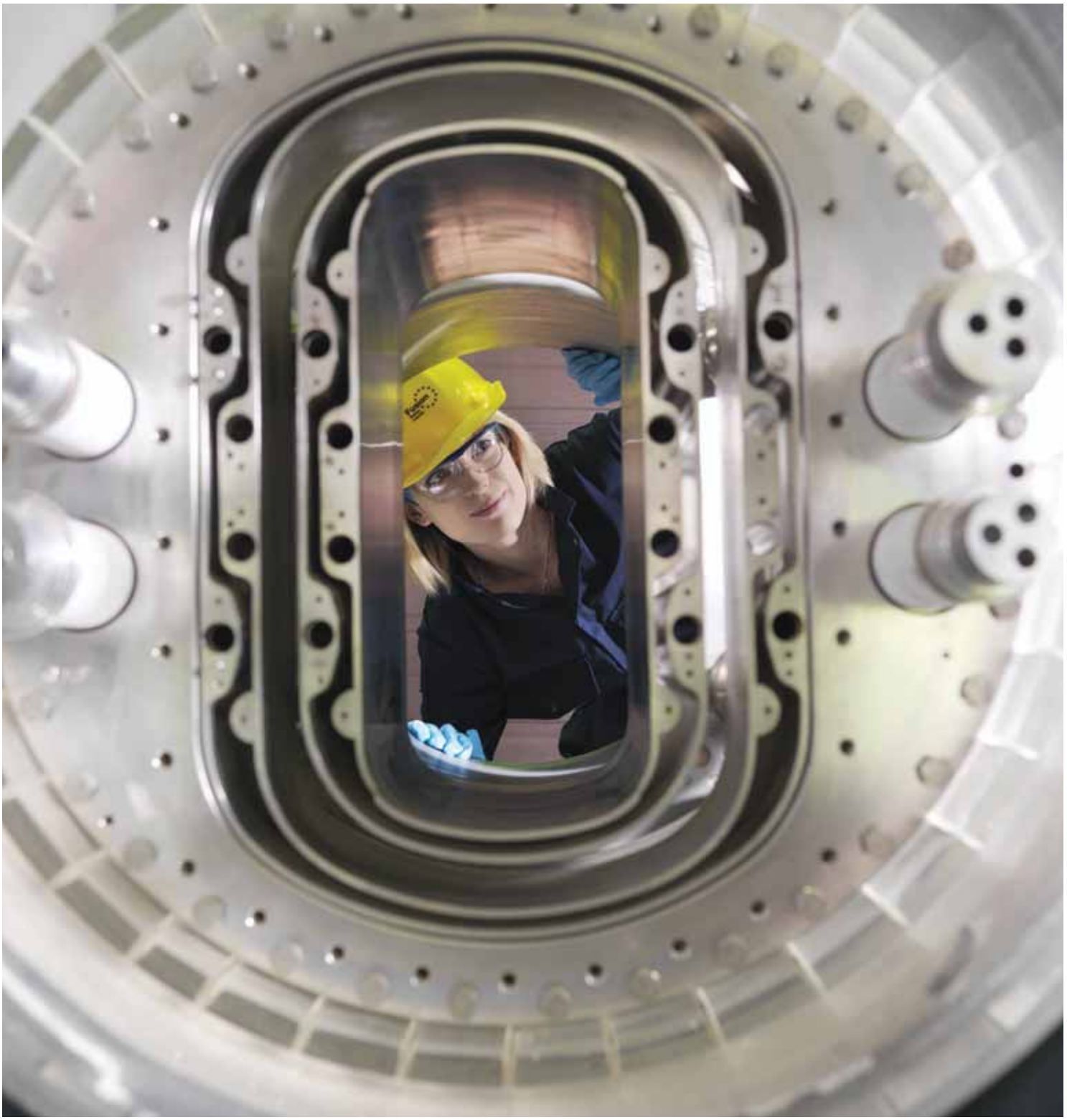

United Kingdom Atomic Energy Authority

annual report and accounts 2009/10

United Kingdom Atomic Energy Authority

CCFE
CULHAM CENTRE FOR FUSION ENERGY

HC 321

United Kingdom Atomic Energy Authority

Annual Report and Accounts 2009-10

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Contents

Waste is being safely stored at Winfrith until a repository is available

Chairman's Statement

Lady Barbara Judge
Chairman

The past year has seen the culmination of the six-year transformation of the United Kingdom Atomic Energy Authority (Authority). When we started this journey, set in motion by the 2004 Energy Act, the path that we were on was to "hold and fold" the Authority so that some activities would be subsumed within other organisations and some would be completed and the Authority would cease to exist. After reviewing our assets, our wealth of experience and the strength of our brand, we concluded that the better course of action would be to build the Authority into a specialist decommissioning and nuclear consultancy, which over time could become a valuable UK nuclear asset. In 2005 with the support of the Government we created our new business plan, pursuant to which we began the process of reshaping the organisation, focusing on our strengths and creating vehicles for success.

Leveraging our long heritage of nuclear site management and decommissioning, and our niche nuclear skills, we started to grow a business of providing decommissioning, waste management and nuclear consultancy services. We successfully expanded our client base beyond the NDA into the wider nuclear decommissioning and new-build markets, both in the UK and increasingly overseas. Confident in our world-class consultancy, we created UKAEA Ltd, a vibrant nuclear business, which was able to punch well above its weight and win work from other larger organisations and government entities.

In April 2008 and February 2009, respectively, we formed the site licence companies Dounreay Site Restoration Limited and Research Sites Restoration Limited, in accordance with the requirements of the Nuclear Decommissioning Agency (NDA). We have consistently delivered challenging decommissioning programmes for the NDA, accelerating decommissioning whilst driving down costs and realising efficiency savings. Extraordinary progress has been made in restoring our former civil nuclear sites, utilising innovative technical solutions and decommissioning some facilities that were once thought too difficult. The numerous achievements over the past few years include:

- destroying a world record 1,500+ tonnes of radioactive sodium;
- decommissioning and demolishing the highly reactive plutonium criticality laboratory at Dounreay;
- restoring and delicensing seven hectares of land at Harwell;
- decommissioning and demolishing the A59 post-irradiation examination facility at Winfrith; and
- pioneering work to enable the safe decommissioning of the Pile 1 reactor at Windscale.

In October 2009, we sold UKAEA Ltd to Babcock International in an auction process for £50 million. Considering our position six years earlier, we created real value for the Government as well as the UK taxpayer, and gave UKAEA Ltd a strong owner, who could fuel further growth.

I would like to pay tribute to the entire Executive team of UKAEA Ltd, who transferred into Babcock International, for their excellent contributions, as well as those who remained with the Authority to help create the future. Subsequently, Professor Steve Cowley became Chief Executive Officer. As Culham Director, Steve has demonstrated his passion and determination to deliver fusion, and he is right person to lead the workforce into the next phase of the Authority's journey.

We have remained at the forefront of international fusion developments, through our crucial research on JET and the UK fusion programme. Looking to the future, the country needs a secure and varied energy portfolio, with an increasing focus on low carbon technologies. Fusion offers huge potential as a cheap, safe form of nuclear power, and the Authority, through its fusion arm, Culham Centre for Fusion Energy (CCFE), has a key role to play in making this a reality.

We are also well placed to develop world-class centres for science, innovation and technology at Harwell and Culham. In 2008, we set up a joint venture with the Science and Technology Facilities Council and renowned property developers Goodman International, to develop the Harwell Science and Innovation Campus. A demonstration of the prestige of the campus is the recent decision to build a major new European Space Agency facility on the campus.

On July 28, 2010, I will come to the end of my second term and therefore this is my last annual report. I am proud that so much has been achieved, during a changing and challenging period. Our success is a testament to the excellent quality of our employees, executives and directors and the early enthusiasm of our business plan by the Government. I offer them all my heartfelt thanks for their support, outstanding enthusiasm and performance, and wish them and the Authority all the best for the future.

Lady Judge CBE
Chairman
28 June 2010

Right Geological isolation of the Dounreay shaft has won a number of major engineering awards

Chief Executive's Review

Steve Cowley
Chief Executive

Without doubt, these are times of tremendous change, but also opportunity for the Authority. I would like to thank Lady Barbara Judge CBE, our Chairman and the departing Board members for leading the Authority with great skill, through a difficult transition and wish them every success in their future endeavours.

In August 2009, we set out our 20-year vision for UK fusion research, centred at Culham, and the UK's role in European and world fusion strategies. We outlined the crucial role we intend to play in the fast track to fusion power programme, which aims to deliver the first fusion electricity in around 30 years time. Our vision was echoed in the research council's review of fusion, which was reported in February 2010.

We operate JET, currently the world's largest fusion facility, for Europe. JET holds the record for fusion power and continues to provide critical data for the next step, ITER. ITER will be twice as big as JET in every dimension and modest extrapolation of JET performance puts ITER into the domain of power plant conditions. We are currently undertaking a €60 million upgrade of JET, which will allow JET to eclipse its own records and help pave the way for ITER. However, for ITER to really hit the ground running it will be necessary to keep JET in action until ITER is operational. It is therefore my goal to get JET's position secured in the fusion roadmap.

In addition to JET, we also have the MAST fusion facility, which is one of the world's two largest spherical tokamak machines. This concept was developed by Culham scientists in the 1990s on a device called START. The beauty of the spherical design is that it is more compact and able to achieve fusion conditions at lower costs. The spherical tokamak is a prime candidate for testing components for fusion reactors. On the back of our vision for the future, we have been awarded additional funding to undertake a major upgrade of MAST. The upgrade will allow us to push the boundary of fusion physics and enable us to provide valuable data for both ITER and the next generation of fusion reactors.

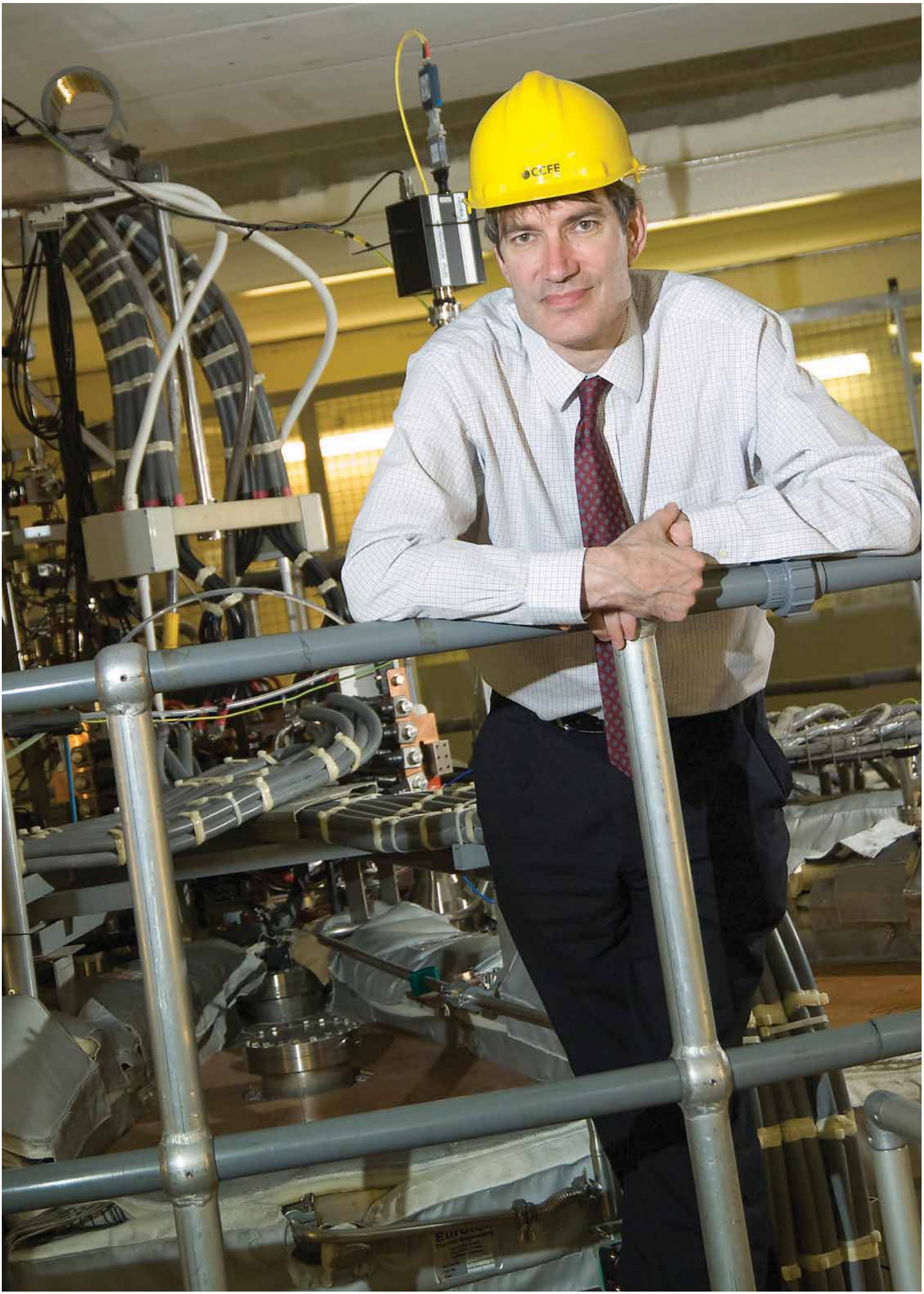
This year we have seen some exciting results at MAST, typified by the exquisite Thompson scattering profiles, providing a level of detail not seen before. This pioneering work was done in collaboration with York University. We are also collaborating with Oxford University on a project researching materials for fusion and fission power stations.

We continue to maintain high levels of health and safety performance and it is our duty to ensure that this remains so. It is gratifying that 90% of respondents in the 2009 employee survey said that they felt safe in the workplace. To ingrain good safety into working practices we have been undertaking a comprehensive behavioural safety training programme for all our staff and contractors.

Our vision for the future is a long-term one and we believe that we must build the foundations for both the Authority's and the UK's continuing success. Our wealth of expertise means that we are well placed to lead the UK's fusion developments and play a role in nuclear fission developments. However, we cannot achieve our aims without another generation of highly trained engineers, scientist and technicians. Thus, we will continue to invest in our engineering apprentice scheme, graduate development, support post-graduate and post-doctoral students, and forge closer links with Universities. We also have an active programme to promote fusion and science in general to the next generation.

Over the next few decades, I see us moving from a fusion science based organisation to a technology-focused one, working with industry to secure the UK's position in the emerging fusion energy market. Developing fusion as a source of commercial power is certainly a technical and financial challenge, but we owe it to future generations to make it happen.

Steve Cowley
Chief Executive and
Accounting Officer
28 June 2010


CCFE

Management Commentary

The United Kingdom Atomic Energy Authority (Authority) is a Non-Departmental Public Body (NDPB) reporting to the Department for Business, Innovation and Skills (BIS), through the Shareholder Executive. Its primary mission is to advance fusion science and technology to the point of commercialisation of fusion energy and to position the UK such that it has a significant role in the fusion energy market.

The Authority was formed in 1954, originally to oversee the nation's nuclear research programme. From 1965, the Authority started branching out into commercial and non-nuclear activities and underwent a number of major restructurings. The latest of these has taken place over the past five years involving the creation of UKAEA Ltd (a nuclear decommissioning and technical consultancy business), and its subsidiaries Dounreay Site Restoration Ltd (DSRL) and Research Sites Restoration Ltd (RSRL). This process culminated with the sale of UKAEA Ltd to Babcock International on 31 October 2009 for £50 million.

Following the sale, the Authority reorganised its structure to reflect the change from a multi-site decommissioning focused organisation to a predominantly fusion research organisation. The opportunity was taken to create a fusion arm, Culham Centre for Fusion Energy (CCFE). The new identity and logo were chosen to reflect the aspiration to be at the forefront of the realisation of fusion as a new energy source, whilst promoting the already strong name of Culham. In addition, a new website was launched – ***www.ccfe.ac.uk.***

CCFE
CULHAM CENTRE FOR FUSION ENERGY

In recognition of its long heritage, the Authority has returned to using its original coat of arms.

United Kingdom Atomic Energy Authority

The ongoing activities of the Authority include:

- operating the JET facility under contract to the European Commission;
- the UK fusion research programme;
- ownership and management of the Culham site;
- freehold ownership of most of the Harwell site and a share in the Joint Venture (JV) to develop the Harwell Science and Innovation Campus;
- nuclear records services, including a contract to manage the Nuclear Decommissioning Authority's (NDA) records in the Harwell archive;
- management of historic liabilities; and
- management of the Authority's pension schemes.

Right The Authority operates the state of the art nuclear archive facility at Harwell


FIRE
EXIT

UK Atomic Energy Authority Highlights

2009/10 has seen the start of a major investment in JET, and approval of a major upgrade to MAST, as well as increased involvement with UK industry and universities

This section summarises performance and the principal risks facing the ongoing Authority; this excludes performance within the UKAEA Ltd Group, which is covered in a later section.

Fusion Research

The Engineering and Physical Sciences Research Council (EPSRC) and Science and Technology Facilities Council (STFC) commissioned an independent review to develop a long-term UK vision for fusion in an international context, as part of the Research Councils UK (RCUK) Energy Programme. In February 2010, the review's findings were issued in the strategy document 'A 20-year Vision for the UK Contribution to Fusion as an Energy Source'. The report reiterated support for fusion research as a potential energy source, praised the high standard of work at Culham and recommended the development of a long-term funding mechanism for both the domestic tokamak programme and the UK contribution to JET – ***http://www.epsrc.ac.uk/Content/News/UKFusionEnergyStrategy.htm***

JET

JET is Europe's premier fusion facility and is operated by CCFE under the European Fusion Development Association (EFDA) Agreement. JET completed its latest experimental campaign in Autumn 2009 and entered a major 14-month engineering shutdown, which will considerably improve the device's capabilities in support of ITER, the next-generation international fusion experiment.

The most recent campaign included experiments with helium plasmas and is of great scientific interest for ITER, which will use helium in its initial phase of operations before it starts to run with the optimum deuterium and tritium fusion fuel mix.

The engineering enhancements began to be installed in November 2009, and will be the most significant on JET since 1993, adding 60 million of new equipment (procurements funded by EURATOM and overseen by CCFE as operator of the facility). They will allow operation as close to the conditions foreseen for ITER as is possible with any present-day machine. They include a new inner wall that will test the beryllium and tungsten plasma-facing materials that will be used in ITER. At the same time, a major refit of the Neutral Beam Injection system will provide a considerable amount of additional plasma heating, and the diagnostic systems will be improved to allow more detailed studies of plasma characteristics.

UK Fusion Programme

A key outcome of the RCUK review was the approval of a major upgrade to the Mega Amp Spherical Tokamak (MAST) device and £20 million funding for this from EPSRC. The upgrade will ensure that the UK continues to be a leading player in fusion research, and is targeted for completion in 2015. The upgraded facility will:

- assess the feasibility of a cost-effective Component Test Facility to help study the engineering of commercial fusion reactors;
- study the physics of high-performance plasmas to improve the future operation of ITER; and
- trial reactor systems, notably the 'Super-X diverter' – an innovative plasma exhaust system with the potential to handle the huge power loads of future commercial reactors.

During 2009/10, valuable studies continued on the existing MAST facility, utilising an improved Thomson scattering laser diagnostic that was commissioned in autumn 2009. The new £2 million system was a joint project with the University of York and enables MAST to provide the most accurate data on plasma temperature and density of any tokamak currently operating.

Meanwhile, collaborations with universities have been strengthened with the introduction of a remote control room at York, allowing researchers and students to run MAST plasma experiments and analyse data direct from the university campus. CCFE is also participating in a major EPSRC-funded £6 million collaborative project led by the University of Oxford on research into materials for both fusion and fission power stations.

ITER

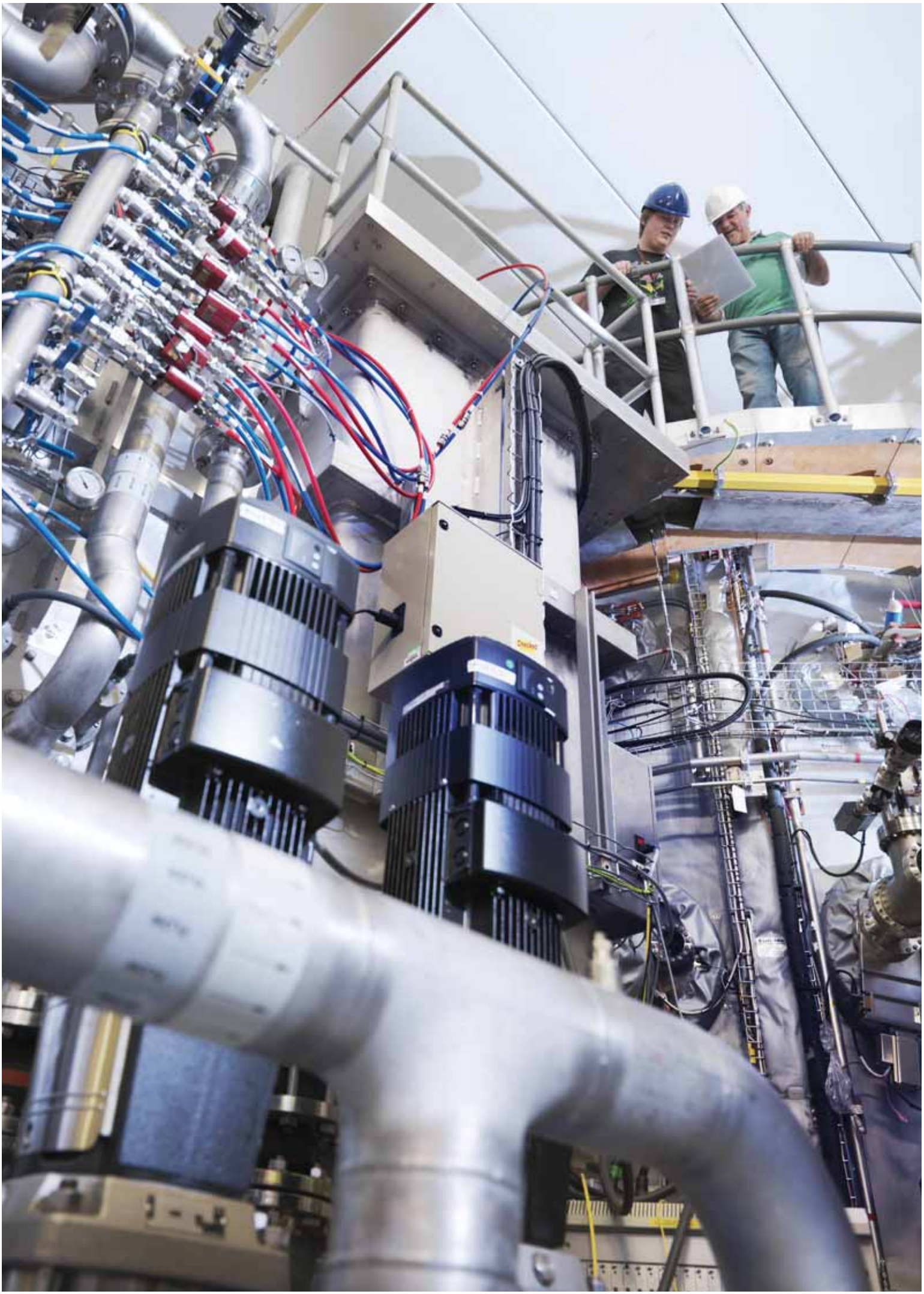
ITER is a global scientific collaboration to prove the feasibility of energy from fusion on an industrial scale. Construction of the ITER facilities is underway at Cadarache in France.

Europe's ITER agency, Fusion for Energy (F4E), allocates grants and contracts to fusion laboratories and industry to complete the research and design for specialist ITER heating and measurement systems and construction of major components. CCFE won over ten grants / contracts during 2009/10 including:

- a 3.7 million grant, with other laboratories, for the detailed design of a radiofrequency antenna;
- a major 5.7 million grant for the development of the Neutral Beam Injector Systems;
- a related grant worth 1.6 million to CCFE as a third party; and
- smaller grants in areas such as neutronics analysis, and reviews of ITER instrumentation and control.

The ITER Organisation itself places some direct contracts with industry and laboratories around the world. CCFE has now won a couple of these small contracts, in areas of technical specification writing and neutronics categorisation of radioactive waste. Over the coming year CCFE will continue to bid and increase its participation in ITER projects.

Right The MAST upgrade project will enable testing of conditions and materials for future fusion reactors



UK Atomic Energy Authority Highlights

CCFE has also encouraged UK industry to compete for ITER work, and several companies won large contracts during the year, from both F4E and the ITER Organisation.

In February 2010, Frank Briscoe, formerly Director of Operations at Culham, became Director of F4E.

Property Development

The Authority owns substantial property holdings on the Culham and Harwell sites. One of its long-term objectives is to develop the sites into vibrant science and technology based business centres, in line with the Government's innovation policy.

Culham Science Centre

Culham Science Centre is the home of the Authority and CCFE, and is host to the JET facility. The site has also been developed as a significant location for commercial science and technology businesses. Over 40 organisations are based on the site employing some 1900 people; these range from major business to the Culham Innovation Centre, which provide space for small/start up businesses.

Despite the challenging economic conditions, occupation of the commercial property space has been maintained at a high level and a number of companies have expanded into additional space during the year.

The Authority is planning for the renewal of buildings and infrastructure to meet the future requirements and aspiration of site occupants. Work continues to consult and engage with the local authority and other stakeholders, and to develop a high-level master plan to guide the site's physical development.

As part of this regeneration, a programme of demolitions of redundant buildings has started, and will continue in 2010. A package of infrastructure improvement works, aimed at addressing some safety and security issues on site, has also been completed.

Harwell Science and Innovation Campus (HSIC)

In 2008, the Authority, STFC and Goodman International formed a Joint Venture (JV) to manage and develop the HSIC. The Authority has committed 120 hectares of land to the JV, while Goodman International has taken over day-to-day management of the site. The JV produced its first business plan in 2009. Its vision is to create a world-leading centre for science, technology and innovation, creating up to 5,000 new jobs.

Around 100 organisations are based on the campus, employing over 4,500 people; these range from major companies to public sector research organisations to start-up businesses. Major new science facilities are being built on the campus; in 2007, Diamond Light Source, the UK's premier synchrotron facility was opened, and in July 2009, Lord Drayson, the former Minister of State for Science and Innovation, announced the establishment of a new European Space Agency facility at the campus.

A significant part of the Harwell site is designated for nuclear clean up and decommissioning and is leased to the NDA on a long-term basis. However, the Authority is funding remediation of the eastern part of the NDA leased area, so that this land can be handed back to the Authority following delicensing and dedesignation. This land will then be available to the JV for redevelopment.

Right Opening of the new main gate at Harwell is a key step in the release of 23 acres of land from the nuclear licensed site


High visibility jackets must be worn beyond this point

UK Atomic Energy Authority Highlights

Key Performance Measures

The Authority seeks to set itself stretching targets. The key performance measures, and outturns for the year are set out below. Staff are incentivised to help the organisation achieve these targets, with bonus also being reduced if less than 70% of the programme milestone are met or if the Total Recordable Incident Rate (TRIR) exceeds 1.5.

Over 70% of the milestones related to the UK Fusion Programme and JET Operations were achieved. The milestones cover the range of activities at Culham: operation of fusion devices, management of shutdown activities, upgrades to fusion facilities, fusion science, collaboration with industry, collaboration with universities, educational and public outreach, upgrades and enhancements to IT and HR systems.

The targets related to the achievement of Occupational Health and Safety Improvement Plan targets and of the level of operating profit for commercial property were both exceeded. A number of the Environmental Management Programme actions were not completed and the target level of actions was not achieved, primarily due to manpower effort. This will be rectified in 2010/11 through a coordinated Safety, Health and Environment Improvement Plan.

The number of milestones and deliverables achieved on CCFE's work funded by contracts with F4E or supported by F4E grants was within the target range.

The Authority's share of manpower funded by EFDA was increased by 5.9%. This was a creditable performance but was below the target level of 6%.

Principal Risks

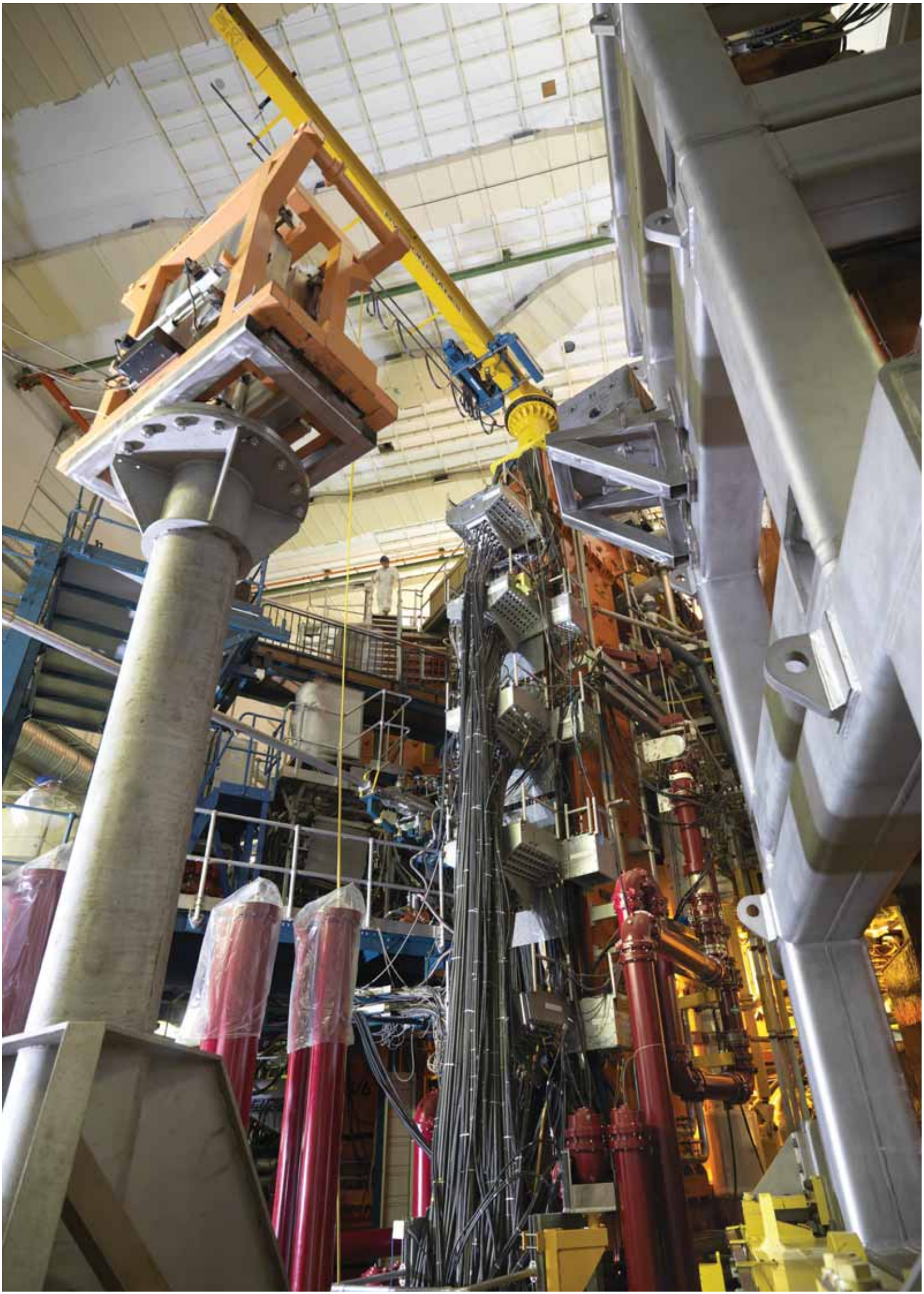
Safeguarding people and the environment are key values of the Authority. The management of the risk of a major safety or environment incident is of paramount importance. Robust safety measures and systems are in place in the Authority to drive good safety and environmental performance. In addition, safety initiatives and improvements have continued, such as the behavioural safety training programme and targeted communications on specific topics.

The Authority is recognised as a world leader in fusion research. Its future is strongly linked to the world collaborative programme to construct ITER. The large increase in the projected cost of ITER construction is putting strong pressure on the availability of European funding to both the JET and UK Fusion programmes. Funding for the UK Fusion programme is also under pressure as the Authority needs to divert some of its basline EPSRC funding to finance the upgrade of the MAST machine (to augment the £20M new funding) and to absorb one-off and step cost increases. The Executive are working on a programme that will meet the Authority's objectives and satisfy key stakeholders, whilst remaining within the available funding.

The work of the Authority is developing in new directions with the start of work on ITER Systems and MAST upgrade. The Authority is aware of the risk that there could be a mismatch of available skills and its requirements and is embarking on a comprehensive review of staff skills in order that appropriate deployment and training are in place.

Right JET is a key component in the international programme to develop fusion as a viable energy source

Performance measure	Target	Achieved
Programme milestones		
Deliver the 24 UK Fusion Programme milestones.	As stated in the milestone	70.8% - 16 and 2 part milestones
Deliver the 17 JET operations milestones	As stated in the milestone	77.6% - 11 and 3 part milestones
Other performance measures		
Complete 2009/10 Occupational Health and Safety Improvement Plan actions	75 – 85% of actions	86% of the actions were completed
Complete 2009/10 Environmental Management Programme actions	85 – 95% of actions	71% of the actions were completed
Generate an operating profit on commercial property at Culham	£447k – £527k	Operating profit of £579k achieved
Achieve majority of the milestones and deliverables on F4E Grants and Contracts awarded to CCFE and consortium partners.	80 – 95%	90.5%
Increase Authority's share of manpower funded via EFDA tasks	6.0%	5.9%



Corporate Social Responsibility

Safety, sensitivity to the environment and social responsibility are integral to the Authority's working culture. In particular, the Authority aims to:

- safeguard the health and safety of the public, employees and contractors;
- protect the environment;
- consult and engage with stakeholders;
- support the prosperity and well-being of local communities;
- deal fairly with contractors and suppliers;
- be open and transparent in communications; and
- maintain good employment practices.

This section presents the position and statistics of the ongoing Authority only. Some details of the UKAEA Ltd Group for the period to the 31 October 2010 are given in pages 17 - 19.

Health, Safety & Environment

Incident statistics

The Authority uses the Total Recordable Incident Rate (TRIR), which is the ratio of work-related injuries per 200,000 hours worked, as a key safety measure. The 12-month rolling average at March 2010 was 0.37, up marginally on the previous year, but still low by industry standards. The ratio of occurrences to near misses has declined markedly over recent years falling from a high of 0.46 to the current 0.13. This indicates that a positive incident reporting culture exists within the Authority allowing most risks to be addressed prior to any loss or personal injury occurring. No events were reportable on the International Nuclear Event Scale and no fatalities or serious injury occurred.

Electrical Safety

The JET and MAST experimental devices at Culham operate at very high voltages and currents and electrical safety is therefore of critical importance to the Authority's overall safety performance and is arguably the Authority's most significant day-to-day safety hazard. Over the last two years, significant resources have been directed towards ensuring installations (some of which are more than 20 years old) meet modern standards. Following an independent review of electrical safety arrangements further work has been undertaken to ensure working practices meet the highest standards.

Radiation dose

The total radiation dose to the 706 monitored/classified people employed by CCFE in 2009/10 was very low. The highest individual radiation dose was 0.700mSv, substantially below the individual legal limit of 20mSv. The average occupational dose received by employees was 0.013mSv, which is less than 1% of the average background radioactive dose received by members of the public.

Discharge authorisations

The very low levels of liquid, solid and gaseous discharges made during the year were a small fraction of radioactive discharge authorisation limits set by the Environment Agency (EA), and well below levels that would cause harm to human health or to the environment. During the reporting period, the EA issued a revised authorisation, which better reflected the current needs of the Culham site. While some limits were reduced, others were increased and two new disposal routes for solid radioactive waste were granted; land burial as very low level waste or incineration. Contracts are being established to open these routes.

Management Systems and Quality

The Authority is certified to ISO9001, ISO14001, and BS OHSAS18001 for all its activities at Culham demonstrating that its integrated management system meets these internationally recognised standards for quality, environmental, and health and safety management. During the year, the Authority has undertaken a major update of systems used to control work to ensure quality and safety are enhanced while reducing the burden on staff. Within the certified management system, the Authority undertakes a comprehensive internal audit programme to provide assurance that standards are being maintained and to drive improvement.

Security

The Authority continued to maintain robust standards of security and to work in accordance with the regulatory requirements of the Office for Civil Nuclear Security.

Emergency Arrangements

The emergency arrangements for Culham include a strategic plan, which provides advice and guidance in the event of an emergency involving a radiological release. This is supported by emergency procedures, which provide guidance on dealing with emergencies involving:

- fire;
- explosion;
- spillage of hazardous materials;
- counter terrorist;
- specialist rescue; and
- medical emergency.

Regular training and practice drills ensuring effective emergency action takes place at both building and site level. Periodic audit and review of the arrangements also ensures they are kept up to date.

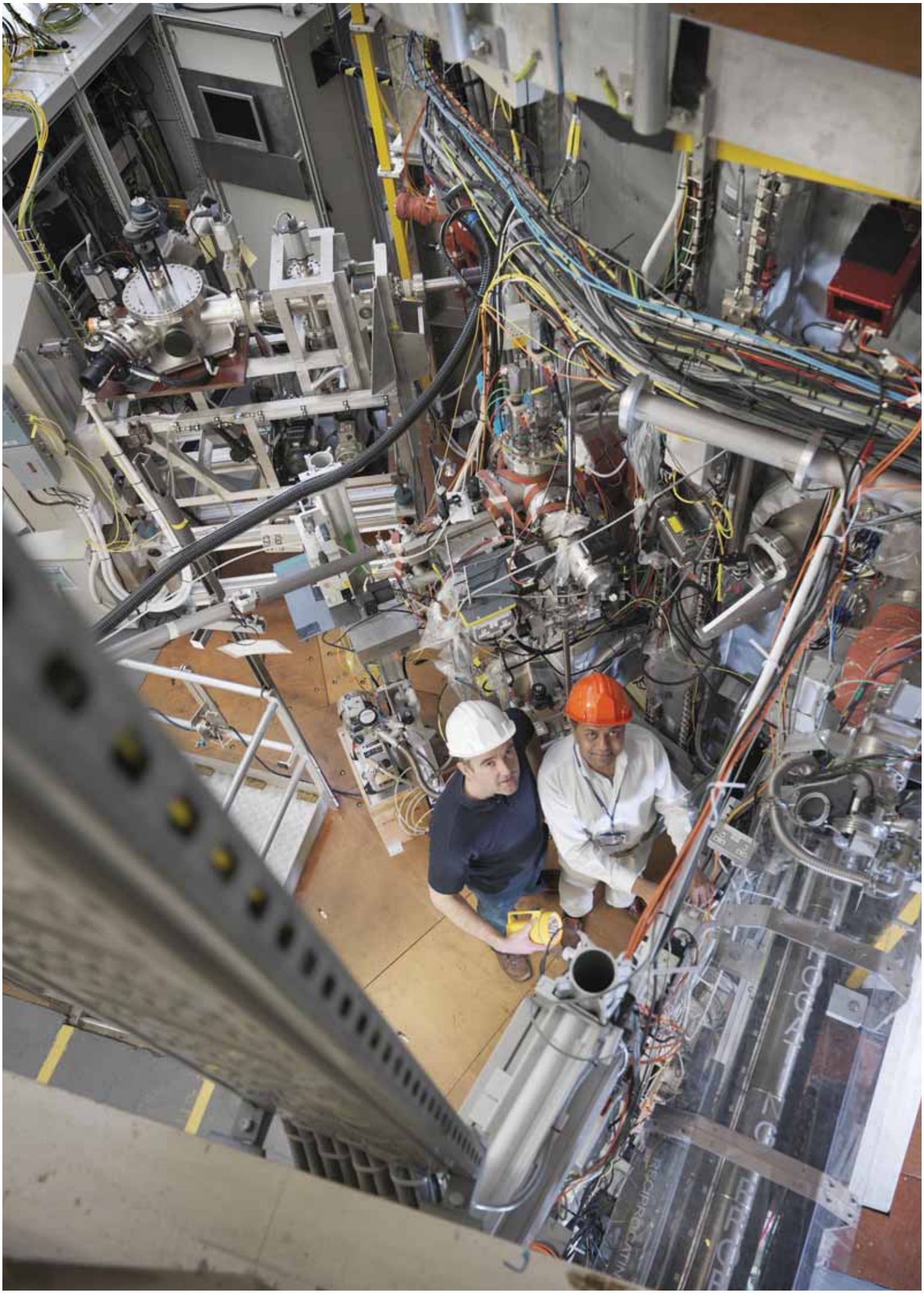
Data Protection

A data protection steering group, chaired by the Senior Information Risk Officer, continues to assess information assurance arrangements to protect data handling systems and personal data, in line with Government guidance.

Around 90% of staff have successfully completed the Level 1 training provided by the Cabinet Office and data protection is included in the induction of new starters.

There were no reportable personal data related incidents during the year.

Right Safe working is essential, given the high power nature of JET and MAST



Corporate Social Responsibility

Stakeholder Engagement

Outreach and Stakeholder Engagement

CCFE continued to run a strong outreach and education programme, promoting fusion to the public and encouraging students to pursue careers in science and engineering. This comprised of:

- school visits and public visitor evenings at Culham;
- external talks, including a presentation by Professor Steve Cowley at the prestigious 'TED Global' ideas festival in Oxford;
- attendance at science and careers fairs;
- media appearances;
- the Sun Dome education road show, which is being expanded to cover secondary schools as well as primary schools; and
- CCFE's first open day for students considering research in fusion, hosted at Culham in partnership with a dozen universities.

Dialogue with stakeholders at local, national and European levels was maintained – among notable visitors to Culham in 2009/10 were:

- Lord Drayson, the former Minister of State for Science and Innovation;
- MEPs Catherine Bearder, James Elles and Marina Yannakoudakis; and
- a delegation from the European Commission-sponsored Realising and Managing International Research Infrastructures project.

An Open Evening for local Councillors was held in April 2009, and in June 2009, a seminar on energy issues at Culham to mark former Director Chris Llewellyn Smith's retirement was attended by key figures from the UK energy sector and the European fusion community.

During the year the CCFE Sponsorship Fund made 36 donations to a range of charities and good causes including educational projects for schools (particularly those with a science or technology focus), local project and staff fund raising events.

Contractors

The Authority aims to deliver its work programme in a way that is safe, environmentally responsible, value for money and publicly acceptable. In order to do so the Authority offers a wide range of openings for contractors and keeps contractors briefed on the contracts it is putting to competition. To support the requirements the Authority uses a variety of contract strategies depending on the nature of the requirement, its complexity, and the maturity of the individual market and supply base.

Freedom of Information

124 requests for information were received in 2009/10 and treated under the Freedom of Information Act regime. 100% were completed within the 20-day limit, and of these 56% were completed within 5 working days. The Authority's publication scheme can be found at ***www.atomic-energy-authority.org.uk.***

Staff

Key Staff Changes

Upon the sale of UKAEA Ltd the following changes to the Authority Executive occurred:

- Norman Harrison (CEO), Andrew Jackson (CFO) and Colin Bayliss (Operations Director) resigned their positions on the Authority Board. They, along with Stephen White (Authority Secretary), transferred to Babcock International;
- Steve Cowley was appointed to the Board as CEO and Accounting Officer; and
- A new Executive Committee was formed consisting of Steve Cowley, Eric Hollis (CFO & Authority Secretary), Martin Cox (Operations Director) and Derek Stork (Director of Technology).

Staff Numbers

The Authority had an average of 579 full time equivalent (FTE) employees during 2009/10, which is stable compared with 579 in 2008/09. In addition, an average of 465 FTE agency workers were employed.

During the year, the number of employees in corporate activities significantly reduced to reflect the change in the organisation. This was achieved by moving staff into new roles, voluntary redundancies, and early retirements, and was done with the full involvement of the trade unions. This decrease has been offset by recruitment to support fusion activities, in particular in the engineering and technical fields.

Staff Engagement

Communications with staff are provided via a range of media including electronic (email and intranet), team briefs, talks, posters and regular staff newsletters including the Culham In Brief and Culham Star, which provide news and important information relating to staff, and the Quarterly Safety Brief, which highlights health and safety issues, and best practice.

The Authority Joint Council acts as an official forum for trade union representatives and senior management to discuss employee issues. The Joint Council meets quarterly.

During 2009, an employee survey was carried out to engage with staff and measure response to change. Positive aspects of the results included that 84% of employees were willing to go the extra mile to achieve their objectives, 80% enjoyed the work they did and 90% felt safe in the work place. Areas identified for improvement included career development and management of poor performers. Actions are being integrated into existing/planned initiatives and programmes.

Right The engineering apprentice scheme is a key part of investment in the future work force

Development and Training

The Authority recognises that its staff are its greatest asset and that the full potential of its employees will only be achieved by ensuring that they have the right skills, behaviours and opportunities. Examples of this support include:

- strengthening of management through executive coaching and a management development programme;
- personal development including behavioural competency frameworks and piloting of a mentoring scheme;
- the graduate development scheme and the engineering apprentice scheme at Culham, both of which provide vocational development for young people;
- organisational development and succession planning;
- employees consultation initiatives, engaging staff on key issues such as workload/resource ratio, meetings, empowerment and recognition; and
- working in partnership with the Trade Unions.

Sickness Absence

The average sickness absence per employee for the Authority during the 2009/10 year was 4.37 days per person. This figure is a reduction on the previous year (5.35 during 2008/9) and represents half of the public sector average of 9.8 days per person.

Equal Opportunity

The Authority is an equal opportunity employer and does not discriminate on the grounds of age, sex, ethnic origin, religious belief, sexual orientation, Trade Union membership or disability.

UKAEA Ltd Group Highlights

The sale of UKAEA Ltd to Babcock International was the successful culmination of the strategy to develop a vibrant nuclear services business competing in the NDA and broader markets, which the Government approved in 2005. The sale provided a profit of £27.5m, which was remitted to BIS, representing an excellent return for the taxpayer.

This section summarises performance within the UKAEA Ltd Group up to its sale and separation from the Authority in October 2009.

UKAEA Ltd

UKAEA Ltd is the Parent Body Organisation for Dounreay Site Restoration Ltd (DSRL) and Research Sites Restoration Ltd (RSRL), which operate the decommissioning programmes at Dounreay and Harwell/Winfrith respectively, under contract to the NDA. UKAEA Ltd is also responsible for managing the Windscale decommissioning projects at Sellafield under contract to Sellafield Limited, delivering all the milestones agreed with the customer.

In addition to these 'Tier 1' roles, UKAEA Ltd's consulting and projects support business continued to grow, diversify and strengthen its position in the nuclear services market, both in the UK and overseas.

In the UK, UKAEA Ltd continued to supply a range of technical support services to DSRL and RSRL. A key safety case and peer review framework contract was secured from Sellafield Ltd and work continued on three framework contracts with the NDA to provide state of the art research in nuclear waste processing; material characterisation; and actinides and strategic materials. In the nuclear new build market, UKAEA Ltd secured a key framework contract to support the licensing requirements of one of the future new-build owner/developers.

Overseas, UKAEA Ltd worked with SOGIN of Italy to develop fully integrated decommissioning baseline plans for three Italian research reactor sites and with ITER in France to provide major engineering and programme support.

In addition to this, UKAEA Ltd is the leading supplier of pension administration to the UK nuclear industry, covering some 61,000 members. This included the successful transitioning of DSRL and RSRL from the Combined Pension Scheme of the Authority to the Combined Nuclear Pension Plan of the NDA, following the sale of UKAEA Ltd to Babcock.

DSRL

DSRL is the site licence company responsible for delivering the safe clean up and demolition of the former atomic research site at Dounreay, Caithness.

Dounreay Site Restoration Programme

The Dounreay site contains some of the highest hazards of the UK's civil nuclear sites. Good progress continues to be made in reducing the site's major historic liabilities, including:

- continued destruction of radioactive sodium-potassium coolant from the Dounreay Fast Reactor (DFR);
- preparations for containment of DFR breeder fuel;
- removal of the first of three 9m high dump tanks, which formed part of the Prototype Fast Reactor's (PFR) secondary sodium circuit, from the reactor's steam generation building;
- installation of a new ventilation system for the Fuel Cycle Area, which will enable accelerated decommissioning of the area's facilities.

Off-site restoration continued with the monitoring of local beaches and clean-up of the seabed. A remotely operated vehicle detected and retrieved more than 115 particles in the two-month underwater clean-up campaign.

Waste Management

DSRL is carrying out enabling works for construction of the major plant needed to retrieve waste from the historic waste shaft and nearby silo. This involves levelling a large area of ground and installing underground services in preparation for construction.

In preparation for retrieval of the waste from the silo, the project team carried out a video inspection of the interior of the Intermediate Level Waste (ILW) waste facility, which also provided valuable information on the condition of the waste.

Site enabling works continued for the ILW treatment plant and store, which will turn solid and liquid waste at Dounreay into a passive form safe for long-term storage.

Safety and Environment

Safety performance remained good and at the end of October 2009, the rolling total recordable incident rate was 0.37. Despite accelerating the decommissioning programmes, individual radiological doses remained at extremely low levels, a testament to good techniques being deployed.

DSRL was awarded a British Safety Council Sword of Honour for 2008. The Sword of Honour is the most prestigious international health and safety accolade that a company can receive, and is designed to encourage and reward organisations that work to best practice.

Right Commissioning is underway on a new facility to remove breeder fuel from the Dounreay First Reactor

UKAEA Ltd Group Highlights

RSRL

RSRL is the site licence company responsible for delivering the safe clean up and demolition of the former atomic research sites at Harwell, Oxfordshire and Winfrith, Dorset.

Harwell Restoration Programme

A critical path activity for restoration of the Harwell site is the removal of radioactive waste from the historic tube stores. This task is being accelerated now that the second, more adaptive, retrieval machine is fully-operational.

Good progress continues to be made in sorting and repacking waste in the head-end cells. Where possible waste is segregated into ILW (Intermediate Level Waste) and LLW (Low-Level Waste) streams, as this is more cost effective and makes better use of limited waste repository capacity. ILW will be made passively safe using the newly built Waste Encapsulation Plant, in preparation for long-term storage. Other waste activities undertaken during the year included:

- processing of remote handled ILW in the former radiochemical laboratory in B220;
- immobilisation, removal and cementation of legacy sludges from the Liquid Effluent Treatment Plant tanks; and
- processing of various radioactive sources under the Environment Agency's programme.

The Authority continued to support remediation activities to prepare the eastern end of site for delicensing. It is anticipated that 15% of the site will be delicensed and designated during 2011, with the land released being available to the HSIC JV for redevelopment.

Winfrith Restoration Programme

ILW in the form of the remaining radioactive sludges from the Steam Generating Heavy Water Reactor's (SGHWR) operational days and thorium waste stored at Winfrith was made passively safe in the Winfrith East Treatment Plant. The cemented drums were transferred to the Treated Radioactive waste Store for storage until a suitable national repository is available.

The Winfrith Abrasive Cleaning Machine removed surface contamination from steel structure, thus allowing the bulk of material to be recycled and significantly reducing disposal costs.

Remedial work was carried out on the SGHWR and Dragon reactor structures to ensure that they could be kept in a state of long-term care and maintenance.

Safety and Environment

Safety performance remained good and at the end of October 2009, the rolling total recordable incident rate was 0.45.

Right Legacy wastes at Harwell are being made passively safe by encapsulation in cement

Below Recycling of steel is maximised at Winfrith by removal of surface contamination


Fire exit

Financial Review

Sale of subsidiaries

On 31 October 2009, the Authority sold its subsidiaries UKAEA Ltd, DSRL and RSRL to Babcock International. The disposal is treated in the 2009/10 Annual Accounts as a discontinued activity and full disclosures are given in Note 12 to the Accounts. The continuing Authority Group comprises the Authority's fusion operations at Culham Science Centre, property operations at the Culham site and at Harwell through the Authority's share of the Harwell Science and Innovation Campus Joint Venture, a small records management activity based on the Harwell site and the wholly-owned subsidiary AEA Insurance Ltd (AEAIL). In addition, the Authority retains responsibility for the management of the Combined Pension Scheme (CPS) and of various historical liabilities that are mainly funded by BIS.

All proceeds from the sale of the three subsidiaries were remitted to BIS. The profit on sale, after costs of sale and the elimination of the Authority's investment in UKAEA Ltd, was £27.5m.

Outsourcing of IT Activity

On 1 May 2009, the employees of the Authority's IT management team, known as ISaT, were transferred under TUPE arrangements to a private sector company, CSC. The cessation of this activity is not material to the Accounts and does not meet the criteria for disclosure as a discontinued activity.

International Financial Reporting Standards (IFRS)

With effect from 1 April 2009, the Authority has adopted IFRS as the basis for the preparation of its accounts. Full details of the adjustments made, and the restatement of comparatives where applicable, are given in Note 4 to the Accounts.

Operating Performance

Revenue for the year amounted to £106.1m (2009 - £105.6m). Operating profit for the continuing Authority was £5.3m (2009 £1.6m). The increase of £3.7m was mainly due to the effect of IFRS adjustments relating to the annual investment property revaluation, which in 2009/10 led to a £2.5m credit to the income statement (2009 - £2.5m debit), a higher level of costs capitalised at £4.8m (2009 - £1.8m) and a profit of £0.3m in AEAIL, mainly owing to reduced claims reserves (2009 - £1m loss) The retained profit for the year after financing, and including the profit for the year from discontinued operations, was £31.4m (2009 - £1.6m). This increase of £29.8m was largely due to a £26.7m profit from discontinued operations, comprising the profit of £27.5m on the sale itself (remitted to BIS), reduced by a trading loss in UKAEA Ltd, DSRL and RSRL in the seven months to 31st October 2009. The factors that affected operating profit in the continuing Authority, described above, also affected retained profit.

Fixed Assets

Details of the movement on fixed assets are set out in Notes 14-16 to the Accounts.

Nuclear Liabilities Estimate

The estimated cost of decommissioning and environmentally restoring the JET facilities at the Authority's Culham site is £164.4 million, in 2009/10 money values and discounted at 2.2% to the date of the Statement of Financial Position. It is expected that the part of the Culham site on which the JET facilities are located will be designated to the Nuclear Decommissioning Authority (NDA) after the current research programme has ended and the liabilities will be transferred to NDA at that time.

Insurance

During 2009/10, the Authority insured most non-nuclear risks through its wholly-owned subsidiary, AEAIL, which also provided some non-nuclear insurance for UKAEA Ltd up to 31 October 2009. AEAIL also covers some nuclear risks, but in the main where necessary these continue to be covered by the UK Government under the Nuclear Installations Act 1965. The Authority will continue to cover most of its remaining insurance requirements through AEAIL.

Taxation

The profit and loss account shows an income tax debit of £0.7m relating to deferred tax adjustments triggered by an increase in the valuation of the Authority's investment property. The estimated tax charge for operational activities is nil owing to the utilisation of current year losses within the Authority to offset taxable profits within its subsidiary UKAEA Ltd for the period 1 April to 31 October 2009. A claim for group relief for this period is being prepared. The Authority continues to submit annual claims for research and development tax relief to HM Revenue and Customs (HMRC), most recently for the 2008/09 financial year.

HMRC have confirmed that the profit on the sale of the Authority's subsidiaries is exempt from tax under the Substantial Shareholding Exemption.

The Authority is discussing with HMRC the treatment of brought forward losses and capital allowances in excess of depreciation, part of which relate to the discontinued decommissioning activity. The outcome of these discussions does not affect the 2009/10 tax position, as sufficient current year losses are available to offset any taxable profits within the Group.

Pensions

Following the sale of the Authority's subsidiaries on 31 October 2009, current employees of UKAEA Ltd, DSRL and RSRL ceased, where applicable, to be members of the Authority Combined Pension Scheme (CPS). The Authority retains overall responsibility for the management of the CPS and for the preparation of its annual Accounts. Further details of Authority pension arrangements are set out in Note 27 to the Accounts.

Borrowing

The Atomic Energy Authority Act 1986 permits the Authority to borrow from the National Loans Fund and elsewhere if the Secretary of State for BIS, with HM Treasury approval, consents. Borrowing is subject to an overall limit that stood at

£200 million throughout the year. There were no borrowings during the current or previous year.

Charitable and Political Contributions

During the year, the Authority made charitable contributions of £63,234 (2008/09 £126,333) to local charities in line with its policy of supporting local stakeholders. This included, for the period to 31 October 2009, contributions made on behalf of, and funded by, the NDA. No political contributions were made in the current or previous year.

Research and Development

Costs associated with the Authority's research and development activities are charged to the profit and loss account as incurred.

Statement of Payment Policy and Practice

The Authority follows the Confederation of British Industry Prompt Payment Code. Its policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are aware of the terms of payment and to abide by the terms of payment.

In addition, the Authority has complied, where applicable, with the prompt payment guidance for public sector organisations, which its previous sponsoring department, BERR, issued during the 2008/09 financial year This set out the requirement to pay suppliers within 10 days in order to assist the cash flow of smaller businesses, subject to the submission of valid invoices and to the usual financial control procedures.

During the year, the Authority's suppliers were paid within an average of 8 days (2009 – 7 days), which is well within both the 30 days specified in the Prompt Payment Code and the 10 day public sector requirement.

Going Concern

The Directors believe that the continuing commitment of both the UK and Europe to Fusion Research, and the acceptance by BIS of responsibility for costs associated with specified Authority liabilities are sufficient to support continuing operations for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

Corporate Governance

The United Kingdom Atomic Energy Authority has a policy of seeking to comply with established best practice in the field of corporate governance, insofar as it applies to the Authority, and has adopted core values and standards which set out the behaviours expected of staff in their dealings with stakeholders, customers, colleagues and suppliers.

The Board

The United Kingdom Atomic Energy Authority is controlled through its Board of Directors who are appointed by BIS. The Board's main role is to establish the Authority's vision, mission and values, set strategy and structure, and exercise accountability to the Authority's stakeholders. The Directors who served throughout the year unless otherwise stated are set out below.

Chairman

Lady Judge

Executive Directors

Steve Cowley, Chief Executive *(appointed 31 October 2009)*
Norman Harrison, Chief Executive *(resigned 31 October 2009)*
Colin Bayliss *(resigned 31 October 2009)*
Andrew Jackson *(resigned 31 October 2009)*

Non-Executive Directors

John Kennedy
Mark Slaughter
Ken Vowles
Arnold Wagner

The appointments of John Kennedy, Mark Slaughter and Arnold Wagner ended on 31 May 2010, 4 April 2010 and 30 April 2010 respectively. Steps are being taken to appoint replacement Non-Executive Directors.

Biographical details of the Directors are included on pages 26 - 28. The responsibilities of the Directors are included on page 33.

The Board, which met seven times during the year, has a schedule of matters reserved for its approval. This includes: establishing the overall strategic direction of the Authority within the policy and resources framework agreed with the responsible Government Minister; reviewing the Authority's corporate objectives and goals; approving the annual accounts, budget and corporate plan; ensuring that high standards of corporate governance are observed at all times; and reviewing the safety, environmental and security performance of the Authority.

The Board delegates responsibility for day-to-day and business management control to the Chief Executive who is assisted by key senior managers comprising the Executive Committee. The Executive Committee meets every month. Specific responsibilities delegated to the Executive Committee include: development of Authority performance measures; implementation of the strategies and policies as determined by the Board; monitoring of the operating and financial results against plans and budgets; and developing and implementing risk management systems.

The members of the Executive Committee from 1 November 2009, in addition to the Chief Executive, were:

Martin Cox	–	Operations Director
Eric Hollis	–	Chief Financial Officer and Authority Secretary
Derek Stork	–	Director of Technology

Biographical details of these Executive Committee members are included on pages 27 and 28. Their remuneration for the period from 1 November 2009 has been included in the Remuneration Report.

The roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board and the Chief Executive is clearly defined and has been approved by the Board. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman's objectives are set out in a letter from the BIS Shareholder Executive.

The Chief Executive has direct charge of the Authority on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Authority and its subsidiaries. The Chief Executive is also the Authority Accounting Officer and is responsible to Parliament through the Committee of Public Accounts for the stewardship of resources. His responsibilities are set out in a letter from the BIS Permanent Secretary and the accompanying Accounting Officer Memorandum. The Accounting Officer has a personal responsibility for the propriety and regularity of the public finances for which he is answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all available resources. He is also responsible for taking formal action if the Authority Board is contemplating a course that would infringe these requirements.

Directors and Directors' Independence

As at 31 March 2010, the Board comprised the Chairman, one Executive Director and four independent Non-Executive Directors. The Non-Executive Directors constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The independent Directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

The Board considers all its Non-Executive Directors to be independent in character and judgement. No Non-Executive Director:

- has been an employee of the Authority within the last five years;
- has, or has had within the last three years, a material business relationship with the Authority or its former or current subsidiaries;
- receives remuneration other than a Director's fee;
- has close family ties with any of the Authority's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies; or
- has served on the Board for more than nine years.

Corporate Governance

Board Committees

The number of full Board meetings and committee meetings attended by each Director during the year was as follows:

	Board	Remuneration Committee	Audit Committee
Lady Judge	7 (7)	2 (2)	–
Norman Harrison	4 (4)	–	–
Colin Bayliss	4 (4)	–	–
Steve Cowley	3 (3)	–	–
Andrew Jackson	4 (4)	–	–
John Kennedy	7 (7)	2 (2)	3 (3)
Mark Slaughter	7 (7)	2 (2)	3 (3)
Ken Vowles	7 (7)	2 (2)	3 (3)
Arnold Wagner	6 (7)	2 (2)	3 (3)

Figure in brackets indicate the maximum number of meetings in the period in which the individual was a Board member.

Remuneration Committee

During the year the Remuneration Committee comprised Lady Judge, John Kennedy, Mark Slaughter, Ken Vowles and Arnold Wagner. The Committee was chaired by Arnold Wagner (from 1 May 2010 by Ken Vowles). All members of the Committee were independent Non-Executive Directors. The Remuneration Committee met twice during the year. When necessary, non-committee members were invited to attend.

The Committee's principal responsibility is to make recommendations to BIS on the level of Directors' remuneration. In addition the Committee regularly reviews the Authority's executive remuneration policy in relation to its competitors and industry norms and contract periods.

As the members of the Authority Board are appointed by BIS, the Authority does not maintain a nominations committee.

Audit Committee

During the year the Audit Committee comprised John Kennedy, Mark Slaughter, Ken Vowles and Arnold Wagner. The Committee was chaired by Mark Slaughter (from 5 April 2010 by Ken Vowles). All members of the Committee were independent Non-Executive Directors. The Audit Committee met three times during the year.

During the year, the Committee had at least one member possessing what the Smith Report describes as recent and relevant financial experience. It will be seen from the Directors' biographical details, appearing on pages 26 and 27 that the other members of the Committee brought to it a wide range of experience from positions at the highest level both in the UK and the USA.

Under its terms of reference, the Committee is responsible for: monitoring the effectiveness of the external audit process and approving the terms of engagement and remuneration of the external auditor; endorsing the Authority's policy on the provision of non-audit services by the external auditor; monitoring and reviewing the effectiveness of the internal audit programme; reviewing the actions and judgements of management in relation to annual and other financial statements before submission to the Authority Board; and reviewing annually the system of internal control and the processes for monitoring and evaluating the risks facing the Authority.

Board of Directors

Chairman and Non-Executives

Lady Judge CBE

Appointed to the Authority Board on 1 September 2002 and appointed as Chairman on 30 July 2004 and reappointed in July 2007. In June 2010 she was awarded Commander of the Order of the British Empire in the Queen's Birthday Honours for services to the Nuclear and Financial Services Industries.

She is a US-trained lawyer with a broad international career as a senior executive, chairman and non-executive director. In addition to her current role, she is also Chairman of the Business Advisory Board of the UK National Nuclear Centre of Excellence and Chairman of the Energy Institute of UCL. In addition she is a member of the UAE Advisory Board for the Development of Peaceful Nuclear Energy. She was previously a member of the board of directors of the Energy Group of the Department of Trade and Industry, and was its representative on the Program Board, which was the predecessor to the NDA.

She is also a director of a number of public listed and private companies which include NV Bakaert SA and Magna International Inc. Previously, she was Commissioner of the US Securities and Exchange Commission, Executive Director of Samuel Montagu & Co Ltd and Deputy Chairman of Friends Provident plc.

Ken Vowles OBE

Appointed to the Authority Board on 1 May 2002. He is a Non-Executive Director of Cegelec and a Professor at Herriot-Watt University, Edinburgh. He served as an advisor to the Performance and Innovation Unit (PIU) on renewable energy to the DTI's Energy Advisory Panel and is currently a member of the Advisory Committee on Business and the Environment. He was formerly Executive Director International at Scottish Power plc and played a significant role in the development of the company in helping change it from a public utility to a successful multi-national.

Mark Slaughter

Appointed to the Authority Board on 5 April 2005; his appointment ended on 4 April 2010. He is Chief Administrative Officer at Investcorp. A qualified nuclear physicist, he started his career at Westinghouse (Bettis Atomic Power Laboratory) in 1979 before becoming a lawyer with major New York law firm, Cravath, Swain and Moore in 1984. He joined Goldman Sachs International in 1986 and became the company's Chief Operating Officer in 2000. In 2005, he joined Citigroup as Managing Director/ Chief Operating Officer of Global Banking and held this position before joining Investcorp in 2009.

John Kennedy

Appointed to the Authority Board on 1 June 2005; his appointment ended on 31 May 2010. He is Executive Chairman of Wellstream Holding plc and Non Executive Chairman of BiFold Fluid Power, Hydrasun Holdings, Welltec International ApS and Maxwell Drummond Holdings. He is a Director of CRH Plc, Integra Group and Sabre Oil & Gas. He also acts as an advisor and consultant to several oil field service companies.

A qualified Chartered Engineer and Fellow of the Institution of Electrical Engineers with over 35 years experience in the oil and gas sector, Mr Kennedy started his career at Schlumberger and has held several senior management positions which include President, Western Atlas; President, Kellogg Oil & Gas; President, Dresser Enterprises and Chief Operating Officer, KBR. He was appointed Executive Vice-President, Halliburton in 1999 and held this position until 2002 when he moved into private equity. He led the buyout of Wellstream and Vetco International in 2003 and 2004 respectively and then successfully led the IPO of Wellstream in 2007. He was awarded the Sloan Fellowship at the London Business School in 1993.

Board of Directors

Arnold Wagner OBE

Appointed to the Authority Board on 1 May 2006; his appointment ended on 30 April 2010. He retired as Director, Human Resources at Smiths Group plc in October 2009. Prior to this, he was Director of Group Personnel at the support services group, Bunzl plc and Director of Personnel and Administration for the Scientific Equipment Division of Fisons plc. He led the largest single school PFI project in the UK when he was the Chair of Governors at JFS School. He was awarded the OBE in 2003 for services to education.

Current Executive Team

Steve Cowley

Joined the Authority in September 2008 as Director of Culham and was appointed to the Board as Chief Executive on 31 October 2009.

A qualified physicist and Fellow of the American Physical Society and the Institute of Physics, Professor Cowley started his career at Princeton University in 1987 following his post-doctoral work at Culham. In 1993, he joined University of California, Los Angeles (UCLA) and became a Professor in 2000. From 2001, he led the plasma physics group at Imperial College, London for three years and remains a part time professor at Imperial College. In 2004, he was appointed Director of the Centre for Multi-scale Plasma Dynamics at UCLA and held this position before joining the UK Atomic Energy Authority in 2008. He recently co-chaired the US National Academy's decadal assessment of, and outlook for plasma science. He has published over 120 papers and articles covering theory of fusion plasmas, the origin of magnetic fields in the universe, the theory of plasma turbulence and explosive behaviour in both laboratory and astrophysical plasmas.

Martin Cox

Martin Cox is responsible for the day-to-day running of the UK's fusion research programme, and for the operation of JET on behalf of EURATOM and fusion laboratories across Europe. Mr Cox is a theoretical physicist who joined Culham upon graduating, working on plasma modelling. He then became involved in the operation of the experimental facilities. In 1994 he was appointed the Project Manager for the design and construction of the MAST device. From 2000, when the Authority assumed responsibility for the operation of JET on behalf of the European fusion community, he became manager of Machine Operations Department, overseeing the operation of most of the JET facilities as well as MAST. In 2007 he was appointed Senior Manager for all aspects of JET operation and in 2008 was appointed Assistant Director (Operations). He was appointed Operations Director on 1 November 2009.

Eric Hollis

Eric Hollis has over 35 years' experience within the Authority. He began his career working at the London HQ on energy forecasting and has since undertaken a wide range of roles including development and application of HR policy at both HQ and site levels before becoming Head of the Authority's Finance Branch in 1986. After a number of finance-related roles, he was appointed the Head of Corporate Finance for the the Authority Group in 2003, and acted as UKAEA Ltd's Group Financial Controller from its creation in 2008. He has been on the Board of AEA Insurance Ltd since 1997. He has been heavily involved in a number of major organisational restructuring projects, and has played a key role in the development of corporate governance and financial strategy as the Authority has evolved. He was appointed Chief Finance Officer and Authority Secretary for the UK Atomic Energy Authority on 1 November 2009.

Derek Stork

Derek Stork became Assistant Director (Technology) in 2008 and was appointed Director of Technology on 1 November 2009. He leads the UK's work in providing ITER Systems, the Fusion Technology and Materials programmes, DEMO studies, and the MAST Upgrade project. After gaining his PhD, Dr Stork became a Research Associate at CERN. He joined Culham in 1978, working in the Heating and Injection Group. In 1980 he was seconded to JET's Neutral Beam Systems Group. From 1987 he became involved with JET's physics programme as a Session Leader for the Divertor Task Force. Dr Stork then held senior positions at JET including Programme Leader and Head of Neutral Beam Heating Division. In 2000, he became Manager of Culham's Heating and Fuelling Department, responsible for JET and MAST heating systems. From 2000 to 2004 he was also Task Force Leader for JET Deuterium-Tritium experiments, leading the 2003 tritium campaign. Dr Stork has over 100 publications and conference contributions.

Directors to 31/10/09

Norman Harrison

Joined the Authority and was appointed to the Board as Dounreay Director on 1 November 2003. Appointed Chief Executive in February 2007, having been Acting Chief Operating Officer since September 2006. He resigned from the Board on 31 October 2009 following the acquisition of UKAEA Ltd by Babcock International Group.

He is a member of the Nuclear Liabilities Finance Advisory Board and a member of the Governing Board at Manchester Metropolitan University. He previously worked for British Energy plc as Sizewell B Station Director and has worked in the power industry for over 30 years, initially working at conventional power stations, before moving into nuclear plant in 1980.

Andrew Jackson

Joined the Authority and was appointed to the Board on 1 September 2005. He resigned from the Board on 31 October 2009 following the acquisition of UKAEA Ltd by Babcock International Group.

He has extensive senior level financial management experience. He has held a number of senior positions in the construction industry which include Finance Director of the Utility Services Division at Alfred McAlpine where he also held several senior finance executive positions as the group expanded beyond its traditional construction markets; Chief Financial Officer and Director at Bovis International and Finance Director at Norwest Holst Construction Ltd.

Colin Bayliss

Joined the Authority in August 1997 and was appointed to the Board on 1 February 2002. He resigned from the Board on 31 October 2009 following the acquisition of UKAEA Ltd by Babcock International Group.

He is a Professor at the University of Birmingham and delivers part of its nuclear decommissioning postgraduate course. He has worked on major power construction projects both in the UK and overseas for engineering clients, consultancies, and contractors. He was the Fixed Equipment Executive Engineering Director for the Channel Tunnel main contractor, Transmanche Link, during the last two years of its construction and most recently represented the nuclear industry interests on the Board of the Cogent Sector Skills Council.

Remuneration Report

The United Kingdom Atomic Energy Authority applies the Principles of Good Governance relating to Directors' remuneration to the extent that they are appropriate to the Authority. The principal implementation arrangements are set out below.

Remuneration policy

The remuneration of Directors is set by the Secretary of State for BIS with the approval of HM Treasury in accordance with the Atomic Energy Authority Act 1954. The Authority Remuneration Committee makes recommendations to BIS on the overall remuneration package for Executive Directors. The Non-Executive Directors who form the Committee are not involved in decisions relating to their own remuneration.

In reaching its recommendations, the Committee has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities; and
- the funding available to the Authority

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

Service contracts

Directors are appointed by the Secretary of State for BIS. This is normally for a three year term that may be renewed upon expiry in accordance with the guidelines issued by the Commissioner for Public Appointments.

Remuneration and pension entitlements

The individual components of the remuneration packages are:

Salary and fees

Executive Directors receive a basic salary which is reviewed annually. The Chairman and Non-Executive Directors receive fees for their services. Members of the Executive Committee also receive a basic salary which is reviewed annually.

Benefits

Executive Directors are entitled to certain benefits under the terms of their service contracts. These principally comprise a company car or personal allowance in lieu of car, private health care, and, for the current CEO, assistance with relocation expenses.

All Directors are also reimbursed for reasonable expenses incurred in line with the policy for the Authority's employees. These reimbursements are not included in the table below.

Performance related bonuses

The performance bonuses for Executive Directors are calculated in accordance with formulae that are agreed each year with BIS on the basis of recommendations from the Remuneration Committee. The total bonus is made up of two components: the performance of the Authority against specific quantified targets, and the performance of the individual against specific targets. Members of the Executive Committee receive bonuses based on formulae that are agreed each year by the Remuneration Committee. The performance related bonuses for 2009/10 shown in the table below are an estimate of the amounts which may be payable. The final amounts payable will be subject to approval by BIS where applicable.

Individual Directors' remuneration for the year is shown in the table below, with salaries disclosed on an actual payments basis. 2010 disclosures cover only that period of the year to which the particular appointment relates.

This part of the report is subject to audit.

	Salary/ Fees[1]	Benefits	Annual Bonus[2]	Transactional Bonus[3]	2010	2009
	£	£	£		£	£
Chairman						
Lady Judge	60,000	–	–	–	60,000	60,000
Non-Executive Directors						
John Kennedy	25,000	–	–	–	25,000	25,000
Mark Slaughter	25,000	–	–	–	25,000	25,000
Ken Vowles	25,000	–	–	–	25,000	25,000
Arnold Wagner	25,000	–	–	–	25,000	25,000
Executive Directors						
Steve Cowley (appointed 31/10/09)	64,706	65,878	13,728	–	144,312	–
Norman Harrison (resigned 31/10/09)	122,919	9,869	–	144,112	276,900	225,694
Colin Bayliss (resigned 31/10/09)	88,525	6,144	–	19,000	113,669	148,411
Andrew Jackson (resigned 31/10/09)	105,337	10,371	–	123,500	239,208	187,861
Members of the Executive Committee						
Martin Cox (from 1/11/09)	47,550	2,083	10,088	–	59,721	–
Eric Hollis (from 1/11/09)	42,917	2,083	6,829	–	51,829	–
Derek Stork (from 1/11/09)	43,222	2,840	6,877	–	52,939	–
	675,176	99,268	37,522	286,612	1,098,578	721,966

(1) The annual salaries of Executive Directors and members of the Executive Committee who were not in post for the whole of 2009/10 were:

Executive Directors	£	Members of the Executive Committee	£
Steve Cowley	155,295	Martin Cox	114,119
Norman Harrison	195,032	Eric Hollis	103,000
Colin Bayliss	142,500	Derek Stork	103,733
Andrew Jackson	167,136		

(2) The Authority was not responsible for payment of annual bonuses to the three Executive Directors who resigned on 31 October 2009 and they have therefore not been disclosed.

(3) These bonuses relate to achievement of targets for the sale of UKAEA Ltd. The disclosure for Colin Bayliss also includes a £1K spot bonus.

Remuneration Report

Pension entitlements

Executive Directors and members of the Executive Committee are members of the United Kingdom Atomic Energy Authority Combined Pension Scheme that pays an annual pension based on pensionable final earnings together with a lump sum at normal retirement age. Benefits are also payable in the event of death or ill health retirement. The former Chief Executive Norman Harrison also had an unfunded pension arrangement to take account of pensionable pay above the earnings cap introduced by the Finance Act 1989, which is reflected in his pension entitlements in the table below.

Further details of the pension schemes and unfunded pensions can be found at Note 27 to the accounts.

The pension entitlements shown in the table below (which is subject to audit) are those that would be paid annually on retirement based on service to 31 March 2010 (or 31 October 2010 in the case of the Directors who resigned during the year), and include the value of added years paid for by Directors. Disclosures for the current Executive Director and members of the Executive Committee relate to the period from 1 November 2009.

	Accrued Pension 2009[1] £	Lump sum 2009[1] £	Increase in accrued pension £	Increase in lump sum £	Accrued Pension 2010 £	Lump sum 2010 £
Executive Directors						
Steve Cowley (appointed 31/10/09)	2,147	6,442	679	2,035	2,826	8,477
Norman Harrison (resigned 31/10/09)	82,131	246,393	2,143	6,428	84,274	252,821
Colin Bayliss (resigned 31/10/09)	40,176	120,527	2,171	6,515	42,347	127,042
Andrew Jackson (resigned 31/10/09)	7,708	23,124	1,117	3,350	8,825	26,474
Members of the Executive Committee						
Martin Cox (from 1/11/09)	41,550	124,651	1,344	4,031	42,894	128,682
Eric Hollis (from 1/11/09)	44,107	132,320	2,686	8,058	46,793	140,378
Derek Stork (from 1/11/09)	41,128	123,384	1,283	3,850	42,411	127,234
	258,947	776,841	11,423	34,267	270,370	811,108

(1) 2009 figures for Steve Cowley, Martin Cox, Eric Hollis and Derek Stork relate to the position at 1 November 2009. 2009 comparatives for the other Executive Directors have been restated in accordance with actuarial guidelines.

The following table (which is subject to audit) sets out the Cash Equivalent Transfer Value (CETV) of the Executive Directors' and Executive Committee members' accrued pension entitlements which have been calculated by the Scheme managers in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996 as amended, having taken actuarial advice. The transfer values do not represent sums paid or payable to the Directors or Executive Committee members but represent a potential liability of the pension scheme or the Authority.

	Transfer Value 2009[1]	Directors' contributions	Increase net of contributions	Transfer value 2010
	£	£	£	£
Steve Cowley (appointed 31/10/09)	42,294	2,575	10,783	55,652
Norman Harrison (resigned 31/10/09)	2,031,186	4,855	48,469	2,084,510
Colin Bayliss (resigned 31/10/09)	1,011,025	10,815	40,692	1,062,532
Andrew Jackson (resigned 31/10/09)	191,409	3,605	24,185	219,199
Members of the Executive Committee				
Martin Cox (from 1/11/09)	883,616	2,377	26,536	912,529
Eric Hollis (from 1/11/09)	872,117	2,109	51,922	926,148
Derek Stork (from 1/11/09)	1,031,330	2,161	30,470	1,063,961
	6,062,977	28,497	233,057	6,324,531

(1) 2009 figures for Steve Cowley, Martin Cox, Eric Hollis and Derek Stork relate to the position at 1 November 2009. 2009 comparatives for the other Executive Directors have been restated in accordance with actuarial guidelines

Members of the pension scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above tables.

On behalf of the Board

Ken Vowles
Chairman of Remuneration Committee
28 June 2010

Steve Cowley
Chief Executive and Accounting Officer
28 June 2010

Statement of Directors' and Accounting Officer's Responsibility

Section 4(3) of the Atomic Energy Authority Act 1954 requires the United Kingdom Atomic Energy Authority to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Authority and of its profit and loss, recognised gains and losses and cash flows for the financial year.

In preparing those financial statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Business, Innovation and Skills (BIS) has appointed the Chief Executive as Accounting Officer of the United Kingdom Atomic Energy Authority. 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 and for safeguarding the Authority's assets, are set out the Accounting Officers' Memorandum published by HM Treasury.

External audit

The Accounting Officer and Directors confirm that:

- there is no relevant audit information of which the auditors are unaware;
- all relevant steps have been taken to ensure that they are aware of relevant audit information; and
- all steps have been taken to establish that the auditors are aware of the information.

Details of the remuneration of the Group's auditor are set out in Note 9.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the United Kingdom Atomic Energy Authority's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I am assisted in this by the Chief Financial Officer.

As a recently appointed Accounting Officer (in October 2009), I have received the appropriate and expected training, went through a full handover process with the previous Accounting Officer, and am being assisted by a CFO who was the deputy to the previous CFO, and therefore provides continuity in advising me.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. During the period of change in Non-Executive Board membership after 31 March described at page 23, the Board and Audit and Remuneration Committees have remained quorate; and the outgoing Members have continued to provide informed advice to provide continuity during this period of transition. The system of internal control has therefore been in place in the Authority both for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and generally accords with HM Treasury guidance.

Capacity to handle risk

The Board has delegated day-to-day responsibility for risk management to the Executive Committee and each member of the Committee is responsible for ensuring that a sound system of risk management is in place in the area of the organisation that they represent. The Authority Chief Financial Officer has taken overall responsibility for co-ordinating risk management arrangements across the Group and has also been appointed the Senior Information Risk Owner (SIRO). He works with the other members of the senior management team to ensure consistency of approach.

The risk and control framework

A Risk Management Champion has been appointed to work with the members of the Executive Committee and their staff to facilitate the identification, evaluation and mitigation of key risks applicable to their areas of responsibility together with the design and operation of suitable internal controls. In addition, Information Asset Owners (IAOs) have been appointed during the year throughout the Authority, to take the lead in identifying, monitoring and controlling data-related risks. Risks have been captured in terms of both threats and opportunities to achieving Authority objectives. Following the major reorganisation of the Group during 2009/10, the Authority Risk Register has been reviewed and updated to ensure that it is relevant to the activities of the continuing Authority, and underpins the risk and control framework in place across the organisation.

The Authority's organisational structure has clearly documented and communicated levels of responsibility, delegated authority and reporting procedures. Management systems have been externally accredited. The professionalism and competence of employees is maintained through recruitment, performance appraisal, written job descriptions and personal training and development plans. The Board supports the highest levels of commitment and integrity from employees and has endorsed a code of business ethics.

Control procedures are documented in the Authority's management systems, which are subject to internal audit. These include a finance manual, corporate and local quality assurance manuals, safety, security and environmental management procedures. Procedures are designed to ensure that work is carried out to meet stated objectives, risk is managed through risk-based internal controls, delegations are based on risk assessments, and variances are identified and reported in a timely way to enable corrective actions to be taken. Procedures are also subject to review so that improvements to enhance controls can be made.

Statement on Internal Control

Business reports are prepared by the Authority executive team focusing on the following areas:

- key risks to the achievement of business objectives;
- progress against key performance indicators; and
- progress of programme against budget.

The Executive Committee considers the risk and performance reports quarterly and the financial report monthly. The Board takes an annual report on key risks and updates in the event of significant changes, and regular reports on performance and financial progress.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the Authority who have responsibility for the development and maintenance of the internal control framework, the SIRO's report on how risks to information are being managed and controlled, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Authority has an internal audit department which operates in accordance with Government Internal Audit Standards and an Audit Charter approved by the Audit Committee. The work of the internal audit department is determined by analysis of the risks to which the Authority is exposed. The annual internal audit programme is based on this analysis. It includes reviews which test and challenge the effectiveness of the management of risks and information. The Head of Internal Audit provides me, as Accounting Officer, with regular reports on internal audit activity in the Authority. These reports include his independent opinion on the adequacy and effectiveness of the Authority's system of internal control. The Head of Internal Audit has confirmed that there is a generally sound system of internal control within the Authority group and that the adequacy and effectiveness of the control environment continues to operate to an acceptable standard.

There were no material internal control issues identified during the year.

Steve Cowley
Chief Executive and Accounting Officer
28 June 2010

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

UNITED KINGDOM ATOMIC ENERGY AUTHORITY

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the United Kingdom Atomic Energy Authority for the year ended 31 March 2010 under the Atomic Energy Authority Act 1954. These comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Taxpayers' Equity, the Statements of Financial Position, the Consolidated Cash Flow Statement 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 Accounting Officer and auditor

As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities, the Accounting Officer is 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 the financial statements in accordance with applicable law and 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 United Kingdom Atomic Energy Authority's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the United Kingdom Atomic Energy Authority; and the overall presentation of the financial statements.

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 United Kingdom Atomic Energy Authority's and the group's affairs as at the 31st of March 2010, and of the United Kingdom Atomic Energy Authority's and the group's profit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Atomic Energy Authority Act 1954 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Atomic Energy Authority Act 1954; and
- the information given in the Management Commentary and Board of Directors sections, included in the Annual 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London SWIW 9SP

30 June 2010

Consolidated Income Statement
for the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Continuing operations			
Revenue	6	106.1	105.6
Other income		0.1	0.2
Share of revenue of joint venture		(0.3)	(0.2)
		105.9	**105.6**
Raw materials and consumables		17.6	19.9
Other external expense		20.8	19.4
Employee benefit expense	7	50.6	49.6
Depreciation, amortisation and impairment		0.3	0.7
Other expense		16.1	16.2
Costs capitalised		(4.8)	(1.8)
		100.6	**104.0**
Operating profit		**5.3**	**1.6**
Finance income	10	0.4	1.1
Finance expense	10	(0.2)	(6.7)
Notional cost of capital		(2.0)	(2.2)
Share of profits of joint venture after tax	17	(0.1)	–
Profit before income tax		3.4	(6.2)
Income tax (debit)/credit	11	(0.7)	0.8
Profit after income tax		**2.7**	**(5.4)**
Reversal of notional cost of capital		2.0	2.2
Profit for the year from continuing operations		**4.7**	**(3.2)**
Discontinued operations			
Profit for the year from discontinued operations	12	26.7	4.8
Profit for the year		**31.4**	**1.6**

(1) The comparative figures have been restated to show discontinued operations separately from continuing operations.

The notes on pages 42 to 67 are an integral part of these financial statements.

Consolidated Statement of Financial Position
for the year ended 31 March 2010

		Group			Authority		
	Notes	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Non-current assets							
Property, plant and equipment	14	17.7	13.5	11.0	17.7	13.2	11.0
Investment property	15	52.9	50.4	53.3	52.9	50.4	53.3
Intangible assets	16	–	0.1	0.1	–	0.1	0.1
Investments	17	2.5	2.6	–	5.5	20.6	18.0
Other receivables	20	185.1	180.9	197.1	185.1	176.9	197.1
		258.2	247.5	261.5	261.2	261.2	279.5
Current assets							
Assets held for sale		–	–	2.6	–	–	2.6
Inventories	19	–	0.1	–	–	–	–
Trade and other receivables	20	17.3	67.5	78.2	17.3	18.30	77.9
Derivative financial instruments	21	–	0.2	–	–	–	–
Investments	17	39.8	55.8	16.7	30.0	46.5	7.5
Cash and cash equivalents	22	34.7	51.0	38.0	31.4	32.9	19.7
		91.8	174.6	135.5	78.7	97.4	107.7
Total assets		**350.0**	**422.1**	**397.0**	**339.9**	**358.6**	**387.2**
Current liabilities							
Trade and other payables	23	80.7	126.3	94.0	80.7	89.1	94.0
Derivative financial instruments	21	–	5.9	4.1	–	5.9	4.1
Provisions for liabilities and charges	26	6.6	14.7	13.7	6.2	7.0	12.8
		87.3	146.9	111.8	86.9	102.0	110.9
Non-current assets plus net current assets		**262.7**	**275.2**	**285.2**	**253.0**	**256.6**	**276.3**
Non-current liabilities							
Other payables	23	–	0.3	0.3	–	0.1	0.3
Deferred income	24	0.2	0.3	0.7	0.2	0.3	0.7
Deferred income tax liabilities	25	13.6	12.9	13.6	13.6	12.9	13.6
Provisions for liabilities and charges	26	192.2	186.7	201.6	190.7	180.9	201.6
		206.0	200.2	216.2	204.5	194.2	216.2
Assets less liabilities		**56.7**	**75.0**	**69.0**	**48.5**	**62.4**	**60.1**
Taxpayers' equity							
General reserve		13.7	59.1	59.1	13.7	59.1	59.1
Revaluation reserve		7.1	7.2	6.7	7.1	7.1	6.7
Hedging reserve		–	–	(3.4)	–	–	(3.4)
Retained earnings		35.9	8.7	6.6	27.7	(3.8)	(2.3)
		56.7	**75.0**	**69.0**	**48.5**	**62.4**	**60.1**

The notes on pages 42 to 67 are an integral part of these financial statements.
The Financial Statements on pages 37 to 67 were approved by the Board on 28 June 2010 and were signed on its behalf by:

Steve Cowley
Chief Executive and Accounting Officer

Eric Hollis
Chief Finance Officer

Consolidated Cash Flow Statement
for the year ended 31 March 2010

	Note	Group[1] 2010 £m	2009 £m
Cash flows from operating activities			
Profit for the year		31.4	1.6
Adjustments for:			
– Depreciation	14	0.3	0.7
– Deferred income released	24	(0.1)	(0.3)
– Change in fair value of investment property	15	(2.5)	2.5
– Change in fair value of derivative financial instruments		–	6.3
– Net finance income recognised		(0.3)	(1.6)
– Income tax credit	11	0.7	(0.8)
– Gain on sale of discontinued operations, net of tax		(27.5)	–
Changes in working capital:			
– Inventories		–	(0.1)
– Trade and other receivables		20.5	5.6
– Investments		16.1	(37.4)
– Trade and other payables		(28.4)	31.8
– Derivative financial instruments		(5.7)	(3.0)
– Provisions for liabilities and charges		(0.1)	7.9
Cash generated from operations		**4.4**	**13.2**
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(4.8)	(2.0)
Disposal of discontinued operations, net of cash disposed of		(16.3)	–
Interest received		0.4	1.8
Net cash used in investing activities		**(20.7)**	**(0.2)**
Cash flows from financing activities			
Dividends paid		–	–
Net increase/(decrease) in cash and cash equivalents		(16.3)	13.0
Cash and cash equivalents at 1 April		51.0	38.0
Cash and cash equivalents at 31 March		**34.7**	**51.0**

(1) HM Treasury has granted the Authority a derogation from the requirement in IAS1 to provide a parent cash flow statement. Further details are included in Note 2 to the Accounts.

The notes on pages 42 to 67 are an integral part of these financial statements.

Consolidated Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2010

Group	General reserve £m	Revaluation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2008	59.1	6.7	(3.4)	6.6	69.0
Revaluation – gross	–	0.8	–	–	0.8
Revaluation – tax	–	(0.1)	–	–	(0.1)
Depreciation transfer	–	(0.1)	–	0.1	–
Disposal of revalued tangible fixed assets	–	(0.1)	–	0.1	–
Cash flow hedges:					
– Change in fair value	–	–	(0.1)	–	(0.1)
– Transfer to revenue	–	–	3.5	–	3.5
Actuarial gain on post employment benefit obligations	–	–	–	0.3	0.3
Net income recognised directly in taxpayer' equity	–	0.5	3.4	0.5	4.4
Profit for the year	–	–	–	1.6	1.6
Total recognised income and expense	**–**	**0.5**	**3.4**	**2.1**	**6.0**
Balance at 31 March 2009	**59.1**	**7.2**	**–**	**8.7**	**75.0**
Revaluation – gross	–	–	–	–	–
Revaluation – tax	–	–	–	–	–
Depreciation transfer	–	–	–	–	–
Disposal of revalued tangible fixed assets	–	–	–	–	–
Disposal of subsidiary	–	–	–	–	–
Cash flow hedges:					
– Change in fair value	–	–	–	–	–
– Transfer to revenue	–	–	–	–	–
Actuarial gain on post employment benefit obligations	–	–	–	(0.2)	(0.2)
Net income recognised directly in taxpayer' equity	–	–	–	(0.2)	(0.2)
Profit for the year			–	31.4	31.4
Disposal of discontinued activities (Note 12)	(45.4)	(0.1)	–	(4.0)	(49.5)
Total recognised income and expense	**(45.4)**	**(0.1)**	**–**	**27.2**	**(18.3)**
Balance at 31 March 2010	**13.7**	**7.1**	**–**	**35.9**	**56.7**

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

Authority	General reserve £m	Revaluation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2008	59.1	6.7	(3.4)	(2.3)	60.1
Transfer to group undertaking	–	(0.1)	–	–	(0.1)
Revaluation – gross	–	0.8	–	–	0.8
Revaluation – tax	–	(0.1)	–	–	(0.1)
Depreciation transfer	–	(0.1)	–	0.1	–
Disposal of revalued tangible fixed assets	–	(0.1)	–	0.1	–
Cash flow hedges:					
– Change in fair value	–	–	(0.1)	–	(0.1)
– Transfer to revenue	–	–	3.5	–	3.5
Actuarial gain on post employment benefit obligations	–	–	–	0.3	0.3
Net income recognised directly in taxpayer' equity	–	0.4	3.4	0.5	4.3
Loss for the year	–	–	–	(2.0)	(2.0)
Total recognised income and expense	**–**	**0.4**	**3.4**	**(1.5)**	**2.3**
Balance at 31 March 2009	**59.1**	**7.1**	**–**	**(3.8)**	**62.4**
Revaluation – gross					
Revaluation – tax					
Depreciation transfer					
Disposal of revalued tangible fixed assets					
Disposal of subsidiary					
Cash flow hedges:					
– Change in fair value					
– Transfer to revenue					
Actuarial gain on post employment benefit obligations				(0.2)	(0.2)
Net income recognised directly in taxpayer' equity				(0.2)	(0.2)
Profit for the year				31.7	31.7
Disposal of discontinued activities (Note 12)	(45.4)	–	–	–	(45.4)
Total recognised income and expense	**(45.4)**	**–**	**–**	**31.5**	**(13.9)**
Balance at 31 March 2010	**13.7**	**7.1**	**–**	**27.7**	**48.5**

Notes to the Financial Statements

1 General information

United Kingdom Atomic Energy Authority ("the Authority") is a non-executive departmental public body and was established by the Atomic Energy Authority Act 1954. The address of the Authority's registered office is Culham Science Centre, Abingdon, Oxfordshire, OX14 3DB. Its sponsoring government department is the Department for Business, Innovation and Skills (BIS). The Authority and its subsidiaries are referred to as "the Group".

The Accounting Officer authorised these financial statements for issue on 30th June 2010.

2 Basis of preparation

The financial statements comply with the provisions of the Atomic Energy Authority Act 1954 and the Accounts Direction issued by HM Treasury. The latter requires the financial statements to be prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FreM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. 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 Group for the purpose of giving a true and fair view has been selected.

HM Treasury has granted the Authority a derogation, covering the 2009/10 Accounts only, from the requirement in IAS1 to provide a parent cash flow statement and prior year comparative in the accounts in addition to the consolidated Group cash flow statement.

Consolidated financial statements of the Authority until 31 March 2008 were prepared in accordance with UK Generally Accepted Accounting Principles (GAAP) which differ in certain respects from IFRS. In preparing the Authority's 2008/09 consolidated financial statements, certain accounting and valuation methods applied in the GAAP financial statements have been amended to comply with IFRS. Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on income, taxpayers' equity and cash flows are set out in Note 4.

The financial statements have been prepared on a going concern basis, under the historical cost convention, except for land and buildings, investment properties, assets held-for-sale and derivative financial instruments which are stated at fair value. The financial statements are presented in pounds sterling which is the Authority's functional currency.

The preparation of financial statements in conformity with IFRS requires judgements, estimates and assumptions to be made that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the notes to the financial statements.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently in dealing with all items that are considered material to the financial statements.

3.1 Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from activities and actually exercises this power. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(b) Joint ventures

Joint ventures are those entities over which the Group exercises joint control through a contractual arrangement. The results, assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Investments in joint ventures are initially carried in the statement of financial position at cost and subsequently adjusted by post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of joint ventures in excess of the Group's interest in those joint ventures are not recognised, except where the Group has made a commitment to make good those losses.

(c) Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

Notes to the Financial Statements

(d) Disposal of subsidiaries
The disposal of the subsidiaries UKAEA Ltd, DSRL and RSRL at 31 October 2009 has been accounted for as a discontinued activity, in accordance with the requirements of IFRS 5, Non Current Assets held for Sale and Discontinued Operations, and, where applicable, IAS 1, Presentation of Financial Statements.

3.2 Revenue recognition

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will be received and when specific criteria have been met as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue is shown net of value added tax, returns, rebates and discounts.

(a) Site restoration contracts (discontinued operation – see Note 12)
Revenue from the contracts for managing the decommissioning and environmental remediation of sites on behalf of the NDA is recognised to the extent of costs incurred during the year that are expected to be recoverable from NDA or other customers. Revenue related to fees receivable under these contracts is recognised to the extent of the annual performance based incentives (PBIs) and value for money savings achieved.

(b) Service contracts
Revenue from cost recovery contracts for managing the UK's fusion research programme and the European Union's JET facility is recognised to the extent of costs incurred in the period that are expected to be recoverable from customers.

Revenue from other service contracts is recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known.

(c) Rental income
Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

(d) Grant-in-aid
Grant-in-aid relating to revenue expenditure is recognised in the income statement in the same period as the related expenditure that it is intended to fund. Grant in aid relating to property, plant and equipment is included in non-current liabilities as deferred income and is credited to the income statement on a straight-line basis over the expected lives of the related assets.

This departure from the specified treatment in the FReM has been agreed with HM Treasury.

3.3 Research expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when incurred.

3.4 Employee benefits

(a) Short-term employee benefits
Short-term employee benefits are recognised in the year in which the related service is provided. A liability is recognised for the amount expected to be paid under short-term bonus arrangements if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

(b) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

(c) Retirement benefits
Obligations for contributions to defined contribution schemes are recognised as an expense when they are due. The Group has no further payment obligations once the contributions have been paid.

The Group operates three defined benefit schemes for the benefit of its employees, two of which are closed to new members. The schemes are unfunded multi-employer defined benefit schemes. In accordance with the FReM, these schemes are accounted for as defined contribution schemes in these financial statements and the obligations recognised are limited to the contributions due.

The Group has a liability in respect of unfunded retirement benefits. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised past-service costs. 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 a real rate of interest set by HM Treasury. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise.

3.5 Notional cost of capital
A charge, reflecting the cost of capital utilised by the Authority, is included in the income statement. The charge is calculated at a real rate of interest set by HM Treasury on the average carrying amount of all assets less liabilities. The rate for 2009/10 was 3.5% (2008/09 – 3.5%).

3.6 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Authority Board.

3.7 Foreign currency translation
Transactions in foreign currencies are translated to the functional currency of the Group using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rates at that date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities are recognised in the income statement, except when deferred in taxpayers' equity as qualifying cash flow hedges.

3.8 Property, plant and equipment
Land and buildings are occupied by the Group and are shown at fair value, based on periodic, but at least quinquennnial, valuations by external independent valuers, less subsequent depreciation for buildings. In the intervening years, these valuations may be updated by the Group with the assistance of independent advice as required. Fair value is based on market values for existing use as there are no alternative uses for the land and buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

In accordance with the FReM, other classes of property, plant and equipment with short useful lives or low book values are stated at historical cost less depreciation as a proxy for current valuations.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Assets under construction are not depreciated until they are in use. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

–	Buildings	up to 40 years
–	Plant, machinery and equipment	up to 10 years

Notes to the Financial Statements

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and any amounts to be released from deferred income on disposal and are recognised in the income statement. When revalued assets are sold, any amounts included in the revaluation reserve are transferred to retained earnings.

The risks and benefits associated with expenditure on property, plant and equipment by subsidiary companies that are NDA site licence companies lie with NDA. This expenditure is treated as revenue expenditure in these financial statements.

3.9 Investment property

Investment property, comprising freehold land and buildings, is held either for rental yields or capital appreciation and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external independent valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. Valuations reflect the allocation of maintenance and insurance responsibilities between the Group and the lessee and the remaining economic life of the property.

Changes in fair values are recognised in the income statement.

3.10 Intangible assets

Intangible assets comprise acquired computer software licences and are stated at cost, net of amortisation and any provision for impairment. The cost of intangible assets, less estimated residual value, is amortised on a straight line basis over their estimated useful lives of up to five years.

3.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

3.12 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

3.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.15 Current and deferred income tax

The tax credit for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.16 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using real rates of interest. The increase in the provision due to passage of time is recognised as finance expense.

Where assurances have been received from another party that they will reimburse some or all of the expenditure required to settle a settle a provision, a reimbursement asset will be recognised to the extent of the amount expected to be reimbursed. The reimbursement asset is shown separately from the related provision in the statement of financial position.

3.17 Financial instruments

(a) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, investments, cash and cash equivalents and trade and other payables and are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. The carrying values, less impairment provision, of loans and receivables are assumed to approximate their fair values.

Other financial liabilities are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the reporting date which are classified as non-current liabilities. The carrying values of other financial liabilities are assumed to approximate their fair values.

(b) Derivative financial instruments

Derivative financial instruments comprise financial instruments held to hedge foreign currency risk exposures and embedded derivatives in host contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Financial instruments held to hedge foreign currency risk exposures are designated as cash flow hedges if the criteria for applying hedge accounting under IAS 39 are met. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Notes to the Financial Statements

If the criteria for applying hedge accounting are not met, the gain or loss on derivative financial instruments is credited or charged to the income statement instead of being deferred in equity.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. Changes in the fair value of separable embedded derivatives are recognised immediately in the income statement.

3.18 Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense over the term of the lease.

3.19 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed or is held for sale. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative figures in the income statement are restated as if the operation had been discontinued from the start of the comparative period.

4 Transition to IFRS on first-time adoption

As stated in Note 2, this is the Group's first financial statements prepared in accordance with IFRS. The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 March 2010 and the comparative information presented in these financial statements for the year ended 31 March 2009.

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Group's profit, taxpayers' equity and cash flow is set out in the following tables and the notes that accompany the tables.

(a) Reconciliation of profit for the year ended 31 March 2009

	Note	2009 £m
Profit for the year (GAAP)		3.3
Measurement differences:		
– IAS 40 Change in fair value of investment properties	(i)	(2.5)
– IAS 12 Deferred income tax	(ii)	0.8
Profit for the year (IFRS)		**1.6**

In addition, the notional cost of capital charge in the income statement has reduced from £2.6m to £2.2m as average net assets have reduced. This does not affect the profit for the year as the notional cost of capital is reversed in the income statement.

(b) Reconciliation of taxpayers' equity at 31 March 2009 and 1 April 2008

	Note	2009 £m	2008 £m
Taxpayers' equity (GAAP)		87.9	82.6
Measurement differences:			
– IAS 12 Deferred income tax	(ii)	(12.9)	(13.6)
Taxpayers' equity (IFRS)		**75.0**	**69.0**

(c) Reconciliation of cash flow for the year ended 31 March 2009

	Note	2009 £m
Decrease in cash (GAAP)		(6.0)
Presentation difference:		
– IAS 7 Cash equivalents	(iii)	19.0
Increase in cash and cash equivalents (IFRS)		**13.0**

(d) Notes to the reconciliations:

(i) Investment properties
Under IAS 40, revaluation gains or losses on investment properties are taken directly to the income statement rather than to the revaluation reserve under GAAP. The deficit on revaluation during 2008/09 has been transferred from taxpayers' equity to the income statement. Accumulated revaluation surpluses relating to investment properties as at the transition date have been transferred to retained earnings.

(ii) Deferred tax
Under IAS 12, deferred tax is recognised on "temporary differences" rather than "timing differences" which was the basis under GAAP. Under GAAP, deferred tax is not provided on a revaluation surplus when a non-current asset is revalued without there being any commitment or intention to sell the asset. IAS 12 requires deferred tax to be provided in these circumstances and a provision for deferred tax has been created on this basis. Where the revaluation has been reflected directly in reserves, the deferred tax is also charged directly to reserves, with no impact on the income statement. The income tax credit in the income statement arises as a result of the deficit on the revaluation of investment properties.

(iii) Cash equivalents
Under IAS 7, cash and cash equivalents include bank term deposits with a maturity date of three months or less. Under GAAP cash was limited to amounts repayable on demand and excluded term deposits. The movement in term deposits with a maturity date of three months or less was shown under the management of liquid resources in the GAAP cash flow statement.

5 Financial risk management

Due to the nature of its activities, the Group is not exposed to the same degree of financial risk faced by other business entities. Financial instruments play a much more limited role in creating or changing risk and generally financial assets and liabilities are generated from day-to-day operational activities and not held to change the risks facing the Group in undertaking its activities. While the Group has significant financial liabilities relating to decommissioning and restructuring, most of the risks attached to these liabilities do not rest with the Group as they are broadly matched by reimbursement assets.

(a) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. To manage foreign exchange risk, the Group uses forward contracts for the purchase or sale of foreign currencies.

(b) Interest rate risk
As the Group has no borrowings or significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Cash balances on deposit are held in highly rated fixed term deposits and the exposure to interest rate risk is minimal and appropriately managed.

(c) Credit risk
The Group's income is received primarily from public sector bodies in the UK and Europe and the exposure to credit risk is therefore considered to be low.

(d) Liquidity risk
The Group is primarily financed by income from other public sector bodies, in the UK and in Europe and there is therefore no exposure to significant liquidity risks. The Group has a facility to request temporary working capital funding from the Department for Business, Innovation and Skills should the need arise.

Notes to the Financial Statements

6 Segment information

As the majority of the Group's activities do not represent the provision of public services, segment information in accordance with IFRS 8 is included in these financial statements and the fees and charges analysis required by the FReM is not disclosed.

6.1 Reportable segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies and have different funding streams.

The following summary describes the operations in each of the Group's reportable segments:

(a) Site restoration – management of the decommissioning and environmental restoration of NDA nuclear sites. This segment was sold in October 2009 – see Note 12.

(b) Fusion research – research into using fusion to create a new source of energy that is safe and environmentally benign.

(c) Consultancy services – programme management, technical and engineering services related to nuclear decommissioning, waste management and environmental remediation and the provision of pension administration services. This segment was sold in October 2009 – see Note 12.

(d) Property management – management and development of the Culham and Harwell campuses for future scientific use.

Other segments include IT services, grant-in-aid funding and insurance. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2010 or 2009. The results of these segments are included in the "other" column in the segmental analyses below.

The segment information for the reportable segments for the years ended 31 March 2010 and 31 March 2009 is as follows:

	Site restoration (discontinued)	Fusion research	Consultancy services (discontinued)	Property management	Other	Total
	£m	£m	£m	£m	£m	£m
Year ended 31 March 2010						
Total segment revenue	119.6	91.7	21.7	6.1	10.3	249.4
Inter-segment revenue	(3.8)	–	(9.5)	–	(0.9)	(14.2)
External segment revenue	115.8	91.7	12.2	6.1	9.4	235.2
Operating profit/(loss)	(0.2)	(0.1)	(0.6)	2.5	2.9	4.5
Finance income	–	0.1	–	–	0.3	0.4
Finance expense	–	–	–	–	(0.2)	(0.2)
Profit/(loss) before income tax	(0.2)	–	(0.6)	2.5	3.0	4.7
Year ended 31 March 2009						
Total segment revenue	217.1	87.8	27.1	6.2	11.7	349.9
Inter-segment revenue	(3.2)	–	(11.7)	–	(7.0)	(21.9)
External segment revenue	213.9	87.8	15.4	6.2	4.7	328.0
Operating profit/(loss)	0.5	6.2	3.5	(3.4)	(1.3)	5.5
Finance income	0.4	0.5	0.4	–	0.7	2.0
Finance expense	–	(6.5)	–	–	(0.2)	(6.7)
Profit before income tax	0.9	0.2	3.9	(3.4)	(0.8)	0.8

Sales between segments are carried out at arm's length. Revenue from external parties is measured in a manner consistent with that in the income statement.

6.2 Reconciliation of reportable segment revenues, profit or loss and net assets

	2010 £m	2009 £m
Revenues		
Total revenue for reportable segments	239.1	338.2
Other revenue	10.3	11.7
Elimination of inter-segment revenue relating to discontinued operations	(13.3)	(14.9)
Elimination of discontinued operations	(130.0)	(229.4)
Elimination of inter-segment revenue included in continuing operations	(0.9)	(7.0)
Consolidated revenue	105.2	98.6
Profit or loss		
Total profit or loss for reportable segments	1.7	1.6
Other profit or loss	3.0	(0.8)
Unallocated amounts	–	–
Consolidated profit before income tax	4.7	0.8
Assets		
Net assets for reportable segments	62.4	53.6
Other net assets	(5.7)	21.4
Other unallocated amounts	–	–
Consolidated net assets	56.7	75.0

Notes to the Financial Statements

6.3 *Geographical segments*

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Group	Revenue		Net assets	
	2010 £m	2009 £m	2010 £m	2009 £m
United Kingdom	183.6	279.3	56.7	75.0
Europe	65.3	68.6	–	–
Rest of the world	0.5	2.0	–	–
	249.4	**349.9**	**56.7**	**75.0**

6.4 *Revenue from major customers*

	2010 £m	2009 £m
Nuclear Decommissioning Authority (NDA)	115.0	212.9
European Union	60.7	58.5

Revenues from the NDA are mainly attributable to the site restoration and consultancy services segments. Revenue from the European Union is attributable to the fusion research segment.

7 Employee benefit expense

	Continuing operations		Discontinued operations	
	2010 £m	2009 £m	2010 £m	2009 £m
Directly employed staff:				
Salaries, bonuses and allowances	24.1	23.9	39.1	61.3
Social security costs	2.2	2.2	3.3	5.1
Pension costs – defined contribution plans	3.5	3.6	5.2	8.3
	29.8	29.7	47.6	74.7
Other staff	20.8	19.9	3.3	6.6
	50.6	**49.6**	**50.9**	**81.3**

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

	Continuing operations		Discontinued operations	
	2010	2009	2010	2009
Directly employed	579	579	1526	1523
Other staff	465	444	119	125
	1044	**1023**	**1645**	**1648**

8 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2010 £m	2009 £m
Net foreign exchange gains	–	(0.6)
Operating lease rentals payable:		
– Plant and machinery	0.3	0.3
– Other assets	–	0.5
Change in fair value of investment property	(2.5)	2.5

9 Auditor's remuneration

The total remuneration of the Group's auditor, National Audit Office, for services provided to the Group was:

	2010 £000	2009 £000
Audit fees		
Authority	44	31
Subsidiary companies	–	67
Authority pension schemes	22	22
	66	120
Other services (audit of IFRS adoption (see Note 4) and audit of WGA)	8	12
	74	**132**

10 Finance income and expense

	2010 £m	2009 £m
Income		
Interest on term bank deposits	0.4	1.1
Expense		
Net fair value losses on financial derivatives	–	6.5
Revalorisation of provisions:		
– Changes in price levels	6.6	4.3
– Unwinding of discount	3.5	3.9
– Escalation of reimbursement receivables	(10.0)	(8.1)
Interest on unfunded retirement benefits	0.1	0.1
	0.2	**6.7**

Notes to the Financial Statements

11 Income tax (expense)/credit

	2010 £m	2009 £m
Current tax		
Current tax on profit for the year	–	–
Adjustment relating to prior year	–	–
	–	–
Deferred tax		
Origination and reversal of temporary differences	(0.7)	0.8
Income tax excluding tax on sale of discontinued operations and share of income tax of joint venture	**(0.7)**	**0.8**

	2010 £m	2009 £m
Income tax from continuing operations	(0.7)	0.8
Income tax from discontinued operations (excluding gain on sale)	–	–
	(0.7)	0.8
Income tax on gain on sale of discontinued operations	–	–
Share of income tax of joint venture	–	–
Total income tax (expense)/credit	**(0.7)**	**0.8**

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2010 £m	2009 £m
Profit for the year	31.4	1.6
Income tax expense/(credit)	0.7	(0.8)
Profit excluding income tax	32.1	0.8
Tax calculated at the standard UK corporation tax rate of 28%	9.0	(0.2)
Tax effects of:		
– Reversal of timing differences	0.1	0.2
– Expenses not deductible	(0.2)	1.4
– Enhanced relief for research and development expenditure	(2.5)	(2.4)
– Substantial Shareholding tax exemption	(7.7)	–
– Tax losses for which no deferred income tax asset was recognised	1.3	1.0
Current tax expense for the year	–	–

The income tax charged to equity during the year is as follows:

	2010 £m	2009 £m
Fair value gains on property, plant and equipment	–	0.1

12 Discontinued operations

In October 2009 the Group sold its site restoration and consultancy services segments. The comparative figures in the income statement have been restated to show the discontinued operations separately from continuing operations.

Results of discontinued operations

	2010 £m	2009 £m
Revenue	143.3	244.5
Expenses	(144.1)	(240.5)
Results from operating activities	**(0.8)**	**4.0**
Net finance income	–	0.8
Income tax	–	–
Results from operating activities, net of income tax	**(0.8)**	**4.8**
Gain on sale of discontinued operations	27.5	–
Income tax on gain on sale of discontinued operations	–	–
Profit for the period	**26.7**	**4.8**

Cash flows from discontinued operations

	2010 £m	2009 £m
Net cash from operating activities	0.4	(0.6)
Net cash from investing activities	–	0.6
Net cash from financing activities	(0.1)	(0.3)
	0.3	**(0.3)**

Effect of disposal on the financial position of the Group

	2010 £m
Property, plant and equipment	0.4
Trade and other receivables	44.8
Investments	–
Cash and cash equivalents	16.3
Trade and other payables	(29.9)
Provisions for liabilities and charges	(11.2)
Net assets and liabilities	**20.4**

Consideration received	49.6
Less; amounts surrendered to BIS	(49.6)
Cash and cash equivalents disposed of	(16.3)
Net cash outflow	**(16.3)**

Notes to the Financial Statements

13 Authority profit

Of the profit for the year, a profit of £31.7m (2008/09 – loss of £2.0m) is dealt with in the financial statements of the Authority. The Directors have taken advantage of the exemption available under S408 of the Companies Act 2006 and not presented an income statement for the Authority alone.

14 Property, plant and equipment

Group	Land and buildings	Plant and equipment	Assets under construction	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2008	12.6	6.9	–	19.5
Additions	–	0.2	1.8	2.0
Disposals	–	(2.5)	–	(2.5)
Revaluation	0.8	–	–	0.8
Transfer from investment property	–	–	–	–
At 31 March 2009	**13.4**	**4.6**	**1.8**	**19.8**
Additions	–	0.1	4.8	4.9
Disposals	–	(0.8)	–	(0.8)
Revaluation	–	–	–	–
Disposal of subsidiary	(0.2)	(0.5)	–	(0.7)
Transfer from investment property	–	–	–	–
At 31 March 2010	**13.2**	**3.4**	**6.6**	**23.2**
Depreciation and impairment				
At 1 April 2008	1.8	6.4	–	7.9
Depreciation charge	0.5	0.2	–	0.7
Disposals	–	(2.5)	–	(2.5)
Transfer from investment property	–	–	–	0.3
At 31 March 2009	**2.3**	**4.1**	**–**	**6.5**
Depreciation charge	0.2	0.1	–	0.3
Disposals	–	(0.7)	–	(0.7)
Disposal of subsidiary	(0.1)	(0.5)	–	(0.6)
Transfer from investment property	–	–	–	–
At 31 March 2010	**2.4**	**3.1**	**–**	**5.5**
Net book value				
At 1 April 2008	**10.8**	**0.5**	**–**	**11.3**
At 31 March 2009	**11.1**	**0.5**	**1.8**	**13.5**
At 31 March 2010	**10.8**	**0.3**	**6.6**	**17.7**

Authority	Land and buildings	Plant and equipment	Assets under construction	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2008	11.9	7.0	–	18.9
Additions	–	–	1.8	1.8
Disposals	–	(2.5)	–	(2.5)
Revaluation	0.8	–	–	0.8
Transfer from investment property	0.7	–	–	0.7
Transfer to group undertaking	(0.2)	(0.4)	–	(0.6)
At 31 March 2009	**13.2**	**4.1**	**1.8**	**19.1**
Additions	–	0.1	4.8	4.9
Disposals	–	(0.8)	–	(0.8)
Revaluation	–	–	–	–
Transfer from investment property	–	–	–	–
At 31 March 2010	**13.2**	**3.4**	**6.6**	**23.2**
Depreciation and impairment				
At 1 April 2008	1.5	6.4	–	7.9
Depreciation charge	0.5	0.2	–	0.7
Disposals	–	(2.5)	–	(2.5)
Transfer from investment property	0.3	–	–	0.3
Transfer to group undertaking	(0.1)	(0.4)	–	(0.5)
At 31 March 2009	**2.2**	**3.7**	–	**5.9**
Depreciation charge	0.2	0.1	–	0.3
Disposals	–	(0.7)	–	(0.7)
Transfer from investment property	–	–	–	–
At 31 March 2009	**2.4**	**3.1**	–	**5.5**
Net book value				
At 1 April 2008	**10.4**	**0.6**	–	**11.0**
At 31 March 2009	**11.0**	**0.4**	**1.8**	**13.2**
At 31 March 2010	**10.8**	**0.3**	**6.6**	**17.7**

Capital expenditure contracted for at the reporting date but not recognised in the financial statements was £0.9m (2008/09 – £3.9m).

Notes to the Financial Statements

15 Investment property

	Group and Authority		
	2010 £m	2009 £m	2008 £m
At 1 April	50.4	53.3	58.5
Transfer to property, plant and equipment	–	(0.4)	–
Transfer to surplus property	–	–	(11.7)
Change in fair value	2.5	(2.5)	6.5
At 31 March	**52.9**	**50.4**	**53.3**

Investment properties were valued at fair value at 28 February 2010 by independent valuers. The valuations were undertaken by the Valuation Office in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. The Group has adopted this valuation at the reporting date on the grounds that there were no material changes between the valuation date and the reporting date.

Investment properties are held for their investment potential. Rental income from tenants outside the Group is negotiated at arm's length. The following amounts have been recognised in the income statement:

	Group and Authority	
	2010 £m	2009 £m
Rental income	2.0	1.9
Direct operating expenses:		
– Investment properties that generated rental income	1.9	1.5
– Investment properties that did not generate rental income	0.3	0.4

16 Intangible assets

Intangible assets consist of externally acquired software licences.

	Group and Authority		
	2010 £m	2009 £m	2008 £m
Cost			
At 1 April	2.5	4.5	4.5
Disposals	(0.4)	(2.0)	–
At 31 March	**2.1**	**2.5**	**4.5**
Amortisation and impairment			
At 1 April	2.4	4.4	4.2
Disposals	(0.3)	(2.0)	0.2
Charge for year	–	–	–
At 31 March	**2.1**	**2.4**	**4.4**
Net book value	**–**	**0.1**	**0.1**

17 Investments

	Group			Authority		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Non-current						
At 1 April	2.6	–	–	20.6	18.0	18.0
Additions	–	2.6	–	–	2.6	–
Disposals	–	–	–	(15.0)	–	–
Impairment	(0.1)	–	–	(0.1)	–	–
At 31 March	**2.5**	**2.6**	**–**	**5.5**	**20.6**	**18.0**
Investment in subsidiary undertakings	–	–	–	3.0	18.0	18.0
Investment in joint venture	2.5	2.6	–	2.5	2.6	–
	2.5	**2.6**	–	**5.5**	**20.6**	**18.0**
Current						
Term bank deposits	39.8	55.8	–	30.0	46.5	7.5

(a) Investment in subsidiary undertakings

Name	Country of incorporation	Ownership interest(%) 2010	2009	2008
UKAEA Limited	UK	0	100	100
Dounreay Site Restoration Limited	UK	0	100	100
Research Sites Restoration Limited	UK	0	100	100
AEA Insurance Limited	Isle of Man	100	100	100

All subsidiary undertakings are included in the consolidation. The proportion of voting rights in the subsidiary undertakings held directly by the Group do not differ from the proportion of shares held.

(b) Investment in joint venture

The Group has a 50% interest in a joint venture, Harwell Science and Innovation Campus Public Sector Limited Partnership, which is responsible for the development of the Harwell Science and Innovation Campus. The interest in the joint venture is accounted for using the equity method in the Group financial statements.

	Group and Authority		
	2010 £m	2009 £m	2008 £m
At 1 April	2.6	–	–
Transfer of assets	–	2.6	–
Share of profits net of tax	(0.1)	–	–
At 31 March	**2.5**	**2.6**	**–**
Analysed as follows:			
Cost	2.6	2.6	–
Share of retained profits	(0.1)	–	–
	2.5	**2.6**	**–**

Notes to the Financial Statements

The following amounts represent the Group's 50% share of the income, results, assets and liabilities of the joint venture. They are included in the income statement and statement of financial position:

	Group and Authority	
	2010 £m	2009 £m
Profit net of tax		
Income	0.3	0.2
Expenses	(0.4)	(0.2)
	(0.1)	–
Assets		
Non-current assets	1.5	1.4
Current assets	1.4	1.7
	2.9	3.1
Liabilities		
Current liabilities	0.2	0.4
Non-current liabilities	0.2	0.1
	0.4	0.5
Net assets	**2.5**	**2.6**

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

(c) Term bank deposits

Term bank deposits are held with major UK banks. The average interest rate on the deposits held at 31 March 2010 was 1.28% (2009 – 3.35%). The credit risk associated with these investments is considered to be low.

18 Financial instruments by category

With the exception of derivative financial assets, all financial assets of the Group and the Authority were categorised as loans and receivables at both 31 March 2010 and 31 March 2009. With the exception of derivative financial liabilities, all financial liabilities of the Group and the Authority were categorised as other financial liabilities at both 31 March 2010 and 31 March 2009.

19 Inventories

	2010 £m	2009 £m	2008 £m
Spares and consumables	–	0.1	–

20 Trade and other receivables

	Group			Authority		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Non-current						
Reimbursement receivables (Note 26):						
– Site restoration	164.3	154.4	166.3	164.3	154.4	166.3
– Restructuring	20.3	25.8	30.5	20.3	21.9	30.5
Other receivables	0.5	0.7	0.3	0.5	0.6	0.3
	185.1	**180.9**	**197.1**	**185.1**	**176.9**	**197.1**
Current						
Trade receivables	1.7	10.2	15.5	1.7	2.7	15.5
Amounts due from group undertakings	–	–	–	–	0.6	–
Reimbursement receivables (Note 26):						
– Site restoration	–	–	0.1	–	–	0.1
– Restructuring	4.5	7.0	11.6	4.5	4.8	11.6
Prepayments and accrued income	9.6	40.7	49.6	9.5	8.3	49.3
VAT	0.8	1.6	0.4	0.8	1.5	0.4
Other receivables	0.7	8.0	1.0	0.8	0.1	1.0
	17.3	**67.5**	**78.2**	**17.3**	**18.0**	**77.9**

There are no impaired assets in any of the classes of trade and other receivables.

21 Derivative financial instruments

	Group			Authority		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Forward foreign exchange contracts						
Assets	–	0.2	–	–	–	–
Liabilities	–	5.9	4.1	–	5.9	4.1
Notional principal amount of outstanding contracts	–	41.9	40.2	–	37.8	40.2

The fair value of the forward foreign exchange contracts was based on market forward exchange rates at the reporting date, discounted at GBP LIBOR rates.

Notes to the Financial Statements

22 Cash and cash equivalents

	Group			Authority		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Cash at bank and on hand	31.4	13.9	21.8	31.4	1.9	6.6
Short term bank deposits	3.3	37.1	16.2	–	31.0	13.1
	34.7	**51.0**	**38.0**	**31.4**	**32.9**	**19.7**

All bank balances were held with commercial banks.

23 Trade and other payables

	Group			Authority		
	2010 £m	2009 £m	2008 £m	2010 £m	2009 £m	2008 £m
Non-current						
Payments received on account	–	0.3	0.3	–	0.1	0.3
Current						
Trade payables	1.4	4.7	9.8	1.4	1.4	9.8
Amounts payable to group undertakings	–	–	–	–	3.4	–
Accrued costs	10.6	28.4	40.3	10.6	11.0	40.3
Payments received on account	66.3	71.4	30.7	66.4	69.4	30.7
Social security and other taxes	0.8	2.4	2.8	0.8	0.7	2.8
VAT	–	1.9	–	–	–	–
Other creditors	1.6	17.5	10.4	1.5	3.2	10.4
	80.7	**126.3**	**94.0**	**80.7**	**89.1**	**94.0**

24 Deferred income

Deferred income consists of grant-in-aid funding received to finance capital expenditure

	Group and Authority		
	2010 £m	2009 £m	2008 £m
At 1 April	0.3	0.7	1.1
Grant-in-aid received	–	(0.1)	0.1
Released to income statement	(0.1)	(0.3)	(0.5)
	0.2	**0.3**	**0.7**

25 Deferred income tax

Group and Authority	Revaluation of investment property	Revaluation of land and buildings	Total
	£m	£m	£m
At 1 April 2008	11.1	2.5	13.6
Income statement credit	(0.8)	–	(0.8)
Charged directly to equity	–	0.1	0.1
At 31 March 2009	**10.3**	**2.6**	**12.9**
Income statement debit	0.7	–	0.7
Charged directly to equity	–	–	–
At 31 March 2010	**11.0**	**2.6**	**13.6**

Deferred income tax losses are recognised for tax depreciation and tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £30.3m (2009 – £27.4m) in respect of tax depreciation and tax losses amounting to £19.2m that can be carried forward against future taxable income. The future position on these tax assets is under discussion with HM Revenue and Customs.

26 Provisions for liabilities and charges

Group	Site Restoration	Restructuring	Other	Total
	£m	£m	£m	£m
At 1 April 2008	166.4	44.3	4.6	215.3
Changes in price levels	4.2	1.6	–	5.8
Unwinding of discount	3.7	1.2	–	4.9
Increase/(decrease) in provision	(19.9)	(4.2)	8.1	(15.9)
Expenditure during year	–	(7.2)	(1.4)	(8.6)
At 31 March 2009	**154.4**	**35.7**	**11.3**	**201.4**
Changes in price levels	6.6	–	–	6.6
Unwinding of discount	3.4	0.5	–	3.9
Increase/(decrease) in provision	–	4.5	(0.1)	4.4
Disposal of discontinued operations	–	(6.1)	(5.1)	(11.2)
Expenditure during year	–	(5.7)	(0.8)	(6.5)
At 31 March 2010	**164.4**	**29.1**	**5.3**	**198.8**
At 1 April 2008				
Non-current	166.3	32.4	2.9	201.6
Current	0.1	11.9	1.7	13.7
	166.4	**44.3**	**4.6**	**215.3**
At 31 March 2009				
Non-current	154.4	27.7	4.6	186.7
Current	–	8.0	6.7	14.7
	154.4	**35.7**	**11.3**	**201.4**
At 31 March 2010				
Non-current	164.4	23.5	4.3	192.2
Current	–	5.6	1.0	6.6
	164.4	**29.1**	**5.3**	**198.8**

Notes to the Financial Statements

Authority	Site Restoration	Restructuring	Other	Total
	£m	£m	£m	£m
At 1 April 2008	166.4	44.3	3.7	214.4
Changes in price levels	4.2	1.5	–	5.7
Unwinding of discount	3.7	1.0	–	4.7
Increase/(decrease) in provision	(19.9)	–	6.1	(13.8)
Expenditure during year	–	(6.5)	(1.4)	(7.9)
Transferred to group undertaking	–	(10.5)	(4.7)	(15.2)
At 31 March 2009	**154.4**	**29.8**	**3.7**	**187.9**
Changes in price levels	6.6	–	–	6.6
Unwinding of discount	3.4	0.5	–	3.9
Increase/(decrease) in provision	–	4.5	0.6	5.1
Expenditure during year	–	(5.7)	(0.8)	(6.5)
At 31 March 2010	**164.4**	**29.1**	**3.5**	**197.0**
At 1 April 2008				
Non-current	166.3	32.4	2.9	201.6
Current	0.1	11.9	0.8	12.8
	166.4	**44.3**	**3.7**	**214.4**
At 31 March 2009				
Non-current	154.4	23.9	2.6	180.9
Current	–	5.9	1.1	7.0
	154.4	**29.8**	**3.7**	**187.9**
At 31 March 2010				
Non-current	164.4	23.5	2.9	190.8
Current	–	5.6	0.6	6.2
	164.4	**29.1**	**3.5**	**197.0**

(a) Site restoration

The decommissioning provision represents the estimated costs of decommissioning fusion research facilities at the Authority's Culham site, including the storage, processing and eventual disposal of radioactive wastes.

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived from the latest technical knowledge and commercial information available, taking into account current legislation, regulations and Government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs, which are an appropriate share of site running costs and other overhead costs attributable to plant and buildings. The calculation is reassessed annually.

The best estimate of the cost of dealing with the liabilities at 31 March 2010 is discounted at 2.2% to the reporting date and expressed in 2009/10 money values. The timescale over which it is estimated the costs will need to be incurred is as follows:

	Group and Authority		
	2010 £m	**2009 £m**	**2008 £m**
Up to 3 years	0.1	0.1	2.0
From 4 to 10 years	32.9	12.2	91.2
Beyond 10 years	131.4	142.1	73.2
	164.4	**154.4**	**166.4**

The best estimate of the undiscounted cost of dealing with the liabilities is £221.3m (2009 - £212.3m).

A letter issued by the then Secretary of State for Energy in 1986 stated that the Government was prepared to continue to accept responsibility in principle for those costs which the Authority incurs in treating and disposing of nuclear wastes and in decommissioning plant arising from:

(i) programmes carried out by the Authority and its predecessors prior to 1 April 1986; and
(ii) programme agreement work undertaken for BIS and its predecessors after 1 April 1986.

These assurances were reconfirmed by BIS's predecessor, the Department of Trade and Industry, in June 1996. On the basis of these assurances a matching receivable is included in the statement of financial position.

Since much of the work required to deal with the liabilities will not be done until well into the future, there is a significant uncertainty as to the amount of the provision and the associated receivable due from BIS. This significant uncertainty does not impact on either net assets or the net profit reported in the financial statements.

(b) Restructuring

The restructuring provisions represent termination benefits payable under early retirement arrangements to employees who had retired early, or had accepted early retirement, before 31 March 2010. These benefits continue at least until the date at which the employee would have reached normal retirement age. The restructuring provisions are discounted at 1.8% to the reporting date. The undiscounted cost of the group provisions is £31.8m (2009 – £41.9m) and the benefits are estimated to be payable over a period up to 30 years.

Part of the expenditure required to settle the restructuring liabilities will be reimbursed by other parties as follows:

(i) Lump sums paid to employees on early retirement are refundable to the Group from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.
(ii) Assurances covering restructuring provisions made before 1 April 2004 have been received from BIS and expenditure related to these provisions is reimbursed by BIS.

On the basis of these reimbursement arrangements, receivables have been included in the statement of financial position.

In previous years, the Group discounted its restructuring provisions at 2.2% to the reporting date. The discount rate has now been adjusted, in line with guidance in the FReM issued by HM Treasury, to the pensions discount rate, which was 2.5% for 2007/08 and 3.2% for 2008/09.

The comparatives for 2007/08 and 2008/09 have been restated and the effect on the Group balance sheet is as follows:

	2009 £m	**2008 £m**
Provisions for liabilities and charges	(1.7)	(0.6)

Notes to the Financial Statements

Adjustments have been made to receivables and payments received on account as appropriate for the comparative years.

(c) Other provisions

Other provisions comprise unfunded retirement benefit obligations (Note 27) and claims relating to industrial-related injuries

27 Retirement benefits

(a) Defined benefit schemes

The Group has three defined benefit schemes: the Combined Benefit Scheme (CPS), the Principal Non-Industrial Superannuation Scheme (PNISS) and the Protected Persons Superannuation Scheme (PPSS). These schemes have members from other employers as well as the Group. No information in these financial statements relates to other employers participating in the CPS, PNISS or PPSS, although the Group has overall responsibility for the management of the scheme. No contingent liability is expected to arise from this responsibility.

In common with other public sector schemes, the CPS, the PNISS and the PPSS do not have many of the attributes of normal pension schemes. All contributions are paid to and benefits paid by HM Government via the Consolidated Fund. Any surplus of contributions made in excess of benefits paid out in any year is surrendered to the Consolidated Fund and any liabilities are met from the Consolidated Fund via the annual Parliamentary vote. The Government does not maintain a separate fund and actuarial valuations are based on a theoretical calculation as to how a typical UK pension scheme would have invested the historical surplus of contributions over payments.

In accordance with the FReM, the schemes are accounted for in these financial statements as defined contribution schemes.

Employer contributions are calculated in accordance with HM Treasury methodology "Superannuation Contributions Adjusted for Past Experience" and are based on the expected cost of members' benefits as they accrue. The total contributions paid by the Group during the year were £8.5m (2008/09 – £11.8m).

(b) Defined contribution schemes

The Group manages two defined contribution schemes, the Additional Voluntary Contribution (AVC) scheme and the Shift Pay Pension Savings Plan (SPPP) scheme, both of which are fully insured schemes administered by Prudential Assurance Company Ltd to whom contributions are paid.

The AVC scheme includes members from the Group and from other employers who are members of CPS or PPSS and who have opted to pay additional voluntary contributions. No employer contributions are made to this scheme.

The members of the SPPP scheme include shift working employees of the Group and other employers who are members of CPS or PPSS. The costs of the SPPP scheme, which are directly linked to shift pay earnings, are charged to the income statement at the time the shift pay is paid. The total contributions paid by the Group during the year were £0.2m.

(c) Unfunded retirement benefits

The Authority's Chief Executive for the period to 31 October 2009 and two former chief executives have unfunded retirement benefits which are not included in the Authority pension schemes. The movement in the liability for these benefits is shown below:

	Group and Authority		
	2010 £000	**2009 £000**	**2008 £000**
At 1 April	1,317	1,498	1,617
Change in discount rate	311	(156)	(170)
Interest on liability	80	81	75
Current service cost	14	29	33
Benefits payable	(25)	(23)	(22)
Actuarial gain	(125)	(112)	(35)
	1,572	**1,317**	**1,498**

The interest on liability and current service cost less benefits payable are included in the income statement and the actuarial loss is included in taxpayers' equity. The closing liability, discounted at 1.8%, is included in other provisions for liabilities and charges in the statement of financial position (Note 26).

28 Operating leases

(a) The Group as lessee

Non-cancellable operating lease rentals are payable as follows:

	2010 £m	2009 £m
Less than one year	0.1	0.8
Between two and five years	0.1	1.7
More than five years	–	0.3
	0.2	2.8

The Group leases office facilities, vehicles and office equipment under operating leases. The leases typically run for periods up to five years.

The Group has determined that both the land and buildings elements of the office facilities should be classified as operating leases. Title to the land does not transfer and it was judged that substantially all the risks and rewards associated with the building are with the landlord.

(b) The Group as lessor

The Group leases its investment property with lease terms of between 0.5 and 25 years. The leases do not contain formal options to extend.. The lessee does not have an option to purchase the property at the expiry of the lease period.

The future minimum lease payments under non-cancellable leases are as follows:

	2010 £m	2009 £m
Less than one year	1.6	1.5
Between two and five years	3.5	1.7
More than five years	2.7	0.3
	7.8	3.5

Rental income received during the year is disclosed in Note 15.

29 Related-party transactions

The Authority is a Non-Departmental Public Body sponsored by BIS which is regarded as a related party. During the year, the Group had various material transactions with BIS and with other entities for which BIS is regarded as the responsible department.

In addition, the Group had various material transactions with other government departments and other central government bodies. Most of these transactions have been with NDA.

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

Notes to the Financial Statements

Intra-government balances

	2010 £m	2009 £m	2008 £m
Trade and other receivables – non-current			
Other central government bodies	183.3	179.8	195.8
Trade and other receivables - current			
Other central government bodies	5.8	38.3	64.1
Local authorities	–	0.1	–
	5.8	38.4	64.1
Trade and other payables – current			
Other central government bodies	1.2	6.4	1.7

30 Statutory borrowing limit

During 2009/10, the statutory borrowing limit set by Section 3 of the Atomic Energy Authority Act 1986 as amended by The United Kingdom Atomic Energy Authority (Limit on Borrowing) Order 1991 remained at £200m. There were no borrowings by the Authority during the current or previous year.

Glossary

AEAIL	AEA Insurance Ltd
AVC	Additional Voluntary Contribution
Authority	UK Atomic Energy Authority
BIS	Department for Business Skills and Innovation
BS	British Standard
CCFE	Culham Centre for Fusion Energy
CEO	Chief Executive Officer
CFO	Chief Finance Officer
DFR	Dounreay Fast Reactor
DSRL	Dounreay Site Restoration Ltd
EA	Environment Agency
EFDA	European Fusion Development Association
EPSRC	Engineering and Physical Sciences Research Council
EURATOM	European Atomic Energy Community
F4E	Fusion for Energy
FReM	Government Financial Reporting Manual
FTE	Full Time Equivalent
GAAP	Generally Accepted Accounting Principles
HMRC	Her Majesty's Revenue and Customs
HSIC	Harwell Science and Innovation Campus
IFRS	International Financial Reporting Standards
ILW	Intermediate Level Waste
ITER	Next generation international experimental fusion reactor
JET	Joint European Torus
JV	Joint Venture
LLW	Low Level Waste
NDA	Nuclear Decommissioning Authority
NDPB	Non-Departmental Public Body
PFR	Prototype Fast Reactor
PNISS	Principal Non-Industrial Superannuation Scheme
PPSS	Protected Persons Superannuation Scheme
RCUK	Research Councils UK
RSRL	Research Sites Restoration Ltd
SGHWR	Steam Generating Heavy Water Reactor
SPPP	Shift Pay Pension Savings Plan
STFC	Science and Technology Facilities Council
TRIR	Total Recordable Incident Rate

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