund to DESNZ for their services in administering the Nuclear Liabilities Funding Agreement.

19 Capital management

The fund's strategy is to effectively manage the capital in accordance with the Statement of Investment Principles and to seek to maximise long-term returns to fulfil the fund's purpose.

Company information

AGR flasks. Image courtesy of NDA.

Directors

Mrs E Flockhart (from 26 August 2024)
Dr M Grant
Mr C Hitchen
Mrs A McNeil
Mr L Nunneley
Mrs M Stephens (until 18 January 2024)

Secretary

Mrs M Hope
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55 Baker Street
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Company Number

SC164685

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