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Nuclear Decommissioning Authority
Annual Report & Accounts
2011/2012

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Foreword

Lord Marland

Parliamentary Under Secretary of State, Department of Energy and Climate Change

As the Minister responsible for ensuring that the clean-up of historic UK nuclear sites is managed effectively, I am pleased to note the continued excellent progress being made by the NDA.

Whilst there is, for understandable reasons, much focus on the new nuclear programme, we must still deal as a matter of priority with the legacy from the post-war era and the first generation of nuclear facilities. We must demonstrate that lessons from the past have been comprehensively learned and that real progress is being made in decommissioning and waste management. This will strengthen confidence that nuclear power has a major role to play in our future energy mix.

I am a regular visitor to Sellafield which houses some of the most hazardous facilities, and, seeing the challenges at first hand, appreciate both the scale and urgency of the complex issues that are being addressed.

I have insisted on an accelerated timetable for dealing with the high hazard legacy and am pleased to see that the response, across all sections of the decommissioning estate, has been to develop improved programmes of work while maintaining the focus on safety.

Major decommissioning milestones have been achieved, and savings for the taxpayer have been delivered. I welcome these, and am pleased to see that the new Chief Executive has brought a strong commitment to keep Sellafield as the most urgent priority.

However, I continue to challenge the NDA and its contractors to maintain the drive for ongoing improvement.

Chairman's Statement

Stephen Henwood
Chairman

A year ago we were contemplating the consequences and implications of the events at Fukushima. We, and our Site Licence Companies (SLCs), had provided immediate support to those bringing the situation under control. We had also been reassured that a review of our estate had not revealed any major issues. The longer term consequences have since become clearer. An early outcome was that our plans for the future of the Sellafield MOX Plant were no longer viable and we announced the decision to close the plant. We continue to work with stakeholders to ensure that all the lessons learnt from Fukushima are embedded in our facilities and the way they are operated.

During the year we have worked through the outcome of the Comprehensive Spending round announced in 2010/2011 to ensure that we were able to deliver the efficiency commitments we had made and that we were optimising our plans using the funds available. The Sellafield Performance Plan, the Magnox Optimised Decommissioning Plan (MODP) and the result from the Dounreay competition represent the outcome of that work and will deliver significant benefits and earlier results. The delivery of substantial support and overhead cost reductions across the estate has ensured that an increasing proportion of our funding is applied to our core mission.

In previous years we have laid out our ambition to focus on and improve performance and delivery. 2011/2012 has demonstrated tangible progress. As the Chief Executive's Review details we have had a good year in operations and decommissioning reflecting the benefits of a clear focus on key outputs. Project performance, delivering the facilities necessary for our future work, has a history of poor performance across the nuclear industry. Whilst we have made good progress in many areas, performance is not consistently at the standard we require and we have suffered unacceptable cost increases and delays on key projects. This remains an area of very close attention; improved performance is essential to ensure we meet the challenging plans we have agreed.

A key enabler of the NDA strategy is the selection of Parent Body Organisations (PBOs) to lead our sites in the delivery of their plans. In 2011/2012 we selected the Babcock Dounreay Partnership to take that site to an Interim State on an accelerated programme and at a reduced cost over previous plans. We now move on to the competition to appoint a PBO for the Magnox, Harwell and Winfrith sites.

At the end of 2011, after two years as Chief Executive Officer (CEO), Tony Fountain returned to the private sector, taking up a senior role with Reliance Industries Ltd. In his short time as CEO, Tony made a significant impact on the NDA and the delivery of its mission. He ensured much greater clarity of purpose resulting in improved planning and accountability across the whole estate which is now being demonstrated in improved performance and delivery. I would like to thank him for his contributions and wish him well in his new role in India.

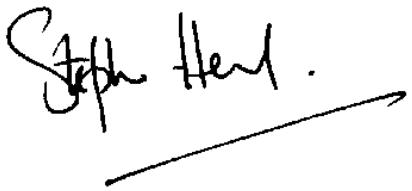
In seeking a new CEO, the Non Executive Directors considered both internal and external candidates in relevant industries internationally. Against this background we were pleased to appoint an internal candidate, John Clarke, as the new Chief Executive. John joined the NDA Board in 2008 his most recent role being Executive Director – Business Planning. He has extensive experience of the nuclear sector, including senior roles at Sellafield which is highly relevant in the challenges facing the NDA and I look forward to working with him.

David Batters, the Chief Financial Officer (CFO), was interim CEO before this appointment and I would like to thank him for the very professional approach he brought to this task.

Two of our founding Non Executive Directors, Tony Cooper and David Illingworth, have stepped down after serving two full terms. We thank them for their service and considerable contribution to the NDA in its formative years. They have been replaced by Murray Easton and Chris Fenton.

The past year has also seen the formal establishment of the Safety and Security Committee, which followed a Board review of this area.

Finally, I would like to recognise that the work of the NDA is the result of an estate-wide partnership and the involvement of many stakeholders. I would like to thank all those involved for their contribution to a year of real progress in our challenging mission.



Chief Executive's Review

John Clarke
Chief Executive Officer

This review is my first as Chief Executive Officer of the NDA, a role I was honoured to accept following the departure of my predecessor Tony Fountain at the end of 2011. We all wish him well as he returns to a career in the international oil and gas industry.

Having been part of the NDA since 2008, and with many years experience of the nuclear sector, I am struck by how the organisation has matured and is working with its partners to drive UK decommissioning forward and develop a skilled industry with the expertise to succeed in the global market.

I begin my tenure at a time of fundamental change in the nuclear industry and ongoing economic constraints in the wider economy, issues that have shaped our activities over the last 12 months and will continue to influence how we approach the challenges ahead.

I am determined to retain the momentum of the last two years under Tony's guidance, and very ably continued by our Chief Financial Officer, David Batters, as Acting CEO in the last quarter of the financial year. During that time the NDA has placed the emphasis firmly on more effective delivery of the mission through others, and restructured the way we work to streamline decision-making and reduce bureaucracy.

The NDA is a public body overseeing the work of private-sector organisations and our remit is to ensure the mission is completed as safely as possible, as speedily as possible and with due regard to our use of taxpayers' money. We need to remain respectful and professional, building positive dialogue with our partners and ensuring we are clear about our expectations. We need to strike the right balance between interrogating and monitoring performance and intervening when necessary to improve performance.

My priority is to maintain the approach outlined in both the Strategy and the Business Plan, which place Sellafield firmly at the top of the priority list. Sellafield hosts many of our oldest facilities which over time have become some of Europe's most hazardous and we must deal with these as a matter of urgency.

We will of course retain a healthy level of scrutiny on the remainder of our estate; however the prominence of Sellafield is clear. To enable an increased focus at Sellafield Mark Lesinski will take up the role of Chief Operating Officer (COO) with the majority of his time spent on issues relating to the Sellafield site.

I am pleased to reflect on the achievements of the previous 12 months and report that performance has been generally good across all our SLCs, against a challenging suite of targets.

Some of the noteworthy issues from the last year are briefly discussed below:

Financial Performance
We continue to perform strongly in terms of income generation and introducing efficiencies both within the organisation and across the wider estate, while maintaining progress on the core mission:

- the estate has achieved a 16% reduction in support and overhead costs against a target of 10% freeing up £98 million of savings that has been used for higher priority programmes at our sites

- NDA's own net costs were £37 million, against a target figure of £46 million, while Radioactive Waste Management Directorate (RWMD) costs of

£18 million were also held under the budget of £19 million

- income of £1 billion has been achieved, which is above our target

- total expenditure overall was at a similar figure to the previous year at approximately £3 billion, in line with the settlement from the Spending Review.

Sellafield
At Sellafield in particular, last year's publication of the first fully underpinned Sellafield Performance Plan was a vital benchmark that has provided us with the ability to objectively assess the performance of Nuclear Management Partners (NMP) and Sellafield Ltd. There have been some excellent outcomes in decommissioning and operational areas, though balanced by a number of disappointments in project performance.

Thermal Oxide Reprocessing Plant (THORP), which reprocesses oxide fuels from the UK's Advanced Gas-Cooled Reactors (AGR) and Light Water Reactors (LWR) from around the world, has exceeded its targets for the year and recorded the best performance for seven years. Magnox reprocessing has also been good, recording its best performance for seven years, albeit somewhat lower than the expected target.

Similarly, we have seen delivery of some major milestones elsewhere on the site, with the highlight being the completion of the 20-year programme to decommission the Windscale Advanced Gas-Cooled Reactor (WAGR) – the first nuclear reactor to be decommissioned in the UK. This is an achievement to celebrate and the learning will assist in other programmes of work.

A major milestone has been achieved at the Pile Fuel Storage Pond (PFSP) where, for the first time in 50 years, spent fuel has been retrieved. This is a 60-year-old facility that is one of the high hazard priorities for the NDA.

There has been good performance in reducing stocks of Highly Active Liquor (HAL), a high-level waste that results from reprocessing and represents another of the most significant hazards and a priority for the NDA. The HAL stocks are currently scheduled to reach the lowest practical level in advance of the date required by regulators.

These successes are balanced by challenging developments in other parts of the site. Concerns exist around cost and schedule pressures on the Evaporator D construction project. This is a very substantial and technically complex project in its own right, made even more challenging by the unique environment of delivering projects on the highly congested Sellafield site.

Dounreay
The NDA's most northern site also has some of our most complex issues and the last few months have seen the removal of one of our major hazards from the experimental Dounreay Fast Reactor (DFR). Destruction of the sodium-potassium coolant was a key priority for the Department of Energy and Climate Change (DECC), Scottish Government and the NDA. This significant milestone achievement came ahead of schedule and with a far stronger environmental performance than had been expected during the early days of the project.

Work is also now under-way on construction of the site's low level waste repository, a series of shallow vaults which will take material that has accumulated over the decades and will continue to arise as buildings are demolished.

Magnox
Magnox has performed above expectations to secure maximum income from our remaining generating reactors. Generation is now confined to one reactor at Wylfa following the closure of its other reactor and both of Oldbury's reactors during 2011/2012. The inter-reactor fuel transfer process was successfully pioneered at Oldbury to make the most of the last remaining Magnox fuel. This now looks set to assist with the continuation of generation at Wylfa, which hopefully will operate until 2014.

The case studies later in this report highlight the initial success of the Magnox Optimised Decommissioning Programme (MODP) which is producing excellent results and serving as a benchmark for future decommissioning in the UK. We now see the real prospect of two sites

entering Care and Maintenance in the next three to four years, with two more to follow within ten years, helping to demonstrate to stakeholders that we are making significant inroads into the more visible aspects of the mission.

RSRL
A comprehensive review of the Lifetime Plan for Harwell and Winfrith has reduced costs along with the potential to bring earlier decommissioning timescales at Winfrith, together with productivity improvements.

The transfer of a range of exotic fuels, nuclear materials and wastes from Harwell to Sellafield, where it can be managed more appropriately, will produce significant long-term savings. Further operational efficiencies, productivity improvements and accelerated work at both sites are continuing and will lead to an overall total cost reduction.

Harwell is also making good progress on securing de-licensing of parts of the site that have been comprehensively cleaned up, enabling them to be returned to the local economy for business use. This is a significant and visible demonstration that the NDA is making strong progress with its remit for this site.

LLWR
Significant progress is being made on the implementation of the 2010 UK Strategy on Low Level Waste (LLW). This aims to develop and embed more sustainable waste management routes for suitable material, better waste characterisation and segregation, and optimisation of existing disposal capacity.

LLWR's role as a broker for a range of services is proving valuable and increasing levels of collaboration between different parts of the estate as well as with other national producers of LLW, such as the health and research sectors. The removal of five of Berkeley's iconic boilers, each weighing more than 300 tonnes, is a good example as these will be melted down and recycled. With 15 boilers in total, this is significant in terms of effective radioactive waste management and demonstrable progress in site clearance.

We are beginning to see the opening up of new disposal routes for LLW, including metal recycling, combustion and landfill. This reflects both the UK's LLW strategy and Government policy of 2007, which endorsed the use of other waste routes that are both environmentally sustainable and help to preserve valuable capacity at the LLWR, the UK's only national facility for LLW, near Drigg in Cumbria. Since 2008, two years capacity has been saved through recycling, treatment and alternative disposal.

Competition
One of the major milestones has been the conclusion of the competition to secure a new PBO for the Dounreay site. The appointment of a new consortium, the Babcock Dounreay Partnership consisting of Babcock International Group, CH2MHill and URS, and which marks the culmination of a two-year process, will bring forward decommissioning timeframes and reduce costs by well over £1 billion. The site is now scheduled to reach its Interim State, when all major decommissioning work is completed, significantly earlier than originally envisaged, potentially achieving this important milestone in 2023.

These reduced costs and dates exceed the criteria set for the competition by a significant degree and demonstrate the very real value that has been secured from this procurement exercise.

We are delighted to be embarking on a partnership with BDP, who will use their global expertise to enhance innovation, improve clean-up and provide value for money to the taxpayer, and by embedding socio-economic commitments into the contract will provide reassurance that impacts from gradual site closure on the surrounding Caithness communities are being addressed responsibly.

The introduction of global expertise from the private sector, as a means of driving forward innovation and performance, is a core strategic element in our mission. We have already brought in highly qualified and experienced teams to provide leadership and vision at Low Level Waste Repository (LLWR) and Sellafield. While marking the end of the competition, the transfer of shares in Dounreay Site Restoration Limited (DSRL) to the new PBO also signals the start of a challenging journey to implement BDP's vision, adding

detail to the programmes and ensuring the projected savings are realised.

The success of the competitive process is also testament to the hard work of the competition team, the site-facing team, other NDA colleagues and all those who participated in the competition. I would like to express my appreciation for the work carried out by the outgoing Parent Body who demonstrated good performance at the site throughout the year and a highly professional approach to both the competition process and the transition to the new PBO. Many thanks are due to everyone involved.

Attention now turns to the forthcoming competition to appoint a new PBO for the ten sites operated by Magnox Ltd and two sites operated by RSRL, currently under the management of Energy*Solutions* EU Ltd and Babcock International Group respectively.

This major procurement exercise, scheduled to start in the second half of 2012, is anticipated to last for approximately two years. Competition is central to our Strategy and forms part of our statutory duty to secure value for money, promote best practice and meet our legal duties under European Procurement regulations.

Commercial
Income from electricity generation has again exceeded targets, producing around £290 million of revenue from all our plants, including Oldbury, Wylfa, Maentwrog hydro-electric plant in Snowdonia and Fellside in Cumbria.

The land sales at Oldbury and Wylfa, announced in 2009, have now been completed and the £252 million capital receipts realised, while the NDA is in discussions with EDF on other land interests at Hinkley and Sizewell. The agreement to transfer Capenhurst to its nuclear neighbour in Cheshire, URENCO, is also on schedule to be completed toward the end of 2012 and will open up new commercial possibilities for URENCO to invest in the site.

We intend to continue looking for maximum returns from our assets, which could include but are not limited to further land sales or encouraging the development of business initiatives at those of our sites that are not covered by a nuclear licence.

In this respect, the de-licensing of around half of the Oldbury site and a third of Berkeley is creating opportunities for investment that will help to stimulate the economy of the South West.

Integrated Waste Management
Geological Disposal Facility (GDF)
The NDA has been drawing together proposals for optimising the use of our waste management assets, as part of our Strategy commitment to adopt a more flexible approach that covers both NDA sites and those operated by other waste producers. Looking ahead, we will continue with this work by examining options for regional storage hubs where Intermediate Level Waste (ILW) could be stored until the deep GDF becomes available and we will continue to work with Scottish Government in implementing its Higher Activity Waste (HAW) policy for our sites based in Scotland.

Our Radioactive Waste Management Directorate (RWMD) is responsible for developing this critical part of the UK's nuclear infrastructure, which will house higher activity materials. The Government is leading on identification of a suitable site through the established Managing Radioactive Waste Safely (MRWS) process based on volunteerism. Earlier in 2012, an extensive community engagement programme concluded in West Cumbria.

This sought the views of local people on the interest that has been expressed by three of the local authorities on talking to the Government about potentially hosting the facility. We look forward to seeing the outcome of this Government-led process in the months ahead and, in the meantime, continue with our generic technical and design process.

Safety
The past year has seen a continued reduction across the estate in events classified under the International Nuclear and Radiological Event Scale (INES), in keeping with the trend of recent years and the ongoing major focus on nuclear safety. No incidents were recorded on any part of the estate above INES Level 1, the lowest

of seven levels, a credit to the vigilance of those operating our sites.

We aim for world-class safety standards across our estate. Although our success will be measured by achieving the clean-up of the nuclear liabilities and we must do this as safely as we can.

Our estate's strong safety performance has been recognised this year with a number of awards. However we are not complacent. The year on year performance is improving but we will continue to provide leadership and support in the identification and adoption of effective health and safety practices. With our oversight governance arrangements and by working together with our delivery partners, we will seek further improvement in the level of safety performance across all our SLCs.

Unfortunately our improvements in nuclear and conventional safety have not been matched by an improvement in environmental performance. The number of non-compliances across our estate has increased, although they were relatively minor in nature with no significant effect on the environment. Nonetheless, in the coming year we will focus some of our assurance activities on supporting our SLCs to obtain improvements in environmental performance.

The estate has continued to strengthen its safety regime in response to Fukushima, with additional reviews in areas such as operational safety systems, impact of external hazards and emergency arrangements.

For the nuclear industry world-wide, Fukushima remains the most momentous event of recent years and the consequences are still being analysed at length across the globe and additional safeguards implemented.

Across our estate, internal and external assessments of safety procedures and technical safeguards have led to some initial upgrade work to date. It has been reassuring to have confirmation that our existing regime is extremely robust.

The NDA has a long-standing positive relationship with the Japanese nuclear industry created through our close technical and commercial associations. Along with other colleagues from the sector, we have been exploring how we can provide support to their clean-up mission, including the sharing of expertise from our well-established UK supply chain. From a recent visit to Japan with the Prime Minister I have seen that significant progress is already being made, and we stand ready to support our Japanese colleagues in any way we can.

Nuclear Materials
The impact of the Fukushima event has been felt across many countries and organisations. For the NDA, it led last August to the closure of the Sellafield Mixed Oxide (SMP) plant, which converted plutonium from overseas customers into new fuel. We continue to work with Japanese and European customers to identify solutions for their plutonium stored in the UK.

The decision to close the MOX plant is unrelated to consideration of the Government's policy for dealing with plutonium. Work has continued steadily on the UK's preferred policy to re-use the plutonium as MOX fuel for use in new nuclear reactors. The NDA also continues to work with the Government and other organisations to examine emerging alternative technologies where these have the potential to deliver a safe, affordable solution within an appropriate timeframe.

Spent Fuels
We have concluded a thorough process and reached a decision on how to proceed with the oxide fuels, which are currently being reprocessed at THORP.
Our Strategy for oxide fuels reflects Government Policy which is to complete existing reprocessing contracts and then close the THORP plant. On current performance this would be in 2018.
We are currently looking for the most cost-effective solution for the continued management of the material beyond THORP's closure and are working closely with the Government on a series of options.

Site Restoration
The NDA's end goal is to restore our sites as soon as reasonably practicable to a condition where they are released for other uses. This requires the delivery of many and varied decommissioning and

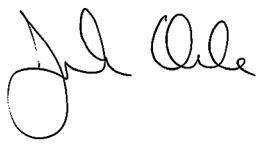
land remediation projects. In order to prioritise delivery of these projects our site restoration strategy focuses on reducing risks to people and the environment, which is evident in recent progress.

Through this work and other targeted projects, we are improving understanding of the institutional controls (management arrangements and regulatory controls) that should apply to a site thought its restoration journey. This remains a key focus of strategy development.

Research and Development (R&D)
We continue to ensure the importance of robust technical underpinning. Our R&D strategy is that we expect the majority of technical underpinning work to be integrated in our SLC programmes, however we also directly fund a strategic R&D portfolio that focuses on estate-wide R&D needs, risk and opportunities in developing strategy, encouraging innovation and developing skills.

Looking Forward
We have recently been asked by Government to become involved in assessing the waste and decommissioning plans for the next generation of UK nuclear reactors that will be built over the coming decades. This is a task similar to our role in providing oversight for decommissioning plans associated with the second-generation of AGR and Pressurised Water Reactor (PWR) reactors currently operated by EDF. Our role will be one of guidance and advice rather than active involvement in the decommissioning.

To sum up, I would like to thank all those who work in the NDA and the entire estate for their hard work and achievements over the past year. I look forward to continuing to work in partnership with them using their expertise and commitment to drive our mission forward.



Case Studies

Below is a selection of case studies illustrating some of the year's highlights

Site Restoration

The NDA's goal is to restore each of our sites to a condition suitable for an alternative use, a task that is progressing over many decades and which will encompass the full range of decommissioning activities. Our approach is influenced by the level of environmental or health risk associated with individual sites or facilities. Addressing these risks is core to our mission. Restoration will drive our sites through a series of Interim States to a Site End State, at which point the NDA is able to release the site for other uses.

Case Study – Sodium Potassium (NaK) destruction

One of the NDA's most important nuclear clean-up tasks was completed one year ahead of schedule when a purpose-built plant destroyed the final consignment of hazardous coolant from Dounreay's experimental fast breeder reactor.

The plant processed the last of 57,000 litres of the sodium-potassium liquid metal alloy, NaK, lifted from the primary cooling circuit of the DFR.

Dounreay was the only UK location to use NaK coolant, which produced little waste during operations but posed a serious chemical and radiological hazard for plant decommissioning.

Its destruction remained on hold until a decade ago, when work started on construction of the clean-up plant, designed to lift the liquid metal in small batches, neutralise the alkalinity with acid and extract the caesium via ion exchange. The two stage process involves chemical conversion and radiological decontamination to produce salty water that is safe to discharge to sea.
The project took four years to complete once commissioned.

Designers thought the plant would decontaminate the effluent by a factor of 1,000, but in fact decontamination rates of up to a factor of four million were achieved, reducing levels of radioactivity in the effluent to below the limit of detection. This level of achievement was only brought about because of the development of highly specialised resins to trap the radioactive caesium.

Case Study – Magnox Optimised Decommissioning Programme

The new approach to Magnox decommissioning is now firmly embedded in Lifetime Plans and is projected to build on savings already recognised together with a 36-year cumulative reduction in timeframes, shared across the ten sites.

The figures are more promising than original estimates and demonstrate the benefits of the MODP, where two lead sites, Bradwell and Trawsfynydd, have set the pace in hazard clearance and testing technology, with the lessons learned to be subsequently applied at other sites. The programme approach replaces the previous strategy which focused on collective, incremental progress across all sites simultaneously.

MODP's 'lead and learn' concept, in contrast enables techniques to be trialled and refined for optimum performance before being introduced elsewhere.

Bradwell will enter Care and Maintenance in 2016, up to 12 years ahead of the original plan. Work has been proceeding apace and, among other achievements, the turbine hall has now been completely demolished ahead of schedule and under budget.

The project involved 12,000 tonnes of waste removed from site, 92% of which was recycled. More than 130,000 man hours were worked on the project without any lost-time accidents.

Progress has been made with the completion of work to remove the two barrier wings from the sea wall, located about a quarter of a mile offshore, that was used to separate the plant's discharge and intake water. A team of 40 divers worked for five months to remove the 800 tonnes of steel from the wings, extending to 185 metres in total, at a cost of £2 million. The central concrete structure will be removed at a later date.

Trawsfynydd, meanwhile, will enter Care and Maintenance in 2015, some six years ahead of the original planned date.

The site achieved a major milestone in September 2011 by completing construction of the Reactor 1 and Reactor 2 capping roofs, ahead of schedule and under budget. The capping roofs will provide a protective shield above the reactors until the site is finally cleared between 2088 and 2098. The work, which began four years ago, was recognised as an exemplar project by Construction Excellence in Wales.

Case Study – Windscale Advanced Gas-Cooled Reactor

More than 20 years of work reached a conclusion when the iconic 'golfball' reactor at Sellafield was safely decommissioned towards the end of 2011. Although the spherical outer shell remains in place on the WAGR, dismantling of the internal reactor is complete. Monitoring and maintenance will be carried out until it is finally demolished.

WAGR represented one of the major hazards at Sellafield and, in an atmosphere too radioactive for human access, the work had to be carried out remotely. Built between 1957 and 1961, WAGR was the forerunner for the UK's second generation of nuclear power stations which followed the Magnox fleet and are still operating today.

When WAGR closed in 1981, the decision was taken to use the reactor as a national demonstration project for the decommissioning that would be required in future years.

Early years were spent developing the strategy and techniques, designing components, modifying the structure and installing the equipment. In 1999 dismantling of the reactor core and pressure vessel was started.

By then, the project team had completed all testing of the principal methods to be used – namely robots, or remotely operated equipment for dismantling of the components, overcoming numerous challenges and working closely with the supply chain along the way.

Innovative thinking was key and the team has built up a vast wealth of skills and experience that are already being deployed in other high-hazard projects, both at Sellafield and across the wider decommissioning estate.

Case Study - Pile Fuel Storage Pond

Towards the end of 2011, spent fuel was retrieved from Sellafield's PFSP for the first time in 50 years and five years earlier than expected.

The PFSP, which began operations in 1952, is the world's largest open-air storage pond and one of a cluster of historic Sellafield facilities known as 'Legacy Ponds and Silos' which remain priority areas for NDA focus and associated funding.

The retrieval marks an important step towards decommissioning and reflects the commitment to adhere to the new Sellafield Performance Plan.

Following approval from the regulators, the half-tonne of retrieved fuel was transferred from the pond to a transport flask and exported to the modern fuel storage pond where it will be held pending final disposal.

Mark Steele, NDA's Head of Programme for Sellafield, said: "Successfully achieving this milestone in our priority work area is extremely encouraging. The combination of the expertise of the Sellafield workforce alongside targeted support from NMP to improve delivery and make the site more efficient is exactly what we envisaged when NMP won the Sellafield contract and what the recently published performance plan demands across the site."

During its life, the pond processed 2,100 tonnes of pile fuel from the Windscale Piles and 300 tonnes of Magnox fuel. It now contains skips of used nuclear fuel, accumulated sludge, ILW and pond water, all of which need to be safely removed and subject to separate processes.

The surrounding area is very congested, posing practical difficulties, while levels of radiation are high.

The ultimate aim is to empty the pond and reduce the building to a slab. With a total programme cost of almost £330 million until 2025/2026, work will focus on safe removal of the radioactive contents, including the sludge and spent fuel which can be processed, and the construction of a new plant for treating and storing the sludge before it is transferred to the deep GDF.

Integrated Waste Management

The NDA is developing a more flexible, multi-site approach to waste storage that includes our own sites and those operated by other UK waste producers.

Case Study - Berkeley boilers

In a major collaborative project, five of Berkeley site's redundant boilers – each weighing more than 300 tonnes - have been shipped to a smelting plant for recycling. The boilers are the first to be removed from a former nuclear power station in the UK.

The original plan was to leave the 15 boilers in situ until the site's final clearance date in 2074, when they would have been assessed as to their level of radioactivity and decide upon an appropriate management solution.

Recycling the boilers, categorised as LLW, will save more than two years' disposal capacity (720 half-height ISO containers) in the LLWR.

Magnox Ltd worked closely on the project with LLWR Ltd, which provides a range of UK-wide waste services to support implementation of the UK's LLW Strategy, and appointed the main contractor to

remove, transport and treat five of the boilers at a specialist plant in Sweden.

Jo Van Straaten, NDA's National Programme Delivery Manager, said: "This is a significant achievement for Berkeley site and the national LLW Strategy Implementation Programme. It is a fantastic example of collaboration across the NDA estate and the supply chain. This project also has great environmental credentials, as more than 90% of the metal will be free-released into the market place for re-use."

Brought to the site in pieces during the early 1960s construction period, 16 boilers were positioned adjacent to the two reactors until generation ended and they were lowered to the ground. One was cut up some years ago, leaving 15 as iconic landmarks for anyone visiting the site.

Concerns over ongoing costs to keep them safely stored on-site over the long-term renewed thinking on moving the boilers and to find a solution earlier. The logistics of removing them required careful preparation as well as liaison with the local community and authorities. Major engineering works were required on site to ensure the roads were strong enough to carry the loads and that the whole operation would run smoothly. Berkeley town roads were temporarily closed to traffic, telephone wires lifted and street furniture moved in order to accommodate the transporters, which travelled the few miles to Sharpness docks at no more than walking pace.

After a sea journey to Sweden, the boilers will be melted down at a specialist plant and returned to the market as scrap metal. Residues will be returned to the LLWR for final disposal.

A decision remains to be made on when to deal with the 10 boilers that remain on site.

Case Study - Harwell's 5,000th waste canister

The retrieval of ILW from Harwell's historic underground tubes reached a notable landmark when the 5,000th waste canister was processed.

Dealing with the legacy waste from the site's early years of ground-breaking research is a central feature of Harwell work, and the introduction of efficiencies has led to much more rapid progress in processing the material.

ILW has been stored in the underground storage tubes since the 1950s, and is being gradually retrieved, examined and processed before being transferred to 500-litre drums for storage in the Vault Store. All the work is carried out remotely.

Cans of waste from the retrieval process are transferred to the Head End Cell suite in the Solid Waste Complex, where the processing and transfer to drums takes place.

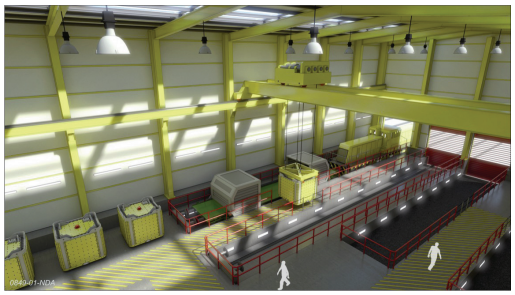
Before the plant completes its purpose a further 6,000 plus cans will be processed through the facility.

The processing of cans through the Head End Cells began in 2003, at an initial rate of around 350 cans a year, rising to almost double this figure after the introduction of a second retrieval machine and wide-ranging efficiencies.

The increase was accompanied by the establishment of a problem-solving team to deal with the challenges arising from the need to maintain and repair the complex, remotely operated equipment that helps to keep progress on track by ensuring an adequate feedstock.

The Solid Waste Complex therefore has its own resident RSRL staff to deal with problems that arise. Over the years they have encountered and overcome a wide variety of issues to maintain and improve on the schedule.

Case Study – GDF



The NDA's RWMD has responsibility for planning and implementing a GDF for the long-term management of higher activity nuclear wastes. During the year RWMD continued its generic work on geological disposal including a significant Research and Development programme, as well as supporting Government and preparing for future stages in the MRWS siting process.

The nuclear regulators have reviewed RWMD's suite of technical documents covering a wide range of safety issues and concluded that there are no specific issues that would prevent a safety case, capable of meeting transport, operational and environmental regulatory requirements, being made for a geological disposal facility in the future, subject to the availability of a suitable site.

In August 2011 RWMD published a report describing its approach to the management of issues relating to the implementation of geological disposal and listing them on its issues register. An update was published in March 2012 showing the current position on those issues.

The Minister of State for Energy, Charles Hendry, asked RWMD to review the implementation programme for geological disposal with the ambition of seeing the first waste brought forward for emplacement of legacy higher level waste and spent fuels. In December 2011 a report was published summarising the results of the first stage of a review conducted by RWMD of the baseline programme. This report has been subject to independent review which will help identify the way forward.

The Government is leading on the identification of a suitable site, based on seeking a volunteer community, and has been working with organisations and individuals in West Cumbria, where three local authorities have expressed an interest in considering the implications of hosting the GDF. At this stage, no decisions have been made on proceeding further and the right to withdraw from the process would continue to the later stages of the MRWS process.

An extensive community engagement programme on whether West Cumbria should take part in the next stage of the MRWS process has concluded. The public engagement was organised by the West Cumbria Managing Radioactive Waste Safely Partnership, and ran for four months. A telephone opinion survey was carried out to support this consultation while RWMD has been supporting the Partnership with information and presentations and providing staff to answer questions at events.

Business Optimisation

Our assets play a key role in helping to maximise revenue, supplementing the funding allocation from Government, and the NDA is focused on seeking optimum value from them.

Case Study - De-designations

Large tracts of land at two Magnox sites, Oldbury and Berkeley, have been made available for new development following the removal of the last remaining nuclear regulations. The land at Oldbury and Berkeley totals 46 hectares, equivalent to around 100 football pitches, and can now be disposed of. Ministerial approval was granted revoking the designating directions which assigned responsibility for the land to the NDA. Each plot had already been released from the conditions of its nuclear licence.

Land at Oldbury was the largest single portion to be de-licensed in the UK and followed the submission of a detailed safety case. This involved surface surveys of grounds and buildings, plus analysis of soil and sediment samples to assess the impact of operations over the past 50 years.

Part of the 35 hectares at Oldbury has been made available for a prospective new nuclear power station. The 36 hectares remaining within the nuclear licence contain the site's newly shut-down generating plant, including the turbine hall and reactor buildings.

At Berkeley, meanwhile, about a third of the original site is being marketed for use as a business park after revocation of the designating directions. Known as the Berkeley Centre, the offices and labs were established as a centre of nuclear research and development back in the 1960s.

At Harwell, the latest de-licensing of six hectares brings the total to 18 hectares released, representing 16% of the entire site that has now been successfully cleaned up. This follows extensive work to demonstrate that all radioactive and non-radioactive contamination has been addressed.

NDA's Head of Property David Atkinson said: "This is a significant achievement for the NDA in terms of returning this land to the market. We are extremely proud to have reached this stage which marks the culmination of a huge amount of work by the NDA, Magnox, RSRL and their contractors."

Case Study - Capenhurst transfer deal

The future transfer of the NDA's Capenhurst site in Cheshire to its nuclear neighbour URENCO marks the latest in a number of transactions that have released the value from NDA assets.

A range of outstanding, employment, legal and regulatory issues remain to be resolved during 2012 and, once complete, the site will then transfer to URENCO UK Ltd which operates a number of fuel-enrichment plants on the adjacent site. Existing decommissioning and storage operations currently undertaken by Sellafield Ltd will transfer to URENCO. Land and buildings will also be transferred or leased to URENCO under a single site licence.

NDA and URENCO have also signed an agreement for the processing of Government-owned legacy material from uranium enrichment (known as "tails") through URENCO's own Tails Management Facility. Most of this material is currently stored at the NDA's Capenhurst site.

It is anticipated that the transfer agreement will reduce NDA's net liabilities and transfer risk for managing and clearing the site while also paving the way for URENCO to invest in new facilities to meet future customer demand.

NDA Project Manager Sam Hounslow said: "For the NDA, this represents a major milestone in maximising the value from our commercial assets and achieving excellent value for the UK taxpayer while reducing NDA liabilities. The agreements also allow the NDA to continue discharging its ongoing obligations and reducing hazard at the site."

Critical Enablers

The successful achievement of our mission depends on a strong support structure that is able to deliver technological innovation, a skilled workforce and effective site teams that make progress while ensuring value for the taxpayer.

Case Study - Coleg Menai

The opening of a new energy skills centre on Anglesey is one of a range of NDA supported initiatives aimed at helping the economy of a region that has close links to NDA sites.

The £6 million Canolfan Ynni at Coleg Menai received a £1.5 million contribution from the NDA with the majority of funding from the Welsh Assembly Government and the college. It houses some of the best low-carbon energy technology, equipment and training facilities in the UK.

Specialised courses will provide training to young people to equip them for a career within the energy industry. The centre will house advanced welding and fabrication facilities, together with a business innovation department and first-class conference amenities.

Canolfan Ynni is an integral part of Anglesey's collaborative Energy Island programme, which involves a range of private and public-sector organisations, including the NDA, working to establish a world-class centre of excellence for energy developments in North West Wales.

Led by Anglesey County Council, the focus is on energy efficiency, low-carbon energy developments, nuclear decommissioning, supply chain development, infrastructure enhancement, skills and education.

North Wales is a priority area for NDA socio-economic funding, given its vulnerability to the future closure of Trawsfynydd site and, ultimately, Wylfa power station. Working with partner organisations, support is currently provided for a number of individual schemes that encourage economic diversification, education and skills training.

Meanwhile, the 1,200-strong workforce of both sites are being supported through the £4 million 'Shaping the Future' transition programme, which will prepare them for new careers while retaining their skills within North Wales.

The NDA is supporting similar initiatives in two other priority areas where local economies have been dominated by NDA sites.

In Caithness, a £2.2 million programme, 'Making the Right Connections', will assist Dounreay staff and supply chain businesses in adjusting to the site's eventual closure. The NDA has contributed a sum in excess of £800k while DSRL will provide £100k per year over the three-year programme.
An estimated 2,000 jobs will disappear over the coming years both from the site itself and associated businesses as clean-up and demolition of the former research site nears completion.

Cleaning up the Dounreay site, accounts for more than 10% of the current GDP of the North Highlands, while many more businesses benefit indirectly from consumer spending.

At Chapelcross in South West Scotland, meanwhile, the 300-strong workforce is set to drop by 80% over the next six years as the site approaches a phase of less intensive on-site activity before final site clearance.

The 'Beyond Chapelcross' initiative, supported by £1.2 million from the NDA, is designed to strengthen and diversify the local business base and help members of the workforce find alternative employment in the region. It will be delivered by Magnox Ltd, in partnership with Dumfries and Galloway Council.

Case Study - Dalton Cumbrian Facility

In Cumbria, the recent focus has been bringing world-leading academic research to the region, building the skills and education infrastructure needed to support the NDA's clean-up mission.

The new Dalton Cumbrian Facility (DCF) on Westlakes Science and Technology Park is the result of an initial £20 million joint investment by the University of Manchester's Dalton Nuclear Institute and the NDA.

Research will focus primarily on radiation science, radiochemistry, nuclear engineering decommissioning and the management of radioactive waste. The DCF significantly expands the nuclear research capability of the UK's university sector, while adding to the growing research, education and skills infrastructure that already exist in West Cumbria.

The investment represents another key element in the Britain's Energy Coast programme that was launched in 2005 to build West Cumbria's world-leading capability in nuclear, renewable and other low-carbon industries while helping to transform the local economy.

The first post-graduate students are now based at DCF with numbers growing to full capacity over a three-year period. Commissioning of scientific equipment is complete with the exception of the largest and most complex item, a 5MV tandem ion accelerator that will be installed at DCF in the autumn of 2012.

DCF is specifically designed as a national user facility for academia and can accommodate up to 50 post-doctoral and PhD researchers, academic lecturers and operating personnel, and will attract leading UK and overseas academics to carry out research and deliver lectures in West Cumbria.

Health, Safety, Security, Safeguards and the Environment (HSSSE) Report

Our aim is to ensure the safe management of nuclear materials, operations and sites across the UK and we are focused on reducing the risks in a timely and cost effective manner.

We continue with the work to satisfy ourselves of the robustness of SLCs assurance processes. We have focused our own assurance at Executive Director level, holding the SLCs to account for performance while also ensuring that controls are embedded throughout the organisations. This work has meant that we can appropriately manage the oversight of assurance across our estate.

We are incentivising our contractors to focus on long-term improvement programmes around Health, Safety, Security, Safeguards, Environmental and Quality (HSSSEQ) in line with the NDA's mission. Seeking continuous improvement in performance is important for the NDA, regulators and our stakeholders.

The SLC HSSSEQ Directors continue to hold monthly Community of Practice meetings initiated by the NDA. The group shares the details and learning from incidents within each SLC and runs peer assists on important safety topics. It is a valuable way in ensuring that good practice and operating experience is passed across our estate.

SLC HSSSE performance

Health and safety performance
Several of our SLCs won national safety awards at a corporate and site level, showing continued high level safety performance year on year. Notably this year, DSRL was awarded both the Sword of Honour and Globe by the British Safety Council and Magnox received the top award in the construction engineering sector from RoSPA.

More details of the SLC's performance can be found from page 99 onwards.

Nuclear Safety and INES events

Number of INES events by SLC	2011/ 2012	2010/ 2011
Magnox	0	2*
RSRL	0	0
DSRL	0	2
LLWR	0	0
Sellafield	3	3
Total	**3**	**7**

*amended figure due to data received after year end.

There have been no nuclear incidents or accidents with significant consequence over the last year on any part of our estate (i.e. no events classified as above INES level 1). There has also been a decrease in the total number of INES events, continuing with the trend over recent years with the continued major focus on nuclear safety. Nevertheless, we ensure that the SLCs monitor and take action on low or no-consequence nuclear safety related events in order to ensure continuous improvement and learning from experience.

Our estate, especially at Sellafield and at the operational reactor sites at Oldbury and Wylfa, has continued with extra safety reviews, covering issues such as operational safety systems, impact of external hazards and emergency arrangements undertaken in response to the Fukushima nuclear incident in Japan.

All the SLCs have been active participants in the Office for Nuclear Regulation (ONR) review of UK nuclear safety, undertaken on behalf of Government and are co-operating on the actions identified in that review. Any lessons to be learnt, from either ONR or our international collaborations with other nuclear operators, will be implemented across our estate.

Sellafield Ltd became members of the Institute of Nuclear Power Operations (INPO). This will provide standards and guidance for them to measure against internationally recognised external benchmarks.

NDA applied to join the World Association of Nuclear Operators (WANO). The

application was endorsed and approved at the WANO main board.

NDAs reasons for joining were twofold:

- to use their standards and guidance to help us shape our priorities
- to help us as an Intelligent Client to be able to discuss openly WANO's peer review assessments of our sites and operators with the SLCs.

Conventional Safety and RIDDOR

RIDDOR by SLC	RIDDOR total injuries* rate 2011/2012	Number of events 2011/2012	Number of events 2010/2011
Magnox	125	10	13
RSRL	554	4	3
DSRL	53	4	1
LLWR	1,098	2	0
Sellafield	286	33	29**
Average / Total	**~244**	**53**	**46**

*RIDDOR total injuries rate is the number of fatal, non-fatal and over-3-day injuries per 100,000 employees.
** amended figure due to data received after year end.

The total number of RIDDOR reportable events for the year increased to 53 2011/2012 from 46 in 2010/2011. This includes 11 major injuries, 37 Lost Time Accidents (LTAs), 4 reportable dangerous occurrences and 1 cases of reportable work-related disease.

Slips, trips and falls still cause the majority of LTAs and in general are not severe injuries. However all incidents are investigated and appropriate actions taken in response. Our SLCs have put in place actions to try to help reduce these events.

The highest rates of RIDDOR for individual SLCs are a result of the very small size of the organisation when compared to a 'standard' rate of 100,000 employees. The average last year was ~ 232.

This performance compares well with other sectors in the UK. For example, HSE statistics for 2010/2011 showed an average UK incident rate of 463 incidents per 100,000 employees*.

*Source HSE 2012;
http://www.hse.gov.uk/statistics/overall/hssh1011.pdf

Sickness absence

Sickness absence rates (days per employee per annum)	2011/2012	2010/2011
Magnox	4.06	4.85
RSRL	6.78	7.92
DSRL	6.41	6.42
LLWR	8.30	8.40
Sellafield	8.20	7.60

The weighted average SLC sickness rate of 6.9 days per annum per employee, including cases of long-term sickness absence, is comparable with the national average of 7.7 days lost per annum per employee**.
***Source CIPD 2011*

Protection of the environment

Number of Environmental non compliances by SLC	2011/2012	2010/2011
Magnox	6	8
RSRL	0	4
DSRL	5	1
LLWR	0	0
Sellafield	18	8* **
Total	**29**	**21**

*The Environment Agency is still considering its enforcement action in respect of an event from April 2010 when five bags of LLW were mistakenly sent to the Lillyhall landfill site near Workington, Cumbria from the nearby Sellafield site. The bags were quickly recovered.
** Amended figure due to data received after year end.

The number of confirmed environmental non-compliances has increased compared to last year. However these non-compliances are mainly minor or administrative in nature with no significant effect on the environment.

The few events of potential significance have been thoroughly investigated with appropriate corrective actions taken. Any

lessons to be learnt are shared within our estate and with other nuclear operators.

Sellafield Ltd successfully completed the agreed programme for 2011/2012 of beach monitoring for radioactive items. In addition, a successful trial of sea bed grab sampling was carried out. More details of the Particles in the Environment work can be found on
http://www.sellafieldsites.com/

Nuclear security and safeguards
Keeping our sites and nuclear material secure against malicious attack is important to ensuring nuclear safety. Similarly accounting for our civil holdings of nuclear materials ('Safeguards') is key to Government's non-proliferation commitments.

In support of this:
- security arrangements at our sites are kept under constant review and upgraded as necessary by the SLCs to meet regulatory requirements
- there will be continued governance oversight of SLC security and safeguards performance taking into account findings from the SLCs' own assurance programmes and regulators
- the NDA's Head of Nuclear Assurance is a Board member of the Civil Nuclear Police Authority governing the operation of the Civil Nuclear Constabulary which protects our sites.

Assurance of SLC performance
The NDA has a duty to ensure its sites are safe and we require the SLC contractors to carry out this duty on our behalf. We conduct assurance to confirm that the contractors performance meets our expectations and obligations. Where we identify shortfalls or areas for improvement we ensure our contractors' address these.

To improve our own arrangements for this we have:
- monitored the delivery of a framework of activities by our contractors which will improve future safety and environmental performance.
- developed and implemented an enhanced set of metrics that incorporate both leading and lagging safety performance indicators and process safety measures
- improved the focus of information received from the SLCs
- ensured that Strategic Environmental Assessment baseline environmental impact information is kept up to date by SLCs and is publicly available from their websites.

Regulatory Matters
The SLCs continue to engage with the Nuclear Sector Regulators. Tripartite involvement with Sellafield and Regulators through the Strategy and Programmes Regulatory Forum has contributed to an improved working relationship. Magnox North and South have also continued to work to consolidate their re-licensing to a single SLC – Magnox Limited.

During 2011/2012, there were a number of regulatory enforcement actions.

Against Sellafield Limited:
- a fine of £21,184 by EA for incorrect categorisation of equipment registered under the EU Emissions Trading Scheme
- a Prohibition Notice from HSE preventing the removal of scaffolding from around a sodium hydroxide tank which is in poor condition
- an Improvement Notice from ONR regarding the staffing levels, training and competency requirements and operational preparedness of the Sellafield Fire and Rescue Service.
- an Improvement Notice from HSE following the fall of a crane hook and block in the Silo Direct Encapsulation Plant (SDP) in March 2011.

NDA's HSSE performance

Health and safety performance
In addition to our obligations as owners of 19 nuclear sites in our estate, we are directly responsible for the health and safety of our own employees.

The total number of RIDDOR reportable events for the year within NDA was one, a reportable over three day lost-time injury as a result of a slip-and-trip incident in an NDA office. This was the first RIDDOR reportable event within NDA since it was established.

Other near miss incidents within our offices and those occurring while employees were travelling on business were investigated and appropriate actions taken in response.

The average sickness absence of our employees was 4.8 working days lost per employee per annum for the financial year, a slight increase from 4.5 in 2010/2011, but still below the national average of 7.7*.
**Source CIPD 2011*

Safety training
We have continued to train our staff in health and safety matters including NEBOSH National Diploma in Occupational Health & Safety, NEBOSH National General Certificate, Safety Representative Training and Emergency Response.

Driving on company business
Driving on NDA business continues to be one of the most significant risks to our employees.

Our mileage driven this year was 843,634, a decrease on the 875,076 miles driven in the previous year. Of our employees, 43 have attended Ecological and Defensive Driver Training in 2011/2012.

Consultation with employees
The NDA Health, Safety & Environment Committee met three times in the year. Topics for consultation included Driver Training, NDA Stress Policy and Occupational Health Checks. The Committee revised its terms of reference to include as part of its remit the opportunity to discuss security risks and events.

Security
The NDA's own security performance remains appropriate, effective and compliant with regulatory requirements.

In 2010/2011 we tested our networks and security arrangements. We have also undertaken a programme of internal security awareness training for our staff.

Environmental performance
The NDA's environmental and sustainability performance has improved overall this year:

- our greenhouse gas footprint has increased by 3%
- our energy usage has reduced by 10%
- the amount of waste we generated has reduced by 47%
- we have reduced our paper use by 26%.

More details are provided in our environmental sustainability report on page 124.

Chief Financial Officer's Review

Introduction
The NDA, in common with the rest of the public sector in the UK, continues to operate within the tight fiscal climate. The NDA has responded to the challenges set by this climate through continuous pursuit of value for money across the estate whilst ensuring that real progress is maintained on the main programmes.

The NDA has met short-term financial targets, whilst maintaining the necessary focus on the long-term direction of the nuclear estate, providing a platform for future cost reduction and earlier achievement of strategic milestones.

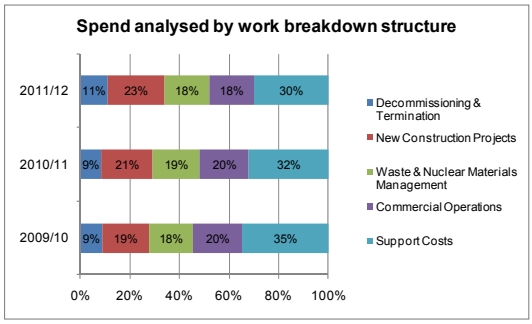
Key financial highlights of the 2011/2012 financial year include:

- reducing costs and overheads – through the continued success of the NDA's initiative to reduce support and overhead costs across the nuclear estate, including within the NDA itself
- reducing long-term expenditure - through the review of programmes and plans and the completion of the competition for the new PBO for the Dounreay site
- maintaining progress on the NDA's key programmes, and enhancing capability to manage complex projects
- spending within budget, while delivering on key promises and maintaining progress on our programmes
- exceeding commercial income targets
- enhanced reporting through closer alignment with central government reporting.

Reducing costs and overheads
Under the Support and Overhead Cost Reduction (SOCR) initiative, the SLCs continued to achieve the challenging targets set at the beginning of the initiative, achieving 16% compared to the target of 10%.

The 2011/2012 financial year was the second year of the initiative, which will continue over the next two years, in which savings (compared to the original baseline) are targeted at 20% in 2012/2013 and 25% in 2013/2014.
To date £98 million of savings have been recognised.

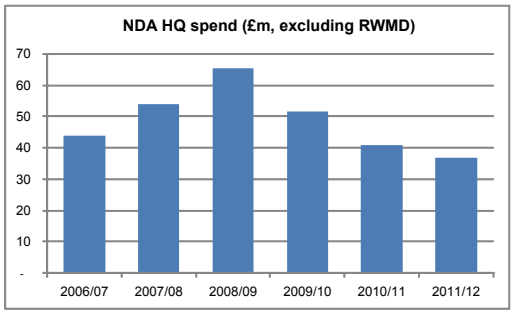
The SOCR programme and careful management of the NDA's portfolio mean that progressively a lower proportion of NDA's funding is spent on support costs, freeing up resources to fund the essential new construction programme needed to progress against the NDA's mission.



Following the major restructuring of the organisation in the 2010/2011 financial year, which resulted in a headcount reduction of some 30%, the NDA has continued to drive down its own administration costs.

A focus on the external resources used by the organisation, combined with savings arising from transitional staff vacancies and increased income generation, produced year on year savings in the net administration budget and producing the lowest net administration expenditure by the NDA since it became fully operational in 2005.

The following graph shows the trend in NDA net administrative costs (excluding RWMD), illustrating the savings achieved, with expenditure in 2011/2012 of around £37 million.



Since the peak expenditure of £64 million in 2008/2009 the net costs have been progressively reduced to £37 million in 2011/2012. £12 million has been taken out of salary costs through headcount reductions, £3 million out of administration costs, and expenditure on projects such as Sellafield competition has reduced by £12 million.

Further to the immediate savings made in the financial year, the NDA also took steps to reduce costs in the medium to long-term through the rationalisation of its office accommodation and the re-tendering of service contracts, each producing ongoing savings and reflecting the more streamlined nature of the organisation following the 2010 restructuring.

Reducing long-term expenditure
The competition for a new PBO for the Dounreay site concluded at the end of the financial year, with the new PBO taking over the management of the site at the beginning of April 2012.

The aim of the competition was to introduce a target cost based contract under which efficiencies would translate into the earlier achievement of an Interim State, thereby reducing long-term site management costs. The basis for this was the implementation of a stable assured funding plan.

The competition achieved this aim, with the new parent body committing to achieving the Interim State in 2023, significantly earlier than previously planned (2038).

The NDA now seeks to build on this success, commencing the next major PBO competition in the new financial year, covering the Magnox and RSRL sites. Following the initial development of the MODP in the previous year, the NDA has worked with the SLC to ensure that the efficiencies, innovations and schedule improvements contained in the original outline plan were fully incorporated into the baseline plan. This was achieved during 2011/2012 and the resulting savings exceeded those originally indicated by £0.2 billion.

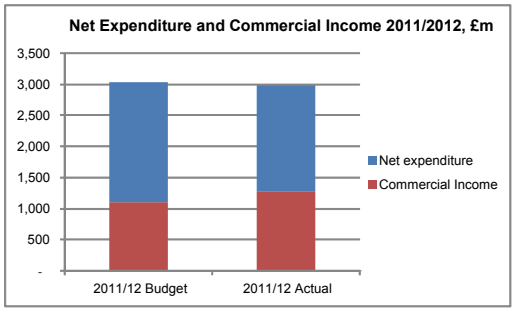
At the same time the baseline plan for RSRL was reviewed and updated, with different scenarios identified for schedule improvements which would generate potential future savings should funding be made available.

The new baselines provide efficient and achievable plans to act as the platform for the PBO competition. While innovative and challenging, the plans will be a framework against which prospective PBOs will be expected to identify further improvements and savings.

Maintaining progress
As part of its drive for Value for Money, the NDA has strengthened its assurance over project management, by establishing procedures to review and improve the performance of major projects through its Programme and Project Review Group (PPRG).

Spending within budget
The NDA's expenditure is funded by grant, and at the same time the NDA generates a substantial amount of commercial income which is passed to the Government. The NDA is therefore required to manage both expenditure and commercial income such that financial targets are met and the NDA's net impact of the public purse is in line with agreed limits.

In 2011/2012 expenditure was within the budget, while commercial income exceeded the agreed target.

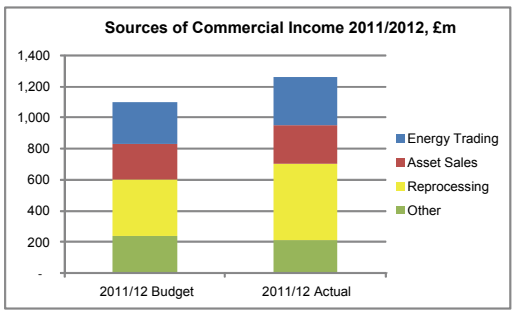


Income
Resource income surpassed the original target, with both electricity generation and spent fuels reprocessing and management exceeding expectations.

Operating plants at Sellafield improved their performance year on year, with the annual throughput volumes at the THORP reprocessing plant and the Vitrification plants being the highest since the NDA's creation. The improved throughput contributed to the commercial income arising from Sellafield exceeding the target.

Following de-designation and de-licensing, the land sales at Wylfa and Oldbury completed during the year, producing capital income of £252 million.

The NDA continues to explore commercial opportunities which offer value for the public purse. A commercial deal for the Capenhurst site has been agreed and will be implemented during the next financial year. The resulting lifetime savings were reflected in the Nuclear Provision at the end of 2010/2011.

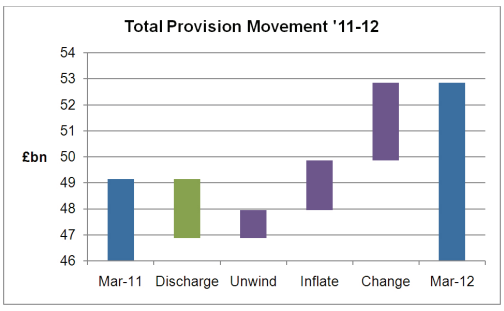


Enhanced reporting
The financial reporting of the NDA is now more closely aligned with central government reporting. Following the adoption of the NDPB Green format for the 2010/2011 annual accounts, the NDA now participates in the Government's Clear Line of Sight (CLoS) initiative which is designed to encourage transparency and consistency in reporting across government departments. From 2011/2012 onwards, the NDA's financial information will be consolidated with that of the parent department, while continuing to be presented in the NDA's own annual report and accounts.

Providing for the future
The NDA recognises the future cost of the decommissioning and clean up of the estate by way of the Nuclear Provision.

In line with the approach introduced in the 2010/2011 annual accounts, the Provision is calculated using management judgement of future costs based on the plans produced by the SLCs and known changes in assumptions and facts. The costs are for carrying out the NDA's core mission of decommissioning and cleaning up its 19 sites, a task expected to take many decades for most sites and in some cases over 100 years to complete. It includes waste management, maintaining safety and security at the sites and the NDA's share of the costs of the GDF. It excludes the costs of commercial operations and the associated income.

The Nuclear Provision at the end of March 2011 was £49.1 billion, and over the course of the year work to the value of £1.9 billion has been completed by the SLCs. The impact of unwinding the discount on the provision and restating the Provision to March 2012 prices adds £1.0 billion and £1.9 billion respectively to the Provision, taking the total to just under £50 billion. There have been a number of other changes in the Provision, totalling £2.9 billion, which takes the final closing position to £52.9 billion. These changes were related to either regulatory or HM Government policy led changes or a result of revised estimates and scope changes on projects.



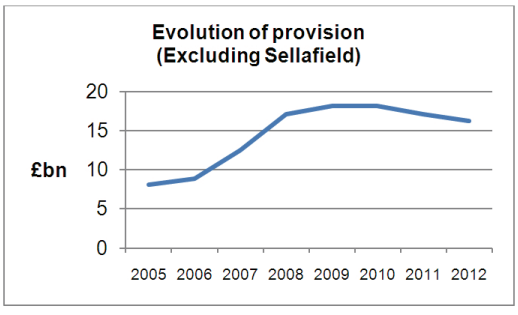
Given the extended timescale over which decommissioning will take place, and the uncertainty over how challenges will be overcome, the NDA considers that there are a range of possible outcomes for the Provision, these show a potential range from £48.9 billion to £59.6 billion.

Examples of the range of scenarios covered and sensitivities have included:

- sensitivity to change in the discount rate applied – a 0.5% change in discount rate would move the Provision by £6 billion
- costs of dealing with Legacy Ponds and Silos at Sellafield could increase Provision by £4 billion
- scope and schedule improvements within the major programmes
- the realisation of further cost reduction within the programmes would reduce the Provision.

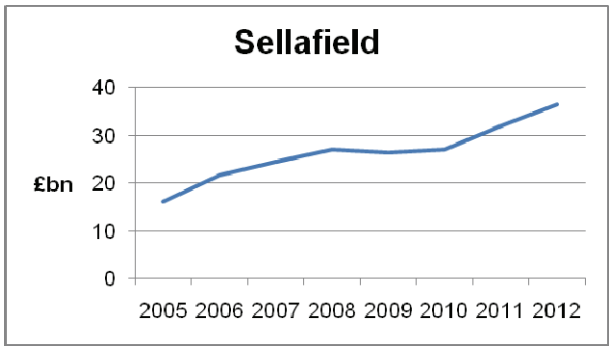
Total discounted Nuclear Provision by site and SLC

The Nuclear Provision necessarily contains significant estimates which have evolved over time. These have been subject to NDA challenge and assurance. Long-term trends for the estate show that the projected cost of dealing with the non-Sellafield legacy has now started to diminish. This results from the impact of competition for Dounreay and the implementation of the optimised decommissioning plans for the Magnox fleet. The reduced provision level also reflects the fact that the amount of work completed in the year exceeded the effect of inflation and unwind of discount for non Sellafield activity.

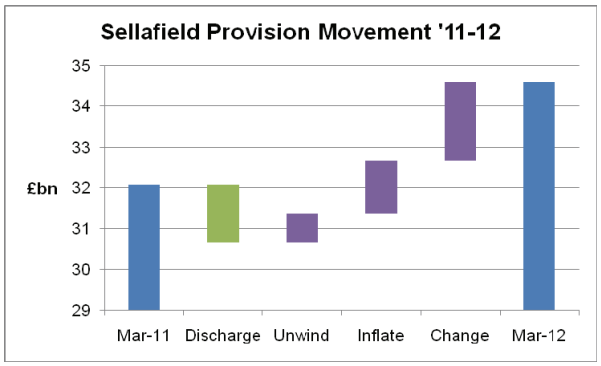


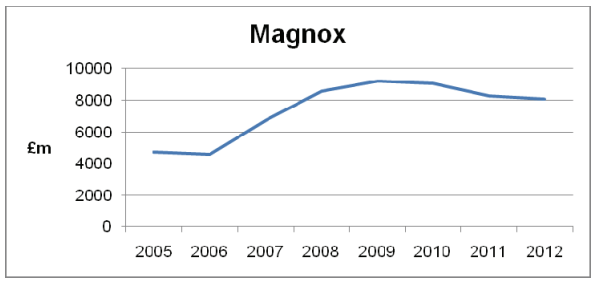
Sellafield

The maturity of the Sellafield Plan means that the Provision is at an early phase. This is seen by a significant step change in Provision in 2011 as the new contractor got to grips with the plans inherited from the outgoing PBO. The increases in 2012 represent changes in estimates of some projects (including Evaporator D and SDP) and a change of scope with the removal of Highly Active Storage Tanks (HAST) from the plan.



In contrast to the balance of the estate, completion of provisioned work in year at Sellafield is less than the combined impact of inflation and unwind of discount – this effectively adds £0.6 billion to the Provision, before any changes in scope. Cost increases at Sellafield include £3.3 billion for Government policy and regulatory changes, and changes in scope on key plants within the Legacy Ponds and Silos area.

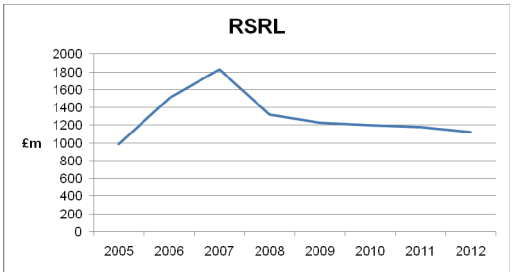




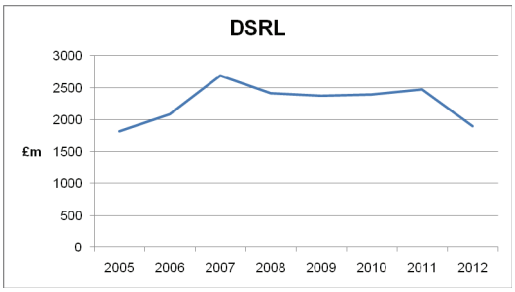
Magnox

Work completed was broadly offset by the impact of inflation and discount unwinding, with an overall cost decrease of £0.1 billion arising from the further savings produced by the insertion of MODP during

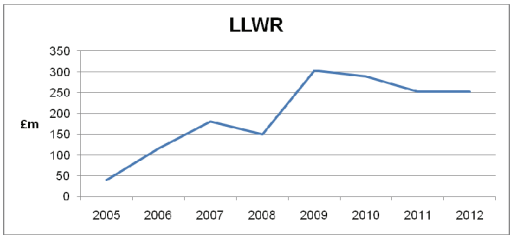
the year, partly offset by the estimated additional cost arising at Magnox sites due to the MOP9 programme.



RSRL
Similarly to Magnox, the combined effects of inflation and unwind of discount equalled the value of completed work. The reduction in the Provision of £50 million arose from a change in estimate following the approval of changes to the RSRL plan by the NDA.



DSRL
With the value of work completed in the year again being offset by inflation and discount unwinding, the reduction in the Provision during the year of £0.6 billion is generated by significant cost reductions at Dounreay arising from the outcome of the parent body competition, and the subsequent earlier achievement of Interim State for the site.



LLWR
LLWR saw no change in the level of provision during the year, with no change in costs recognised and all other elements effectively cancelling each other out. The Provision assumes that a second LLW facility is not required through careful management of waste inventories.

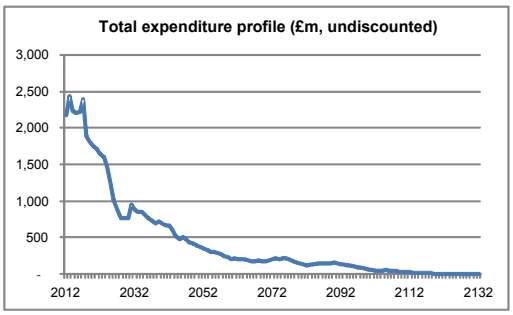
The resultant extension of the operations of the current facility makes negligible impact on the lifetime discounted cost.

While the legacy, and consequently the Provision, is better characterised than previously it continues to be subject to ongoing risks that could impact on the costs of delivering the NDA mission, such as:

- a significant nuclear safety incident leading to delays in the management of current liabilities and/or increased costs
- the discovery of currently unknown additional hazards or other challenges are discovered
- future regulatory or Government policy changes
- changes to the final agreed end state for sites.

The NDA will continue to review and update the Nuclear Provision, and to incorporate the impact of new opportunities as they arise – for example acceleration of work on Legacy Ponds and Silos, integrated waste management, optimised decommissioning and site restoration. Some of these opportunities may require us to reprioritise our allocation of funding in the short-term but with a reduction in the full lifetime costs.

The following graph shows the undiscounted annual expenditure profile for future years (excluding NDA administrative and other non programme costs).



The expenditure profile illustrates a downward trend in expenditure over the next 50 years as sites enter into Care and Maintenance, with subsequent increases in expenditure in the period from 2070 when final site clearance work is undertaken.

Going concern

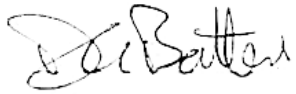
The accounts show a total Statement of Comprehensive Net Expenditure of £5,702 million for the year ended 31 March 2012 and net liabilities of £54,816 million on the Statement of Financial Position primarily attributable to the Nuclear Provision.

We acknowledge the support and understanding that DECC has given us and there is no reason to believe that DECC's sponsorship and Parliamentary approval will not be forthcoming. On this basis it has been considered appropriate to prepare these financial statements on a going concern basis.

Total discounted Nuclear Provision by site and SLC

Total discounted nuclear liabilities	2011/12 £m	2010/11 £m	Movement £m
Sizewell A	(778)	(789)	11
Bradwell	(506)	(596)	90
Berkeley	(659)	(660)	1
Dungeness A	(647)	(709)	62
Hinkley Point A	(699)	(757)	58
Hunterston A	(667)	(707)	40
Oldbury	(1,008)	(939)	(69)
Chapelcross	(749)	(843)	94
Trawsfynydd	(611)	(680)	69
Wylfa	(1,045)	(876)	(169)
Magnox central costs	(690)	(708)	18
Magnox Limited	**(8,059)**	**(8,264)**	**205**
Capenhurst	(647)	(635)	(12)
Sellafield (including Windscale and policy changes)	(36,601)	(32,064)	(4,537)
Sellafield Limited	**(37,248)**	**(32,699)**	**(4,549)**
Dounreay	(1,904)	(2,471)	567
Dounreay Site Restoration Limited	**(1,904)**	**(2,471)**	**567**
Harwell and Winfrith	(1,122)	(1,178)	56
Research Site Restoration Limited	**(1,122)**	**(1,178)**	**56**
LLW Repository Limited	**(253)**	**(252)**	**(1)**
INS Contracts	**(16)**	**(15)**	**(1)**
Springfields Fuels Limited	**(384)**	**(365)**	**(19)**
Geological Disposal Facility	**(3,840)**	**(3,844)**	**4**
Authority	**(52,826)**	**(49,087)**	**(3,739)**
NDA group companies	(67)	(65)	(2)
NDA Group	**(52,893)**	**(49,152)**	**(3,741)**

Notes:
The liability shown for the Geological Disposal Facility is for the NDA's share of the cost only.



David Batters
Chief Financial Officer

Directors and Executives

The NDA Board

Back Row L-R: Murray Easton, Patrick Dixon, Mark Lesinski, Janette Brown, Alistair Wivell, Chris Fenton
Front Row L-R: David Batters, Stephen Henwood, John Clarke

The NDA Executive Team

Back Row L-R: Adrian Simper, Mark Lesinski, Sean Balmer, Jon Phillips, Jim McLaughlin
Front Row L-R: David Batters, John Clarke

Directors and Executives

Non Executive Directors

Stephen Henwood - Chairman

Stephen was appointed Chairman of the NDA on 1 March 2008.

A Chartered Management Accountant, his career has included senior financial and operational roles with, Tate & Lyle plc and BAE Systems.

He left BAE Systems at the end of 2006 and has undertaken a number of Non Executive appointments. He is currently a Non Executive Director of Aerogility Limited. He is also Honorary Treasurer and a member of the Council of the Royal Geographical Society and Chair of the Board of the University of Cumbria.

Janette Brown

Janette is the Chair of the NDA Audit Committee.

She is a Chartered Accountant and currently works as a Managing Director at Santander where she is responsible for the global relationships of certain UK and Scandinavian headquartered international companies.

Janette has more than 15 years experience in the corporate finance sector, concentrating on providing strategic, financial and transaction advice for a wide range of clients.

A former senior Managing Director of ING Barings and a Director of Citigroup Janette worked for a wide range of major clients on acquisitions and raising finance, prior to joining Santander in 2009.

Patrick Dixon

Patrick is the Chairman of the NDA Safety and Security Committee and a member of the Audit Committee.

His career of more than 30 years in the oil industry has included Executive and Non Executive roles in refining, petrochemicals, trading and marketing in many parts of the world, as well as strategy, operations, mergers and acquisitions and change management. He has broad experience of English and European corporate governance.

Alistair Wivell

Alistair is the Chairman of the NDA Remuneration Committee.

Alistair was formerly on the main board of Balfour Beatty plc and a Group Managing Director. He was responsible for all UK construction, international civil engineering and mechanical and electrical companies within the Balfour Beatty Group. He has remained a consultant to the company since retiring, and has been engaged on a number of significant international projects.

Alistair was awarded the CBE for his services to the construction industry in 1998. He is currently a trustee of the Balfour Beatty Pension Fund.

Murray Easton

Murray is a member of the Remuneration Committee.

He is currently an adviser to the UK MoD, Chairman of QiResults Ltd and Governor of the Health Foundation. Prior to that he had an extensive industrial career including: Executive Director of construction company Murray & Roberts, Managing Director of BAE Systems (Submarine Solutions) based in Barrow, a main Board Director at Babcock International Group plc, and Managing Director of Yarrow Shipbuilders Ltd.

Murray was awarded the CBE in 2008 for Services to Industry and was both Chairman of Barrow Vision and a Board Member of Cumbria Vision in 2008/2009.

Murray is a Chartered Engineer, Fellow of the Royal Academy of Engineering, Fellow of the Royal Institute of Naval Architects, and has an Honorary Doctorate from Paisley University.

Chris Fenton

Chris is a member of the Audit Committee.

He is Group Strategy and Marketing Director for Amey plc, a major infrastructure services provider to the public sector. Chris has been with Amey since 2006 and has in-depth experience of complex public procurement. Prior to this role he has held a variety of senior international positions in the chemical industry.

Chris studied material sciences at St John's College, Cambridge and then completed a Master of Business Administration at Manchester Business School.

Executive Directors

John Clarke
Chief Executive Officer

John joined the NDA in 2008 following more than 25 years working in the nuclear industry. A Chartered Engineer and Fellow of the Institution of Chemical Engineers (FIChemE), his early career involved a range of roles in the design, development, commissioning and operation of nuclear fuel processing plants. His most recent role was Executive Director – Business Planning which he held from 2010.

A member of the Sellafield Limited Executive Team for eight years, John spent five years as Head of Environmental, Health, Safety and Quality, followed by three years as Director of Production where he was accountable for the majority of operational activities at Sellafield.

On the 2 April 2012, John took up his new position as the NDA's Accounting Officer and Chief Executive Officer of the NDA.

David Batters
Chief Financial Officer

David joined the NDA in October 2010 and is a Chartered Management Accountant. His appointment followed more than 20 years with BAE Systems and predecessor companies, in which he held a variety of roles primarily in finance including Mergers & Acquisitions, Planning & Analysis, Reporting, Project Accounting and as Finance Director of a number of businesses.

From Christmas 2011 to April 2012 he was the Accounting Officer and Acting Chief Executive Officer of the NDA.

Mark Lesinski
Chief Operating Officer

Before joining the NDA in November 2010, Mark Lesinski was Managing Director of Magnox South Ltd, a stand alone subsidiary owned and operated by Energy*Solutions* EU Limited.

Prior to becoming Managing Director, Mark was Chief Nuclear Operating Officer for Magnox South and was Site Director at the twin reactor Hinkley Point decommissioning site from 2005-2007.

Mark supported decommissioning works in the United States for nine years prior to his arrival in the UK. He held senior management roles at both government facilities and commercial reactor sites, transitioning their workforces from operations to successful, accelerated decommissioning.

Mark also spent 15 years involved in large retrofit projects and operations on US reactors across the country; totalling some 34 years in the nuclear industry.

Directors

Jim McLaughlin
Director of Human Resources

Jim joined the NDA in April 2008 from the Royal Bank of Scotland where he had worked since 2003, most recently as their Head of Learning.

Jim has more than 25 years of experience in the construction, power generation and supply industries, including the roles of Director of Learning for Scottish Power and International HR Director for Pacificorp based in the USA.

He is a Chartered member of the Institute of Personnel and Development and has an MBA.

Jim is also a Director of Direct Rail Services (DRS), Energus and a trustee of the Combined Nuclear Pension Plan.

Jon Phillips
Director of Communications and Stakeholder Relations

Jon joined the NDA in March 2005 from BAA plc where he had worked since 1992 in a number of roles including Community Relations, Media Relations and Public Affairs.

Immediately prior to joining the NDA, Jon was Communications Director at Heathrow where he was involved in building awareness and support for the sustainable growth and physical transformation of the airport, including the construction of Terminal 5.

Jon spent five years working in consultancy public relations before joining BAA and in 1998 he was awarded an MBA from Surrey University.

Adrian Simper
Strategy and Technology Director

Adrian joined the NDA in October 2005 from British Nuclear Fuels where he played a key role in setting up the NDA through the transfer of assets and liabilities from BNFL to the NDA and the associated re-structuring of BNFL.

He joined the nuclear industry in Research and Development at Sellafield. His subsequent career, all in the nuclear sector, has included strategic roles in R&D and technology; project delivery; commercial and finance both in the UK and the US.

Adrian has a PhD in mathematics and is a Chartered Mathematician.

Sean Balmer
Commercial Director

Sean joined the NDA in June 2005 from British Nuclear Fuels where he had worked since October 2002. Prior to his current role at the NDA, Sean was Head of Commercial Revenue and Projects with overall responsibility for revenue management of a portfolio in the region of £1.2 billion per annum from across the NDA estate.

In addition, Sean was the Senior Responsible Officer for the asset disposals including the surplus land at Wylfa, Oldbury, Bradwell and Sellafield and the disposal of Springfields to Westinghouse.

Sean has a degree in Mechanical Engineering, and an MBA. He has more than 20 years of engineering and commercial experience and has worked for most of his career in contracting for a variety of industries.

Sean is a Director of INS and Chairman of the Board for NDA Properties Limited. He is also Chairman of the BECBC (Britain's Energy Coast Business Cluster).

Directors' Report

The Nuclear Decommissioning Authority is an executive NDPB and was established on 22 July 2004 under the Energy Act 2004.

It was created with the primary objective of overseeing and monitoring the decommissioning and clean-up of the UK's civil nuclear legacy.

Since then the NDA's remit has been extended to include the long-term management of all the UK's radioactive waste by finding appropriate storage and disposal solutions.

Accounts direction
These accounts have been prepared in a form directed by the Secretary of State with the approval of HM Treasury and in accordance with section 26 of the Energy Act 2004.

Directors' interests
Directors of the NDA must declare any personal, private or commercial interests. A register of such interests is maintained by the NDA.

No director has any personal, private or commercial interests which would conflict with his or her role as a director of the NDA.

The directors who served on the Board during the year to 31 March 2012 and their responsibilities were:

Stephen Henwood	Chairman
Janette Brown	Non Executive Director
Tony Cooper	Non Executive Director (Retired 31.12.2011)
Patrick Dixon	Non Executive Director
David Illingworth	Non Executive Director (Retired 31.12.2011)
Alistair Wivell	Non Executive Director
Murray Easton	Non Executive Director (Appointed 1.3.2012)
Chris Fenton	Non Executive Director (Appointed 1.3.2012)
Tony Fountain	Chief Executive and Accounting Officer (Resigned 31.12.2011)
David Batters	Chief Financial Officer (Accounting Officer and Acting CEO 1.1.12 to 2.4.12)
John Clarke	Executive Director - Business Planning (Appointed Accounting Officer and CEO 2.4.12)
Mark Lesinski	Executive Director – Delivery

External auditors
The NDA Group's auditor, the Comptroller and Auditor General (C&AG), appointed under the Energy Act 2004, audits the NDA's financial statements. The services provided by the C&AG relate to statutory audit work for the NDA.

Disclosure of information to the NDA's external auditor
As Accounting Officer, as far as I am aware, the NDA's auditors have been given all relevant information. I have taken all the appropriate steps to establish that the NDA's auditors are aware of that information.

Employees and employment
The number of the NDA's permanent full-time equivalent employees at 1 April 2011 was 265 increasing to 276 by 31 March 2012, with an average of 271. (2010/2011 - start 346, end 265, average 313). The total number of staff employed across the NDA Group averaged 895 during the same period (see note 6 to the accounts for more detail).

Pensions
All Authority employees are entitled to join the Principal Civil Service Pension Scheme (PCSPS). Employees within the Group participate in the Group Pension Scheme, the Merchant Navy Officers Pension Fund and the Merchant Navy Ratings Pension Fund. Details of the schemes are given in note 27 to the accounts.

Equal opportunities
The NDA believes that every individual has a right to equal treatment and opportunities. Discrimination or harassment on the grounds of gender, age, marital status, ethnic or national origin, religion, sexual orientation or disability will not be tolerated.

The NDA's Equal Opportunities and Diversity Policy outlines the rights of all employees as well as the responsibility on all staff to comply with equal opportunities legislation. Furthermore, ongoing monitoring of equal opportunities data is undertaken to ensure compliance with this policy.

Learning and development
A comprehensive learning and development programme continues to be rolled out at individual, team and organisational level to meet the needs of the business.

Staff Consultation Group
Employee involvement is critical to the success of the business and to this end a Staff Consultation Group exists to discuss management and policy matters between staff and management. A ballot was held in September 2011 and staff voted to be covered by a Collective Bargaining arrangement with Prospect Union. This means that all members other than the Executive will be covered by a collective bargaining agreement for pay, holidays and hours as a minimum.

Better payment practice
The NDA supports the Better Payment Practice Code in its treatment of suppliers. The key principles are to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. During the year, the NDA has achieved a 97% success rate for payment of suppliers in accordance with terms (2010/2011 - 95%). The average number of payment days from receipt was 15 days and for a valid invoice, (i.e. one entered on the accounting system) was 7 days.

The proportion that is the aggregate amount owed to trade creditors at the year end compared to the aggregate amount invoiced by suppliers expressed as a number of days is 13 days.

Charitable and political donations
During the year, the NDA made charitable donations of £Nil (2010/2011 – £Nil). No political donations or contributions were made (2010/2011 - £Nil).

Investment in Socio Economic Developments
In accordance with its remit under the Energy Act 2004, during the year the NDA made socio-economic grants of £7 million (2010/2011 £7.5 million).

Research and development
During the year, the NDA directly funded expenditure of £4.7 million (2010/2011 £4.9 million) on research and development.
In addition, the NDA funded research and development undertaken by our contractors.

Funding, counterparty and foreign exchange risk
Although an NDPB, the NDA is also responsible for certain commercial activities and is, therefore, subject to risks and uncertainties surrounding a commercial operation. Its electricity trading activity is subject to price variation risk and was managed by British Energy Trading Services Limited to hedge energy price exposure. The NDA's foreign exchange risk is managed by the site licensees to hedge foreign currency transactions. Details can be found in notes 2.7 and 22 of the accounts.

Data security and information risk management
The NDA's IT network is designed and built to comply with Government information security

standards and is subject to inspection by the Office for Nuclear Regulation (ONR) to ensure that it remains compliant. As an NDPB the NDA is required to apply all new policies concerning IT security, including the restrictions on the use of CDs, DVDs and memory sticks. The NDA network is also subject to annual independent penetration testing, which gives assurance that existing security policies are complied with.

The NDA has appointed a Senior Information Risk Owner (SIRO) who is accountable for Information Risk Management, and whose task is to ensure that the NDA and its wider nuclear estate are compliant with Cabinet Office Guidelines and other regulatory and statutory requirements.

There has been one reportable incident this year, which did not result in sensitive information being generally disclosed. Each of our SLCs has conducted baseline assessments against ISO27001 in preparation for the implementation of the new Security Policy Framework and has nominated an Executive Director to be responsible for Information Risk Management.

Summary of results for the period
The summary of the results for the year is as stated in the Chief Financial Officers Review.

Transfers to and from reserves are detailed in the Statement of Changes in Taxpayers' Equity.

The accounts show a Statement of Comprehensive Net Expenditure of £5,702 million for the year ended 31 March 2012, principally arising from changes in provisions and net liabilities of £54,816 million primarily attributable to the Nuclear Provision.

Events after the reporting period

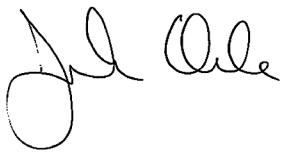
a) John Clarke was appointed as Chief Executive Officer and Accounting Officer of the NDA on 2 April 2012.

b) The financial statements were authorised to be issued for publication on 22 June 2012

c) The GPS Pension Scheme and Nirex Pension Scheme merged into the CNPP on 1 April 2012. The assets and liabilities of the DRS section of the GPS Pension Scheme, INS's participation in the SLC section of the GPS Pension Scheme and the Nirex Pension Scheme were transferred in their entirety into new financially segregated sections of the CNPP: the GPS DRS section, the GPS SLC section and the Nirex section. There is no change in the obligations on the Authority or the Group as a result of the merger

d) Following the conclusion of the Dounreay PBO competition, a new contract for the management of the Dounreay site was awarded to Babcock Dounreay Partnership, effective 1 April 2012.

Going concern
A full explanation of the adoption of a going concern basis appears in the Accounting Policies, note 2.1 to the Annual Accounts.



John Clarke
Chief Executive and Accounting Officer
21 June 2012

Governance Statement

Introduction
This statement is constructed in line with the guidance given in Managing Public Money, November 2011. It summarises the structure of the NDA Board and the Executive; the key activities undertaken during 20011/2012; and the findings of internal reviews undertaken to assess their effectiveness.

NDA
The NDA operates in accordance with the provisions of the Energy Act 2004 and Cabinet Office guidelines for NDPBs. It seeks to apply, where appropriate, best practice in corporate governance as represented by the revised Combined Code on Corporate Governance.

The Board
The Board sets the strategic framework and direction within which the NDA operates. It is responsible for ensuring that high standards of corporate governance are observed at all times within the NDA. In particular, it is responsible for ensuring the maintenance of a control framework through which it can obtain assurance that risk is properly assessed and managed, appropriate internal controls are in force and complied with, and performance is delivered in line with agreed plans. The Board is chaired by Stephen Henwood.

During 2011/2012 the Board comprised up to seven Non Executive Directors including the Non Executive Chairman and up to four Executive Directors including the Chief Executive Officer. On 31 December 2011 the tenure of two Non Executive Directors, David Illingworth and Tony Cooper ended, and the Chief Executive Officer left the organisation. The Chief Financial Officer, David Batters, was appointed Accounting Officer and Acting Chief Executive Officer from 1 January 2012 pending recruitment of the permanent successor. That process concluded in March 2012 with the selection of John Clarke (then NDA Executive Director-Business Planning) who took up the Chief Executive Officer role on 2 April 2012. Two new Non Executive Directors, Murray Easton and Chris Fenton, were appointed to the Board with effect from 1 March 2012.

The Board meets formally on a bi-monthly basis with the meeting agenda closely aligned with corporate activities and driven principally by the annual planning and performance management cycles. Two additional meetings were held during the year outside of that cycle as part of the competition governance process. The Board approves the NDA's Schedule of Delegated Authority under which the day-to-day business management of the NDA is delegated to the Chief Executive Officer and who, in turn, discharges his responsibilities through the wider Executive team. In addition, the Board has delegated certain responsibilities to the Audit Committee, Remuneration Committee and Safety and Security Committee. The NDA Chairman has an open invitation to attend all three Committees of the Board and attends for items of particular interest.

The Chairman
Stephen Henwood was initially appointed Chairman of the Board on 1 March 2008 for a three year period by the Secretary of State in consultation with the Scottish Ministers. His tenure was extended for a second three year term which will conclude on 28 February 2014. The Chairman is accountable to the Secretary of State and to the Scottish Ministers, where appropriate, for the delivery of the NDA's obligations under the Energy Act (2004) and for the Authority's activities and performance in implementing its Strategy and Annual Plan. The Shareholder Executive, acting on behalf of the DECC Secretary of State, issues annual objectives to the Chairman for the NDA to deliver.

The Chairman has particular responsibility for providing effective leadership of the Board and formulating an effective strategy for discharging its statutory functions and duties.

He is also responsible for ensuring that the Board has the necessary balance of skills and experience to discharge its duties effectively; for providing the Secretary of State with an annual statement of the effectiveness of its Board Members; ensuring high standards of regularity and propriety; for ensuring the NDA's affairs are conducted openly, transparently and with probity; and for representing the NDA to the public and stakeholders.

The Audit Committee
The Board has delegated responsibility to the Audit Committee for reviewing the NDA's system of internal control and monitoring its effectiveness. The Board recognises that any such system can only provide reasonable, and not absolute, assurance against mis-statement or loss. The system is designed therefore to

manage rather than eliminate the risk of failure to achieve the NDA's objectives. The Committee typically meets four times a year with the agenda largely determined by the annual performance reporting cycle. Through the Audit Committee, the Board has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with best practice.

The NDA Audit Committee is comprised wholly of Non Executive Directors. During 2011/2012 these members were:

- David Illingworth (Chair until 31 December 2011 when his NDA tenure ended)
- Janette Brown (Chair from 1 January 2012)
- Patrick Dixon
- Chris Fenton (from 28 March 2012)

Regular attendees at Committee meetings include the Chief Executive Officer and Accounting Officer; Chief Financial Officer; the Heads of Internal Audit, Risk and Financial Operations; and representatives from the sponsor Department and the National Audit Office.

Key issues addressed by the Committee during 2011/2012 included assurance around the Sellafield Performance Plan; the rationale behind the Internal Audit plan; the effectiveness of risk management processes across the NDA estate; accounting practices deployed by the NDA in line with DECC and HM Treasury guidance and oversight; and the controls required to meet the requirements for information risk management.

The Remuneration Committee
The principal function of the Remuneration Committee is to advise and support the Board in discharging its responsibilities under the Energy Act 2004 to determine the remuneration and terms of service for the Chief Executive Officer and the Executive Team. The Committee is also responsible for monitoring the performance of the Chief Executive Officer and Executive team in delivering the annual objectives agreed by the Board; and for keeping NDA, estate-wide capability and people strategy matters under review.

The NDA Remuneration Committee is comprised wholly of Non Executive Directors. During 2011/2012 these members were:

- Alistair Wivell (Interim Chair from 1 April 2011 and Chairman from 1 May 2011)
- Tony Cooper (until 31 December 2011)
- Murray Easton (from 28 March 2012)

The Committee typically meets four times a year in line with the annual cycle for determining the remuneration and terms of service for the Chief Executive Officer and other Executive Directors, setting the pay remit and approving performance related pay arrangements.

The Chief Executive Officer and the Human Resources Director are regular attendees at Committee meetings, except for discussion of issues relevant to their own remuneration. Key issues addressed by the Committee during 2011/2012 included Executive remuneration including the remuneration for the incoming Chief Executive Officer; performance management, including delivery of corporate objectives; and estate-wide skills and capability.

Safety and Security Committee
Replacing the Safety Working Group, the Safety and Security Committee was formally constituted on 23 May 2011 and supports the Board in discharging its responsibilities in respect of issues of Health, Safety (including both nuclear and occupational safety), and Environment, in the NDA estate. The Committee's remit was extended during the year to include Nuclear Safeguards and Security matters.

The Safety and Security Committee is comprised wholly of Non Executive Directors. During 2011/2012 these members were:

- Patrick Dixon (Chairman)
- Alistair Wivell

Also in attendance are the Chief Executive Officer and the Chief Operating Officer.

Key issues addressed by the Committee during 2011/2012 included the respective roles of the NDA and the SLCs in safety management; and estate-wide safety management reporting systems and metrics.

The Accounting Officer and Chief Executive Officer
The NDA Chief Executive Officer is responsible for the leadership and operational management of the NDA. The responsibilities of the Accounting Officer are set out in a letter

from the DECC Permanent Secretary; the Accounting Officer Memorandum; and the Management Statement and Financial Memorandum. The Accounting Officer is accountable to Parliament for the activities of the NDA, the stewardship of public funds entrusted to the NDA and the extent to which key performance targets and objectives are met. John Clarke was appointed Accounting Officer in April 2012.

Executive Team
The Executive is accountable for implementing the Strategy and Plans approved by the Board. It articulates the NDA's requirements to the PBOs and SLCs that manage and run the 19 sites under contract to the NDA and reviews their performance against those requirements. The Executive leads on the five core processes essential to successful delivery of the NDA mission:

- Strategy (long-term scenario planning; options development)
- Planning (corporate planning; securing and allocating funds' operational planning)
- Incentives (incentivisation principles and process)
- Sanctioning (sanctioning of major programmes / projects / procurements; post investment appraisal)
- Performance (monitoring; assurance; reporting).

The Executive reports monthly to the Board and to Government on the NDA's performance and on interventions to address any deviations from the plan. Performance against plan is a standing Board agenda item. The Board meetings are followed by Governance Meetings held with Government (Shareholder Executive, Scottish Government, HM Treasury and DECC) to report on performance, including targets set by Government.

Board Attendance Record

	Board 8	**Audit 5**	**RemCo 5**	**Safety & Security 4**
S Henwood	8/8	*(5)*	(5)	*(1)*
J Brown	7/8	5/5	-	-
T Cooper	6/6	-	4/4	-
P Dixon	8/8	5/5	-	4/4
M Easton	1/1	-	1/1	-
C Fenton	1/1	0/0	-	-
D Illingworth	5/6	4/4	-	-
A Wivell	8/8	-	5/5	4/4
T Fountain	6/6	*(4)*	*(4)*	*(1)*
D Batters	8/8	*(5)*	*(1)*	*(1)*
J Clarke	7/8	*(3)*	*(1)*	*(1)*
M Lesinski	8/8	-	-	*(4)*

() in attendance at meeting – not a member

Performance of the Board and its Committees
The Chairman carries out an annual effectiveness assessment of the Board and the Committees to assess compliance with the Corporate Governance Code. This is carried out using a standard question set which allows ready comparison with earlier years and is designed to assess a comprehensive range of criteria. These include the extent and quality of focus of the Board and Committees on the NDA mission and key activities; the discharge of statutory responsibilities; the quality of dialogue and decision-making; appropriateness of the structure of the Board and its Committees in relation to the balance of skills, experience and knowledge relative to the matters to be addressed; procedural matters such as Board agendas and time provided for Board and Committee meetings relative to the matters to be addressed.

Responses are considered by the Chairman and shared with members collectively for discussion to ensure clear and common understanding of strengths and weaknesses and of the actions to bring improvements where necessary. The Chairman holds individual sessions with each of the Committee Chairs to discuss the assessment findings and takes these into account in agreeing the forward focus of the Committees and any specific actions to improve effectiveness.

For the 2011/2012 period, the overall picture was positive with no measures rated below average and with significant improvement in the two areas rated weakest in the 2010 assessment. Particular strengths were: strong

consensus that the Board is committed to delivering the NDA mission and is focused on the activities to achieve this; the level of critique and dialogue around the NDA's business strategy, plans and budgets; increased emphasis on the substantive issue of business delivery as opposed to matters of process; improved effectiveness through changes to the number and length of meetings. Areas to be strengthened during 2012/2013 include how performance is reviewed with particular attention on programmes and projects; the provision of appropriate training and development for the Non Executive Directors; and sustaining the improvements to the Board agenda made during 2011/2012.

During 2011/2012, the Board completed its work on the development of the NDA strategy and planning framework with publication of the fully reviewed and revised NDA Strategy approved by DECC and Scottish Ministers. The Board was asked by DECC to provide technical and scientific advice to inform its policy making on a number of significant national strategic matters.

Central to the NDA mission was the development of a contract baseline and a fully developed Sellafield Performance Plan to enable measurement of performance across the full range of activities at the Sellafield site which was approved by the Board during the year. This concluded a lengthy period of iterative engagement with the Board working closely with the Executive, interfacing with the Sellafield PBO and SLC.

The Board's current and future focus is to ensure that the NDA maintains and enhances its position as the intelligent client with particular attention on performance and delivery against the agreed plans and specifically the major programmes and projects delivered by the SLCs on behalf of the NDA. The Board is also making progress with the development of a strong contractual framework across its estate. The Board continues to provide strong technical support to HM Government in its development of Government policy and strategies relating to the nuclear industry.

During the year, the Board has paid particular attention to incentivisation mechanisms to ensure these drive accountability for performance delivery by the contractor in terms of rewarding strong performance and delivery of desired outcomes. This is reflected in the successful delivery of the PBO competition for the Dounreay site based around target cost and schedule commitments that improve on previous plans in moving the Dounreay site to an Interim State.
The shift in emphasis of the Board and its ability to continue to provide appropriate and relevant challenge is taken into account by the Chairman in his input into the selection of Members and the skills and experience they bring to the Board.

The Board effectiveness review indicated that it would be beneficial to review the form, function and operation of the Audit and Remuneration Committees to reflect the progress made by the NDA since start-up in 2004 and the different challenges it now faces. The next Board evaluation (2012) will be conducted by an external facilitator, in line with best practice.

Separately, the Chairman assesses the performance of each Board member annually and this is reported to the Shareholder Executive. For Non Executive Directors this is done on a 1:1 basis and covers generic issues about the quality of the contribution to the Board as well as the input on specific areas for which the member was appointed. For the Executive Members, objectives (both Corporate and personal) are proposed to and approved by the Remuneration Committee. Performance against both the Corporate and Personal targets is assessed by the Remuneration Committee with the Chairman presenting written submissions from the Accounting Officer and an independent audit report.

System of Internal Control
The Accounting Officer has the responsibility for maintaining a sound System of Internal Control that supports the achievement of the Nuclear Decommissioning Authority's policies, aims and objectives, while safeguarding the public funds and departmental assets for which he is personally responsible, in accordance with the responsibilities outlined in Managing Public Money.

The System of Internal Control has been in place in the NDA for the period commencing 1 April 2011 up to the date of approval of the Annual Report and Accounts, in accordance with Treasury guidance. It is designed to

manage risk to a reasonable level while ensuring compliance with mandated rules and regulations. As it is not feasible to eliminate all risk of failure in the achievement of policies, aims and objectives, the system can, therefore, only provide reasonable and not absolute assurance of effectiveness.
In recognising the risk to maintaining an effective Internal Control system during the transition from Tony Fountain to his successor, the NDA established a rigorous hand-over of tasks to the Acting Chief Executive Officer (David Batters) that included full training on his duties as an appointed Accounting Officer. David, as the Chief Financial Officer and Executive Board member was already fully acquainted with the majority of these tasks. Similarly, a full and rigorous hand-over took place between David and John Clarke upon John's appointment as Tony's successor. This again was made easier by John being already fully acquainted with all of the tasks from his previous role within the NDA as Director-Business Planning, this also being an Executive Board position.

The NDA System of Internal Control has been subject to review and assessment. The Accounting Officer has concluded that this is generally sound and appropriate to meet the Authority's objectives; the adequacy and effectiveness of the control environment across the NDA's estate continues to operate to an acceptable standard with no material or significant issues identified that had not been reported to the Board. Further detail of the 2011/2012 Internal Audit programme and findings are given below.

Approach to Risk
Risk management is a fundamental element of the NDA's approach to discharging its responsibilities. The risk management policy and procedures sets out the NDA's attitude to risk and defines roles and responsibilities throughout the organisation. While the Accounting Officer has overall responsibility for risk management, ownership of risks lies with the management team and wider staff.
The Head of Risk facilitates the effective management of risk and through the culture of 'continuous improvement', and with the support of all staff, continues to enhance the infrastructure to support, embed and report on risk management at every level of the business.

The NDA's capacity to handle risk is influenced and supported by its governance structure that supports the decommissioning and commercial operations undertaken under contract by site licensees. Throughout this contractual relationship, we seek assurance of high risk management standards across our estate. Risk management is an embedded feature of the monthly reporting cycle and reviews and audits are regularly undertaken to ensure these standards are maintained.

The risk framework serves to capture and promote all magnitudes of risk. As well as risks relating to the nuclear cost estimates, we are exposed to some generic, estate-wide risks as well as specific SLC risks. Risks are frequently reviewed and escalated where required, so as to ensure that senior management is fully appraised of the risks faced, their magnitude, and any proposed mitigating actions. Reviews are conducted within the NDA functions, by the NDA Executive, by the NDA Audit Committee and by the NDA Board. Specific risks flow across to DECC and are included in their risk assessments.

The principal business risks are:
- performance of the ageing operational plants adversely affects commercial revenue and delivery of the mission
- unplanned events may result in the NDA having insufficient funding to meet its planned programme of work
- SLC performance plans do not deliver expected schedule, performance and cost improvements.

Risk Mitigation
The Accounting Officer has responsibility for reviewing the effectiveness of the System of internal control. This is done on a continual basis throughout the year and is informed by the work of the internal auditors, external auditors (the National Audit Office) and other assurance functions both within the NDA and across the estate. The NDA Executive Directors have responsibility for the development and maintenance of the internal control framework as it applies to their functional responsibilities. The Board and the Audit Committee provide oversight and challenge to the system of internal control and ensure plans to address weaknesses to the system are in place.

The Accounting Officer is supported by an Internal Audit unit, operating to the

requirements defined in the Government Internal Audit Standards. The internal audit mandate is to look across management systems as a whole and the unit is tasked to develop and deliver a robust internal audit plan to assess the effectiveness of the internal controls within the NDA.

Internal Audit has oversight of the assurance work carried out within other functions of the NDA, its subsidiaries and its contractors, and is able to report on these to the Audit Committee on a regular basis.

Internal Audit Work Programme
The NDA Internal Audit function consists of a small in-house leadership team that works closely with the NDA Executive in developing and delivering the Internal Audit work programme. The core team is supported by an outsourced delivery team, currently provided by RSM Tenon.

The NDA Internal Audit leadership team provides oversight and comment on the robustness of the of the SLC Internal Audit work programmes and evaluates the impact of any audit findings on the estate wide system of internal control. Following the significant changes in the structure of the NDA brought about by the Organisational Effectiveness review in Autumn 2010, it was deemed important to look at those key controls that must be continuously maintained i.e. the full suite of financial controls and the tight controls around security (both physical and IT).

These controls were subject to review by Internal Audit with further work undertaken in support of the external audit. No significant concerns were raised by either review.

A significant milestone from April through to June 2011 was agreeing the Sellafield contract baseline and Performance Plan which forms the basis of activities to be discharged by one of the NDA's main contractors. The Chief Executive Officer deemed it appropriate for Internal Audit to review the challenge process employed by the NDA on the Sellafield submissions. No significant concerns were found, but a number of improvement actions were agreed and implemented immediately, resulting in strong assurance on this critical activity. These improvements will enhance the NDA's ability to act in the client role.
Other outcomes of the Organisational Effectiveness Review were the increased levels of delegation with the SLCs and the implementation of a new sanctioning process for the work they do. This was a significant change within the NDA and it was deemed appropriate that an Internal Audit review take place. The sanctioning process was found to be reasonable but a number of improvements were agreed. The most important of these concerned the monitoring of costs and activities back to the original business case and the need to strengthen the post investment appraisal process. These improvements are being implemented and will be monitored for effectiveness during 2012/2013.

The introduction of the Bribery Act in 2011 initiated a review of existing NDA policies and procedures around anti-fraud and corruption and ethical behaviours. This was carried out via a risk assessment workshop involving the NDA Executive, Senior Managers and subsidiaries. The result was a refresh of policies and procedures and most importantly individual training to all staff members. Internal Audit, Legal and Commercial functions are engaged with SLCs to ensure Anti-Bribery and Corruption policies are embedded within the industry and that control measures are appropriate and proportionate to the risk.

For 2011/2012, £481 million of NDA's budgeted commercial income came from two income streams – electricity generation and nuclear fuel transport and treatment. The size and nature of this income stream warranted a review, especially in the light of the new contract for the electricity generation component. The review concluded that there were deficiencies in the control framework for this element, mainly focused around the monitoring of the sales volume and market prices. This was responded to immediately and appropriate controls are now in place.

As part of a Government-wide review of the risk of financial loss, a Dear Accounting Officer (DAO) letter was issued which advised using a toolkit developed by HM Treasury to help diagnose the risk of financial loss and then design proportionate responses and actions. The NDA Head of Group Internal Audit and the NDA Head of Financial Operations undertook this assessment on a joint basis with the results being discussed and agreed with the NDA Executive and Audit Committee prior to submission to DECC. The review confirmed that in most areas controls are in place and

operating effectively and also identified a number of areas to strengthen control. This review concluded in December 2011 with improvement plans being implemented immediately and in support of the year end external audit process.

Given the changes that have taken place throughout the year, some of which are still in development, an assurance mapping exercise has been undertaken by Internal Audit via engagement with the full organisation. This will articulate the assurance activities established at every level and the strength and robustness of those mechanisms. The initial data collection and assessment was completed at the end of March 2012 with reporting structures and an improvement programme being scheduled for 2012/2013 financial year.

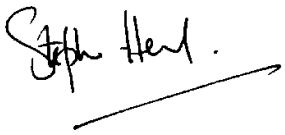
NDA Information Risk Management
In previous Annual Reports, and partly as a result of the work of the Internal Audit programme, it has been identified that significant efforts were needed to improve the NDA's systems and processes that manage Information Risk. Good progress is being made in this area. During the 2011/2012 period the NDA initiated an Information Risk Management Reporting procedure that has been incorporated as an NDA operating procedure and has been accepted under change control by the SLCs. Since 1 April 2011 there have been 31 reportable incidents across the NDA estate (defined as an information governance or security related event that has the potential to cause the reporting organisation, NDA or HMG reputational damage of any kind). 15 of these incidents were reported to one or more Regulator and all but one has been resolved to the satisfaction of all concerned. The one remaining event is subject to an ongoing investigation. In parallel with this work a number of governance streams have been established with Board level representation from each of the SLCs and NDA subsidiaries.

The main forum is chaired by the NDA's Senior Information Risk Owner (SIRO) and it is this group that influences the strategic direction of the NDA and its estate with respect to all matters pertaining to Information Governance and Information Risk Management. This is the first year that the NDA has undertaken a full assessment against the Information Assurance Assessment Framework (IAAF) in accordance with Cabinet Office and DECC's instruction.

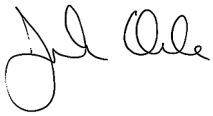
Upon completion, this assessment will allow the Executive to give direction to any improvements to the existing Security and Information Governance arrangements both for the NDA and its contractors and will inform DECC as to the performance of the NDA and the Estate with respect to Information Risk Management.

Shareholder Governance
DECC has continued to utilise the services of the Shareholder Executive to provide oversight and governance of the NDA. The detailed arrangements are set out in the Management Statement and Financial Memorandum and there is a Memorandum of Understanding in place between DECC and ShEx.

The Chairman has routine meetings with DECC Ministers and the Permanent Secretary which augments the existing interface between NDA senior management and DECC officials. During the year, the NDA presented on its activities to the DECC Management Board and the DECC Audit Committee. DECC governance over the NDA has been strengthened during the year by the inclusion of the Authority within the scope of the DECC Approvals Committee for consideration of high risk, high expenditure proposals. In one instance, that of nuclear security initial ministerial intervention had cut across the responsibilities of the Chief Executive and Accounting Officer of the Nuclear Decommissioning Authority. This was raised and dealt with immediately and in an appropriate manner.



Stephen Henwood
NDA Chairman
21 June 2012



John Clarke
Chief Executive Officer and Accounting Officer
21 June 2012

Remuneration Report

The Remuneration Committee

The Remuneration of the Chief Executive and Executive Directors is determined by the Remuneration Committee.

The nature of the NDA's complex mission requires that we recruit, retain and incentivise highly skilled individuals in competitive markets.

Against this background, the role of the Remuneration Committee includes the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services.

The Remuneration Committee takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

In addition, the Remuneration Committee has a role to advise the NDA Board on the NDA's Performance Management process as it relates to NDA staff. It also advises the Board on remuneration issues across the NDA estate and wider Nuclear Industry.

Committee Membership
The Committee is made up of Non-Executive Directors. It is chaired by Alistair Wivell. Tony Cooper was a member until the completion of his term of office at the end of 2011. He has been replaced by Murray Easton.

Remuneration policy
The remuneration of the Chief Executive and Executive Directors includes base pay, participation in an annual performance related payment scheme and a Long Term Incentive Plan.

The individual components of the remuneration packages are:

Salaries and allowances
Salaries and allowances are reviewed annually and, in the first instance, have been benchmarked against industry data. They represent a rate deemed applicable to attract the calibre of employee, with the appropriate level of experience, in the necessary location, required to undertake the role and responsibility of the position. The Remuneration Committee also takes account of remuneration levels and practices within the NDA as a whole and noted that a pay freeze was in place for the second year for all NDA staff.

Performance Related Payment Schemes
These are calculated in accordance with the achievement of corporate and personal objectives, agreed between the Executive Directors and the Board.

In agreeing both corporate and personal objectives, the Remuneration Committee ensures that these are central to the mission of the NDA and will only reward improved performance.

The NDA has a total reward strategy comprising both pay and grading arrangements and other rewards and non-pay benefits. This includes a commitment to permit staff, including Executive Directors, to participate in an annual performance related payment scheme. NDA specific objectives, set and approved by the Remuneration Committee, are tracked and monitored throughout the year as part of the performance management process.

Subject to satisfactory performance, payments are awarded as follows: for all staff, including the Chief Executive and the Executive Team, half of the annual performance related payment is based on corporate objectives and half based on personal objectives. Achievement of the personal objectives for the Executive Team is approved by the Remuneration Committee.

The final decision on the achievement of personal objectives and the measurement of personal performance for all other employees rests with the Chief Executive.

The annual performance related payment scheme is structured to enable objectives to be set which are both appropriate and stretching. This is shown on the table overleaf.

Performance Related Payment arrangement		
	Target (of salary)	Stretch (of salary)
CEO	25%	50%
Directors	20%	40%

Long Term Incentive Plan (LTIP)

The NDA LTIP allows participants to receive an award equal to 50% of any annual performance related payment earned in respect of the previous year. This is called the Basic Award and, providing the participant remains in employment, will vest after a period of three years. The LTIP will operate with rolling annual awards and therefore a new Basic Award will be calculated at the start of each vesting period.

At the end of the vesting period the Basic Award will be adjusted prior to payment. This adjustment is based on the level of the average annual performance related payment paid out across the LTIP participant group in respect of the three financial years in the relevant vesting period. Should the average annual performance related payment be paid at stretch level (full payment achieved) then the Basic Award is doubled. Should the average annual payment be paid at target level (50% of full payment potential paid) then the Basic Award remains the same and should the average annual performance related payment be zero then the Basic Award reduces to nil. The adjustment is carried out on a straight-line basis for percentages between these points. This information has been audited:

	2010/2013 LTIP Basic Award	**2011/2014 LTIP Basic Award**	**2012/2015 LTIP Basic Award**
Tony Fountain	-	-	-
John Clarke	26,600	27,766	26,362
David Batters	-	25,813	25,462
Mark Lesinski	-	26,825	25,807

The Remuneration Committee continues to endorse the approach to senior executive remuneration that includes an annual performance related payment scheme and a Long Term Incentive Plan as key elements of a structure that will attract and retain high quality individuals to lead the NDA team in the delivery of its challenging mission.

Major Remuneration Committee decisions in 2011/2012:

1. The salary of the Executive Directors was maintained at 2008/2009 levels for the third year in succession
2. Tony Fountain, the CEO, resigned with effect from 31 December 2011. The Committee confirmed that no performance related payments would be made for the year 2011/2012 and that the LTIP award for previous years should lapse
3. Following an extensive recruitment process involving both external and internal candidates, John Clarke was confirmed as CEO with effect from 2 April 2012 on a base salary of £265,000 per annum with inclusion in both short and long term incentive plans
4. The Remuneration Committee commissioned a review of effectiveness of the Long Term Incentive Plan in March 2012. The results of this review will be considered during 2012/2013
5. A review of Governance of other arms length bodies was undertaken by the Board Secretary. The output of this review was considered by the Remuneration Committee who noted that no improvements to the Committees governance were required and that our approach mirrored best practice
6. The review of corporate targets for 2011/2012 concluded that these were 82% achieved. This outcome was subject to internal audit review, endorsement by the Internal Audit Director of DECC and acceptance by the Audit Committee of the NDA. The Remuneration Committee revised this outcome in the context of the NDA's performance. It concluded that whilst 2011/2012 had been a year of excellent progress and achievement the calculated outcome did not appropriately reflect the mixed progress on major projects at Sellafield. The Committee therefore exercised its discretion to reduce the outcome from 82% to 65%. It did however consider that the outcome of the Dounreay competition had exceeded expectations and therefore added back 2.5% so that the figure of 67.5% achievement of corporate targets was used in the calculation of annual

performance related payments for 2011/2012.

Non Executive Directors
Non Executive Directors are appointed by the Secretary of State for the Department of Energy and Climate Change following the normal process for senior civil service appointments.

The Board had three Non Executive Director vacancies as a result of the resignation of Nick Baldwin on 31 March 2011 following his appointment as Chair of the Office of Nuclear Regulation and as Tony Cooper and David Illingworth completed their final term of office on 31 December 2011. It was agreed with DECC that the number of Non Executive Directors should be reduced. On 1 March 2012 the Department appointed Murray Easton and Chris Fenton for initial three year terms. It was also agreed that the supplementary fees for chairing Board Committees should be reduced to £7,500 per annum and Janette Brown, Patrick Dixon and Alistair Wivell will receive this amount for chairing the Audit, Safety and Security and Remuneration Committees respectively.

In line with an offer made by the Chairman in March 2011, his fee will be reduced by 10% and 15% respectively for the second and third years of his second term. This follows a reduction of 5% made in the first year of this term.

Fees
The remuneration of the Chairman and Non Executive Directors is determined by DECC. Non Executive Directors are not involved in decisions relating to their own remuneration.

Non Executive Directors are entitled to fees (of £25,000 per annum) that are determined by DECC. The Non Executive Directors and Chairman receive basic fees with the Chairman of the Audit, Remuneration and Safety and Security Committees receiving supplementary fees of £7,500 for the performance of those roles.

Non Executive Directors and the Chairman do not receive performance related bonuses or pension entitlements but are reimbursed for reasonable expenses incurred in the performance of their duties as directors.

Service contracts
Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Service details of Executive Directors

	Date employment commenced	Notice period
John Clarke	1 June 2008	6 months
David Batters	18 October 2010	6 months
Mark Lesinski	1 November 2010	6 months

Service details of Non Executive Directors

	Date employment commenced	Duration of current term
Stephen Henwood	1 March 2008	1 March 2011 – 28 February 2014
Tony Cooper	29 October 2004	1 January 2009 – 31 December 2011
David Illingworth	29 October 2004	1 January 2009 – 31 December 2011
Janette Brown	5 March 2009	5 March 2009 – 4 March 2013
Patrick Dixon	5 March 2009	5 March 2009 – 4 March 2013
Alistair Wivell	5 March 2009	5 March 2009 – 4 March 2013
Murray Easton	1 March 2012	1 March 2012 – 28 February 2015
Chris Fenton	1 March 2012	1 March 2012 – 28 February 2015

Directors' emoluments 2011/2012
This information has been audited:

	2011/ 2012 Salaries £	2011/ 2012 Car and other benefits £	2011/ 2012 Performance Related Payment £	2011/ 2012 LTIP payments made £	2011/ 2012 Total emoluments £	2010/ 2011 Salaries £	2010/ 2011 Car and other benefits £	2010/ 2011 Performance Related Payment £	2010/ 2011 LTIP payments made £	2010/ 2011 Total emoluments £
Stephen Henwood	189,167	-	-	-	189,167	199,167	-	-	-	199,167
Murray Easton	2,083	-	-	-	2,083	-	-	-	-	-
Chris Fenton	2,083	-	-	-	2,083	-	-	-	-	-
David Illingworth (i) (iv)	26,250	-	-	-	26,250	35,000	-	-	-	35,000
Tony Cooper (i)(v)	18,750	-	-	-	18,750	25,000	-	-	-	25,000
Alistair Wivell (vi)	32,500	-	-	-	32,500	25,000	-	-	-	25,000
Janette Brown (vii)	26,875	-	-	-	26,875	25,000	-	-	-	25,000
Patrick Dixon (viii)	32,500	-	-	-	32,500	25,000	-	-	-	25,000
Nick Baldwin (xi)	-	-	-	-	-	35,000	-	-	-	35,000
David Owens (xii)	-	-	-	-	-	18,750	-	-	-	18,750
Tony Fountain (ii) (iii)	273,750	117,101	-	-	390,851	365,000	168,747	146,000		679,747
John Clarke (ix)	185,000	12,000	52,725	40,132	289,857	179,167	12,000	55,532	43,902	290,601
David Batters (iii) (x)	190,000	48,458	50,925	-	289,383	79,503	8,180	23,337	-	110,020
Mark Lesinski (iii)	185,000	73,667	51,615	-	310,282	77,083	12,081	22,194	-	111,358
Richard Waite (xiii)	-	-	-	-	-	79,957	5,000	-	-	84,957

Notes

(i) Retired 31 December 2011
(ii) Resigned 31 December 2011
(iii) The relocation allowance payable to Tony Fountain, Mark Lesinski and David Batters operates over a three year period. It comprises of a one-off lump sum then amounts payable as an annual allowance equal to 25% of basic salary in the first year dropping to 21% in the second year then 15% in the third and final year ceasing thereafter
(iv) Includes additional fees of £10,000 per annum pro rata for the role of Chair of the Audit Committee (£10,000 in 2010/2011)
(v) Separately to his remuneration as a Non Executive Director, Tony Cooper also receives a fee for his work as a Trustee of the CNPP and GPS Pensions Schemes. These fees totalled £14,750 pro rata in 2011/2012 (35,000 in 2010/2011)
(vi) Includes additional fees of £7,500 for the role of Chair of the Remuneration Committee (0 in 2010/2011)
(vii) Includes additional fees of £1,875 for the role of Chair of the Audit Committee from 1/1/2012 (0 in 2010/2011)
(viii) Includes additional fees of £7,500 for the role of Chair of the Safety and Security Committee (0 in 2010/2011)
(ix) The LTIP payment made was in respect of awards granted in 2009 which vested in 2012 by reference to average annual performance for the 3 years 2009/2012 in line with the scheme rules
(x) Includes a temporary allowance of £15,000 for a period as acting CEO.
(xi) Resigned 31 March 2011
(xii) Resigned 31 December 2010
(xiii) Resigned 31 August 2010

Civil service pensions

Pension benefits are provided through the Civil Service Pension Arrangements. From 30 July 2007, civil servants may be in one of four defined schemes: either a 'final salary' scheme (Classic, Premium or Classic Plus); or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are currently increased annually in line with the Pensions Increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium.
In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members' earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set up by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos Pension Scheme.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

Executive Directors' pensions

This information has been audited:

	Real increase in pension during the year 2011/2012 £000's	Real increase in lump sum during the year 2011/2012 £000's	Accrued pension at 31 March 2012 £000's	CETV at 31 March 2011 £000's	CETV at 31 March 2012 £000's	Real increase in CETV funded by employer £000's
David Batters	2.5-5	n/a	5-10	13	43	23
John Clarke	2.5-5	n/a	15-20	110	155	26
Tony Fountain (i)	0	0	0	0	0	0
Mark Lesinski	2.5-5	n/a	5-10	19	65	39

Notes:
(i)Tony Fountain did not participate in a Civil Service Pension arrangement. He received £53,103 payment in lieu of pension allowance to fund his own pension arrangement (£70,810 in 2010/2011).

The actuarial factors used to calculate CETVs were changed in 2011/2012. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the Civil Service Pension Arrangements and for which the Civil Superannuation Vote (CS Vote) has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangements) and uses common market valuation factors for the start and end of the period.

Ratio between Median earnings of organisations workforce and highest paid Director

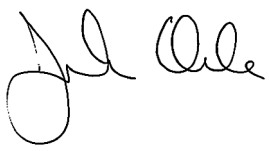
	2011/ 2012 Salaries and Benefits £	2011/ 2012 Bonus £	2011/ 2012 LTIP £	2011/ 2012 TOTAL £		2010/ 2011 Salaries and Benefits £	2010/ 2011 Bonus £	2010/ 2011 LTIP £	2010/ 2011 TOTAL £
Highest Director	445,681	-	-	445,681		462,937	146,000	-	608,937
Median	53,592	12,599	-	66,191		56,635	10,619	-	67,254
Ratio	6.7:1					9:1			

This table shows the ratio of the highest earning Director against that of the employee at the median in earnings. The data includes base pay, allowances and performance related payments as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. This follows a recommendation made in the Hutton report and continues to ensure that the NDA Remuneration Report takes account of best practice in its production.

The data for 2010/2011 relates to the then CEO. The data for 2011/2012 relates to the CEO who left on 31 December 2011. The figure has therefore been annualised.

Notes
(i) The 2011/2012 data excludes Performance-Related payments for the CEO as none was paid in view of the fact that he left the organisation before the year end
(ii) The ratio reduced in view of the reduction in allowances paid to the CEO in 2011/2012, along with the fact that no Performance-Related payments were made in 2011/2012
(iii) The figures for 2010/2011 are estimates.

Alistair Wivell
Chairman of the Remuneration Committee
21 June 2012



John Clarke
Accounting Officer and Chief Executive Officer
21 June 2012

Statement of the Authority's and Accounting Officer's Responsibilities

Under Section 26 of the Energy Act 2004, the Secretary State (with approval of HM Treasury) has directed the NDA to prepare a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NDA and of its income and expenditure, recognised gains and losses and cash flows for the accounting period.

In preparing the accounts the NDA is required to:

- observe the Accounts Direction issued by the Secretary of State (with approval of HM Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, as set out in the *Government Financial Reporting Manual,* and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis.

The Chief Executive of the NDA has been designated as the Accounting Officer by the Accounting Officer for the Department of Energy and Climate Change (DECC).

The responsibilities of an Accounting Officer including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records for the safeguarding the NDA's assets, are set out in the Accounting Officers' Memorandum published by HM Treasury.

The Audit Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Nuclear Decommissioning Authority for the year ended 31 March 2012 under the Energy Act 2004. The financial statements comprise the Group and Authority Statements of: Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them.
I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Authority, Accounting Officer and auditor
As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities, the Authority and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with the Energy Act 2004.
I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the Nuclear Decommissioning Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Nuclear Decommissioning Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity
In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements
In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Nuclear Decommissioning Authority's affairs as at 31 March 2012 and of the group's and the parent's net expenditure for the year then ended; and,

- the financial statements have been properly prepared in accordance with the Energy Act 2004 and Secretary of State directions issued thereunder.

Emphasis of Matter – Nuclear Provision
Without qualifying my opinion, I draw attention to the disclosures made in notes 3 and 25 to the financial statements concerning the uncertainties inherent in the nuclear decommissioning provision. As set out in these notes, given the very long timescales involved and the complexity of the plants and materials being handled, a considerable degree of uncertainty remains over the value of the liability for decommissioning nuclear sites designated by the Secretary of State. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Authority.

Opinion on other matters
In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Energy Act 2004; and
- the information given in "Chief Executive's Review", "Health, Safety, Security, Safeguards and the Environment Report", "Chief Financial Officer's Review" and "Directors' Report" for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

22 June 2012

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Continuing operations			
Expenditure			
Authority administration expenditure	5	38	45
Programme expenditure	7	1,113	1,389
Adjustments to provisions	8	5,368	6,469
Other expenditure	9	172	184
		6,691	8,087
Income		(1,004)	(1,036)
Net expenditure		5,687	7,051
Interest receivable		(5)	(14)
Interest payable		4	2
Net expenditure from continuing operations		5,686	7,039
Discontinued operations			
Net (income)/expenditure from discontinued operations	17	-	(9)
Net expenditure for the year		5,686	7,030
Other comprehensive (income)/expenditure:			
Net (gain)/loss on revaluation of property, plant and equipment	12	-	(9)
Actuarial (gain)/loss on defined benefit pension schemes	27	16	(2)
Surplus taken on over year re CNPP Closed Section defined benefit pension scheme	27	-	(3)
Other comprehensive (income)/expenditure for the year		16	(14)
Total comprehensive net expenditure for the year		5,702	7,016

Consolidated Statement of Financial Position

as at 31 March 2012

	Note	2012 £m	2011 £m
Non-current assets			
Property, plant and equipment	12	1,012	1,159
Recoverable contract costs	15	1,420	1,280
Finance lease receivables	21	19	19
Trade and other receivables	22	13	15
Defined benefit pension scheme surplus	27	2	12
		2,466	2,485
Current assets			
Assets classified as held for sale	17	100	278
Inventories	18	95	118
Other investments	20	305	319
Derivative financial assets	-	-	2
Trade and other receivables	22	297	256
Cash and cash equivalents	23	139	249
		936	1,222
Total assets		3,402	3,707
Current liabilities			
Derivative financial liabilities	-	(2)	(5)
Trade and other payables	24	(1,257)	(1,249)
Nuclear provisions	25	(2,168)	(1,959)
Other provisions	26	(224)	(137)
		(3,651)	(3,350)
Total assets less current liabilities		(249)	357
Non-current liabilities			
Trade and other payables	24	(1,960)	(1,894)
Nuclear provisions	25	(50,725)	(47,193)
Other provisions	26	(1,877)	(1,869)
Defined benefit pension scheme deficits	27	(5)	(1)
		(54,567)	(50,957)
Net liabilities		(54,816)	(50,600)
Taxpayers' equity			
Revaluation reserve		349	323
General reserve		(55,165)	(50,923)
Total taxpayers' equity		(54,816)	(50,600)

The financial statements on pages 53 to 97 were approved by the Board on 21 June 2012 and were signed on its behalf by:

John Clarke
Chief Executive and Accounting Officer
21 June 2012

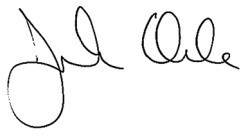
The related notes numbered 2 to 35 form part of these financial statements. Authority refers to the balances within the NDA itself, with NDA Group balances incorporating the Authority and its subsidiaries. Details of subsidiaries are given in note 14.

Authority Statement of Financial Position

as at 31 March 2012

	Note	2012 £m	2011 £m
Non-current assets			
Property, plant and equipment	12	678	803
Investments in subsidiaries	14	226	206
Recoverable contract costs	15	1,420	1,280
Finance lease receivables	21	19	19
Trade and other receivables	22	13	15
Defined benefit pension scheme surplus	27	-	7
		2,356	2,330
Current assets			
Assets classified as held for sale	17	100	278
Inventories	18	79	111
Other investments	20	17	46
Derivative financial assets	-	-	2
Trade and other receivables	22	531	499
Cash and cash equivalents	23	90	214
		817	1,150
Total assets		3,173	3,480
Current liabilities			
Derivative financial liabilities	-	(2)	(5)
Trade and other payables	24	(1,221)	(1,214)
Nuclear provisions	25	(2,167)	(1,957)
Other provisions	26	(222)	(134)
		(3,612)	(3,310)
Total assets less current liabilities		(439)	170
Non-current liabilities			
Trade and other payables	24	(1,953)	(1,886)
Nuclear provisions	25	(50,660)	(47,129)
Other provisions	26	(1,850)	(1,837)
Defined benefit pension scheme deficit	27	(4)	-
		(54,467)	(50,852)
Net liabilities		(54,906)	(50,682)
Taxpayers' equity			
Revaluation reserve		329	300
General reserve		(55,235)	(50,982)
Total taxpayers' equity		(54,906)	(50,682)

The financial statements on pages 53 to 97 were approved by the Board on 21 June 2012 and were signed on its behalf by:



John Clarke
Chief Executive and Accounting Officer
21 June 2012

The related notes numbered 2 to 35 form part of these financial statements. Authority refers to the balances within the NDA itself, with NDA Group balances incorporating the Authority and its subsidiaries. Details of subsidiaries are given in note 14.

Statement of Cash Flows

for the year ended 31 March 2012

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Cash flows from operating activities				
Net expenditure for the year	(5,686)	(7,030)	(5,707)	(7,007)
Adjustments for:				
Interest receivable	(5)	(14)	(2)	(6)
Interest payable	4	2	1	3
Depreciation of property, plant and equipment	117	128	99	117
Impairment of property, plant and equipment	55	56	41	56
Loss on sale of property, plant and equipment	-	-	-	1
Profit on sale of assets held for sale	(25)	-	(25)	-
(Increase)/decrease in recoverable contract costs	(90)	664	(90)	665
(Increase)/decrease in inventories	23	(11)	32	(8)
(Increase)/decrease in receivables	(57)	162	(48)	91
Increase/(decrease) in payables	279	494	280	520
Increase/(decrease) in nuclear provisions	3,719	3,857	3,719	3,851
Increase/(decrease) in other provisions	(133)	171	(128)	172
Net cash outflow from operating activities	(1,799)	(1,521)	(1,828)	(1,545)
Cash flows from investing activities				
Interest receivable	5	14	2	6
Interest payable	(4)	(2)	(1)	(3)
Proceeds on disposal of assets held for sale	252	-	252	-
Proceeds on disposal of property, plant and equipment	-	-	8	-
Proceeds on disposal of investments	14	-	29	15
Purchases of property, plant and equipment	(53)	(88)	(41)	(49)
Purchase of investments	-	(6)	(20)	-
Net cash (outflow)/inflow from investing activities	214	(82)	229	(31)
Cash flow from financing activities				
Grants from parent department	2,698	1,620	2,698	1,620
Surrender of receipts to Consolidated Fund	(1,223)	-	(1,223)	-
Net cash inflow from financing activities	1,475	1,620	1,475	1,620
Net increase/(decrease) in cash and cash equivalents	(110)	17	(124)	44
Cash and cash equivalents at beginning of year	249	232	214	170
Cash and cash equivalents at end of year	139	249	90	214

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

NDA Group	Revaluation £m	General £m	Total £m
Balance at 31 March 2010	336	(45,540)	(45,204)
Changes in taxpayers' equity 2010/11			
Grants from parent department	-	1,620	1,620
Transfers between reserves	(22)	22	-
Net comprehensive expenditure	9	(7,025)	(7,016)
Balance at 31 March 2011	323	(50,923)	(50,600)
Prior year adjustment	(3)	(24)	(27)
Restated balance at 31 March 2011	320	(50,947)	(50,627)
Changes in taxpayers' equity 2011/12			
Gross grants from parent department		2,698	2,698
Surrender of receipts to Consolidated Fund		(1,223)	(1,223)
Surplus arising on revaluation of PPE	29	9	38
Net comprehensive expenditure		(5,702)	(5,702)
Balance at 31 March 2012	349	(55,165)	(54,816)

Authority	Revaluation £m	General £m	Total £m
Balance at 31 March 2010	326	(45,634)	(45,308)
Changes in taxpayers' equity 2010/11			
Grants from parent department	-	1,620	1,620
Transfers between reserves	(33)	33	-
Net comprehensive expenditure	7	(7,001)	(6,994)
Balance at 31 March 2011	300	(50,982)	(50,682)
Prior year adjustment	-	(18)	(18)
Restated balance at 31 March 2011	300	(51,000)	(50,700)
Changes in taxpayers' equity 2011/12			
Gross grants from parent department		2,698	2,698
Surrender of receipts to Consolidated Fund		(1,223)	(1,223)
Surplus on revaluation of PPE	29	9	38
Net comprehensive expenditure		(5,719)	(5,719)
Balance at 31 March 2012	329	(55,235)	(54,906)

The revaluation reserve is used to record the increases in the fair value of property, plant and equipment carried at valuation and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in taxpayers' equity.

The general reserve is used to record the deficit or surplus arising from the Statement of Comprehensive Net Expenditure, and the deficit or surplus arising on the transfer of assets and liabilities to the NDA from other parts of the public sector.

The transfer reserve, previously shown separately and used for recording the deficit or surplus on transfer of assets and liabilities to the NDA from other parts of the public sector, has now been merged with the general reserve. The balance on the transfer reserve prior to merger was £23 billion.

The transfers between reserves relate to the realisation of surpluses on disposal of revalued assets.

Notes to the financial statements

for the year ended 31 March 2012

1. General information

The Nuclear Decommissioning Authority (NDA) is an executive non-departmental public body (NDPB) that was established on 22 July 2004 under the Energy Act 2004 and is currently sponsored by the Department of Energy and Climate Change (DECC). Its headquarters are at Herdus House, Westlakes Science & Technology Park, Moor Row, Cumbria, CA24 3HU. The NDA was created with the primary objective of overseeing and monitoring the decommissioning and clean up of the UK's civil nuclear legacy. The Chief Financial Officer's Review on pages 22 to 28 provides further information on the NDA's operations.

These financial statements are presented in pounds sterling and all values are rounded to the nearest million (£m) except when otherwise indicated.

2. Statement of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared under the accounts direction issued by the Secretary of State for the Department of Energy and Climate Change (DECC) in accordance with section 26 of the Energy Act 2004. The accounts direction requires compliance with the 2011 Government Financial Reporting Manual (FReM), and any other guidance, issued by HM Treasury. The NDA has a specific direction in respect of the accounting for waste management assets on an historical cost basis. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NDA for the purpose of giving a true and fair view has been selected. The significant accounting policies adopted by the NDA are described below. They have been applied consistently in dealing with items that are considered material to the financial statements, unless otherwise stated.

These financial statements have been prepared on the historical cost basis, except for the revaluation of property, plant and equipment (other than waste management assets). Investments, financial assets and financial liabilities (including derivative financial instruments) are measured at fair value through profit or loss.

The consolidated statement of financial position at 31 March 2012 shows net liabilities of £55 billion. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the NDA's other sources of income, may only be met by future grants in aid from the NDA's sponsoring department, DECC. Under the normal conventions applying to parliamentary control over income and expenditure, such grants in aid may not be issued in advance of need. Grants in aid for 2012/2013, taking into account the amounts required to meet the NDA's liabilities falling due in this year, has already been included in the DECC's estimates, which have been approved by Parliament. There is no reason to believe that DECC's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2.2 Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting of future transactions and arrangements.

IFRS 7 - Financial Instruments: Disclosures (annual improvements)	Amendments to the disclosure requirements of the nature and extent of risks arising from financial instruments, in particular, linking qualitative and quantitative disclosures and clarifying collateral disclosure.
IAS 24 - Related Party Disclosures (amendment)	The amendments: clarify the definition of a related party; and simplify the disclosure requirements that are controlled, jointly controlled or significantly influenced by a government.

The Authority does not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the NDA Group.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the NDA and entities controlled by the NDA (its subsidiary undertakings) made up to 31 March each year. Control is achieved where the NDA has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.4 Income recognition

Income, including rental income, is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes, and electricity purchases relating to short-term balancing of output volume and hedging activities. Income received in advance of work performed is held on the statement of financial position (under trade and other payables as payments received on account) and released to the statement of comprehensive net expenditure when the work is completed and the liability extinguished.

Income from contracts is recognised in accordance with the NDA's accounting policy on contracts (see below).

2.5 Contracts

Where the outcome of a contract can be estimated reliably, income and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract income is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract income, the expected loss is recognised as an expense immediately.

For contracts in progress at the reporting date, where costs incurred plus recognised profits less recognised losses exceed amounts invoiced to date the balance is shown under non-current assets as recoverable contract costs. Where amounts invoiced to date exceed costs incurred plus recognised profits less recognised losses the balance is shown under trade and other payables as payments received on account.

2.6 Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.6 (a) The NDA Group as lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. The aggregate costs of any incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.6 (b) The NDA Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between interest charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest charges are charged directly to the statement of net expenditure.

Rentals payable under operating leases are charged to the statement of net expenditure on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.7 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in pounds sterling, which is the functional currency of the NDA, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual reporting entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted rate if the transaction is covered by a forward foreign exchange contract. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the statement of net expenditure in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's general reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The turnover, assets and liabilities of the foreign operations included within these consolidated financial statements are minor in the context of the Group as a whole and therefore the potential impact of any foreign currency movements are deemed to be negligible.

2.8 Retirement benefit costs

The Group participates in various pension schemes, both defined contribution and defined benefit schemes.

For defined contribution schemes the amount charged to operating costs is the contributions payable in the year. Contributions made to multi-employer pension schemes where there is insufficient information to identify the Group's obligations are dealt with as payments to defined contribution schemes.

For defined benefit schemes, the liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of scheme assets, together with any adjustments for unrecognised past service costs, and less any amounts recoverable from third parties. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in operating costs to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested. The interest cost and the expected return on assets are shown as a net amount of interest costs.

Pension scheme assets are recognised to the extent that they are recoverable and pension scheme liabilities are recognised to the extent that they reflect a constructive or legal obligation.

2.9 Research and development expenditure

Expenditure on research activities not specifically recoverable directly from customers is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits
- the development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

2.10 Taxation

Deferred tax assets are currently not recognised as the NDA does not anticipate a taxable surplus arising in the foreseeable future. Deferred tax liabilities are currently not recognised as they are offset by deferred tax assets.

VAT is accounted for in that amounts are shown net of VAT except:

(i) Irrecoverable VAT is charged to profit or loss, and included under the heading relevant to the type of expenditure

(ii) Irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset

The net amount due to, or from, HM Revenue & Customs in respect of VAT is included within payables or receivables respectively within the statement of financial position.

2.11 Property, plant and equipment

Property, plant and equipment includes assets purchased directly by the Group and assets for which the legal title transferred to the Group under Transfer Scheme arrangements pursuant to the Energy Act 2004.

In accordance with FReM, property, plant and equipment should be carried at fair value. However, in accordance with the accounts direction issued by the Secretary of State for DECC, waste management assets are excluded from this requirement where there is no reliable and cost effective revaluation methodology. Such waste management assets are therefore carried at cost less accumulated depreciation and any impairment charges. Where a reliable and cost effective revaluation methodology does exist, such waste management assets are carried at valuation.

For property, plant and equipment carried at valuation, revaluations are currently performed on an annual basis to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated and the resulting net amount restated to equal the revalued amount. Any revaluation increase arising is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. On the subsequent derecognition of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to the general reserve.

Assets used to support commercial activities are carried at valuation. Property located outside nuclear licensed site boundaries is revalued annually by external qualified valuers. Property located inside nuclear licensed site boundaries is only carried at valuation where a reliable and cost effective revaluation methodology exists. Where this is not possible it is are carried at cost less accumulated depreciation and any impairment charges in line with the treatment of waste management assets.

Where economic facilities have been commissioned, the estimated cost of decommissioning the facilities is recognised, to the extent that it is recognised as a provision under IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’, as part of the carrying value of the asset and depreciated over the useful life of the asset. All other decommissioning costs are expensed as incurred. A change in estimated decommissioning costs is added to or deducted from the carrying value of the related asset. To the extent that such a treatment would result in a negative asset, the effect of the change is charged as an expense. The change in depreciation charge is recognised prospectively.

Depreciation is charged so as to write off the cost or valuation of assets, other than assets under construction, to their residual values over their useful lives, using the straight-line method, on the following bases:

Land	Not depreciated
Buildings	10 to 60 years
IT equipment	3 years
Fixtures and fittings	3 to 10 years
Plant and equipment	10 to 30 years
Transport equipment	4 to 14 years

Assets under construction are not depreciated until brought in to use.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.12 Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment.

2.13 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and all costs to be incurred in marketing, selling and distribution.

Reprocessed uranium inventory is held at nil value, pending development of long-term options and cost estimates for disposition of this material.

2.15 Assets classified as held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and the asset is actively marketed for sale. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.16 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

2.16 (a) 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 investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those assets classified as at fair value through profit or loss, which are initially measured at fair value (transaction costs are expensed in operating costs).

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity investments, available for sale financial assets or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group has not classified any financial assets as held to maturity investments or available for sale.

Financial assets at FVTPL
Financial assets are classified as at FVTPL where the financial asset is either held for trading (for example other investments) or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument. 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 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 FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the statement of net expenditure incorporates any dividend or interest earned on the financial asset.

Loans and receivables
Finance lease receivables, trade and other receivables, and cash and cash equivalents, that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying value of the financial asset.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of net expenditure.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of net expenditure to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets
Financial assets are derecognised only when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.16 (b) FINANCIAL LIABILITIES
Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' (FVTPL) or other financial liabilities.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if it has been incurred principally for the purpose of disposal in the near future or it is a derivative that is not designated and effective as a hedging

instrument. A financial liability other than a financial liability 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 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 liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the statement of net expenditure incorporates any interest paid on the financial liability.

Other financial liabilities
Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying value of the financial liability.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.16 (c) DERIVATIVE FINANCIAL INSTRUMENTS
The NDA enters into derivative financial instruments to manage its exposure to commodity price risk and foreign exchange rate risk, including commodity contracts and forward foreign exchange contracts.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of net expenditure immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

2.17 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are the Authority's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Nuclear Provisions
The financial statements include provisions for the NDA's obligations in respect of nuclear liabilities, being the costs associated with the nuclear decommissioning of designated sites. These are the licensed nuclear sites designated to the NDA by the Secretary of State under powers provided by the Energy Act 2004 and operated under contract to the NDA by the Site License Companies. These provisions are based on the latest assessments of the processes and methods likely to be used in the future, and represent best estimates of the amount required to discharge the relevant obligations. The NDA's obligations are reviewed on a continual basis and provisions are updated accordingly. Where some or all of the expenditure required to settle a provision is expected to be recovered from a third party, in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the recoverable amount is treated as a non-current or current asset. Provision charges in the Statement of Comprehensive Net Expenditure are shown net of changes in the amount recoverable from customers. Provision changes are accounted for in the year in which they arise.

The Nuclear Provisions and recoverable balances are expressed at current price levels and discounted at 2.2% per annum (2011: 2.2%), being the rate specified by HM Treasury to take account of the time value of money for the very long timescales over which work will be carried out, currently expected to be over 100 years. Provisions movement expenditure in the statement of comprehensive net expenditure includes the adjustments necessary to amortise one year's discount and restate the liabilities to current price levels.

2.18 Grants from parent department

In accordance with the FReM the NDA prepares its financial statements showing grants received from DECC as credited to the general reserve, and as financing in the statement of cash flows. In the Statement of Changes in Taxpayers' Equity and Cash Flow Statement the net grant is grossed up by the amount of receipts due for surrender to the Consolidated Fund, and the receipts surrendered shown separately.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the NDA's accounting policies, which are described in note 2, the Authority is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING THE NDA'S ACCOUNTING POLICIES
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the NDA's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Income recognition
The Group uses the percentage of completion method in accounting for its contracts. Use of the percentage of completion method requires the Group to estimate the work performed to date as a proportion of the total work to be performed.

KEY SOURCES OF ESTIMATION UNCERTAINTY
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment
Impairment is measured by comparing the carrying value of the asset or cash-generating unit with its recoverable amount. The NDA has therefore reviewed the asset base and all assets are reviewed for evidence of impairment. Given the ageing asset base this calculation has a degree of uncertainty within it. The carrying amount of property, plant and equipment at the reporting date was £1,012 million.

Nuclear Provisions
The Nuclear Provision represents the best estimate of the costs of delivering the NDA objective of decommissioning the plant and equipment on each of the designated nuclear licensed sites and returning the sites to pre-agreed end states in accordance with the published strategy. This programme of work will take until 2137. The estimates are necessarily based on assumptions of the processes and methods likely to be used to discharge the obligations, reflecting a combination of the latest technical knowledge available, the requirements of the existing regulatory regime, Government policy and commercial agreements. Given the very long timescale involved, and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in the later years, although this is in part mitigated by the impact of discounting for the purposes of provision calculation.

In preparing the estimate of the cost of decommissioning the designated sites, the NDA has focussed in particular on the first 20 years, which represents £30 billion out of the total £53 billion Provision. For each of the sites the process commenced with the cost estimates and assumptions used to support the NDA submissions into the Government Spending Review, which concluded in October 2010. Individual plans were scrutinised and alternatives considered to obtain the best combination of activity to balance the requirements of affordability and scheduling, whilst making clear and demonstrable progress in tackling the hazards. The review process was scrutinised by the sponsoring Department, and included input from the Nuclear Regulators.

Government has indicated that the preferred policy for management of plutonium is for reuse. Any final decision is conditional on business case approval for reuse of the material. Following review of the likely costs of the preferred policy, and the credible alternatives of either storage and disposal in the near term or storage and disposal in the long-term, a prudent estimate of £1.7 bn (discounted) has been included within the Provision.

As part of the preparation of the financial statements, the principal assumptions and sensitivities for the cost estimates have again been updated and reviewed by the NDA executive and, where appropriate, updates to the estimates have been made to reflect changed circumstances and more recent knowledge.

In preparing the best estimate of the Provision required to settle the NDA obligations, it is recognised that there remains a significant degree of inherent uncertainty in the future cost estimates. These include:

- potential changes in the NDA funding profile, requiring the tailoring of expenditure across the estate to ensure the right balance between addressing high risk, hazard and affordability; for example emanating from either economic conditions or changes in funding resulting from the next Government Spending Review
- the length of time over which the necessary programme of work will be delivered – stretching out to 2137
- interdependencies between programmes of work both within SLCs and across SLC boundaries. For example, a shortage of flasks for transport of spent fuel from the Magnox power stations to Sellafield could delay defueling and increase costs at Magnox, and also impact the production schedule and direct operations costs at Sellafield
- a lack of detailed information on the design of the Legacy Ponds and Silos at Sellafield and the exact quantities and chemical composition of the historical wastes held in them, resulting in potential significant uncertainty in both the process and costs of dealing with these materials
- uncertainty over future Government policy positions and potential regulatory changes
- possible technological advances which may occur which could impact the work to be undertaken to decommission and clean up the sites.

4. Operating segments

For management purposes, the NDA is currently organised into various operating units, which are grouped by a combination of revenue generation, SLC activity, NDA Headquarters and NDA owned operating subsidiaries. The segmental analysis in the following table presents the net expenditure for each of the continuing operations, with discontinued operations addressed in note 17.

NDA Group 2012	Sellafield and reprocessing £m	Magnox and electricity generation £m	Dounreay site restoration £m	Research sites restoration £m	Waste management £m	Transport £m	Springfields £m	NDA Admin and other non-programme £m	Subsidiaries and Group adjustments £m	Total 2012 £m
Authority administration expenditure	-	-	-	-	-	-	-	38	-	38
Authority administration expenditure	-	-	-	-	-	-	-	38	-	38
Contractor costs less capitalised	1,526	679	156	65	29	126	-	7	(99)	2,489
Decommissioning costs charged to Nuclear Provision	(1,084)	(535)	(156)	(65)	(13)	(20)	-	(63)	-	(1,936)
Other non-cash items	172	(3)	-	-	-	-	-	-	-	169
Fee, R&D and other programme expenditure	346	78	-	-	(5)	-	-	171	84	674
Programme expenditure	960	219	-	-	11	106	-	115	(15)	1,396
Other expenditure	111	1	-	(8)	30	3	-	4	31	172
Programme expenditure and other non-cash items	1,071	220	-	(8)	41	109	-	119	16	1,568
Nuclear Provision increase/(decrease)	3,290	933	(231)	81	27	-	87	1,032	-	5,219
Other provisions increase/(decrease)	(127)	(1)	-	(2)	-	-	-	-	(4)	(134)
Provisions increase/(decrease)	3,163	932	(231)	79	27	-	87	1,032	(4)	5,085
Income (a)	(532)	(288)	(3)	(1)	(15)	(108)	-	(23)	(34)	(1,004)
Net interest receivable	-	-	-	-	-	1	-	(2)	-	(1)
Net expenditure/(income) from continuing operations for the year	3,702	864	(234)	70	53	2	87	1,164	(22)	5,686

(a) Sellafield and reprocessing income is generated through spent fuel reprocessing, waste management and waste and product storage.
Magnox income is primarily from electricity generation.
Transport income is revenue from the transportation of spent fuel, waste and products.

NDA Group 2011	Sellafield and reprocessing £m	Magnox and electricity generation £m	Dounreay site restoration £m	Research sites restoration £m	Waste management £m	Transport £m	Springfields £m	NDA Admin and other non-programme £m	Subsidiaries and Group adjustments £m	Total 2011 £m
Authority administration expenditure	-	-	-	-	-	-	-	45	-	45
Authority administration expenditure	-	-	-	-	-	-	-	45	-	45
Contractor costs less capitalised	1,483	621	138	59	34	51	-	73	(82)	2,377
Decommissioning costs charged to Nuclear Provision	(1,091)	(396)	(138)	(59)	(9)	-	(44)	(16)	-	(1,753)
Other non-cash items	205	16	-	-	-	(1)	-	-	-	220
Fee, R&D and other programme expenditure	418	72	-	-	1	-	-	192	126	809
Programme expenditure	1,015	313	-	-	26	50	(44)	249	44	1,653
Other expenditure	125	5	-	39	1	3	-	1	10	184
Programme expenditure and other non-cash items	1,140	318	-	39	27	53	(44)	250	54	1,837
Nuclear Provision increase/(decrease)	7,906	(84)	(30)	(10)	(5)	-	(7)	(2,367)	-	5,403
Other provisions increase/(decrease)	805	-	-	(2)	-	-	(1)	-	-	802
Provisions increase/(decrease)	8,711	(84)	(30)	(12)	(5)	-	(8)	(2,367)	-	6,205
Income	(520)	(372)	(9)	(4)	(14)	(45)	-	(45)	(27)	(1,036)
Net interest receivable	-	-	-	-	-	-	-	(7)	(5)	(12)
Net expenditure/(income) from continuing operations for the year	9,331	(138)	(39)	23	8	8	(52)	(2,124)	22	7,039

Geographical information
The NDA Group's income is attributed to countries on the basis of the customer's location, as follows:

	2012 £m	2011 £m
Continuing operations:		
United Kingdom	845	890
Germany	55	47
Japan	88	75
Other countries	16	24
	1,004	1,036
Discontinued operations:		
United Kingdom	-	60
	-	60
Total income	1,004	1,096

The Group's non-current assets are primarily located or based in the United Kingdom

5. Authority administration expenditure

Authority	2012 £m	2011 £m
Staff costs (see note 6)	18	27
Administration costs	18	16
Rentals under operating leases - other	1	1
Auditors' remuneration	1	1
	38	45

Directors' emoluments are included in the above figures and can be seen in the Remuneration Report on page 46.

Auditors' remuneration represents fees payable to the National Audit Office (NAO) for the audit of the Authority and the NDA Group and amounted to £600,000 (2011: £837,500). No other remuneration has been paid to the NAO.

6. NDA Group staff costs

NDA Group 2012	Permanently employed staff £m	Others £m	Total 2012 £m
Wages and salaries	46	1	47
Social security costs	5	-	5
Pension costs (see note 27)	7	-	7
Total staff costs	58	1	59

NDA Group 2011	Permanently employed staff £m	Others £m	Total 2011 £m
Wages and salaries	56	1	57
Social security costs	5	-	5
Pension costs (see note 27)	7	-	7
Total staff costs	68	1	69

NDA Group staff costs comprise Authority staff costs of £18 million (2011: £27 million) - see note 5 - plus other staff costs of £41 million (2011: £42 million) included within programme expenditure in note 7. NDA Group staff costs include the cost of the exit packages referred to below.

The Group participates in various pension schemes, both defined contribution and defined benefit. Further details can be found in note 27.

Pension costs include only those items included within operating costs. Items reported elsewhere have been excluded.

The average number of full-time equivalent persons employed during the year was as follows:

NDA Group	Permanently employed staff No.	Others No.	Total 2012 No.	Total 2011 No.
Directly employed - Authority	195	7	202	254
Directly employed – RWMD and subsidiaries	676	17	693	676
Total	871	24	895	930

As a result of the organisational effectiveness review, 1 individual (2011: 74) left the NDA Group and was in receipt of an exit package as set out below:

2012 Exit package cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost £
£50,000 - £99,999	0	1	1	81,834

2011 Exit package cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost £
<£10,000	1	11	12	82,684
£10,000 - £24,999	-	16	16	233,093
£25,000 - £49,999	1	14	15	570,548
£50,000 - £99,999	3	16	19	1,310,698
£100,000 - £149,999	-	1	1	100,187
£150,000 - £199,999	-	6	6	1,071,839
>£200,000	1	4	5	1,426,541
	6	68	74	4,795,590

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the NDA has agreed early retirements, the additional costs are met by the NDA and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the above table.

7. Programme expenditure

NDA Group	2012 £m		2011 £m	
Contractor costs	2,528		2,426	
Less: Contractor costs capitalised	(39)		(49)	
Contractor costs less capitalised	2,489		2,377	
Less: Decommissioning costs charged to Nuclear Provision (see note 25)	(1,936)		(1,753)	
Less: Costs charged to other provisions	(283)		(264)	
Contractor costs relating to commercial activity	270		360	
Unrealised net gains/(losses) on financial assets/liabilities	(3)		15	
Revalorisation of advance payments (see note 24)	172		205	
Other non-cash items		169		220
M&O contractor fees	112		117	
Trading costs	50		59	
Skills & socio-economic development programme	15		11	
Rentals under operating leases - other	5		1	
Insurance	7		16	
Research and development costs	5		5	
Release of recoverable contract costs (a) (see note 15)	343		438	
Profit on disposal of assets held for sale	(25)		-	
Other costs	162		162	
R&D & other programme expenditure		674		809
		1,113		1,389

(a) Costs relating to Post Operational Clean Out (POCO) and decommissioning of plant relating to long-term reprocessing and waste management contracts.

8. Adjustments to provisions

NDA Group	2012 £m	2011 £m
Movement in nuclear provisions:		
Provided for in the year (see note 25)	4,175	4,544
Unwinding of discount (see note 25)	1,044	859
	5,219	5,403
Movement in other provisions:		
Provided for in the year (see note 26)	94	1,036
Unwinding of discount (see note 26)	55	30
	149	1,066
Total provisions movement	5,368	6,469

9. Other expenditure

NDA Group	2012 £m	2011 £m
Depreciation of property, plant and equipment (see note 12)	117	128
Impairment of property, plant and equipment (see note 12)	55	56
	172	184

10. Tax

The explanation for the nil tax charge for the year is set out below.

NDA Group	2012 £m	2011 £m
Net expenditure before tax	5,686	7,030
Deficit on ordinary activities before tax at the UK standard rate of corporation tax of 26% (2011: 28%)	1,478	1,968
Effects of:		
Income and expenditure which is not taxable or tax deductible	(1,288)	(1,778)
Capital allowances for the year in excess of depreciation	93	87
Unutilised losses	(283)	(277)
Current tax charge for the year	-	-
Deferred tax release	-	-
Total tax charge/(credit)	-	-

The NDA does not pay tax on any profits arising from its activities in relation to decommissioning, and similarly losses are not deductible in relation to decommissioning. Subsidiaries do not pay tax on profits arising as these are offset against the taxable losses of the NDA. A deferred tax asset has not been recognised in respect of any non-decommissioning losses incurred by the NDA as the NDA does not anticipate taxable surpluses arising in the foreseeable future.

11. Total comprehensive net expenditure attributable to the Authority

As a consolidated statement of comprehensive net expenditure is included in these financial statements, the Authority's individual statement of comprehensive net expenditure has not been included. The result for the financial year of the Authority was total comprehensive net expenditure of £5,719 million (2011: £6,994 million). Of this amount £5,719 million related to continuing operations (2011: £7,003 million).

12. Property, plant and equipment

NDA Group 2012	Land £m	Buildings £m	IT Equipment £m	Fixtures & Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2011 (f)	19	2,421	6	27	5,169	42	224	7,908
Prior year adjustment	-	(8)	-	-	27	-	-	19
Elimination of fully written off assets with no economic value (a),(f)	-	-	-	(1)	(68)	-	-	(69)
Additions	-	-	-	-	2	-	51	53
Reclassifications	-	(7)	-	1	(10)	4	(15)	(27)
Disposals	-	(6)	-	-	(13)	-	-	(19)
Revaluations (b)	-	2	1	-	(6)	-	-	(3)
Impairments (c)	-	-	-	-	-	-	(50)	(50)
At 31 March 2012	**19**	**2,402**	**7**	**27**	**5,101**	**46**	**210**	**7,812**
Depreciation								
At 1 April 2011 (f)	-	(2,261)	(6)	(26)	(4,436)	(20)	-	(6,749)
Prior year adjustment	-	-	-	-	(27)	-	-	(27)
Elimination of fully written off assets with no economic value (a),(f)	-	-	-	1	68	-	-	69
Charged in year	-	(34)	(1)	-	(79)	(3)	-	(117)
Reclassifications	-	7	-	-	13	-	-	20
Disposals	-	(5)	-	-	12	-	-	7
Revaluations (b)	-	(3)	-	-	6	-	-	3
Impairments (c)	-	6	-	-	(12)	-	-	(6)
At 31 March 2012	**-**	**(2,290)**	**(7)**	**(25)**	**(4,455)**	**(23)**	**-**	**(6,800)**
Net book value at 1 April 2011	19	160	-	1	733	22	224	1,159
Net book value at 31 March 2012	**19**	**112**	**-**	**2**	**646**	**23**	**210**	**1,012**

The net book value of plant & equipment at 31 March 2012 (£646 million) includes £274 million relating to future decommissioning costs.

NDA Group 2011	Land £m	Buildings £m	IT Equipment £m	Fixtures& Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Capitalised Decomm. Costs £m	Total £m
Cost or valuation									
At 1 April 2010 (f)	19	3,463	17	114	4,494	47	290	5,201	13,645
Elimination of fully written off assets with no economic value (a),(f)	-	(1,009)	(11)	(79)	(2,214)	(6)	-	(1,723)	(5,042)
Additions	-	-	-	-	25	-	59	4	88
Reclassifications (f)	-	11	-	-	107	2	(110)	-	10
Disposals(f)	-	(51)	-	(8)	(408)	(3)	-	(214)	(684)
Revaluations (b)	-	7	-	-	-	2	-	(103)	(94)
Impairments (c),(f)	-	-	-	-	-	-	(15)	-	(15)
Transfer of capitalised decommissioning costs (a)	-	-	-	-	3,165	-	-	(3,165)	-
At 31 March 2011	**19**	**2,421**	**6**	**27**	**5,169**	**42**	**224**	**-**	**7,908**
Depreciation									
At 1 April 2010 (f)	-	(3,239)	(16)	(112)	(4,119)	(27)	-	(4,780)	(12,293)
Elimination of fully written off assets with no economic value (a),(f)	-	1,009	11	79	2,214	6	-	1,723	5,042
Charged in year	-	(36)	(1)	(1)	(65)	(2)	-	(23)	(128)
Reclassifications (f)	-	(6)	-	-	(4)	-	-	-	(10)
Disposals (f)	-	51	-	8	408	3	-	214	684
Revaluations (b)	-	-	-	-	-	-	-	(3)	(3)
Impairments (c),(f)	-	(40)	-	-	(1)	-	-	-	(41)
Transfer of capitalised decommissioning costs (a)	-	-	-	-	(2,869)	-	-	2,869	-
At 31 March 2011	**-**	**(2,261)**	**(6)**	**(26)**	**(4,436)**	**(20)**	**-**	**-**	**(6,749)**
Net book value at 1 April 2010	19	224	1	2	375	20	290	421	1,352
Net book value at 31 March 2011	**19**	**160**	**-**	**1**	**733**	**22**	**224**	**-**	**1,159**

The net book value of plant & equipment at 31 March 2011 (£733 million) includes £296 million relating to future decommissioning costs.

Authority 2012	Land £m	Buildings £m	IT Equipment £m	Fixtures& Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2011 (f)	12	2,389	5	26	4,790	2	171	7,395
Prior year adjustment	-	-	-	-	27	-	-	27
Elimination of fully written off assets with no economic value (a),(f)	-	-	-	(1)	(68)	-	-	(69)
Additions	-	-	-	-	-	-	41	41
Reclassifications	-	(7)	-	-	8	-	(10)	(9)
Disposals	-	(12)	-	-	(1)	-	-	(13)
Revaluations (b)	-	3	1	-	(7)	-	-	(3)
Impairments (c)	-	-	-	-	-	-	(42)	(42)
At 31 March 2012	**12**	**2,373**	**6**	**25**	**4,749**	**2**	**160**	**7,327**
Depreciation								
At 1 April 2011 (f)	-	(2,259)	(5)	(25)	(4,301)	(2)	-	(6,592)
Prior year adjustment	-	-	-	-	(27)	-	-	(27)
Charged in year	-	(33)	(1)	-	(65)	-	-	(99)
Elimination of fully written off assets with no economic value (a),(f)	-	-	-	1	68	-	-	69
Reclassifications	-	7	-	-	(5)	-	-	2
Disposals	-	(6)	-	-	-	-	-	(6)
Impairments (c)	-	7	-	-	(6)	-	-	1
Revaluations	-	(3)	-	-	6	-	-	3
At 31 March 2012	**-**	**(2,287)**	**(6)**	**(24)**	**(4,330)**	**(2)**	**-**	**(6,649)**
Net book value at 1 April 2011	12	130	-	1	489	-	171	803
Net book value at 31 March 2012	**12**	**86**	**-**	**1**	**419**	**-**	**160**	**678**

The net book value of plant & equipment at 31 March 2012 (£419 million) includes £207 million relating to future decommissioning costs.

Authority 2011	Land £m	Buildings £m	IT Equipment £m	Fixtures& Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Capitalised Decomm. Costs £m	Total £m
Cost or valuation									
At 1 April 2010 (f)	17	3,442	16	111	4,298	10	152	5,140	13,186
Elimination of fully written off assets with no economic value (a),(f)	-	(1,009)	(11)	(79)	(2,214)	(6)	-	(1,723)	(5,042)
Additions	-	-	-	-	-	-	49	-	49
Reclassifications (f)	-	13	-	-	14	-	(15)	-	12
Disposals (f)	(5)	(64)	-	(6)	(408)	(2)	-	(214)	(699)
Revaluations (b)	-	7	-	-	-	-	-	(103)	(96)
Impairments (c),(f)	-	-	-	-	-	-	(15)	-	(15)
Transfer of capitalised decommissioning costs (a)	-	-	-	-	3,100	-	-	(3,100)	-
At 31 March 2011	**12**	**2,389**	**5**	**26**	**4,790**	**2**	**171**	**-**	**7,395**
Depreciation									
At 1 April 2010 (f)	-	(3,236)	(16)	(110)	(3,991)	(10)	-	(4,779)	(12,142)
Elimination of fully written off assets with no economic value (a),(f)	-	1,009	11	79	2,214	6	-	1,723	5,042
Charged in year	-	(36)	-	-	(58)	-	-	(23)	(117)
Reclassifications (f)	-	(7)	-	-	(5)	-	-	-	(12)
Disposals (f)	-	51	-	6	408	2	-	214	681
Impairments (c),(f)	-	(40)	-	-	(1)	-	-	-	(41)
Revaluations	-	-	-	-	-	-	-	(3)	(3)
Transfer of capitalised decommissioning costs (a)	-	-	-	-	(2,868)	-	-	2,868	-
At 31 March 2011	**-**	**(2,259)**	**(5)**	**(25)**	**(4,301)**	**(2)**	**-**	**-**	**(6,592)**
Net book value at 1 April 2010	17	206	-	1	307	-	152	361	1,044
Net book value at 31 March 2011	**12**	**130**	**-**	**1**	**489**	**-**	**171**	**-**	**803**

The net book value of plant & equipment at 31 March 2011 (£489 million) includes £232 million relating to future decommissioning costs.

(a) During 2011, under the Transfer Scheme arrangements which established the NDA, certain fully depreciated waste management assets (with a gross book value of £5,627 million) were transferred into the NDA's financial statements. These assets had previously been owned by BNFL and UKAEA, are held within the boundaries of licensed sites and had previously been used in the course of delivering the operational (income earning) activities of those organisations.

These assets have no ongoing value in use to the NDA. Once decommissioned, they will not be replaced by the NDA as the services they relate to are subject to decommissioning rather than ongoing operational activity. Due to regulatory requirements governing nuclear licensed sites they cannot be sold, other than as scrap material which does not have to be stored as waste, and which realises only occasional, negligible amounts (accounted for as miscellaneous other income). The costs of decommissioning these assets have been provided for, in accordance with IAS 37, in the nuclear provisions.

In preparation for HM Treasury's 'Clear Line of Sight' project in 2011, the NDA therefore wrote off non-commercial waste management assets with a gross book value, and accumulated depreciation, of £5,627 million. This includes £1,723 million of decommissioning assets which, whilst shown separately, form part of the historical cost and accumulated depreciation of the original assets.

The remaining balance of decommissioning assets of £274 million (£296 million in 2011) represented the net book value of decommissioning assets which still had a value in use to the NDA, and was combined with the physical asset to which they relate, in 2011.

The NDA continues to account for non-waste management assets on nuclear licensed sites, which have an ongoing value in use or realisable value, in accordance with IAS 16 and the requirements of FReM. Assets outside the nuclear licenced site boundaries are revalued in accordance with FReM.

The NDA continues to require SLCs to maintain inventories of all property, plant and equipment held on nuclear licensed sites and which are subject to validation and audit as part of the contractual terms in place between the NDA and license holders.

(b) Land and buildings located outside the nuclear licensed site boundaries, were revalued at 31 March 2011 on the basis of existing use value or market value, as appropriate, by external qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) by Dixon Webb Chartered Surveyors. The majority of the monetary revaluation adjustment relates to land identified as having potential for alternative use and where there have been subsequent disposals of land assets. As part of the review of the Nuclear Provision the cost of decommissioning the operational assets of Sellafield has been reviewed resulting in a revaluation decrease of £106 million - this decrease is not reflected in the revaluation reserve, £103 million is reflected in the Nuclear Provision (see note 25) and £3 million reflected in recoverable contract costs (see note 15).

(c) The impairment charge to expenditure of £55 million (2011: £56 million) primarily arose in connection with commercial assets at Sellafield, Magnox, and LLWR.

(d) A reclassification to assets classified as held for sale was made in 2012 in respect of the Capenhurst site (see note 17).

(e) The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Assets held under finance leases and capitalised in transport equipment have a carrying amount of £1 million (2011: £1 million).

(f) Impairments of assets under construction, previously shown within the depreciation section, are now shown within the cost or valuation section. Consequently the balances shown for 2010/2011 differ from those published in the previous Annual Accounts, but with nil net effect.

13. Intangible assets

Intangible assets had no economic value at 31 March 2012 and 31 March 2011 and were fully written off in the books of the Authority and the Group.

14. Investments in subsidiaries

Authority	£m
Cost	
At 1 April 2011	209
Additions	20
At 31 March 2012	**229**
Impairment	
At 1 April 2011	(3)
Charge	-
At 31 March 2012	**(3)**
Net book value at 1 April 2011	206
Net book value at 31 March 2012	**226**

Details of the Authority's subsidiaries at 31 March 2012 are as follows:

Name	Country of incorporation	Nature of business	Proportion of ordinary shares held by NDA
Direct Rail Services Limited	UK	*Rail transport services within the UK*	100%
INS Rokkasho KK	Japan	*Technical support to the nuclear industry*	66%
International Nuclear Services France SAS *	France	*Transportation of spent fuel*	100%
International Nuclear Services Japan KK *	Japan	*Transportation of spent fuel*	100%
International Nuclear Services Limited	UK	*Contract management and the transportation of spent fuel, reprocessing products and waste*	100%
NDA Properties Limited	UK	*Property management*	100%
Pacific Nuclear Transport Limited *	UK	*The transportation of spent fuel, reprocessing products and waste*	62.5%
Rutherford Indemnity Limited	Guernsey	*Nuclear insurance*	100%

* Ownership through International Nuclear Services Limited

The results of all of the above subsidiaries are included within these consolidated financial statements.

NDA is a member of Energus, a company limited by guarantee registered in the UK, providing training facilities in support of the nuclear estate. NDA's liability is limited to £10.

15. Recoverable contract costs

The NDA and the Authority have commercial agreements in place under which some or all of the expenditure required to settle Nuclear Provisions will be recovered from third parties.

NDA Group and Authority	2012 £m	2011 £m
Recoverable contract costs relating to Nuclear Provisions:		
Gross recoverable contract costs	4,775	4,655
Less applicable payments received on account (see note 24)	(2,989)	(2,780)
Less associated contract loss provisions (see note 26)	(366)	(595)
	1,420	1,280

The movements in the gross recoverable contract costs during the year are detailed in the table below.

NDA Group and Authority	2012 £m	2011 £m
Gross recoverable contract costs at 1 April	4,655	4,568
Prior year adjustment	(18)	
Increase/(decrease) in year (see note 25)	395	457
Unwinding of discount (see note 25)	36	65
Reclassification – Other provisions (see notes 24 & 26)	20	-
Reclassification – Nuclear Provision & Non-current assets (see note 25)	30	-
Revaluation impacting property, plant and equipment (see note 12)	-	3
Release in year – continuing operations (see note 7)	(343)	(438)
Gross recoverable contract costs at 31 March	4,775	4,655

16. Deferred taxation

Deferred tax liability not recognised

A deferred tax liability of £26 million (2011: £78 million) has not been recognised in respect of assets classified as held for sale as it has been offset by a deferred tax asset arising from accelerated capital allowances. The remaining unrecognised deferred tax asset arising from accelerated capital allowances is disclosed below.

Deferred tax assets not recognised

IAS 12 paragraph 81(e) requires disclosure of all unrecognised deferred tax assets. The following deferred tax assets have not been recognised as the NDA does not anticipate a taxable surplus arising in the foreseeable future:

	2012 £m	2011 £m
Tax losses	695	557
Accelerated capital allowances	516	439
Intangibles	9	10
Short-term timing differences	3	4
Deferred tax asset at UK standard rate of Corporation Tax for 2012 of 26% (2011: 28%).	1,223	1,010

The UK standard rate of Corporation Tax decreased from 26% to 25% on 1 April 2012. The NDA does not anticipate a taxable surplus arising in the foreseeable future and therefore no adjustments have been made to its deferred tax asset as at 31 March 2012 as a result of the future changes in the standard rate of Corporation Tax.

17. Assets classified as held for sale and discontinued operations

Assets classified as held for sale

The sale of land at Wylfa was completed in 2011 and the sale of land at Oldbury was completed in 2012. On 29 October 2009, the NDA announced the disposal of land at Sellafield for £51 million.

NDA Group and Authority	£m
At 1 April 2011	278
Reclassification of Capenhurst	49
Sale of land at Wylfa	(153)
Sale of land at Oldbury	(74)
At 31 March 2012	**100**

Discontinued operations

An agreement was signed on 24 March 2010 for the disposal of the Springfields Fuels operations to Westinghouse Electric UK Holdings Limited. The agreement became effective on 1 April 2010 and therefore the results of the Springfields Fuels operations were treated as a discontinued operation in the 2011 financial statements.

Discontinued operations – Springfields Fuels	Year ended 2012 £m	Year ended 2011 £m
Programme expenditure	-	51
Income	-	(60)
Net (income)/expenditure from discontinued operations	-	(9)

Following the completion of bulk decommissioning activities at Capenhurst, the future strategy for the site is under review, and heads of terms have been signed with URENCO UK (UUK) looking to maximise potential synergies between the UUK and NDA sites. Capenhurst is included as an asset classified as held for sale.

18. Inventories

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Nuclear fuels	4	14	4	14
Raw materials and consumables	40	39	37	36
Work-in-progress	51	65	38	61
	95	118	79	111

19. Financial instruments by category

The accounting classification of each category of financial instruments, and their carrying values, is set out in the following table:

	Note	NDA Group		Authority	
		2012 £m	2011 £m	2012 £m	2011 £m
Financial assets					
Fair value through profit or loss (FVTPL):					
Other investments	*20*	305	319	17	46
Derivative financial assets		-	2	-	2
Loans and receivables:					
Non-current finance lease receivable	*21*	19	19	19	19
Non-current other receivables	*22*	13	15	13	15
Current trade and other receivables excluding prepayments and VAT (a)	*22*	159	194	395	440
Cash and cash equivalents	*23*	139	249	90	214
		635	**798**	**534**	**736**

	Note	NDA Group		Authority	
		2012 £m	2011 £m	2012 £m	2011 £m
Financial liabilities					
Fair value through profit or loss (FVTPL):					
Derivative financial liabilities		(2)	(5)	(2)	(5)
Other financial liabilities:					
Current trade and other payables excluding other taxes and social security, payments received on account, deferred income, and grants (b)	*24*	(695)	(661)	(661)	(628)
Non-current trade and other payables excluding payments received on account, deferred income and grants (b)	*24*	-	(1)	-	-
		(697)	**(667)**	**(663)**	**(633)**

a) Prepayments and VAT are excluded as this analysis is required only for financial instruments
b) Payments received on account, deferred income, grants and, where applicable, other taxes and social security, are excluded as this analysis is required only for financial instruments

Generally, financial assets and financial liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the NDA in undertaking its activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2.

The fair value of financial instruments represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values are calculated by discounting cash flows at prevailing rates. The Authority considers that the carrying amount of loans and receivables and other financial liabilities approximates their fair value.

The Group has a small number of Euro-denominated contracts which are not significant to the Financial Statements of the Group. This small currency risk is nonetheless still mitigated through the use of forward currency contracts placed with the Government Banking Service.

The Group is not exposed to any significant level of interest rate risk due to the absence of any commercial borrowings in its Consolidated Statement of Financial Position.

The Group is exposed to a low level of price risk in respect of its energy trading operations. This risk is mitigated by the trading strategy employed which stipulates how far ahead of time energy products are purchased and sold, and is reviewed regularly by the Energy Output Trading Committee. Due to the pricing structure and historical nature of reprocessing contracts, there is no significant exposure to price risk.

There is no significant exposure of the Group to liquidity risk due to the nature of its funding arrangement with DECC.

20. Other investments

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Investments carried at fair value:				
Bank deposits	63	87	17	46
Other investments	242	232	-	-
	305	319	17	46

The above investments are held for purposes other than to meet short-term cash commitments. Bank deposits include £17 million (2011: £46 million) of funds which are held by the NDA within charge over deposit accounts (CODAs). These represent funds provided by customers which are held in accounts controlled and owned by the NDA, over which the customer has a legal charge until the associated work has been completed. These funds will become payable to the NDA once the work is completed and the charge released. Interest on the accounts accrues to the benefit of the NDA. Other investments include funds held within Rutherford Indemnity Limited in order to allow it to provide insurance for assets across the NDA estate.

21. Finance lease receivables

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts receivable under finance leases:				
Not later than one year	1	1	1	1
Later than one year and not later than five years	3	3	3	3
Later than five years	103	103	103	103
	107	107	107	107
Less: unearned finance income	(88)	(88)	(88)	(88)
Present value of minimum lease payments receivable	19	19	19	19

	Present value of minimum lease payments			
	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts receivable under finance leases:				
Not later than one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	19	19	19	19
Present value of minimum lease payments receivable	19	19	19	19

	Present value of minimum lease payments			
	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Of which:				
Non-current assets	19	19	19	19
Current assets	-	-	-	-
Present value of minimum lease payments receivable	19	19	19	19

The finance lease receivable relates to land and buildings of the Springfields Fuels operation which was sold to Westinghouse Electric UK Holdings Limited on 1 April 2010. The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum.

The finance lease receivable balance is secured over the assets leased. The NDA is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The maximum exposure to credit risk of the finance lease receivable is the carrying amount. The finance lease receivable is not past due and not impaired.

22. Trade and other receivables

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Non-current:				
Other receivables	13	15	13	15
	13	15	13	15
Current:				
Trade receivables	127	133	368	379
Less: allowance for doubtful debts	(3)	(3)	(3)	(3)
	124	130	365	376
Accrued income	23	53	21	52
Other receivables	12	11	9	12
	159	194	395	440
Prepayments	71	10	70	8
VAT	67	52	66	51
	297	256	531	499

Non-current other receivables relate to lump sum payments made under early retirement arrangements to individuals working for Site Licence Companies who have retired early, or who have accepted early retirement, before 31 March 2012. These payments are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

Credit risk
EdF Energy sells electricity as agent for the NDA to a number of counterparties. The credit risk of each counterparty and the amount of permitted credit for each counterparty is reviewed monthly by the Electricity and Output Trading Committee (an NDA committee attended by representatives from EdF). Credit limits are set at a low level preventing any significant losses in the unlikely event of a default. EdF can only trade with counterparties and on exchanges approved by the Electricity and Output Trading Committee.

There exists a limited level of credit risk in respect of reprocessing contracts which is mitigated by the nature of the contracts, under which a high proportion of the income is paid in advance by customers.

Included in the NDA Group's current trade receivables balance are receivables with a carrying amount of £8 million which are past due at the reporting date for which the NDA has not recognised an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of current trade receivables:

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Neither impaired nor past due	116	125	358	372
Impaired (net of allowance for doubtful debts)	-	-	-	-
Not impaired but past due in the following periods:				
within 30 days	7	4	6	3
31 to 60 days	1	1	1	1
Total	124	130	365	376

Movement in the allowance for doubtful debts:

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Balance at 1 April	3	3	3	3
Amounts recovered during the year	-	-	-	-
Balance at 31 March	3	3	3	3

In determining the recoverability of a trade receivable the NDA considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Authority believes that there is no further provision required in excess of the allowance for doubtful debts.

23. Cash and cash equivalents

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Balance at 1 April	249	232	214	170
Net change in cash and cash equivalent balances	(110)	17	(124)	44
Balance at 31 March	139	249	90	214
The balances at 31 March were held at:				
Commercial banks	64	38	15	3
Government Banking Service	75	211	75	211
	139	249	90	214

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

24. Trade and other payables

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Current:				
Trade payables	456	434	445	428
Other payables	2	2	-	-
Accruals	237	225	216	200
	695	661	661	628
Other taxes and social security	9	8	8	7
Payments received on account	551	578	551	578
Deferred income	1	1	-	-
Grants	1	1	1	1
	1,257	1,249	1,221	1,214
Non-current:				
Finance leases	-	1	-	-
	-	1	-	-
Payments received on account	1,959	1,891	1,952	1,884
Grants	1	2	1	2
	1,960	1,894	1,953	1,886

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Movement on payments received on account				
Balance at 1 April:				
Current	578	529	578	529
Non-current	1,891	1,479	1,884	1,479
	2,469	2,008	2,462	2,008
Revalorisation (see note 7)	172	205	172	205
Movement in amount deducted from recoverable contract costs (see note 15)	(209)	130	(209)	130
Reclassification	-	(45)	-	(45)
Reclassified from other provisions (see note 26)	-	66	-	66
Cash received	688	717	688	710
Released to income	(610)	(612)	(610)	(612)
Balance at 31 March	2,510	2,469	2,503	2,462
Of which:				
Current	551	578	551	578
Non-current	1,959	1,891	1,952	1,884
	2,510	2,469	2,503	2,462

Trade and other payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The NDA has procedures in place to ensure that all payables are paid within the pre-agreed credit terms. Payments received on account relate to amounts which customers have paid for the provision of services under long-term contracts. These payments will be recognised as income when the services are provided. Payments received on account are shown net after deduction of any applicable recoverable contract costs (see note 15).

25. Nuclear Provisions

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Balance at 1 April	49,152	45,083	49,086	45,023
Provided for in the year charged to Statement of Comprehensive Net Expenditure (see note 8)	4,175	4,544	4,173	4,540
Provided for in the year charged to recoverable contract costs (a) (see note 15)	395	457	395	457
Unwinding of discount charged to Statement of Comprehensive Net Expenditure (see note 8)	1,044	859	1,043	857
Unwinding of discount charged to recoverable contract costs (a) (see note 15)	36	65	36	65
Decommissioning costs utilised in the year (see note 7)	(1,936)	(1,753)	(1,936)	(1,753)
Provision changes impacting property, plant and equipment (see note 12)	5	(103)	8	(103)
Provision changes offset by reclassification	22	-	22	-
Total change in provision	3,741	4,069	3,741	4,063
Balance at 31 March	52,893	49,152	52,827	49,086
Of which:				
Current	2,168	1,959	2,167	1,957
Non-current	50,725	47,193	50,660	47,129
	52,893	49,152	52,827	49,086

(a) The NDA has commercial agreements in place under which a portion of the expenditure required to settle certain elements of the Nuclear Provision are recoverable from third parties. Changes in the future cost estimates of discharging the nuclear provision are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the Nuclear Provision but are treated as a separate asset. The amount recoverable at 31 March 2012 (NDA Group and Authority) is £4,775 million (2011: £4,655 million) - see note 15.

The discount implicit in recognising Nuclear Provisions is unwound over the life of the provisions, with the impact of the amortisation of one years' discount shown in adjustments to provisions in the Statement of Comprehensive Net Expenditure. An increase of 0.5% in the discount rate would reduce the provision to £47.7 billion, whilst a decrease in discount rate of 0.5% would increase the provision to £52.9 billion.

Changes in the cost estimates of discharging the Nuclear Provision (representing increase or decrease in future decommissioning costs, less under or overspend of decommissioning delivered in year) are charged to the adjustments to provisions in the Statement of Comprehensive Net Expenditure. This charge includes the impact of restating liabilities from March 2011 values to current price levels. The overall increase in the provision was £3,741 million (2011: £4,069 million) of which the Authority estimates that £1,903 million related to changes in price levels (2011: £2,100 million).

Actual costs of £1,936 million (2011: £1,753 million) incurred in discharging provisions in the year have been charged against the Nuclear Provision. Any variance between the costs incurred discharging the provision and the amount provided for discharging the provision is incorporated within the change in amount provided.

Changes in the estimated future cost of decommissioning, related to commercial property, plant and equipment, are offset by matching changes in the value of the IAS 37 property, plant and equipment asset. A reduction of £5 million (2011: reduction of £103 million) was recognised in the year.

Analysis of expected timing of discounted cashflows for the NDA Group Nuclear Provision is as follows:

NDA Group	Waste £m	Research £m	LPS £m	Other Sellafield £m	Fuel manufacturing and generation £m	Total £m
Within 1 year	28	223	508	735	677	2,172
2 – 5 years	107	818	1,844	3,927	2,393	9,088
After 5 years	3,957	1,984	8,127	22,192	5,373	41,633
	4,092	3,025	10,478	26,853	8,443	52,893
Sensitivity (see below):						
Provision increase	1,600	120	1,100	2,000	1,500	
Provision reduction	(300)	(350)	(450)	(2,600)	(350)	

The NDA's decommissioning programme of work will take until 2137, with further analysis shown below:

- waste activities cover the Low Level Waste Repository and the Geological Disposal facility. Construction of the latter facility is currently planned to allow receipt of waste from around 2040. Key sensitivity is around the geology of the rock in which the facility would be constructed – potentially increasing costs by £1,600 million; a delay in constructing the facility by five years would reduce discounted costs by c£300 million
- activities on the sites primarily used for research (Dounreay, Harwell, Winfrith and Windscale) are concerned with final decommissioning of assets and site clearance. Sites will be cleared by 2064. Options are being explored to accelerate site clearance, which in the case of Dounreay would reduce the provision by £350 million in the event of Parent Body achieving the 2022 Interim State date.
- Legacy Ponds and Silos ('LP&S'); represent the major hazard and decommissioning challenge at Sellafield, with activity scheduled for completion in 2036; shown without inclusion of site overheads. Principal sensitivities are around the technical challenges in emptying the facilities (which may result in increased costs of £1,100 million), with faster emptying of the facility potentially reducing the provision by c£450 million
- Sellafield (other than LP&S) represents activities associated with operation of the site, reprocessing and eventual decommissioning includes all site overhead. Principal sensitivities are around the failure of the contractor to deliver planned efficiencies embedded within the performance plan, particularly in the later years
- fuel manufacturing and generation (which for this purpose includes Magnox, Capenhurst and Springfields) programme of work includes defueling the generating stations and preparing for interim Care and Maintenance (complete by 2030) followed by a final site clearance phase around 2070 to 2102. There is a wide range in potential provision values, driven by timing of final site clearance (e.g. delaying Magnox final site clearance by 10 years may reduce provision by c£350 million), or by deferring work in the short-term and therefore incurring 'hotel costs' to keep sites in a safe and secure manner. Although this would achieve same site clearance date as the provision of 2102, it would incur significant short-term costs and could increase the provision by c£1,500 million.

26. Other provisions

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Restructuring provision	94	100	93	99
Contract loss provision	1,966	1,859	1,966	1,859
Other provision	41	47	13	13
	2,101	2,006	2,072	1,971
Of which:				
Current	224	137	222	134
Non-current	1,877	1,869	1,850	1,837
	2,101	2,006	2,072	1,971

NDA Group	Restructuring £m	Contract loss £m	Other £m	Total £m
Balance at 1 April 2011	100	1,859	47	2,006
Provided for in the year (see note 8)	2	92	-	94
Released in the year (see note 7)	(10)	(267)	(6)	(283)
Unwinding of discount (see note 8)	2	53	-	55
Movement in contract loss provision deducted from recoverable contract costs (see note 15)	-	229	-	229
Balance at 31 March 2012	94	1,966	41	2,101

Authority	Restructuring £m	Contract loss £m	Other £m	Total £m
Balance at 1 April 2011	99	1,859	13	1,971
Provided for in the year	2	92	-	94
Released in the year	(10)	(267)	-	(277)
Unwinding of discount	2	53	-	55
Movement in amount deducted from recoverable contract costs (see note 15)	-	229	-	229
Balance at 31 March 2012	93	1,966	13	2,072

Restructuring provisions have been recognised to cover continuing annual payments to be made under early retirement arrangements to individuals working for SLCs who retired early, or had accepted early retirement, before 31 March 2012. These payments continue at least until the date at which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as receivables, since they are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

Contract loss provisions have been recognised to cover the anticipated shortfall between total income and total expenditure on relevant long-term contracts. The above balances are shown net after deduction from any applicable recoverable contract costs (see note 15). The amount provided in the year for the contract loss provision relates to changes in estimates of the costs of existing contracts.

Other provisions include provisions for insurance claims and early retirements not covered by the restructuring funding arrangements with DECC.

27. Retirement benefit schemes

Defined contribution schemes
NDA employees have pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the NDA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservice-pensions.gov.uk. In accordance with guidance issued by HM Treasury, the PCSPS is accounted for as a defined contribution scheme in these financial statements.

Direct Rail Services Limited (DRSL) employees joining after 1 April 2008 participate in the DRSL section of the defined contribution structure of the GPS Pension Scheme.

International Nuclear Services Ltd (INSL) employees participate in the United Kingdom Atomic Energy Authority (UKAEA) Combined Pension Scheme, the GPS Pension Scheme and the Magnox Electric Group section of the Electricity Supply Pension Scheme. Participation in these schemes is in sections with other employers and INSL is unable to identify its share of the underlying assets and liabilities. Consequently INSL's participation in these schemes is accounted for as if they were defined contribution schemes, as permitted under IAS 19.

Pacific Nuclear Transport Ltd (PNTL) employees participate in two industry wide defined contribution schemes: the Merchant Navy Officers' Pension Plan (MNOPP) and the Merchant Navy Ratings' Pension Plan (MNRPP).

The total cost charged to expenditure of £4,997,000 (2011: £3,998,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. No contributions were outstanding at this or the previous year end.

Defined benefit schemes
The Group participates in various pension schemes which are accounted for as defined benefit schemes.

Direct Rail Services Limited section of the GPS Pension Scheme (DRS)
Direct Rail Services Limited (DRS) participates in the GPS Pension Scheme. The GPS Pension Scheme is a defined benefit (final salary) funded pension scheme. The scheme was available to all DRS employees until 31 March 2008. The defined benefit structure of the scheme was closed to new entrants on 1 April 2008 and a defined contribution structure made available for all new employees from that date.

Nirex Pension Scheme (Nirex)
The Nirex Pension Scheme is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants on 1 April 2007 and during 2010 the last remaining active member retired.

Merchant Navy Officers Pension Fund (MNOPF)
Pacific Nuclear Transport Ltd (PNTL) employees participate in the Merchant Navy Officers Pension Fund (MNOPF). The MNOPF is an industry wide defined benefit (final salary) funded pension scheme. The scheme was closed on 1 November 1996. All costs relating to 'Pacific' vessels are recoverable under contract from customers and hence a recoverable amount is recognised to offset the related pension scheme deficit.

Merchant Navy Ratings Pension Fund (MNRPF)
Pacific Nuclear Transport Ltd (PNTL) employees participate in the Merchant Navy Ratings Pension Fund (MNRPF). The MNRPF is an industry wide defined benefit (final salary) funded pension scheme. The scheme was closed on 31 May 2001. The liabilities of the scheme have been capped at the level of benefits accrued to employees at the closure date, subject to adjustment for future actuarial valuations. All costs relating to 'Pacific' vessels are recoverable under contract from customers and hence a recoverable amount is recognised to offset the related pension scheme deficit.

Closed Section of the Combined Nuclear Pension Scheme (CNPP)
On the disposal of the Springfields Fuels operation the NDA took over direct responsibility of the pension liability within the Springfields Fuels section of the CNPP on 1 April 2010. The Closed Section (formerly the Springfields Fuels Section) of the CNPP is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants and further accrual on 31 March 2010.

Actuarial valuations for the various defined benefit schemes referred to above have been updated at 31 March 2012 by independent actuaries using assumptions that are consistent with the requirements of IAS 19 and the results of those calculations have been incorporated in the figures below. Investments have been valued for this purpose at fair value.

The principal actuarial assumptions used at the reporting date are as follows:

Valuation at: **2012**	**DRS**	**Nirex**	**MNOPF**	**MNRPF**	**CNPP**
Discount rate	4.8%	4.8%	4.8%	4.8%	4.8%
Rate of salary increase	3.75%	n/a	3.75%	n/a	n/a
Rate of price inflation	3.25%	3.25%	3.25%	3.25%	3.25%
Rate of increase of pensions in payment	3.25%	3.2%	3.25%	3.25%	3.25%
Rate of increase of pensions in deferment	3.25%	2.25%	2.25%	2.25%	3.25%
Life expectancy for a male pensioner aged 65 (in years)	22.1	22.1	22.1	22.1	22.1
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	23.5	23.5	23.5	23.5	23.5
2011					
Discount rate	5.5%	5.5%	5.5%	5.5%	5.5%
Rate of salary increase	4.0%	n/a	4.0%	4.0%	n/a
Rate of price inflation	3.5%	3.5%	3.5%	3.5%	3.5%
Rate of increase of pensions in payment	3.5%	3.4%	3.5%	3.5%	3.5%
Rate of increase of pensions in deferment	3.5%	3.4%	3.5%	3.5%	3.5%
Life expectancy for a male pensioner aged 65 (in years)	21.3	21.3	21.3	21.3	21.3
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	21.9	21.9	21.9	21.9	21.9

Mortality assumptions:	2012	2011
DRS	S1NA Year of Birth tables with CMI 2010 projections subject to minimum improvements of 1% p.a. for males and 0.5% p.a. for females	S1NA Year of Birth tables with CMI 2009 projections subject to minimum improvements of 0.5% p.a. for males and 0.25% p.a. for females
Nirex	S1NA Year of Birth tables with CMI 2010 projections subject to minimum improvements of 1% p.a. for males and 0.5% p.a. for females	S1NA Year of Birth tables with CMI 2009 projections subject to minimum improvements of 0.5% p.a. for males and 0.25% p.a. for females
MNOPF	S1NA Year of Birth tables with CMI 2010 projections subject to minimum improvements of 1% p.a. for males and 0.5% p.a. for females	S1NA Year of Birth tables with CMI 2009 projections subject to minimum improvements of 0.5% p.a. for males and 0.25% p.a. for females
MNRPF	S1NA Year of Birth tables with CMI 2010 projections subject to minimum improvements of 1% p.a. for males and 0.5% p.a. for females	S1NA Year of Birth tables with CMI 2009 projections subject to minimum improvements of 0.5% p.a. for males and 0.25% p.a. for females
CNPP	S1NA Year of Birth tables with CMI 2010 projections subject to minimum improvements of 1% p.a. for males and 0.5% p.a. for females	S1NA Year of Birth tables with CMI 2009 projections subject to minimum improvements of 0.5% p.a. for males and 0.25% p.a. for females

Amounts recognised in the financial statements in respect of the various defined benefit schemes are set out in the tables below. Amounts relating to the Nirex Pension Scheme and the Closed Section of the CNPP are recognised in the financial statements of the Authority.

2012	DRS £'000	Nirex £'000	MNOPF £'000	MNRPF £'000	CNPP £'000	Total £'000
Analysis of amounts charged to operating costs:						
Current service cost	2,036	-	250	-	-	2,286
Past service cost	-	-	-	-	-	-
Total cost	2,036	-	250	-	-	2,286
Analysis of amounts charged to interest payable:						
Expected return on scheme assets	(2,139)	(1,489)	(1,110)	(599)	(4,289)	(9,626)
Interest on scheme liabilities	1,493	1,287	1,561	886	2,935	8,162
Net (benefit)/cost	(646)	(202)	451	287	(1,354)	(1,464)
Analysis of amounts recognised in other comprehensive (income)/expenditure:						
Actual return less expected return on scheme assets	(535)	417	547	(822)	1,028	635
Experience (gains)/losses arising on the scheme liabilities	212	(86)	-	-	(1,280)	(1,154)
Changes in assumptions underlying the present value of the scheme liabilities	4,413	2,020	3,771	(707)	9,861	19,358
Actuarial (gain)/loss	4,090	2,351	4,318	(1,529)	9,609	18,839
Recoverable from third parties	-	-	(3,831)	1,362	-	(2,469)
Actuarial (gain)/loss recognised in other comprehensive (income)/expenditure	4,090	2,351	487	(167)	9,609	16,370
Cumulative amount of (gains)/losses recognised in the statement of comprehensive net expenditure since adoption of IFRS	232	2,763	1,805	(1,260)	6,713	10,253
Amounts recognised in the statement of financial position:						
Present value of defined benefit obligations	(34,430)	(26,135)	(33,262)	(15,986)	(64,370)	(174,183)

Fair value of scheme assets	36,852	23,553	25,707	14,192	62,867	163,171
Surplus/(deficit) in scheme	2,422	(2,582)	(7,555)	(1,794)	(1,503)	(11,012)
Recoverable from third parties	-	-	6,737	1,602	-	8,339
Asset / (liability) recognised in the statement of financial position	2,422	(2,582)	(818)	(192)	(1,503)	(2,673)
Movements in the present value of defined benefit obligations:						
At 1 April 2011	(26,004)	(23,889)	(28,820)	(16,420)	(53,875)	(149,008)
Current service cost	(2,036)	-	(250)	-	-	(2,286)
Interest cost	(1,493)	(1,287)	(1,561)	(886)	(2,935)	(8,162)
Employee contributions	(510)	-	(139)	-	-	(649)
Actuarial gain/(loss)	(4,625)	(1,934)	(3,771)	707	(8,581)	(18,204)
Benefits paid	238	975	1,279	613	1,021	4,126
At 31 March 2012	(34,430)	(26,135)	(33,262)	(15,986)	(64,370)	(174,183)
Movements in the fair value of the scheme assets:						
At 1 April 2011	31,528	23,456	24,997	13,061	60,627	153,669
Employer contributions	2,379	-	1,287	323	-	3,989
Employee contributions	510	-	139	-	-	649
Actuarial (loss)/gain	534	(417)	(547)	822	(1,028)	(636)
Benefits (paid)	(238)	(975)	(1,279)	(613)	(1,021)	(4,126)
Expected return on scheme assets	2,139	1,489	1,110	599	4,289	9,626
At 31 March 2012	36,852	23,553	25,707	14,192	62,867	163,171
Estimated expected employer contributions over the next financial year	2,474	-	1,060	342	-	3,876

2011	**DRS £'000**	**Nirex £'000**	**MNOPF £'000**	**MNRPF £'000**	**CNPP £'000**	**Total £'000**
Analysis of amounts charged to operating costs:						
Current service cost	2,153	10	325	-	-	2,488
Past service cost	585	-	-	-	-	585
Total cost	2,738	10	325	-	-	3,073
Analysis of amounts charged to interest payable:						
Expected return on scheme assets	(1,797)	(1,469)	(1,206)	(593)	(3,771)	(8,836)
Interest on scheme liabilities	1,334	1,246	1,403	868	3,006	7,857
Net cost	(463)	(223)	197	275	(765)	(979)
Analysis of amounts recognised in other comprehensive (income)/expenditure:						
Actual return less expected return on scheme assets	19	(121)	(2,302)	(87)	(497)	(2,988)
Experience gains arising on the scheme liabilities	(994)	480	2,684	-	515	2,685
Changes in assumptions underlying the present value of the scheme liabilities	756	293	528	626	(2,914)	(711)
Actuarial gain/(loss)	(219)	652	910	539	(2,896)	(1,014)
Recoverable from third parties	-	-	(802)	(481)	-	(1,283)
Actuarial gain recognised in other comprehensive (income)/expenditure	(219)	652	108	58	(2,896)	(2,297)
Cumulative amount of (gains)/losses recognised in the statement of comprehensive income since adoption of IFRS	(3,858)	412	1,318	(1,093)	(2,896)	(6,117)
Amounts recognised in the statement of financial position:						
Present value of defined benefit obligations	(26,004)	(23,889)	(28,820)	(16,420)	(53,875)	(149,008)

Fair value of scheme assets	31,528	23,456	24,997	13,061	60,627	153,669
Surplus/(deficit) in scheme	5,524	(433)	(3,823)	(3,359)	6,752	4,661
Recoverable from third parties	-	-	3,410	2,996	-	6,406
Asset/(liability) recognised in the statement of financial position	5,524	(433)	(413)	(363)	6,752	11,067
Movements in the present value of defined benefit obligations:						
At 1 April 2010	(21,817)	(22,939)	(25,022)	(15,532)	-	(85,310)
Obligation taken on over year	-	-	-	-	(54,068)	(54,068)
Current service cost	(2,153)	(10)	(325)	-	-	(2,488)
Interest cost	(1,334)	(1,246)	(1,403)	(868)	(3,006)	(7,857)
Employee contributions	(568)	(2)	(140)	-	-	(710)
Past service cost	(585)	-	-	-	-	(585)
Actuarial (loss)/gain	238	(773)	(3,212)	(626)	2,399	(1,974)
Benefits paid	215	1,081	1,282	606	800	3,984
At 31 March 2011	(26,004)	(23,889)	(28,820)	(16,420)	(53,875)	(149,008)
Movements in the fair value of the scheme assets:						
At 1 April 2010	26,312	22,926	20,861	12,683	-	82,782
Assets taken on over year	-	-	-	-	57,021	57,021
Employer contributions	3,085	19	1,770	304	138	5,316
Employee contributions	568	2	140	-	-	710
Actuarial loss	(19)	121	2,302	87	497	2,988
Benefits paid	(215)	(1,081)	(1,282)	(606)	(800)	(3,984)
Expected return on scheme assets	1,797	1,469	1,206	593	3,771	8,836
At 31 March 2011	31,528	23,456	24,997	13,061	60,627	153,669
Estimated expected employer contributions over the next financial year	2,737	-	1,060	323	-	4,120

The asset and liability figures for Nirex at 31 March 2011 include separately identifiable additional voluntary contributions invested on a defined contribution basis (which totalled £546,979). The disclosures at 31 March 2012 represent the assets and liabilities for the defined benefits only. The defined contribution additional voluntary contribution assets are in addition. There have been no additional voluntary contributions paid during the year (2011 £nil).

The analysis of the various defined benefit scheme assets and the expected rates of return at the reporting date are as follows:

	Expected return			Fair value of assets		
	2012	**2011**	**2010**	**2012 £'000**	**2011 £'000**	**2010 £'000**
DRS scheme						
Equities	7.1%	8.2%	7.6%	14,880	16,292	14,111
Property	6.1%	-	-	2,272	-	-
Fixed Interest Gilts	-	4.2%	4.6%	-	3,688	2,963
Index Linked Gilts	3.1%	4.2%	4.6%	9,745	5,311	4,227
Corporate Bonds	4.8%	5.5%	5.7%	9,802	6,104	5,011
Cash	2.0%	2.0%	-	153	133	-
				36,852	31,528	26,312
Nirex scheme						
Equities	7.1%	8.2%	8.4%	11,528	11,686	11,363
Index Linked Gilts	3.1%	4.2%	4.3%	6,032	5,603	5,471
Corporate Bonds	4.8%	5.5%	5.7%	5,749	5,380	5,492
Cash	2.0%	-	0.5%	244	-	49
Other	-	4.0%	4.0%	-	787	551
				23,553	23,456	22,926
MNOPF scheme						
Equities	7.1%	8.2%	8.5%	13,245	12,879	10,749
Property	6.1%	7.2%	7.5%	1,260	1,225	1,022
Fixed Interest Gilts	3.1%	4.2%	4.5%	7,197	6,998	5,840

Corporate Bonds	4.8%	5.5%	5.2%	3,697	3,595	3,000
Cash	2.0%	2.0%	0.5%	308	300	250
				25,707	24,997	20,861
MNRPF scheme						
Equities	7.1%	8.2%	8.5%	3,549	3,266	4,054
Property	6.1%	7.2%	7.5%	993	914	662
Fixed Interest Gilts	3.1%	4.2%	4.5%	3,463	3,187	2,960
Corporate Bonds	4.8%	5.5%	5.2%	5,194	4,780	4,440
Cash	2.0%	2.0%	0.5%	993	914	567
				14,192	13,061	12,683
CNPP scheme						
Equities	7.1%	8.2%	n/a	43,383	42,650	n/a
Fixed Interest Gilts	3.1%	4.2%	n/a	6,467	6,077	n/a
Index Linked Gilts	3.1%	4.2%	n/a	6,562	6,013	n/a
Corporate Bonds	4.8%	5.5%	n/a	6,385	5,787	n/a
Cash	2.0%	2.0%	n/a	70	100	n/a
				62,867	60,627	n/a

The overall expected rate of return on asset assumptions have been derived by considering the expected long-term rate of return on each major asset category for each scheme as at 31 March 2012 and weighting these rates of return broadly in line with the underlying asset allocation.

The history of experience gains and losses for the various defined benefit schemes is as follows:

	2012	2011	2010	2009	2008	2007
DRS scheme						
Difference between expected and actual return on scheme assets:						
amount – (loss)/gain (£'000)	535	(19)	4,818	(3,133)	(606)	n/a
percentage of scheme assets	2%	0%	18%	18%	4%	n/a
Experience gains and losses arising on scheme liabilities:						
amount – gain/(loss) (£'000)	(212)	994	-	-	(2)	n/a
percentage of scheme liabilities	1%	4%	0%	0%	0%	n/a
Total actuarial gain:						
amount (£'000)	(4,090)	219	2,880	759	599	n/a
percentage of scheme liabilities	12%	1%	13%	5%	4%	n/a
Nirex scheme						
Difference between expected and actual return on scheme assets:						
amount – gain / (loss) (£'000)	(417)	121	4,581	(5,393)	(445)	(821)
percentage of scheme assets	2%	1%	20%	30%	2%	3%
Experience gains and losses arising on scheme liabilities:						
amount – (loss)/gain (£'000)	86	(480)	564	325	(1,458)	(689)
percentage of scheme liabilities	0%	2%	2%	2%	6%	2%
Total actuarial (loss)/gain:						
amount (£'000)	(2,351)	(652)	1,653	(1,413)	731	2,664
percentage of scheme liabilities	9%	3%	7%	7%	3%	9%
MNOPF scheme						
Difference between expected and actual return on scheme assets:						
amount – gain / (loss) (£'000)	(547)	2,302	3,952	(4,270)	(3,413)	3,853
percentage of scheme assets	2%	9%	19%	26%	17%	18%

Experience gains and losses arising on scheme liabilities:						
amount – (loss)/gain (£'000)	-	(2,684)	2,635	-	3,683	(4,603)
percentage of scheme liabilities	0%	9%	11%	0%	14%	16%
Total actuarial (loss)/gain:						
amount (£'000)	(4,318)	(910)	3,991	(1,635)	194	(1,763)
percentage of scheme liabilities	13%	3%	16%	7%	1%	6%
MNRPF scheme						
Difference between expected and actual return on scheme assets:						
amount – gain / (loss) (£'000)	822	87	2,195	(1,729)	(1,068)	(357)
percentage of scheme assets	5%	1%	17%	17%	9%	3%
Experience gains and losses arising on scheme liabilities:						
amount – gain / (loss) (£'000)	-	-	-	(770)	-	-
percentage of scheme liabilities	0%	0%	0%	6%	0%	0%
	2012	**2011**	**2010**	**2009**	**2008**	**2007**
Total actuarial (loss)/gain:						
amount (£'000)	1,529	(539)	605	1,086	(1,410)	(990)
percentage of scheme liabilities	10%	3%	4%	8%	9%	6%
CNPP scheme						
Difference between expected and actual return on scheme assets:						
amount – gain/(loss) (£'000)	(1,028)	497	n/a	n/a	n/a	n/a
percentage of scheme assets	2%	1%	n/a	n/a	n/a	n/a
Experience gains and losses arising on scheme liabilities:						
amount – gain/(loss) (£'000)	(1,280)	(515)	n/a	n/a	n/a	n/a
percentage of scheme liabilities	2%	1%	n/a	n/a	n/a	n/a
Total actuarial gain/(loss):						
amount (£'000)	(9,609)	2,896	n/a	n/a	n/a	n/a
percentage of scheme liabilities	15%	5%	n/a	n/a	n/a	n/a

The history of experience gains and losses for the DRS scheme prior to the NDA taking over as principal employer on 1 April 2008 can be found in the group financial statements of British Nuclear Fuels plc. The history of experience gains and losses for the Closed Section of the CNPP prior to the NDA taking over as sponsoring employer on 1 April 2010 can be found in the financial statements of Springfields Fuels Ltd.

28. Capital commitments

	NDA Group		Authority	
	2012 £m	**2011 £m**	**2012 £m**	**2011 £m**
Contracted capital commitments at 31 March not otherwise included in these financial statements				
Property, plant and equipment	160	240	160	240

29. Commitments under leases

29.1 (a) Operating leases - NDA as lessee

	NDA Group		Authority	
	2012 £m	**2011 £m**	**2012 £m**	**2011 £m**
Minimum lease payments under operating leases recognised as an expense in the year	6	2	1	1

Total future minimum lease payments under operating leases are given in the table below:

	NDA Group		Authority	
	2012 £m	2011 £m	2012 £m	2011 £m
Buildings and other:				
Not later than one year	6	2	1	1
Later than one year and not later than five years	9	6	2	3
Later than five years	6	4	2	2
	21	12	5	6

Operating lease payments represent rentals payable by the Group for some of its properties, vehicles and office equipment. All properties are rented on commercial terms and include office buildings with leases expiring between 2012 and 2020, and leases for industrial facilities with expiry dates between 2021 and 2146.

29.1 (b) Operating leases - NDA as lessor

Property rental income earned during the year amounted to £7 million (2011: £7 million).

Total future minimum lease receivables under operating leases are given in the table below:

	NDA Group			Authority		
	2012 £m	2011 £m	2010 £m	2012 £m	2011 £m	2010 £m
Buildings:						
Not later than one year	5	4	4	2	1	3
Later than one year and not later than five years	5	2	5	2	1	5
Later than five years	12	2	9	8	1	9
	22	8	18	12	3	17

Operating lease receipts represent rentals receivable by the Group in respect of various properties leased on commercial terms and historical agricultural lease agreements.

30. Financial risk management

The NDA is financed by a combination of Government funding and commercial activities, and as such is not exposed to the degree of financial risk faced by other business entities. Consequently, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. It does however experience some degree of risk due to the variability of commercial income.

The NDA applies for funding as part of the Government Spending Review, with the latest four-year funding cycle having concluded in October 2010. This set the annual expenditure limit net of the NDA's commercial income, derived from ageing power stations and reprocessing plants. The NDA is required to prioritise and allocate funding to deliver the required programme of work within this net limit, whilst mindful of the potential vulnerability of commercial income to plant breakdown. This is achieved through the use of an extensive reporting and control mechanism, which supports a portfolio based approach to managing the opportunities and risks within both the expenditure and commercial income. The approach has enabled the NDA to consistently control net expenditure within the prescribed limits set by the funding regime.

Separately the NDA has developed an extensive programme to embed risk management practices, covering both operational and financial risks, across all its functions and to provide contractual mechanisms to obtain assurance of good risk management practices from the SLCs.

The primary financial risks faced by the NDA are commodity price risk and credit risk. Foreign currency risk, liquidity risk and interest rate risk are not considered to be significant risks for the NDA.

Commodity price risk
Commodity price risk is the risk or uncertainty arising from possible price movements and their impact on the commercial income and therefore ultimately on the funding requirements of the NDA. The primary risk is that electricity prices will move adversely affecting commercial income between the time that the NDA's funding requirements are set and the time when revenues are recognised.

Credit risk
Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the NDA. The NDA has two types of contract, commodity contracts and supply and reprocessing contracts.

31. Contingent liabilities

Under the transfer scheme of 1 April 2005, the NDA has assumed responsibility for all occurrences relating to the designated nuclear sites that took place up to that date.

a. At 31 March 2012 the NDA held inventories of reprocessed uranic material. These materials are currently held at nil value, due to uncertainty over their future use.

b. Whilst not the lead employer, the NDA is the lead organisation and has ultimate responsibility for certain nuclear industry pension schemes, including the Combined Nuclear Pension Plan, the Magnox section of the ESPS, and the GPS Pension Scheme. Provisions for known deficits are included within Nuclear Provisions (note 25), however, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits.

Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes:

The NDA has non-quantifiable contingent liabilities arising from indemnities given as part of the contracts for the management of the Low Level Waste Repository, Sellafield and Dounreay. These indemnities are in respect of the uninsurable residual risk that courts in a country which is not party to the Paris and Brussels Conventions on third party liability in the field of nuclear energy may accept jurisdiction to determine liability in the event of a nuclear incident. These are not treated as contingent liabilities within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is considered too remote.

32. Related parties

Government bodies
The NDA is an Executive NDPB sponsored by DECC, which is regarded as a related party. During the year, the NDA has had various material transactions with DECC and with other entities for which DECC is regarded as the responsible department. The NDA receives grant financing from DECC.

In the course of its normal business the NDA enters into transactions with Government owned banks. In addition, the NDA has a small number of material transactions with other Government Departments and other central Government bodies.

Directors' transactions
During the year, no Board member, key manager or other related party has undertaken any material transactions with the NDA.

Related party transactions
During the year, group companies entered into the following transactions with related parties:

Trading transactions
Transactions between the Authority and its subsidiaries were as follows:

Sales of goods to related parties were made at arms length prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

	Sales of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	2012	2011	2012	2011	2012	2011
	£m	£m	£m	£m	£m	£m	£m	£m
Direct Rail Services Ltd	(26)	(25)	-	-	7	7	-	-
International Nuclear Services Ltd	(8)	(8)	17	21	216	229	(199)	(224)
Nuclear Services France SAS	-	(1)	-	-	-	-	(1)	(1)
Nuclear Services Japan KK	(2)	(2)	-	-	-	-	-	-
NDA Properties Ltd		-	-	-	24	17	-	-
Pacific Nuclear Transport Ltd	(14)	(17)	2	-	198	226	-	-
Rutherford Indemnity Ltd		-	-	-	-	-	-	-
Rokkasho KK	-	-	-	-	-	-	-	-

Loans to related parties
Amounts owed by Direct Rail Services Limited represents a loan which is interest bearing at a fixed percentage above Bank of England base rate. The loan is repayable on 31 March 2013.

Key management compensation
Key management includes executive and non-executive directors together with those members of senior management who form part of the Executive Team. The compensation paid or payable to key management for employee services is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Report on pages 43 to 49.

Authority	2012 £'000	2011 £'000
Short-term employee benefits	2,403	2,724
Post-employment benefits	210	374
Other long-term benefits	381	409
	2,994	3,507

33. Intra-Government balances

NDA group - intra-government balances	Receivables: amounts falling due within one year £m	Receivables: amounts falling due after one year £m	Payables: amounts falling due within one year £m	Payables: amounts falling due after one year £m
Balances with other central government bodies	109	-	(9)	-
	109	-	(9)	-
Balances with bodies external to government	188	13	(1,248)	(1,960)
At 31 March 2012	**297**	**13**	**(1,257)**	**(1,960)**
Balances with other central government bodies	51	-	-	-
	51	-	-	-
Balances with bodies external to government	205	15	(1,249)	(1,894)
At 31 March 2011	**256**	**15**	**(1,249)**	**(1,894)**

34. Losses and special payments

The disclosures in this note are in accordance with 'Managing Public Money', and the purpose of this note is to report on losses and special payments of particular interest to Parliament.

Total losses during the year were £2,657,927 (2011: £1,392,648).

Type of loss	2012 Total £	2012 Number of cases	2011 Total £	2011 Number of cases
Stores losses	590	100+	853,862	100+
Losses of pay, allowances and superannuation	13,732	1	45,000	5
Fruitless payments	2,106,755	61	72,490	44
Constructive losses	36,085	3	115,916	1
Claims waived or abandoned	86,741	3	-	-
Book-keeping losses	2,721	47	89,622	5
Exchange rate fluctuation losses	411,303	100+	215,758	41
Total	2,657,927		1,392,648	

The total store losses for the period were £590. These relate to stock disposals, stock rationalisation and movements in obsolete stock provisions. There was no individual stock loss of over £250,000.

Within exchange rate fluctuation losses there are no cases that individually exceed £250,000; the losses relate to cumulative annual losses on sub-contract deals due to fluctuations on the Euro.

Within Fruitless payments there was one payment to the value of £2.1 million in respect of Fuel Element Debris (FED) retrieval equipment at Magnox, which was not required due to a subsequent change in strategy.

Total special payments during the year were £nil (2011: £1,540,000).

A contract loss provision in respect of potentially onerous commercial contracts with foreign countries to reprocess fuel is included within other provisions (note 26) and is not included in the losses disclosed above.

Type of special payment	2012 Total £	2012 Number of cases	2011 Total £	2011 Number of cases
Compensation payments	-	-	1,530,000	2
Extra-contractual	-	-	10,000	2
Total	-		1,540,000	

35. Events after the reporting period

a) John Clarke was appointed as Chief Executive Officer and Accounting Officer of the NDA on 2 April 2012.

b) The financial statements were authorised to be issued for publication on 22 June 2012

c) The GPS Pension Scheme and Nirex Pension Scheme merged into the CNPP on 1 April 2012. The assets and liabilities of the DRS section of the GPS Pension Scheme, INS's participation in the SLC section of the GPS Pension Scheme and the Nirex Pension Scheme were transferred in their entirety into new financially segregated sections of the CNPP: the GPS DRS section, the GPS SLC section and the Nirex section. There is no change in the obligations on the Authority or the Group as a result of the merge

d) Following the conclusion of the Dounreay PBO competition, a new contract for the management of the Dounreay site was awarded to Babcock Dounreay Partnership, effective 1 April 2012.

Introduction to the Site Licence Company Reports

The following pages give a brief report on each of the NDA's designated sites, grouped by the Site Licence Company which operates the site on behalf of the NDA. The SLCs are subsidiaries of their respective PBOs and operate the sites under contract from the NDA.

The reports cover progress towards delivering key milestones and activities outlined in our 2011/2014 three year Business Plan and an overview of safety and environmental performance during 2011/2012.

How to read the SLC reports

Below are some definitions of key concepts and terminology that are used throughout this section of the Annual Report and Accounts.

Summary of health, safety, security & environmental performance

The reports on the SLCs provide an overview of the health, safety and environmental incidents reported during 2011/2012.

The following points define the different types of reportable incidents at a nuclear licensed site, as well as other health, safety and environmental information:

- **Total Recordable Incident Rate and Days Away Case Rate** are standardised measures that we use to monitor industrial health and safety performance
- **RIDDOR** stands for the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, 1995. It applies to all work activities but not to all incidents that may occur
- **The International Nuclear and Radiological Event Scale (INES**) is a scale for communicating the safety significance of events reported at nuclear installations. There are seven levels on the INES scale, ranging from an anomaly (Level 1), which indicates the least serious incident on the INES scale, to a major accident (Level 7), which is the maximum on the INES scale. The data provided in this section indicates the frequency of incidents reported rather than the severity of the incidents
- **Environmental non-compliance** is a breach of a permit condition set by the Environment Agency (EA) or the Scottish Environment Protection Agency (SEPA) that prevents or controls the risk of pollution to the environment.

Key milestones and deliverables

Key milestones are agreed at the start of each financial year to enable the effective measurement of progress against objectives through agreed reporting procedures. The milestones and activities listed for each site are taken from the 2011/2014 NDA Business Plan.

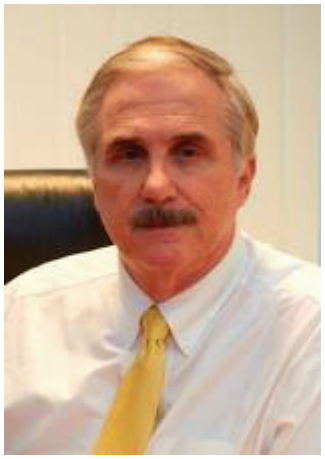
- **Completed** – the key milestone or activity has been completed during the financial year (2011/2012)
- **On Schedule** – the key milestone or activity was due for completion after 31 March 2011 and as at that date was on track to be completed to schedule
- **Behind Schedule** – the key milestone or activity was due for completion before 31 March 2012 and as at that date there had been a delay to the schedule
- **Deferred** – Activity deferred due to re-prioritisation and/or reallocation of funding.

Other site information

- **Parent Body Organisation (PBO)**
  In the NDA's contracting structure a PBO bids to own a SLC. The PBO may form a holding company to hold the shares in that SLC. This PBO then appoints a management team to run the SLC
- **Site Licensee or Site Licence Company (SLC)**
  This is the entity that holds the nuclear site licence and discharge authorisations in respect of a nuclear licensed site and which is directly responsible for day to day site management and operations.

Sellafield Limited

Sellafield Limited is the SLC responsible for the operation of Sellafield (including Calder Hall), Capenhurst and Windscale nuclear licensed sites. The PBO of the company is Nuclear Management Partners Limited (NMP).



Todd Wright
Managing Director
Sellafield Limited

"Looking back over the past twelve months I am struck by the range of challenges we have faced as an industry, and feel great pride in how Sellafield Ltd has addressed these.

The Japanese tsunami and the terrible events which followed focussed a spotlight on nuclear safety and emergency planning. At Sellafield, as elsewhere in the NDA estate, we have been working hard to ensure that learning from Fukushima is embedded into improvement programmes relating to resilience at our sites.

Openness and transparency are key factors if we are to retain public confidence and I believe that publication of the Sellafield Performance Plan has made a significant contribution in this direction.

The Plan, which is available on line at www.sellafieldsites.com, provides a clear explanation of the work we have to carry out in order to deliver the NDA mission, together with clear explanations, targets and milestones.

It took more than two years to develop the plan, using the combined experience of our employees and global experts from our parent organisations to improve performance.

The effort was more than worthwhile! Stakeholder feedback tells me that it's a very accessible, useful document which provides and important tool in holding us accountable for our progress and performance.

Delivery is, of course, what interests our stakeholders. Achievements this year range from making progress in our priority projects of cleaning up the Legacy Ponds and Silos at Sellafield, to reprocessing customer fuel and returning waste to its country of origin.

We have also made historic progress in decommissioning the iconic Windscale Advance Gas-Cooled Reactor (WAGR) and at the world's first civil nuclear power station, Calder Hall, we have started a programme which will see the removal of 40,000 fuel rods from the station's four reactors.

However, while I'm generally pleased with the progress in production, I am very disappointed in our performance in Major Projects, particularly Evaporator D and SDP. Having carried out an extensive review of the projects, we have submitted revised business cases to the NDA.

We have learned from these experiences and have taken steps to embed this learning. This includes the appointment of a new Deputy Managing Director who will take specific responsibility for the Project Management Directorate, and lead on capability enhancement.

We are investing substantial resources in our project capability, restructuring the delivery directorate to bring all elements of project management into one structure, including cost, schedule and supply chain quality issues.

Making sure we have the right people with the right skills is a priority as we continue to take our business forward. Our Integrated Change Programme weaves together a number of fundamental improvements which together will deliver world class nuclear performance. I firmly believe we have the best workforce for the task – we need to help them embed and sustain excellence in everything we do."

Other examples of progress include:

- Pile Fuel Storage Pond
  - First fuel retrieved for over 50 years
  - 20te of metal retrieved
  - Sludge retrieval equipment installed
  - Sludge Treatment Plant constructed
- First Generation Magnox Storage Pond
  - First move of skip handler for ten years
  - Gantry refurbishment
  - D-bay crack remedial action
  - Sludge Packaging Plant 1 – first buffer vessel constructed
- Pile Fuel Cladding Silo
  - Licence received for Retrieval Facility
  - Superstructure construction started

- Magnox Swarf Storage Silos
  - 370m³ liquor transferred reducing radioactive inventory
  - Silo Emptying Plant built

- Historic sea tanks
  - 1,000m³ of radioactive sludge retrieved from older style tanks and treated

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.51
NDA lost time accident rate (Days Away Case Rate)	0.33
RIDDOR major injury	6
RIDDOR lost time accident	25
RIDDOR dangerous occurrence	2
INES incidents	3
Environmental non-compliance	18

Sellafield (including Calder Hall, Windscale and Capenhurst)

Location: Cumbria/Cheshire
Area: 262 hectares

Regulatory Matters

Regulatory support to progress the development of strategic options for Dounreay Fast Reactor (DFR) and consolidation of nuclear materials.
Development of Capenhurst site in line with NDA's Strategy.
Delivery of enhanced uranium hexafluoride management plan.

2011/2012 Business Plan Activities	
Site Restoration	
Progress critical path activities to the start of retrievals for legacy wastes, specifically: ▪ **Magnox Swarf Storage Silos – progress the design for the waste encapsulation and waste product transfer capability** Business case for Silo Direct Encapsulation Plant (SDP) will now be submitted for sanction in May 2012 (planned December 2011).	**Behind Schedule**
▪ **Magnox Swarf Storage Silos – complete the construction of Retrievals Machine 2 and start factory acceptance testing**	**Complete**
▪ **First Generation Magnox Storage Pond – completion of new skip handler tooling and completion of integration works testing** Completion of full commissioning of the Skip Handler Machine is forecast for October 2012 in line with the Performance Plan. The Plant Modification Proposal (PMP) for tooling installation has been submitted to ONR for approval during March 2012.	**On Schedule (against PP)**
▪ **Pile Fuel Cladding Silo – commence stage 2 construction of the 'Superstructure' and control room**	**On Schedule**
▪ **Pile Fuel Storage Pond – progress active commissioning of the local sludge treatment plant storage tanks** Reduced sludge arisings from retrievals to date mean that an early commitment of the facility to active operations is not required. Alternative strategies are being considered.	**Deferred**
Ongoing decommissioning and demolition of redundant facilities, specifically: ▪ **Progress critical path activities to deliver the replacement Separation Area Ventilation stack, which will enable the demolition of the First Generation Reprocessing plant ventilation stack**	**Completed**
Continue programme of asset improvements to manage ageing infrastructure of plant and buildings Improvements ongoing but still behind target as measured against PAS55 (Publicly Available Standard)	**Behind Schedule**
Spent Fuels	
Continue to reprocess Magnox fuel 602te of Magnox spent fuel decanned, inclusive of 32te of legacy fuel, compared to target of 800te.	**Behind Schedule**
Progress the capability to receive and reprocess DFR breeder fuel at Sellafield In January 2012 a developed business case was submitted and accepted by the NDA for the transfer of DSRL exotic materials to Sellafield.	**On Schedule**
Continue to reprocess fuel through THORP; this includes fuel from British Energy (now EDF Energy) as well as overseas oxide fuel 429te of oxide spent fuel sheared compared to the Performance Plan target of 419te.	**On Schedule**

2011/2012 Business Plan Activities	
Manage Nuclear Materials	
Continue the safe storage of uranium Uranium product from ongoing reprocessing operations transferred into storage. De-storage and export has been progressed in line with customer requests.	**On Schedule**
Work on solutions to reduce the hazard associated with the uranium hexafluoride (UF6) tails Technical development work to enable commencement of design of uranium hexafluoride repacking facility completed.	**On Schedule**
Continue active commissioning of SPRS (Sellafield Product & Residue Store) Active commissioning progressing with 361 package transfers made into the store compared to the target of 468.	**Behind Schedule**
Continue to process legacy uranium hexafluoride bottles Active commissioning of process plant continued beyond planned completion date to further understand and resolve technical challenges.	**On Schedule**
Integrated Waste Management	
Continue to process HAL through the vitrification plant An output of 2,329teU equivalent of vitrified waste has been processed, compared to the target of 2,313teU.	**On Schedule**
Continue to export vitrified HAL to overseas customers The second shipment was completed as planned, but third shipment delayed until 2012/2013.	**Behind Schedule**
Continue the construction of Evaporator D to provide additional evaporative capacity – complete critical path activities, specifically: ▪ **Complete sea delivery module for Evaporator D and commence installation**	**Completed**
Continue to retrieve and treat, for long-term storage, legacy flocculent from storage tanks 232m^3 of flocculent transferred and treated compared with the target of 373m^3. Operations significantly delayed by re-suspension and transfer pump issues.	**Behind Schedule**
Continue to transfer legacy Plutonium Contaminated Material (PCM) to modern engineered stores 16 legacy PCM Filter Stillages (crates) re-packaged and transferred from historic stores to the Engineered Drum Store compared to target of 15.	**On Schedule**
Continue to process uranic residues Residue Workstreams 1, 2 & 3 are on schedule to continue processing during 2012/2013. Workstream 4 processing was accelerated into 2011/2012 and has now been completed.	**On Schedule**
Ongoing waste treatment activities to support both commercial operations and decommissioning, such as: ▪ **PCM processed through the Waste Treatment Complex (WTC)** 2,060 PCM drum equivalents processed compared to the target of 1,734.	**On Schedule**
Business Optimisation	
Sellafield MOX Plant (SMP) – progress critical path activities to deliver the new rod line Following the NDA announcement of the closure of SMP the New Rod Line project was brought to a planned closure in November 2011.	**Strategy Revised**

2011/2012 Business Plan Activities	
Critical Enablers	
Sellafield Integrated Change Programme (ICP) – continued delivery of the ICP improvement programme driving performance specifically:	
▪ **New arrangements for the production of safety cases at Sellafield - pilot projects to be completed and new arrangements embedded** The findings of the Right First Time Safety Cases intervention have been presented to ONR and have been received positively.	**On Schedule**
▪ **Increased mobility and flexibility of workforce** Mobility processes were tested during the MOX closure. Learning from this process will be used for future mobility.	**On Schedule**
▪ **Flexible permissioning of work activities** The use of flexible permissioning has already enabled improved delivery on a number of projects (e.g. MSSS Liquor Activity Reduction project).	**On Schedule**

Magnox Limited

Magnox Limited is the Site Licence Company (SLC) responsible for the management and operation of the Berkeley, Bradwell, Chapelcross, Dungeness A, Hinkley Point A, Hunterston A, Oldbury, Trawsfynydd, Sizewell A and Wylfa sites. Magnox Limited is owned by Energy*Solutions* EU Ltd.

Neil Baldwin,
Managing Director, Magnox Limited

"Once again, the Magnox workforce and our supply chain partners can be very proud of what has been safely achieved this year.

The Magnox Optimised Decommissioning Programme (MODP) has been embedded into the baseline, enabling benefits that include optimised programmisation and hazard reduction, at many of our sites, with significant cost reductions.

The baseline change controls inserted, of close to £1.3 billion, were in excess of the original business case promise and, in addition, decades have been removed from the site years to entry to Care and Maintenance. We are now seeking to exceed the MODP.

The scope in this year's plan represented a significant increase over previous years. Although this has presented numerous challenges, the vast majority of scope has been completed by the end of the financial year."

Key developments in 2011/2012

- the insertion of the MODP changes into the baseline; an assured, credible, affordable plan to deliver tangible benefits
- a Safety Case for the inter-reactor transfer (IRX) of fuel at Wylfa has been produced. This major safety case will allow Wylfa to extend generation to 2014
- after more than 44 years and 137 TWh of safe operation, Oldbury's Reactor One finally shut down in February, marking a safe and dignified end to electricity generation. The site's reactors were scheduled to close at the end of 2008 and have generated an additional 7 TWh of electricity, worth an estimated £300 million to the taxpayer
- spent fuel movements within the year totalled 607.5 te
- alignment of procurement processes to support the Magnox Programmes and provide the right commercial framework to deliver the MODP benefits
- integrated programme for cost-effective management of spent Magnox fuel (MOP 9) has been approved by the NDA
- removal of five redundant heat exchangers (boilers) from Berkeley for recycling in Sweden. Each boiler weighs more than 300 tonnes
- all our sites have responded to the Fukushima events with comprehensive action plans for a range of improvements, which will increase our resilience to extreme natural events
- demolition of Bradwell's turbine hall and removal of the site's barrier wing walls are highly visible examples of the progress being made at our accelerated sites
- a significant milestone has been achieved with the receipt of the Conceptual Letter of Compliance (CLoC) for disposal of Magnox wastes in Ductile Cast Iron Containers (DCICs). This confirmation is a significant step forward for our use of DCICs
- embedding of human performance tools enhancing our safety culture.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.38
Days away case rate	0.16
RIDDOR major injury	5
RIDDOR lost time accident	3
RIDDOR dangerous occurrence	2
INES incidents	0
Environmental non-compliance	6

Magnox Support Office

MSO is responsible for the management of the Magnox SLC and operation of the sites via the Executive management team. It consists of a series of functional organisations that provide both leadership and strategic direction and act to ensure demonstration of improved value for money to the NDA.

Activity in the reporting period was focused on the continued functional and organisational redesign, implementation of new structures, staff counselling and early transitional phase of the revised operational model.

2011/2012 Business Plan Activities	
Critical Enablers	
Completion of all activities related to the formation of the Magnox single SLC The former Magnox North and Magnox South companies re-licensed into a single entity 'Magnox Limited'.	**Complete**
Manage skills and capabilities to maintain Suitably Qualified Experienced Personnel (SQEP) and focus on delivery Work programmes have been delivered with no resource limitations adversely affecting delivery. We have continued to develop SQEP resources in a number of areas and we have established a Magnox Strategic Resource Board.	**On-going**
Maintaining confidence of stakeholders. Review socio-economic impacts and delivery arrangements with the NDA. Socio-economic assessment of the implications of the MODP work programme completed and a socio-economic plan for the period 2011-15 developed in consultation with stakeholders and approved by NDA in October 2011.	**Complete**

Berkeley

Location: Gloucestershire
Area: 27 hectares of which 11 hectares are de-licensed and de-designated

Regulatory Matters
Concurrence for use of MiniStores/Ductile Cast Iron Containers (DCICs) for Berkeley ILW.

2011/2012 Business Plan Activities	
Site Restoration	
Preparations for retrieval of ILW from the Active Waste Vaults The refurbished Chute Silo Manipulator and equipment needed for the first vault waste retrievals, was successfully installed. Active commissioning delayed by hydraulic failure.	**Behind Schedule**

Bradwell

Location: Essex
Area: 20 hectares

Regulatory Matters
EA discharge authorisation for FED dissolution received.

2011/2012 Business Plan Activities	
Site Restoration	
Complete factory acceptance testing of equipment for the dissolution of Fuel Element Debris (FED) A strategy change for the FED project has resulted in: • Commencement of early FED retrieval with factory acceptance testing completed offsite and commissioning on 24 Feb 2012. A total of 36 drums of FED were retrieved. • Simplified design for main FED dissolution project linked to abatement system Factory acceptance testing is on-going for the Main FED Retrieval Plant.	**Behind Schedule**
Turbine Hall deplanted and demolished	**Complete**
Completion of pond decontamination	**Complete**
Complete emptying of active waste vaults 3a and 3b	**Complete**
Complete deplanting of the first reactor pile cap charge machine and progress dismantling of reactor pile caps Delays caused by slower than planned project start up.	**Behind Schedule**
Radioactive Waste Management Directorate (RWMD) – Interim Letter of Compliance (ILoC) issued for Bradwell waste streams for MiniStores (DCICs)	**Complete**

Chapelcross

Location: Dumfries and Galloway
Area: 96 hectares

Regulatory Matters
Regulatory milestone entry into Interim Care and Maintenance to be agreed.
Environmental Impact Assessment for Decommissioning (EIAD).
Pond 2 decommissioning strategy agreed with nuclear site regulators.

2011/2012 Business Plan Activities	
Site Restoration	
Continued asbestos removal from heat exchangers and turbine hall Thirteen of the sixteen heat exchangers have now been fully stripped of asbestos and 144,000 bags of asbestos removed from the site.	**On Schedule**
Continued hazard reduction activities towards interim Care and Maintenance Thirty-one ILW flasks despatched and 421m^3 of LLW disposed of with 30m^3 going via the segregated metals route.	**On Schedule**
Completion of pond 1, drain and seal	**Complete**
Spent Fuels	
Continued defuelling in line with MOP requirements Fifty-six flasks, equating to 96te of spent fuel despatched to Sellafield.	**On Schedule**

Dungeness A

Location: Kent
Area: 20 hectares

2011/2012 Business Plan Activities	
Site Restoration	
Complete the dissolution of Fuel Element Debris (FED)	**Complete**
Retrieval and processing of LLW characterised sludge The sampling and analysis phase has been completed. Retrieval equipment has been installed and inactive commissioning is now complete. Tank emptying has commenced.	**Behind Schedule**

Hinkley Point A

Location: Somerset
Area: 19 hectares

2011/2012 Business Plan Activities	
Site Restoration	
Continued removal, packaging and disposal of asbestos Over 100m^3 of asbestos removed from site.	**On Schedule**
Maintenance of facilities in a safe state	**On Schedule**

Hunterston A

Location: Ayrshire
Area: 15 hectares

Regulatory Matters
Regulatory concurrence to the Solid ILW waste management strategy
Regulatory activities for alternative disposal route for reactor decommissioning wastes (including graphite)

2011/2012 Business Plan Activities	
Site Restoration	
Continued retrieval of material from ponds in line with Magnox ponds programme	**Complete**
Develop overarching ILW management approach for the site including the graphite pathfinder project A feasibility study and associated deliverables for a near surface near site graphite disposal facility have been completed. With the decision not to pursue this work further at Hunterston, efforts have been redirected to assessing other ILW disposal strategies for the site including encapsulation and dissolution.	**On Schedule**
Complete ILW wet retrieval equipment inactive commissioning Construction works are substantially complete, active commissioning activities underway and forecast completion October 2012.	**Behind Schedule**
Complete active commissioning of the ILW Store Now scheduled for late 2012 following review of ILW strategy.	**Deferred**

Oldbury

Location: South Gloucestershire
Area: 51 hectares of which 35 hectares have been de-licensed and de-designated.

Regulatory Matters
Regulatory consent/concurrence/no objection for the potential extension of Oldbury Reactor 1.
Post Operational Defuelling Safety Case (PODSC).

2011/2012 Business Plan Activities	
Site Restoration	
Preparations for decommissioning and hazard reduction Plant purged of both carbon dioxide and hydrogen with final isolations on the CO_2 systems to be completed during 2012/2013. Preparations for the draining of turbine hall bulk oils and boron dust removal are in progress for completion during 2012/2013.	**On Schedule**
Spent Fuels	
Commencement of reactor bulk defuelling in line with MOP requirements (following cessation of generation) 32 flasks of spent fuel dispatched. Bulk defueling is scheduled to commence during 2012/2013.	**On Schedule**
Business Optimisation	
Continued electricity generation Generation of 1.39 TWh exceeded target of 1.2 TWh. Final closure 29 February 2012.	**Complete**
Critical Enablers	
Commencement of the organisational change programme for decommissioning Counselling of all staff completed in March 2012.	**On Schedule**

Sizewell A

Location: Suffolk
Area: 14 hectares

2011/2012 Business Plan Activities	
Site Restoration	
Continued removal, packaging and disposal of asbestos Asbestos Containing Materials project removed asbestos on external pipework around the reactor building and around the Turbine Hall Annexe roof.	**On Schedule**
Maintenance of facilities in a safe state Ongoing work includes refurbishment of Active Effluent Treatment Tanks.	**On Schedule**
Spent Fuels	
Continued defuelling in line with MOP requirements Successful despatch of 38 flasks to Sellafield.	**On Schedule**

Trawsfynydd

Location: Gwynedd, North Wales
Area: 15 hectares

2011/2012 Business Plan Activities	
Site Restoration	
Hazard reduction through waste retrieval and decontamination for early Care and Maintenance entry Of the ILW that requires handling and maintenance before Care and Maintenance entry, 72% by activity and 43% by volume has been completed.	**On Schedule**
North and South Fuel Element Debris (FED) civils preparation works Work commenced February 2012.	**Behind Schedule**
Completion of ponds North CD lanes walls preparation (scabbling)	**Complete**
Completion of safestore capping roofs construction Reactor 1 North and Reactor 2 South	**Complete**

Integrated Waste Management	
Ongoing transfer of drums to the ILW store Currently awaiting Independent Nuclear Safety Assessment approval of Decommissioning Proposal Approval Form; prior to active commissioning.	**Behind Schedule**

Wylfa

Location: Anglesey
Area: 21 hectares

Regulatory Matters
Consent to start up following the Reactor 1 statutory outage.
Post Generation Defuelling Safety Case.
Inter-reactor exchange of fuel to facilitate generation.

2011/2012 Business Plan Activities	
Spent Fuels	
Transportation of spent fuel to Sellafield in line with the MOP Successful despatch of 49 flasks to Sellafield.	**On Schedule**
Completion of fuel route projects to facilitate defuelling The strategic decision taken to defer this work based on extended generation and revision of the MOP programme.	**Deferred**
Business Optimisation	
Continued electricity generation 4.47 TWh achieved compared to target of 4.41 TWh.	**Complete**

Dounreay Site Restoration Limited (DSRL)

Dounreay Site Restoration Limited (DSRL) is the SLC responsible for the operation of the Dounreay site. The current PBO of the company is UKAEA Limited which is owned by Babcock International Group (BIG) Limited.

Simon Middlemas
Site Director, DSRL

'DSRL has completed another successful year in 2011/2012 for all core functions: health, safety, security, environmental stewardship and delivery. Throughout the year, DSRL progressed the hazard reduction and delivery mission while simultaneously supporting the competition process for the new PBO Contract. Several landmark decisions finalised during the year will benefit DSRL and the NDA estate, expediting delivery to reach Interim State. Most notably, finalisation of the Programmatic Business Cases for Breeder and Exotic Fuels removal to Sellafield and the UK and Scottish Government approval of Dounreay waste substitution policy'.

Key developments in 2011/2012

- considerable progress has been made on the transfer of fuels from the Dounreay Site, a Developed Business Case for the transfer of Exotic Fuels has been approved
- a project to upgrade Georgemas Railhead to allow transportation of fuels has commenced, this will complete in FY 2012/2013
- a new site fence to meet security requirements has been constructed within the period, commissioning and some additional work requested by the regulator continues
- the Low Level Waste Facility (LLWF) initiated earthwork in 2012 and due to approval by the Highland Council to allow explosives use to condition the rock for excavation, the project is expecting a modest cost reduction and some schedule gain
- detail design of the new Active Analysis Laboratory was completed. This laboratory will enable the decommissioning to continue to Interim State
- completion and approval of HAZOP and PSR for Unirradiated Fuel Characterisation Facility (UFCF). This facility will enable the early off-site transfer of fuel
- significant progress continues on decommissioning active facilities across the Fuel Cycle Area (FCA)
- removal of spent fuel cans from PFR Irradiated Fuel Caves and Buffer Stores
- 18 loads of alkali metal processed through the Sodium Inventory Disposal Plant (SID).

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.39
Days away case rate	0.17
RIDDOR major injury	0
RIDDOR lost time accident	4
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	5

NOTE: From 1 April 2012 the ownership of DSRL passed to a new PBO, Babcock Dounreay Partnership Ltd following successful conclusion of NDA Competition. Following this Simon Middlemas has been replaced by Roger Hardy.

Dounreay

Location: Caithness, Scotland
Area: 74 hectares

Regulatory Matters
Agree and formally modify NII Key Milestones based on the flat £150 million funding scenario.

2011/2012 Business Plan Activities	
Site Restoration	
Complete demolition of Building D1207 (Old LLW treatment plant) to slab	**Complete**
Complete the draining, decontamination of 'hot spots' and sealing of the DFR Fuel Storage Ponds	**Complete**
Spent Fuels	
Complete 305 of the estimated 335 batches of primary NaK from the DFR reactor	**Complete**
Establish site capability for out of reactor DFR breeder fuel transfers to Sellafield	**Complete**
Integrated Waste Management	
Complete all design work for the new installation of the New Active Analysis Lab	**Complete**
Complete design and start phase 1 construction of the new LLW Repository	**Complete**
Complete decommissioning of the Dounreay Material Test Reactor Ancillary Building sentencing tanks Two exceptional weather events stripped the entire roof outer covering from the complex. The building is now water tight and operations resumed on 1 February 2012.	**Behind Schedule**
Critical Enablers	
Provide support to NDA in the competition for a new PBO DSRL fully supported the NDA where the contract commenced on 1 April 2012.	**Complete**

Research Sites Restoration Limited

Research Sites Restoration Limited (RSRL) is the SLC responsible for the operation of the Harwell and Winfrith sites. The current PBO of the company is UKAEA Limited which is owned by Babcock International Group (BIG) Limited.

Alan Neal
Managing Director
Research Sites Restoration Limited

"I have been delighted with the progress RSRL has made this year, both in terms of programme delivery and improving our plans for future decommissioning.

We have delivered more work than was in the original plan for this year at significantly less cost than was estimated, principally due to RSRL innovations; for example the development of a new more cost effective methodology for decommissioning our old active drains.

Decommissioning progress has been very impressive and a series of demolitions of old facilities has resulted in almost weekly changes to our sites – a very visible indicator of the progress we are making.

With the assistance of our Parent Body, Babcock International, we have reviewed the programme for the decommissioning of Winfrith and Harwell with significant opportunities for cost savings being identified.

All of this has been achieved with a keen focus on the safety of our operations. Although RSRL is not vulnerable to an incident like the Japanese tsunami they have learnt lessons and responded positively to requests for 'stress tests' from the regulators. I was also pleased that RSRL were again awarded a RoSPA Gold Award for Safety."

Key Developments in 2011/2012

- reviews by RSRL and its parent body, Babcock International, of the decommissioning programmes for both Harwell and Winfrith, identified opportunities to greatly reduce both the cost and duration of the programmes
- an innovative way of decommissioning active drains on the Harwell site led to significant savings in cost and time for this work
- good progress was made in developing the plans for the transfer of nuclear materials to Sellafield which will lead to early reduction in the security requirements at the Harwell site, with resultant savings
- recovery and repacking of historic Intermediate Level Waste (ILW) cans at Harwell benefited from incremental improvements to the process during the year which resulted in greater than 20% more cans being treated than had been planned
- several buildings, both at Harwell and Winfrith, were demolished during the year resulting in noticeable changes in the skyline of the two sites
- the first load of Low Level Waste was successfully sent to the Augean landfill site. This was the culmination of four years work by RSRL to open up this route which will result in significant savings at RSRL and across the NDA estate
- ONR approved the de-licensing of the North Gate at Harwell. The entire Eastern Area along the front of the site is ready for de-designation by the NDA.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.90
Days away case rate	0.90
RIDDOR major injury	0
RIDDOR lost time accident	4
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	0

Research Sites Restoration Limited Support Office

provides management oversight for Harwell and Winfrith sites. It ensures the decommissioning programme for the two sites is delivered efficiently, safely and with care for the environment.

Harwell

Location: Oxfordshire
Area: 110 hectares of which 18 hectares has now been de-licensed.

Regulatory Matters
ONR agreement in principle for revised arrangements of transporting nuclear material was given in March 2011 and documentation has been submitted to them for DRAGON fuel transfer.

2011/2012 Business Plan Activities	
Site Restoration	
Care and Maintenance of redundant reactors and other facilities	**On Schedule**
Removal of designation from the eastern area of site RSRL completed removal of NDA liabilities from the Phase 2 Eastern Area section of Harwell site.	**On Schedule**
Nuclear Materials	
Developing and implementing a programme for the transfer of nuclear materials	**Completed**
Integrated Waste Management	
Recovery, processing and packaging of solid ILW The achievement of the stretch target 650 cans was attained in February 2012, compared to target of 591.	**On Schedule**
Processing of sludge LLW in the Liquid Effluent Treatment Plant (LETP) Removal of bulk material from Tank 4.2 completed during March.	**Completed**
Processing of radium cans 52 radium cans were processed. The facility has now entered into a state of Care and Maintenance.	**Completed**

Winfrith

Location: Dorset
Area: 88 hectares

Regulatory Matters Agreement to the decommissioning programme – a Winfrith Closure programme was submitted for consideration by the NDA in September 2011.

2011/2012 Business Plan Activities	
Site Restoration	
Care and Maintenance of redundant reactors and other facilities	**On Schedule**

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Low Level Waste Repository Limited

LLW Repository Limited is the SLC responsible for the operation of the Low Level Waste Repository (LLWR) near the village of Drigg in Cumbria. The PBO of the company is UK Nuclear Waste Management Limited.

Dennis Thompson
Managing Director
Low Level Waste Repository Limited

"We enter our final year of the initial five-year contract term in good shape. To date we have successfully completed our contractual commitments and are on schedule to achieve the remaining few.

2011/2012 has been a significant year for the Repository. We submitted a new Environmental Safety Case to the Environment Agency on schedule and we continue to work with them on technical queries to support a successful outcome scheduled for 2013. LLWR has organised itself to fully implement the LLW strategy across the NDA estate to realise the benefits it presents to the Nuclear Industry and UK Tax Payer as a whole."

Key developments in 2011/2012

- organised the Waste Management Services team to facilitate full implementation of the LLW strategy across the NDA estate
- implemented an integrated transport service.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	1.14
Days Away Case Rate	1.14
RIDDOR major injury	0
RIDDOR lost time accident	2
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	0

Low Level Waste Repository

Location: Cumbria
Area: 109 hectares

2011/2012 Business Plan Activities	
Integrated Waste Management	
Decommissioning of Plutonium Contaminated Material (PCM) facilities All in year milestones have been achieved and the critical path remains on schedule.	**On Schedule**
Introduction of new LLW packaging containers New containers have been licensed and are in use with Magnox, preparation for use at Sellafield is underway.	**On Schedule**
Submission of the ESC to Environment Agency	**Complete**
Segregated Waste and Disposal services **First consignment of VLLW achieved in March 2012** 3,915 te of metal and 571m^3 of combustable material diverted away from the Repository during the year.	**On Schedule**
Work with consigning SLCs to further implement the LLW Strategy (ACCELS) Worked collaboratively with Magnox to remove 5 boilers from the Berkeley site and worked with Sellafield Ltd to facilitate successful consignment of 56 Multi Element Bottles (MEBs) to Sellafield.	**On Schedule**

Springfields Fuels Ltd

Springfields Fuels Limited is responsible for the operation of the Springfields fuel manufacturing site.

Springfields

Springfields is a nuclear fuel manufacturing site and is located near Preston in Lancashire. The site manufactures a range of fuel products for both UK and international customers and decommissions historic uranic residues and redundant facilities.

From April 2010, the NDA permanently transferred ownership of the company to Westinghouse Electric including the freedom to invest for the future under the terms of a new 150 year lease. The deal supports the maintenance of high-quality jobs that would otherwise have been gradually shed as commercial operations declined and decommissioning progressed.

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2011/2012 Business Plan Activities	
Nuclear Materials	
The transfer of the site will allow the NDA to focus on its core decommissioning and clean-up responsibilities which have been contractualised with Westinghouse Electric Good progress made in the decommissioning of redundant fuel plants. Activities are in line with agreed schedules. Costs are being controlled within sanctioned spend. Safety performance is good.	**On Schedule**
Continue to clear uranic residues in the uranium recovery plants Residues, for which there are identified disposal routes, continue to be processed in line with the agreed schedule. Development work continues to identify disposal routes for orphaned residues. Preliminary work on assessing 'off-site' residues has been undertaken.	**On Schedule**

Radioactive Waste Management Directorate (RWMD)

RWMD, currently part of the NDA, is running the programme for the Geological Disposal Facility (GDF) on behalf of the NDA. RWMD is being developed into a competent delivery organisation which is capable of applying for and holding regulatory permissions. In due course, it is intended that RWMD will be established as a wholly owned NDA Subsidiary SLC.

Bruce McKirdy
Managing Director
Radioactive Waste Management Directorate

"Good progress continued on our preparation and planning for the implementation of Geological Disposal for the UK's higher activity radioactive waste. Following on from the successful re-structuring of RWMD in June 2011, we have developed plans for forming RWMD into a wholly-owned subsidiary of the NDA. Subject to the necessary approvals and progress with the Government's programme to identify potential sites for a geological disposal facility, we aim to be in a position to form the subsidiary by April 2013.

In November 2011 we became the first organisation to be accredited under the Science Council's employer continuing professional development scheme. This is recognition of our commitment to work with professional bodies to develop our staff and demonstrate professional competence.

We have received positive reviews of our Disposal System Safety Case from regulators and the Government's independent Committee on Radioactive Waste Management (CoRWM). Both have made constructive suggestions for improvements that we will work on with them as we further develop the safety cases. Waste package specifications have been reviewed against the Disposal System Safety Case and revised versions have now been published. We have continued to work with our SLCs and other waste producers to deliver cost effective waste packaging solutions and have strengthened our waste packaging team to allow an improved, proactive approach to be applied.

In response to a challenge from the Energy Minister, we've undertaken a review of options to accelerate implementation of geological disposal. This review is now being considered by Government following independent reviews by CoRWM and the Royal Academy of Engineering. The results of this work, combined with requirements identified through the recently established Geological Disposal Facility Users' Group, will enable us to develop an optimised geological disposal facility implementation programme."

The programme to deliver geological disposal and provide radioactive waste management solutions covers the following objectives:

- support Government in their Managing Radioactive Waste Safely programme
- develop the specification, design, safety case and environmental and sustainability assessments for the disposal system and obtain regulatory support
- in conjunction with waste producers, identify and deliver solutions to optimise the management of higher activity waste
- develop and maintain an effective organisation and secure resources to deliver the GDF programme
- obtain and maintain stakeholder support for our activities
- deliver a focused Research and Development (R&D) programme to support geological disposal and optimised packaging solutions.

NDA Owned Subsidiary Reports

Direct Rail Services Limited

Neil McNicholas
Managing Director
Direct Rail Services Limited

"During 2011/2012 DRS has maintained its position as a key facilitator to the NDA mission through the safe, secure and reliable transport of high hazard material around the estate within the UK.

The business has continued to expand, providing new services to existing customers, as well as introducing new customers within its transport portfolio retaining a strong focus on performance across all areas specifically safety, security and delivery. These have remained a key priority for the company.

Customer focus remains paramount and as a result customer loyalty remains extremely high.

Key developments

- DRS has continued to support the MOP process by delivering 607.5te of spent fuel to Sellafield
- initial movements of LLW have taken place under the integrated transport arrangements with LLWR
- DRS has supported INS in the movement of 225te of spent fuel from UK AGR stations
- DRS have signed a significant contract with DSRL for the movement of spent fuel from Dounreay including the construction of a freight interchange at Georgemas, and are currently working with stakeholders to deliver a lasting socio-economic legacy from this facility
- DRS have secured a substantial contract with Tesco providing intermodal freight services across the UK.

The new 'Super' lowliner wagons have been delivered and deployed in the movement of Proctor & Gamble freight, via a contract with P&OI".

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	8.1
NDA lost time accident rate (Days Away Case Rate)	1.4
RIDDOR major injury	1
RIDDOR lost time accident	3
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	0

NB – numbers not included in totals in the H&S Section.

NDA Owned Subsidiary Reports

International Nuclear Services Limited

International Nuclear Services Limited (INS) manages a large portfolio of UK and international contracts for nuclear fuel recycling and nuclear transport services on behalf of the NDA.

INS operates its own subsidiary company, Pacific Nuclear Transport Limited (PNTL), the world's leading shipper of nuclear materials.

Mark Jervis
Managing Director
International Nuclear Services

2011/2012 was a year of development and change for INS. Early in the year, one key focus was working with our Japanese customers to address the implications of the tragic events of March 2011 in Japan on the NDA's Japanese business, particularly in relation to the Sellafield MOX Plant. Later in the year, INS/PNTL successfully completed two significant shipments.

Development and change came with the successful transition to a new ship manager and the completion of an organisation review to fit its revised business mandate from the NDA. Closer alignment to the NDA also came with the co-location of INS with NDA staff in our two principal offices and a successful migration to NDA's IT systems.

Key Developments in 2011/2012 include:

- **Return of Overseas Wastes**
  Less than six months after the Japanese earthquake and the Fukushima accident on 11 March 2012, INS completed the second UK return of vitrified high level waste to Japan. The transport, which was undertaken in the new PNTL vessel the Pacific Grebe, fulfils contractual and UK policy obligations for return of wastes arising under the NDA's reprocessing contracts with Japanese utility customers.

- **Sellafield MOX Plant**
  On behalf of the NDA, INS worked with Japanese utility customers to review the future of the Sellafield MOX Plant (SMP) in the light of the events in Japan. Resultant potential delays and changed commercial risk profile, the NDA Board concluded the only reasonable course of action was to close SMP. INS will continue to work with the NDA's Japanese customers on the approach for future management of their plutonium currently safely and securely stored at Sellafield under international safeguards.

- **New Ship Manager**
  After a competitive tender process, INS appointed Serco as its new ship manager under a new four year contract. Serco assumed its new role of managing INS' and PNTL's fleet of five specialist nuclear cargo ships on 1 April 2012 after a structured transition process with the incumbent ship manager over the preceding five months. Serco has established a new base in Barrow to manage the contract.

- **Alignment with NDA**
  In order to drive cost efficiencies and also drive improved alignment with its NDA parent, INS has relocated its staff into new accommodation in West Cumbria and Warrington alongside NDA staff. For similar reasons INS successfully migrated onto the NDA's IT systems. During 2011/2012, INS has also reviewed its mandate with NDA and completed a comprehensive Organisation Review. INS has also continued to nurture its role as an NDA centre of excellence for transport package engineering and approval services and has, in particular, grown its support of RWMD's requirements in this area.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0
NDA lost time accident rate (Days Away Case Rate)	0.6
RIDDOR major injury	0
RIDDOR lost time accident	0
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	0

NB – numbers not included in totals in the H&S Section.

NDA Owned Subsidiary Reports

NDA Properties Limited

NDA Properties Limited primarily acts as a property management company for non-nuclear operational properties outside the nuclear licensed site boundaries, in support of the NDA's Land and Property Management Strategy. Over the next three years, the company will concentrate on the refurbishment of its Hinton House property in Warrington and either leasing or disposing of surplus assets.

David Atkinson
Managing Director
NDA Properties Limited

"Our focus for the past 12 months has been on the consolidation of the property portfolio used to support the nuclear estate, including the transfer of the Berkeley Centre office facility into the company from the NDA. This will allow marketing of the property to secure external rental income.

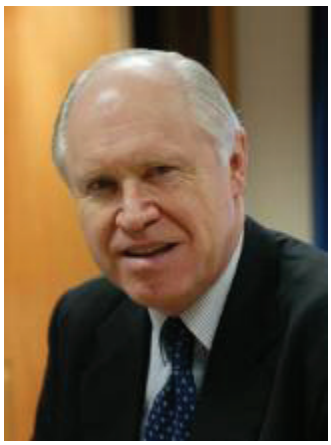
The NDA's London office has been relocated into Government owned buildings, allowing surrender of the lease on Buckingham Gate, and arrangements have been concluded to transfer Warrington based staff into our Hinton House office, increasing occupancy of this building and again reducing rental payments outside the group. In Cumbria transfer of INS and NDA staff into Herdus House has allowed the company's Pelham House office facility to be leased to LLWR, resulting in reduced expenditure with third parties.

Elsewhere, the company has continued to improve the arrangements for facilities management of properties to be retained in support of the wider nuclear estate, and to market surplus property assets."

NDA Owned Subsidiary Reports

Rutherford Indemnity Limited

Rutherford Indemnity Limited is registered in Guernsey and is regulated by the Guernsey Financial Services Commission. The company provides insurance cover for the NDA and its estate. It has continued to focus on the provision of insurance cover at competitive rates to support the NDA programme, with particular focus on nuclear liability cover and provision of support for changes arising from expected revisions to the Nuclear Installations Act.



John Langlois OBE
Chairman
Rutherford Indemnity Limited

"Rutherford continues to give the NDA the security it needs with robust insurance cover, as it has done successfully for many years**."**

Transacting Insurance
The company participates in the NDA's insurance programme with a share of the property damage, nuclear site and transit liabilities, general liability, motor (damage only), construction, marine hull and cargo, life and sickness insurance programmes.

The company retains a prudent proportion of risk for its own account and buys reinsurance in the commercial market from organisations with approved security ratings. This arrangement transfers volatility from the NDA's budget and, by demonstrating a significant financial commitment to the insurance market, enables the NDA to secure appropriate financial protection on competitive terms.

During the year the amount of risks written through the company was increased thereby reducing the reliance on external insurance markets.

Looking ahead to 2012/2013 the company will review its investment strategy and asset allocation with the intention of better matching the return on its portfolio with the rate of inflation applying to its actual and contingent liabilities.

Investment Management
Rutherford's investments have been subject to close supervision throughout the year with a focus on security of capital against a backdrop of low interest rates and high levels of volatility in bond and equity markets driven by, among other things, sovereign debt issues and financial instability in Greece and the Eurozone. At the year-end the company was largely invested in short-dated UK government fixed interest securities pending completion of the comprehensive investment strategy review in 2012/2013. Returns on investments were positive at 0.17% for the year.

Sustainability Report

Purpose

This report is intended to show the NDA's sustainability performance, alongside related financial information, as required by HM Treasury's Financial Reporting Manual (FReM)[1]. It is also part of the effort to improve transparency on sustainability performance under the Greening Government Commitments (GGC)[2]. As a non departmental public body reporting to the Department of Energy and Climate Change (DECC) we have aligned our report to their reporting standard. The boundary for this report is for the NDA administrative organisation (NDA Authority) as this covers direct operational control. There is a previously agreed exemption (by the SDiG Exemption Panel) that the NDA's subsidiaries and wider nuclear site estate are outside this reporting boundary.

Our targets

Optimising internal environment management can contribute to delivery of cost savings to the business, as well as delivering our Environmental Management System (EMS) targets and sustainability commitments to government. As part of our ISO14001:2004 certification [3] NDA has had defined internal environmental performance targets since 2008/2009. Following revised guidance from government, via our sponsoring body DECC, we have re-aligned our Internal Environmental Management (IEM) targets to those GGC targets to be mandated on the wider government estate. These include:

- 25% reduction in CO2e emissions from energy and business travel
- 25% reduction in waste arisings
- Reduce water use and aim for the 'good practice' range of 4-6m^3 per FTE per year in each of our buildings
- Reduce domestic air travel by 20% and reduce paper use by 10% (2011/2012).

These headline targets are to be achieved by 2015.

Summary of Performance

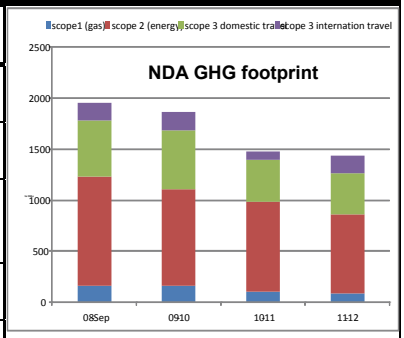
Overall our environmental performance in 2011/2012 was good compared to our baseline year of 2009/2010 (this is the GGC baseline year). Some of the reduction will be due to staff reductions in 2010/2011 (74 staff) when our Organisational Effectiveness review resulted in a re-structuring of the NDA for its core processes, behaviours and internal structures. However some of the improved performance will be due to positive staff actions and infrastructure improvements. The reduction in staff numbers has resulted in some of the efficiency/normalisation factors (resource per FTE) increasing, due to the building baseload component becoming a greater proportion, rather than directly decreasing with occupancy/staff numbers.

We reduced our scope 1 and 2 emissions by 12% this year, with a 22% decrease on the baseline year. Our total greenhouse gas footprint has increased slightly by 3% this year, but overall there is a 21% decrease on the baseline year. Having slightly increased the amount of waste we produced in 2010/2011 (due to staff clearing out their desks when leaving the organisation) we have reduced our generation of waste this year by 47%, which is a reduction of 42% on the baseline year. Our water usage has remained relatively stable over the last 4 years but the usage per FTE has increased due to the decrease in staff numbers. This indicates that our buildings have inefficient water usage (being in the poor practice benchmark range) and which is not directly dependent of the occupancy rate. We are taking steps to reduce our losses and inefficiencies. The NDA also assesses its performance against paper and printing usage as this is one of our major environmental and resource aspects. A 26% reduction in our paper usage paper purchased means that we are well below our target for this year.

[1] http://www.hm-treasury.gov.uk/frem_sustainability.htm
[2] http://sd.defra.gov.uk/gov/green-government/commitments/
[3] LRQA Approval Certificate No: LRQ 4002929/A

Area		Actual	Target performance
Greenhouse gas emissions (Scopes 1, 2 & 3 Business travel including international air travel)		1,441 tCO2e	On target
Office waste	Amount	35.2 te	Target exceeded
	Expenditure	£16,451	-
Office water	Consumption	2,645m^3	On target
	Expenditure	£50,090	-
Office energy	Consumption	1.94 million kWh	On target
	Expenditure	£192,056	-
Office paper	Amount (A4&A3 reams equivalent)	3,731	On target
	Expenditure (total inc. printing)	£80,251	
Office paper - GGC target of cutting our paper (A4&A3) use by 10% in 2011/2012 from a 09/10 baseline		- 48%	Target achieved

Performance

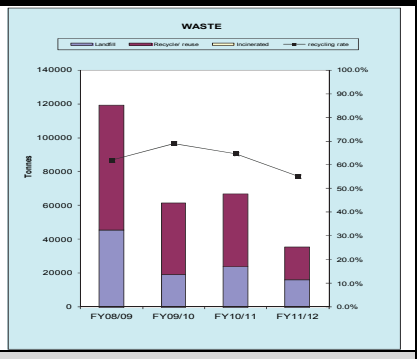
Green House Gas Emissions		2008/2009	2009/2010 baseline	2010/2011	2011/2012	Trend
Non Financial Indicators (t CO2e)	Scope 1 (gas & oil, owned cars)	182	185	118	103	
	Scope 2 emissions (electricity)	1,068	944	878	773	
	Total scope 1 & 2 emissions	1,250	1,129	996	876	
	Total scope 1 & 2 emissions per FTE	3.43	3.23	3.18	3.28	
	Scope 3 (business travel)	708	737	479	565	
	Number of domestic flights	1,330	979	628	533	
	Total scope emissions (1,2 &3) – te CO2e	**1,958**	**1,866**	**1,475**	**1,441**	
Financial Indicators	CRC expenditure	n/a	n/a	n/a	**£1,772,240**	
	Carbon offset cost	0	0	0	0	
	Business travel cost	£1,246k	£1,221k	£983k	£977k	

Targets and Discussions

NDA's target is to reduce its emissions by 25% by 2015 compared to a 2009 baseline – this is in line with the GGC target. Although our emissions increased by 3% this year, we remain on target with a 21% decrease on the baseline year. The increase was due to our Scope 3 international travel emissions. There is a GGC target to cut the number of domestic business flights by 20% by 2015 from a 2009/2010 baseline – we have achieved a reduction of 45% currently.
Due to a regulatory decision NDA had has to take on the CRC responsibilities for the Sellafield nuclear site's electricity usage and CHP gas emissions (due to a strict application of the "landlord/tenant" rule). This has required NDA to become a Full Participant under CRC. Sellafield Ltd drops down to an 'Information Discloser' and does not have to provide any further information or buy allowances. Therefore the NDA's CRC costs in 2011/2012 are an estimate of CO2 from the energy use for NDA and Sellafield at £12 te – split £12,240 and £1,760,000 respectively. Our CRC reporting scope is a subset of our total sustainability reporting scope. At present NDA does not carbon offset.

Direct & indirect impacts summary

The main impacts are from buildings energy use and from fuel for business travel. We have IEM annual targets for both these aspects. The NDA does not include commuter or relocation mileage in its scope 3 emissions. However economical driving techniques are included, as well as safety aspects, as part of a driver training programme for our higher mileage staff.
NDA's electricity is purchased through the Government Procurement Service contract. Procurement follows treasury rules and guidance. FM services procurement includes efficiency as part of the criteria judged. We do not account for supply chain or embedded emissions from purchased products or services. We continue to work with our suppliers as part of our sustainable procurement to reduce our impact to the environment from energy usage.

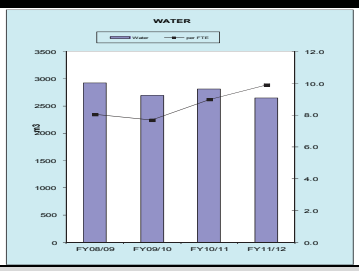
Waste			2008/2009	2009/2010 baseline	2010/2011	2011/2012	Trend
Non Financial Indicators (tonnes)	Total waste arisings (t)		119.2	61.3	66.7	35.2	
	Total waste arisings (t) per FTE		0.33	0.18	0.21	0.13	
	Hazardous waste (t)	Total	-	-	-	-	
	Non hazardous waste (t)	Landfill	45.3	19.0	23.6	15.8	
		Reuse/ Recycle	73.9	42.2	43.1	19.4	
		Recycling rate	62%	69%	65%	55%	
Financial Indicators	Total disposal cost		£14.7k	£14.3k	£16.1k	£16.4k	

Targets and Discussions

NDA's target is to reduce its waste arising by 25% by 2015 compared to a 2009 baseline – this is a GGC target. We have already achieved a 42% reduction on baseline by changing our organisational behaviours and by getting our packaging waste taken away and re-used/ recycled by our suppliers. We intend to try to improve the quality of our waste data, increase our recycling rate and also maintain this level of performance. Our redundant ICT is re-used or recycled by our service provider and therefore is not included in these figures.

Direct & indirect impacts summary

About half our waste generated is paper and cardboard. What we can't re-use internally we recycle.
If an item if ICT cannot be re-used internally it is then put through one of a number of processes by our ICT service provider
-It's offered to the wider estate for re-use
-It's made available for charity if it would be useful to them
-It's recycled
-It's destroyed to the relevant standards (security and environmental standards, etc.) if there is no residual value
As new local waste treatment facilities become operational we intend to use them rather than send our waste to landfill. In 2012 we have changed our facilities management provider and will be working with them to improve the quality of our data and continue to improve our waste management arrangements.
We continue to work with our suppliers as part of our sustainable procurement to reduce our impact to the environment from waste.

Finite Resources - Water		2008/2009	2009/2010 baseline	2010/2011	2011/2012	Trend
Non Financial Indicators (m^3)	Water used (only 3rd part supply) m^3	2,927	2,690	2,813	2,645	
	Waste use per FTE	8.0	7.7	9.0	9.9	
Financial Indicators	Total cost (all rates)	£21.7k	£19.9k	£17.4k	£13.4k	
	Cost per FTE	£59.62	£56.86	£55.47	£50.09	

Targets and Discussions

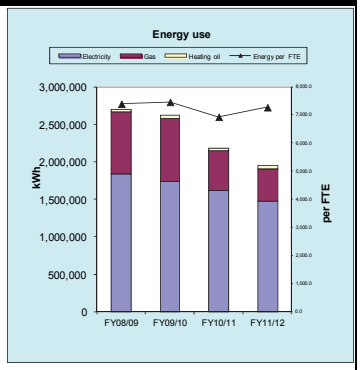
The Greening Government Commitments target is to reduce water consumption by 2014-15 compared to a baseline of 2009/2010. We will also be reporting against the following benchmarks for water consumption per FTE per annum:

- More than $6m^3$ = poor practice
- Between $4m^3$ and $6m^3$ = good practice
- Less than $4m^3$= best practice

Our water usage has remained relatively stable over the last 4 years but the normalised usage per FTE has increased due to the decrease in staff numbers. This indicates that our buildings have inefficient water usage (being in the poor practice benchmark range) and which is not directly dependent of the occupancy rate. This year water usage has reduced by nearly 2% on the baseline year.

Direct & indirect impacts summary

We are taking steps to reduce our water losses and inefficient practices by undertaken actions such as water audits and seeking to make improvements during office relocations. The NDA has no abstracted water use i.e. only scope 2 water usage.
We do not account for supply chain or embedded water usage from purchased products or services. We continue to work with our suppliers as part of our sustainable procurement to reduce our impact to the environment from water consumption.

Finite Resources - Energy			2008/2009	2009/2010 baseline	2010/2011	2011/2012	Trend
Non Financial Indicators (kWh)	Total energy consumption		2,692,963	2,613,826	2,170,925	1,944,637	
	Total energy consumption per FTE		7,398	7,468	6,936	7,279	
	Energy consumption	Electricity non-RE	1,653,620	1,562,140	1,450,056	1,287,201	
		Electricity RE*	183,736	173,571	161,117	185,429	
		Gas	828,591	843,007	530,748	427,041	
		Oil	27,016	35,108	29,004	44,966	
Financial Indicators	Total energy expenditure		£292.9k	£246.0k	£165.3k	£192.1k	

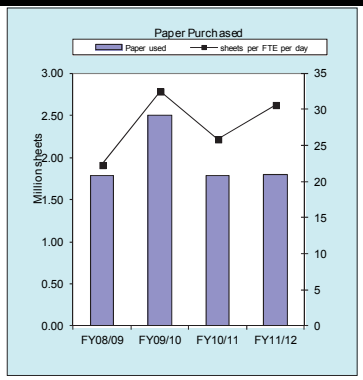
Targets and Discussions

NDA's scope 1 & 2 emissions are dominated by emission from energy. Our own stretch target is to reduce its energy emissions by 37% by 2014/2015 compared to a 2009 baseline. We have made good progress with a reduction of 25%. We are undertaking optioneering studies to identify actions to continue with our good performance.

Direct & indirect impacts summary

The majority of our energy use is directly metered but for some of our smaller offices we are in shared facilities, for which we our allocated by the landlord a proportion of the total energy use based on the pro rata floor space which is generally greater than the equivalent occupancy rate.

We do not account for supply chain or embedded energy usage from purchased products or services. We continue to work with our suppliers as part of our sustainable procurement to reduce our impact to the environment from energy consumption.

Finite Resources – Paper & Printing		2008/2009	2009/2010 baseline	2010/2011	2011/2012	Trend
Non Financial Indicators (million sheets)	Total paper purchased	1.79	2.51	1.79	1.80	
	Total sheets used per FTE per working day	22	33	26	31	
	A4 & A3 reams (equiv) used - GGC metric	N/A	7,193	5,044	3,731	
Financial Indicators	Paper cost	N/A	£19.2k	£13.6k	£11.6k	
	Printing cost	N/A	£187.6k	£143.6k	£68.7k	

Targets and Discussions

We have achieved the GGC target of cutting our paper use by 10% in 2011/2012 from a 2009/2010 baseline. We also have an internal stretch target of cutting our paper use by 64% by 2014/2015 from a 09/10 baseline. We have currently achieved a 48% reduction.

Direct & indirect impacts summary

About half our waste generated is paper and cardboard. What we can't re-use internally we recycle. We are looking at options for introducing tablet devices for some staff as alternatives to hardcopy reports. We are also measuring our total printing costs such as toners, other consumables and hardware.

We continue to work with our suppliers as part of our sustainable procurement to reduce our impact to the environment from paper consumption.

Climate Change Adaptation

We aim to minimize the detrimental effects on climate from greenhouse gases and ozone depleting substances in any relevant work we do, and maximize our resilience and adaptability to climate change. We have implemented a Business Continuity Management System to ensure that critical business functions and key resources are identified, and measures put in place to recover them within an acceptable time frame should a disruptive event or events occur, such as from adverse weather conditions.

Sustainable Procurement including food

The NDA is mandated to utilize the Government Procurement Service (GPS) frameworks where a suitable framework exists. Both GPS and the NDA is committed to sustainable procurement, paying particular attention to ensuring that value for money is obtained and procurement processes are streamlined. The NDA appoints its contractors on the basis of balanced criterion including elements such as financial stability, health, safety & environmental management, quality management etc. The NDA bulks commodities where appropriate and buys collaboratively with the nuclear estate and/ or public sector where suitable opportunities exist. It works with its supply chain to eliminate waste and manage environmental impacts and actively encourages relevant contractors to be more energy efficient. It requires its supply chain to undertake environmental assessments, producing annual environmental reports where appropriate. The NDA ensures stakeholder engagement is maximized and seeks to ensure that any burden on the supply chain is minimised.

Our catering services provider who runs our canteens has a sustainability policy which includes a 'green purchasing policy' which includes an active effort to find sustainable and responsible suppliers for the sourcing of organic, Fair Trade and sustainable products.

Environmental Management System

NDA operates an Environmental Management System (EMS) to ensure that we operate within our stated environmental policy, associated objectives and targets, and have processes for monitoring and controlling our environmental impacts. The EMS is approved to the requirements of BS EN ISO 14001:2004 by LRQA. Objectives and targets are set to maintain continual improvement in environmental performance across the organisation and to raise awareness of environmental issues.

Environmental Compliance

This year we have not had any environmental incidents and not been subject to any enforcement action or fines.

Biodiversity & Action Plans

The NDA does not have a Biodiversity Action Plan. However we encourage tenants on our (non-designated) land to participate in environmental stewardship programmes where appropriate. It is also a contractual requirement for the Site Licence Companies managing our nuclear sites to have in place suitable Biodiversity Action Plans.

Our People

In response to Government imperatives to use public property more efficiently, we re-located our London office into the DCLG building and transferred our staff and INS' Cumbria staff from a small office near Sellafield to our headquarters building, with the benefit of increasing our resource efficiency especially for water and energy.

The Health & Safety team, after consulting with HR on occupational health issues, decided to promote the health and well being of our staff as they are one of NDA's critical resources. This year we established Health Promotion Campaigns which will be delivered on a quarterly basis promoting health and well being on a variety of topics. In addition to the promotional campaigns, in the coming year we will be training our staff in Stress Awareness and Stress management.

Notes:

1. This report has been prepared with reference to guidelines laid down by HM Treasury in 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk.
2. Scope 1 – includes all gas and oil energy including those apportioned pro rata in a shared building. It also includes pool car mileage under control of NDA.
3. Scope 2 – values calculated from monthly supply meter readings.
4. Scope 3 – Aircraft flight information includes domestic, short and long haul – international travel is not excluded. International air travel emissions include an uplift factor of 1.9 to account for radioactive forcing, in accordance with Government Carbon Offsetting Facility (GCOF) rules. Component from taxis claimed as expenses assessed using cost of a 5 mile journey using average fare data. Supply chain or embedded emissions from purchased products or services are not included.
5. We have not reported components where these are not separately identified in tenant service contract charges i.e. some water and waste disposal charges which are not separately billed for.
6. Due to problem in obtaining data after a change in service provider, flight data and information for 2009/2010 has been calculated as an average between 2009/2010 and 2010/2011 data.
7. CRC costs in 2011/2012 are an estimate of CO2 from the energy use for NDA and Sellafield at £12 te CO2 – split £12,240 and

£1,760,000 respectively. The energy figure will be entered into the CRC registry in July 2012 to calculate the allowance costs. Note that for this metric the financial boundary does not coincide with the sustainability reporting boundary.

8. During 2011/2012 one NDA shared office was relocated and one further building closed resulting in changes to the sustainability reporting boundary.
9. Waste masses are assessed by a combination of direct measurement and calculation based on standard waste containers dependent on the type of waste. The data does not include ICT values as these items are returned through our service provider, mainly for re-use or recycling.
10. For a full description of which of our offices our meters and their reporting scope see https://www.nda.gov.uk/news/arac-2011-2012.cfm

Glossary

AGR	Advanced Gas-Cooled Reactors
BAA	British Airport Authority
BDP	Babcock Dounreay Partnership
BNFL	British Nuclear Fuels Limited
C&AG	Comptroller and Auditor General
CEO	Chief Executive Officer
CETV	Cash Equivalent Transfer Value
CFO	Chief Financial Officer
CLOS	Clear Line of Sight
CNPP	Combined Nuclear Pension Plan
CODA	Charge Over Deposit Accounts
COO	Chief Operating Officer
CoRWM	Committee on Radioactive Waste Management
DCF	Dalton Cumbrian Facility
DECC	Department of Energy and Climate Change
DFR	Dounreay Fast Reactor
DRAGON	Name given to high temperature gas reactor at Winfrith
DRS	Direct Rail Services Limited
DSRL	Dounreay Site Restoration Limited
EA	Environment Agency
EHSQ	Environmental, Health, Safety and Quality
ESPS	Electricity Supply Pension Scheme
FCA	Fuel Cycle Area
FED	Fuel Element Debris
FIChemE	Fellow of the Institution of Chemical Engineers
FReM	Government Financial Reporting Manual
FVTPL	Fair Value Through Profit or Loss
GDF	Geological Disposal Facility
GPS	Group Pension Scheme
HAL	Highly Active Liquor
HAST	Highly Active Storage Tanks
HAW	Higher Activity Waste
HSE	Health and Safety Executive
HSSSEQ	Health, Safety, Security,
	Safeguards, Environment and Quality
ICP	Integrated Change Programme
IFRS	International Financial Reporting Standards
ILW	Intermediate Level Waste
INES	International Nuclear and Radiological Event Scale
INPO	Institute of Nuclear Power Operators
INS	International Nuclear Services
ISO	International Standards Organisation
LLW	Low Level Waste
LLWR	Low Level Waste Repository
LoC	Letter of Compliance
LTA	Lost Time Accident
LTIP	Long Term Incentive Plan
LWR	Light Water Reactor
MNOPF	Merchant Navy Officers Pension Fund
MNOPP	Merchant Navy Officers Pension Plan
MNRPF	Merchant Navy Ratings Pension Fund
MNRPP	Merchant Navy Ratings Pension Plan
M&O	Management and Operation
MODP	Magnox Optimised Decommissioning Programme
MOP	Magnox Operating Programme
MOX	Mixed Oxide
MRWS	Managing Radioactive Waste Safely
NAO	National Audit Office
NaK	Sodium Potassium
NDA	Nuclear Decommissioning Authority
NDPB	Non Departmental Public Body
NEBOSH	National Examination Board in Occupational Safety and Health
NED	Non Executive Directors
NII	Nuclear Installations Inspectorate

NMP	Nuclear Management Partnerships
NSC	Nuclear Safety Committee
ONR	Office for Nuclear Regulation
PBO	Parent Body Organisation
PCM	Plutonium Contaminated Material
PCSPS	Principal Civil Service Pension Scheme
PFR	Prototype Fast Reactor
PFSP	Pile Fuel Storage Pond
PNTL	Pacific Nuclear Transport Limited
PPRG	Programme and Project Review Group
PSR	Periodic Safety Review
PWR	Pressurised Water Reactor
R&D	Research and Development
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RoSPA	Royal Society for the Prevention of Accidents
RSRL	Research Sites Restoration Limited
RWMD	Radioactive Waste Management Directorate
SEPA	Scottish Environment Protection Agency
SIRO	Senior Information Risk Owner
SLC	Site Licence Company
SMP	Sellafield Mixed Oxide Plant
SOCR	Support and Overhead Cost Reduction
SPRS	Sellafield Product and Residue Store
Te	Tonnes
THORP	Thermal Oxide Reprocessing Plant
TeU	Tonnes Equivalent Uranium
TWh	Terra Watt hours
UKAEA	United Kingdom Atomic Energy Authority
VLLW	Very Low Level Waste
WAGR	Windscale Advanced Gas-Cooled Reactors
WANO	World Association of Nuclear Operators

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