ATOMIC ENERGY AUTHORITY ACT 1954

Account prepared pursuant to section 4(3) of the Atomic Energy Authority Act 1954 for the year ended 31 March 1995, together with the Certificate and Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 485 of 1993-94).

Presented pursuant to Act 2 & 3 Eliz. 3, c.32, s.4(3)

Atomic Energy Authority Act 1954 Accounts 1994-95

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4 September 1995

Financial Highlights

Results

	1995 £M	1994 £M
Turnover (continuing operations)	363.3	377.0
Operating profit (continuing operations) before exceptional operating items	7.4	16.9
Operating profit (continuing operations) after exceptional operating items	7.4	45.9
Operating profit from total operations	7.4	51.1
Capital employed[1]	86.5	143.1

Key Ratios

Operating profit as a % of turnover for continuing operations before exceptional items	2.0%	4.5%
Operating profit as a % of turnover for continuing operations after operating exceptional items	2.0%	12.2%
Return on capital employed for total operations[1]	8.6%	35.7%

[1] *Capital employed is calculated as the average of total assets less current liabilities after excluding debtors falling due after more than one year. 1993/94 figures have been restated on this basis.*

Contents

Members and Advisers

Executive Members (date of first appointment and expiry of current appointment)

Sir Anthony Cleaver
Chairman (1.7.93 - 30.6.96)

Dr B L Eyre CBE F Eng
Deputy Chairman
(8.5.90 - 30.4.96; previously Executive Member from 1.8.87)

Mr A W Hills
(11.11.91 - 10.11.94)

Dr R S Nelson
(11.11.91 - 10.11.94)

Dr D Pooley CBE
(11.11.91 - 10.11.97)

Non-executive Members: (date of first appointment and expiry of current appointment)

Mr J Bullock FCA FCMA FIMC
(1.11.81 - 31.10.94

Sir Peter Hirsch Kt FRS
(1.4.82 - 30.9.94)

Mr R Sanderson OBE
(1.1.87 - 31.12.95)

Mrs V S Shirley OBE
(1.12.92 - 30.11.95)

Mr G A Campbell F Eng
(1.4.94 - 31.3.97)

Professor M Brady F Eng
(5.9.94 - 4.9.97)

Mr C M Sharman OBE FCA
(3.10.94 - 2.10.97)

Secretary: Mr J R Bretherton

Principal Office: Corporate Headquarters
United Kingdom Atomic Energy Authority
Harwell
Oxfordshire
OX11 0RA

Auditor: The Comptroller and Auditor General
National Audit Office
157/197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Principal Bankers: Bank of England
National Westminster Bank plc
Lloyds Bank plc
Royal Bank of Scotland plc

Sponsoring Government Department:
Department of Trade and Industry

Chairman's Statement UKAEA

This part year has been one of the most demanding the United Kingdom Atomic Energy Authority has faced in its 40 year history.

Everyone in the organisation has played a vital role in not only meeting our tough financial targets but also preparing both AEA Technology and UKAEA Government Division — with their own unique vision, style and structure — for the way ahead.

Remarkable performance

The Authority has performed admirably this last year despite difficult market conditions and the profound changes that have shaped the new, restructured organisation. Turnover fell from £377M to £363.3M, whilst operating profit decreased by £9.5M to £7.4M.

With the Atomic Energy Authority Bill proceeding through Parliament, the commercial development of AEA Technology continues. A major restructuring exercise has seen AEA Technology focus on new specialist operating groups with fewer management levels, lower overheads and much more flexibility.

In its first year, UKAEA Government Division set out its task of carrying out the decommissioning and waste management of its nuclear facilities with its focus on safety, cost-effectiveness and the environment, working in close and successful partnership with its government sponsors. As a consequence of its pioneering approach, it is already seeing a significant reduction in the funding required from the DTI, thereby bringing huge savings to the taxpayer. Planned expenditure for the next three years has reduced by some £170M.

We recognise that many of the products and services we use can be supplied better and cheaper by specialist companies, thus leaving us free to concentrate on core activities, and with this in mind we successfully outsourced our Facilities Services Division to Procord Limited, a leading facilities management company. This move represented the best way forward not only for our people, but for our business in general and generated a profit on sale of £7.9M.

Throughout the Authority, I have sought to secure the highest quality of executive and non-executive personnel on the Board and in senior management positions. It therefore gave me great pleasure when Mike Brady, BP Professor of Information Engineering at Oxford University, Gordon Campbell, Deputy Chief Executive of Courtaulds, and Colin Sharman, UK Senior Partner KPMG agreed to join the Board. The Authority is exceptionally well served by its non-executive directors and I would like to record my gratitude for their efforts.

With regard to bonuses for the Board, these are based on the achievement of the DTI financial targets and on our success in achieving non-financial targets for the year, such as the sale of Facilities Services Division and UKAEA Government Division's successes in cost-control and opening up its market to competition. In 1994/95, the Authority continued to invest in the areas it believes to be of the highest importance — safety systems, management and training for all of its people. It is my firm belief that employers who offer employees the chance to fulfil their potential reap many rewards. That is why we are committed to "Investors in People" and to introducing stringent measurement procedures into everything we do.

It is always satisfying when people who have worked hard are publicly recognised. We are fortunate to have highly talented and skilled people throughout the Authority, but I would particularly congratulate Derek Pooley, Chief Executive of UKAEA Government Division, on being made a CBE, AEA Technology's Ed Adam on his OBE, Colin Windsor on being made a Fellow of the Royal Society, and David Loughborough, who was honoured by his professional institute when he was made Project Manager of the Year.

1994/95 was a year of great challenge. The Authority is in good shape and has the people to ensure that it continues to do the job well in the future.

Foreword

Principal activity

The Group comprises the United Kingdom Atomic Energy Authority (the Authority) and its subsidiaries. The principal activity of the Group is the provision of high quality scientific and engineering services, consultancy and specialist products. These services extend across a broad range, including the use of energy, environmental protection and safety and reliability. The Group serves a wide range of customers including UK government, UK public and private sector customers and overseas customers.

Review of business

The Foreword should be read in conjunction with the Chairman's Statement and the Operating and Financial Review, which include information about the Group's financial results and an indication of likely developments, including the proposed privatisation of AEA Technology.

Review of restructuring

The restructuring programme is aimed at meeting the need for fundamental shifts in structure and staffing. These shifts are necessary to respond to changes in the Authority's external business environment, to develop, fully, a successful, commercial organisation to reduce the cost of UKAEA Government Division activities to the taxpayer and to separate, fully, the operations of AEA Technology from UKAEA Government Division.

Within AEA Technology further reviews of commercial performance have identified a need for additional restructuring beyond that provided for at 31 March 1994. The Board have therefore approved additional restructuring provisions resulting in a charge to the profit and loss account of £84.4M, included in the net charge of £76.2M shown on the face of the profit and loss account. However, although it is clear in a number of areas that restructuring will be necessary, further work is needed to establish the precise strategies which will be followed. Some of the additional provisions are therefore included on the basis of a best judgement by the Board of the level of restructuring which will be needed. The Board will keep under review the work being carried out to validate those provisions which have not been costed in detail; no material expenditure will be committed until the validation process is complete.

Within UKAEA Government Division, there have been substantial reductions in restructuring provisions. These have been largely the result of confirmation from the Department of Trade and Industry (DTI) of their intention to pay, via the Property Programme Agreement, for necessary property-related restructuring required to reconfigure sites and reduce costs. Restructuring provisions in these areas are, therefore, no longer needed for UKAEA Government Division. In addition, reviews of restructuring requirements in other areas have produced some modest reductions in costs.

Within Facilities Services Division (FSD), restructuring expenditure during 1994/95 was aimed at securing the early retirements and accommodation reconfigurations necessary to complete the restructuring of FSD that was already underway. This not only materially assisted in increasing efficiency and reducing costs, but also helped to prepare FSD for divestment, which was successfully completed at the end of the year by the sale of FSD to Procord Limited.

Financial results

Performance against financial target

(a) The Group financial target set by the Government for the year ended 31 March 1995 was a historical cost return of 6.7% on average modified historical cost capital employed. The performance arising from the above formula was 10.0% based on a profit of £11.0M and average capital employed of £110.5M (after excluding debtors falling due after more than one year and adding back new restructuring creditors expected to arise within 12 months). The profit, calculated in accordance with the formula agreed with the Department of Trade and Industry, was arrived at as follows:—

	£M
Retained loss for the year	(67.7)
add back: interest payable	10.7
add back: new restructuring costs in excess of budget	75.9
less: profit on sale of Facilities Services Division (see note 11)	(7.9)
Adjusted profit for performance measurement	11.0

Performance against external financing limit (EFL)

(b) The EFL is set by the Department of Trade and Industry and represents the funding requirements financed externally by borrowing and leasing. For 1994/95, the EFL allowed Group borrowing to increase by not more than £13.2M (1994 £2.1M decrease). Actual borrowing and leasing showed an increase of £12.5M to £171.2M (1994 £2.9M decrease) which was within the limit.

Members

The Members of the Authority who served throughout the year, except where stated, were:

Executive

Sir Anthony Cleaver(1)
Dr B L Eyre
Mr A W Hills
(appointment ceased 10.11.94)
Dr R S Nelson
(appointment ceased 10.11.94)
Dr D Pooley

Non-executive

Professor M Brady(1)(2)
(appointed from 5.9.94)
Mr J Bullock(1)(2)
(appointment ceased 31.10.94)
Mr G A Campbell(1)(2)
Sir Peter Hirsch(1)(2)
(appointment ceased 30.9.94)
Mr R Sanderson(1)(2)
Mr C M Sharman(1)(2)
(appointed from 3.10.94)
Mrs V S Shirley(1)(2)

(1) *Member of Remuneration Committee chaired by Sir Anthony Cleaver*

(2) *Member of Audit Committee chaired by Mr C M Sharman*

Biographical details of the independent, non-executive Members who served during the year are shown below.

Professor M Brady F Eng—BP Professor of Information Engineering, Oxford University, Member UK Technology Foresight Steering Group, non-executive director of Oxford Instruments plc.

Mr J Bullock FCA FCMA FIMC—Former Joint Senior Partner and Deputy Chairman of the UK practice of Coopers & Lybrand and non-executive director of the Kingfisher Group plc, Nuclear Electric plc and Bright Reasons Limited.

Mr G A Campbell, Deputy Chief Executive of Courtaulds plc, Fellow of the Royal Academy of Engineering, Companion of the British Institute of Management, President of C`IRFS.

Sir Peter Hirsch Kt FRS—Emeritus Professor of Metallurgy at the University of Oxford, Chairman of ISIS Innovation Limited and former part-time Chairman of the Authority from 1982 to 1984.

Mr R Sanderson OBE—Former National Secretary, Federation of Professional Associations.

Mr C M Sharman, OBE FCA—UK Senior Partner KPMG, Companion of the British Institute of Management.

Mrs V S Shirley OBE—Founder and Life President, F I Group plc, non-executive director of Tandem Computers Inc., Chair, The Kingwood Trust, Patron, The Disablement Income Group.

Changes in Fixed Assets

The changes in fixed assets during the year are shown in notes 13 and 14 to the accounts. This includes the revaluation of investment property and plant and equipment at 31 March 1995. The revaluation of plant and equipment generated a decrease in net book value from £24.2M to £24.1M. On 1 April 1994, the Group purchased, at market value, from the Department of Trade and Industry's environmental technology executive agency known as Warren Spring Laboratory, plant and equipment for £0.75M. The purchase was fully funded by a grant received from the Department of Trade and Industry.

The changes in fixed asset investments are summarised in note 15.

Group investment in Research and Development activities

The Group is committed to a major investment in research and development activities on its own account in order to maintain its position as a market leader in the provision of advanced technology products and services. Expenditure during the year on this programme amounted to £10.9M (1994 £17.1M). The 1994 total of £17.1M included expenditure of £1.2M on research and development activities funded by UKAEA Government Division. In 1995, this expenditure was funded by DTI Programme Agreement and therefore excluded from the total of £10.9M. In addition, expenditure totalling £12.3M was incurred on work within the EC Framework programme and research and development funded by customers where the Group retain the intellectual property rights.

Employees

During the year, the Group had regular consultations and discussions with local and central employee representatives. Information was provided on the Group's current and future plans and on the Group's performance against financial targets.

The Group's policy is to ensure that disabled people are given equal opportunities. All necessary assistance with initial training courses is given. Once employed, the career development of disabled employees is given the same care and attention as that of non-disabled employees. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

At 31 March 1994, the number of registered disabled persons employed by the Group was 23 (0.3% of all employees). The high value placed on the contribution made by the Group's disabled employees, whether registered or not, is reflected in the Group's policies.

Health and safety

The Authority applies the following general safety principles to its activities:

— we aim to carry out our operations achieving the highest standards of safety that are reasonably practicable and require our managers to be committed to this aim;

— we aim to provide safe places of work for our employees and others, and to ensure as far as is practicable the safety of our employees working at other locations;

— we require our employees—and contractors carrying out work at our sites—to comply with safety instructions and warning notices;

— compliance with health and safety legislation and regulations is the minimum standard we aim to achieve;

— we aim to give our employees the training which they need to work safely and we require adequate training to be given to contractors carrying out work at our sites;

— we consult our employee representatives on arrangements for promoting and developing health, safety and welfare at work and are fully committed to implementing health and safety policies agreed under joint consultation procedures;

— we make the necessary resources available to enable us to implement our safety policy and arrangements.

The Safety Policy statement is issued by the Chairman and Deputy Chairman to all employees and is implemented via Corporate Safety Instructions issued by the Deputy Chairman.

Safety Record

In 1994/95

— there were no serious accidents. The level of minor accidents was somewhat higher than the previous year but still well below the national average;

— the collective radiation dose to our employees continued the downward trend seen in previous years and individual doses were well within statutory limits;

— radioactive discharges from our sites were all well below authorised limits;

— the Authority obtained a number of gold and silver awards from the Royal Society for the prevention of accidents in recognition of its safety record.

Charitable and political contributions

The contributions made by the Group during the year for charitable purposes were £44,025. No political contributions were made during the year.

Statutory matters

The United Kingdom Atomic Energy Authority is a public corporation set up by the Atomic Energy Authority Act 1954. These accounts comply with the provisions of Section 4(3) of that Act, the Companies Acts and best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board, and Directions issued by the Treasury. The Act requires the Comptroller and Auditor General (C&AG) to examine and certify the accounts and lay copies, together with his report, before each House of Parliament. A copy of the C&AG's certificate and report can be found on pages 16 and 17.

The Atomic Energy Authority Act 1986 requires the Authority to operate from 1 April 1986 as a Trading Fund. This Act also permits the Authority to borrow from the National Loans Fund and elsewhere if the President of the Board of Trade, with Treasury approval, consents. The amount that the Authority can borrow is subject to an overall limit which, at 31 March 1995, stands at £200M and to an annual external financing limit (EFL). Performance against the EFL is shown earlier in this foreword and against the £200M borrowing limit at note 30 of the accounts.

Under powers conferred by the Atomic Energy Authority Act 1954, the Secretary of State for Energy directed that from 1 April 1986 the Authority should assume a capital debt of £80M which was deemed to have been issued from the National Loans Fund and is repayable at half yearly intervals over twenty years. Details of the amount outstanding on the 1 April 1986 assumed capital debt and other long term loans taken out since that date together with repayments during the year appear at note 25 of the accounts.

Accounts Direction

During the year, the Treasury issued a revised Accounts Direction which is reproduced at pages 54 to 57.

The main change arising from this Direction is the requirement to revalue plant and equipment at 31 March 1995. The outcome of the revaluation is dealt with in note 14 of the accounts. As a consequence of this change and the policies already in operation for revaluing property, HM Treasury decided that current cost accounts need no longer be prepared.

Statement of payment policy

The Authority follows the CBI Prompt Payment Code which can be obtained from CBI Publications, Centre Point, 103 New Oxford Street, London WC1A 1DU.

On behalf of the Authority

Sir Anthony Cleaver
Chairman

14 June 1995

Operating and Financial Review

Introduction

This review has been prepared in accordance with the Accounting Standards Board statement, issued in July 1993.

Trading performance

Group turnover in 1994/95 reached £363.3M, showing a decrease of £13.7M compared to the previous year. The main reason for the fall was the reduced amount of expenditure on the Authority's decommissioning programme.

The Group generated an operating profit of £7.4M which, when adjusted for exceptional items, produced a Return on Capital Employed which exceeded the internal target set by the Board. However, after providing for net new restructuring expenditure of £76.2M, the Group incurred a loss of £67.7M after interest payable, which compares with a loss of £10.7M in the previous year.

In the light of the considerable organisational change during 1994/95, segmental accounting information is not included in these accounts. However, financial information for 1994/95 relating to AEA Technology's ongoing business, will be included within the AEA Technology Annual Review which will be available in July 1995 at the same time as the Authority accounts. An Annual Review explaining UKAEA Government Division performance in 1994/95 has also been prepared and will be available at the same time.

Organisational change

The 1994/95 trading year began with the Authority organised into three divisions—AEA Technology, UKAEA Government Division and Services Division. During the year, the staff and resources within Services Division transferred progressively to either AEA Technology or UKAEA Government Division, with the remainder forming Facilities Services Division (FSD). FSD was subsequently sold to Procord Limited on 31 March 1995, and continues to provide services to the Authority under the new ownership. All three divisions have operated satisfactorily in 1994/95 and, after excluding net new restructuring, met their key internal targets.

The ongoing process of creating separate divisions operating on an arm's length basis within the overall single legal entity has progressed smoothly. Since 1 April 1994, each division has had its own management team and structures in place and has progressively developed its own identity, systems, procedures and policies. This process will continue into 1995/96, and will allow AEA Technology to be legally separated and transferred to the private sector with minimum disruption to the Authority.

Restructuring

During 1994/95, £55.3M has been spent on restructuring the Authority, reflecting the Board's concentration on reducing operating costs and closing unprofitable activities. The process is still not completed and as at 31 March 1995, the unspent provisions carried forward amount to £218.7M.

Investment

Despite the need to reduce operating costs within the Group, investment has continued in employee training in order to ensure future growth in the skills of our staff. "Investors in People" accreditation is being actively pursued and good progress has been made.

Investment in research and development decreased in 1994/95 to £10.9M from £17.1M. The 1994 total of £17.1M included expenditure of £1.2M on research and development activities funded by UKAEA Government

Division. In 1995, this expenditure was funded by DTI Programme Agreement and therefore excluded from the total of £10.9M. The decrease in investment in research and development expenditure in 1994/5 reflects the decision to focus only on those projects which have significant market opportunities. This trend of expenditure is expected to reverse in future years as opportunities emerge.

Looking forward

As at 1 April 1995, the Authority now consists of two divisions, which although part of the same legal entity, have entirely different missions:

(i) AEA Technology is an international science and engineering services business, which has been identified for privatisation by the Department of Trade and Industry (DTI). Enabling legislation is currently proceeding through Parliament.

(ii) UKAEA Government Division's role is to care for and, at the appropriate time, arrange for the safe dismantling of active facilities no longer in use and dispose of radioactive waste in an environmentally acceptable way—always ensuring that the programme is carried out at the lowest economic cost, consistent with safety and environmental requirements and acceptable financial risks.

On 1 March 1995, the Atomic Energy Authority Bill was introduced in Parliament. This legislation will enable the Authority, acting in accordance with Directions of the Secretary of State, to form a scheme to transfer its commercial activities into a separate successor company or companies. It is the intention that this company or companies will then be transferred into the private sector.

The Bill gives the necessary powers to the Authority and the Secretary of State to bring such a scheme into being, and makes provision for the tax and pension position of the successor company (or companies). The Bill aims at 'tax neutrality' (ie it provides that the successor company or companies should enjoy exactly the same tax position as if they had always existed in the private sector). It also states that the pension scheme offered to existing employees by the successor company or companies must, when 'taken as a whole', be 'no less favourable' than their existing arrangements.

At the time of writing, the Bill has passed through the Commons and has been read for a second time in the House of Lords.

Statutory framework

The UKAEA is a public corporation set up by the Atomic Energy Authority Act 1954, and these accounts comply with the Direction given by HM Treasury under section 4(3) of the Act, shown at pages 54 to 57. The Direction requires the Authority to follow the requirements of the Companies Act and best commercial accounting practice, including accounting standards issued or adopted by the Accounting Standards Board except for three departures required under the Direction (see page 23). The Act requires the Comptroller and Auditor General (C&AG) to examine and certify the accounts and lay copies, together with his report, before each House of Parliament. A copy of the C&AG's certificate and report can be found on pages 16 and 17.

Borrowing facilities

The Atomic Energy Authority Act 1986 required the Authority to operate from 1 April 1986 as a Trading Fund. This Act also permits the Authority to borrow from the National Loans Fund (NLF) and other sources if the President of the Board of Trade, with Treasury approval, consents. The amount that the Authority can borrow is subject to an overall limit, which at 31 March 1995 stood at £200M and to an annual external financing limit (EFL), which in 1994/95 limited any increase in Group borrowing to a maximum of £13.2M. Actual borrowing increased by only £12.5M to £171.2M and was therefore within the limit.

Under powers conferred by the Atomic Energy Act 1954, the Secretary of State for Energy directed that, from 1 April 1986, the Authority should assume a capital debt of £80M which was deemed to have been issued from the NLF and is repayable at half yearly intervals over twenty years. During the year, a further £4M has been repaid on this loan leaving an outstanding balance of £44M.

The movement in the year on other NLF loans (see note 25), was as follows:

	£M
Balance at 1 April 1994	72.0
New loans in the year	45.0
Repayments during the year	(24.7)
Balance at 31 March 1995	92.3

There was a net cash outflow before financing of £17.7M during 1994/95 caused by large payments for restructuring in support of the cost reduction programme. These outflows were financed via increased borrowing from the National Loans Fund as shown above.

Following a review of the 1995/96 planned expenditure, it has become obvious that a net cash outflow is also expected in 1995/96 as further payments under the restructuring programme take effect. Although funding to finance this deficit is not yet in place, the Board are of the opinion that the Authority will continue as a going concern, as they expect, as in the past, that loans from the National Loans Fund will continue to be made available in accordance with statutory requirements.

The Authority will remain in being as a public corporation following the expected sale of AEA Technology. The Department of Trade and Industry has confirmed that, in the light of the sale, the Government intends to write-off the net present value of the Authority's debt to the National Loans Fund in so far as it can be covered by proceeds from the sale. Any remaining loans and any new loans made subsequently to the Authority will be repaid from income from customers, particularly DTI. DTI has also indicated that it will be discussing future funding arrangements for the residual Authority with HM Treasury and expects these arrangements to be sufficient to support the Authority's continuing operations for the foreseeable future.

Financial target

The financial target set by the Government for the year ended 31 March 1995 was a return on average capital employed of 6.7%, calculated in accordance with the formula agreed with the DTI. The actual performance, using the above formula, is 10.0% .

Asset revaluation

A revaluation of Authority plant and equipment was carried out in the year and the revised values are incorporated in the balance sheet shown on page 20. The resulting revaluation generated a decrease in net book value from £24.2M to £24.1M and the new value has been treated as deemed historical cost in the 31 March 1995 balance sheet in accordance with the Accounts Direction issued by HM Treasury.

Current cost accounts

The requirement to produce current cost accounts has been waived by HM Treasury following the property revaluation (carried out in 1992/93) and the plant and equipment revaluation (carried out in 1994/95), as asset values now reflect current prices. This is in accordance with the Accounts Direction set out on pages 54 to 57.

Tax

The Authority remains exempt from UK corporation tax. Annual exemption is obtained under S508 of the Income and Corporation Taxes Act 1988.

Corporate Governance

As a public corporation, whose Members (executive and non-executive) are appointed by the President of the Board of Trade, the Authority differs in some respects from a company and some aspects of the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance are therefore not applicable. Nevertheless, recognising the spirit of the Cadbury recommendations, the Authority has adopted the Code wherever possible.

The Authority complies with the Code in all material respects. The guidance on the disclosure of internal financial controls, which applies to periods beginning on or after 1 January 1995 does not apply to the 1994/95 accounts. AEA Technology and UKAEA Government Division are instituting control enhancement programmes, to enable compliance with any additional requirements arising from the guidance on internal financial controls.

The Authority Chairman is set objectives by the President of the Board of Trade and the Authority operates within a framework of instructions and guidance issued by the Department of Trade and Industry. The Chairman's objectives are set out in a letter dated 26 July 1993 from the Minister of Energy (see pages 58 to 59).

The Authority remains a single legal entity with indivisible functions, powers and liabilities, including those relating to safety and environmental issues. The Authority Board continues to have responsibility for major acquisitions, disposals and restructuring and for monitoring performance against budgets and corporate plans, statutory accounts and matters relating to the superannuation schemes and accounts. In line with the objective of achieving early and complete separation of the Divisions—AEA Technology and UKAEA Government Division—the Authority Board exercises its overall responsibilities supported by Divisional Boards acting as committees to the Authority Board. The Authority Board meets quarterly and the Divisional Boards meet regularly.

Each Division has its own executive management committee and the Divisional Chief Executives (Dr P Watson, AEA Technology and Dr D Pooley, UKAEA Government Division) are charged with the day to day management, monitoring progress against corporate plan, budget, and targets and other major issues affecting the Divisions.

The Authority Audit Committee comprises all the non-executive Members and is chaired by Mr C Sharman. It meets not less than three times a year and assists the Board in ensuring that the Group's published accounts give a true and fair view and in securing reliable internal financial information for decision making. It also advises that appropriate accounting and financial policies and controls are in place and that internal and external auditing processes are properly co-ordinated and work effectively. The Authority Audit Committee is supported by separate AEA Technology and UKAEA Government Division Audit Committees.

This process of divisionalisation will continue into 1995/96 with the aim of allowing AEA Technology to be separated with minimum disruption subject to the passage of the relevant legislation.

The Authority's auditor, the Comptroller and Auditor General, has reviewed the above statement insofar as it relates to the paragraphs of the Code specified by the London Stock Exchange for audit review. He has reported to us that, based on his review, he concurs with the above statement.

Statement of Members' and Accounting Officer's Responsibility

Under Section 4(3) of the Atomic Energy Authority Act 1954 and Directions issued by the Treasury, the Members, acting as the Authority, are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Group's state of affairs at the year end and of its profit or loss and cash flows for the financial year.

In preparing the accounts, the Authority is required to:

— observe all relevant accounting and disclosure requirements as set out in the Accounts Direction issued by HM Treasury; and within that, select suitable accounting policies and apply them on a consistent basis;

— make judgements and estimates on a reasonable basis;

— state whether applicable accounting standards have been followed and disclose and explain any material departures in the accounts;

— prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Authority will continue in operation.

The Chairman has been designated as the Accounting Officer for the Authority. His full responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

By order of the Authority

J R Bretherton
Secretary

14 June 1995

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

I have audited the financial statements on pages 18 to 52 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 23 to 27.

Respective responsibilities of Members, Accounting Officer and Auditor

As described on page 15 the Members and the Accounting Officer are responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with the Atomic Energy Authority Act 1954 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Members and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming my opinion I have considered the adequacy of the disclosures made concerning the ability of the Authority to finance their activities and their forward programme of restructuring in particular. Based on the best judgement of the Members and Accounting Officer, the estimated expenditure on restructuring would require borrowings in excess of the external financing limit set by Parliament. Although funding to finance all of these costs is not yet in place, the Members and Accounting Officer are of the opinion that the Authority will continue as a going concern, as they expect loans from the National Loans Fund will continue to be made available, as in the past, in accordance with statutory requirements. In reaching this opinion the Members and Accounting Officer have received confirmation from the Department of Trade and Industry that the government intend to write off the net present value of the Authority's debt to the National Loans Fund in so far as it can be covered by the proceeds from the sale of AEA Technology. Any remaining loans and any new loans made subsequently to the Authority will be repaid from income from customers, particularly the Department of Trade and Industry. The Department of Trade and Industry have also indicated that they will be discussing future funding arrangements for the residual Authority with HM Treasury and expect these arrangements to be sufficient to support their continuing operations for the foreseeable future. In view of the significance of the funding requirement for restructuring in particular, I consider that it should be drawn to your attention, but my opinion is not qualified in this respect.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the United Kingdom Atomic Energy Authority and the Group at 31 March 1995 and of the loss, total recognised gains and losses, and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Atomic Energy Authority Act 1954 and the direction made thereunder by HM Treasury.

I have no further observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

30 June 1995

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

Consolidated Profit and Loss Account for the year ended 31 March 1995

	Notes	£M	£M	**1995[1] £M**	1994[1] £M
Turnover					
Continuing operations				**363.3**	377.0
Discontinued operations				**–**	27.6
	2			**363.3**	404.6
Operating profit					
Continuing operations before exceptional items				**7.4**	16.9
Exceptional items	3			**–**	29.0
Continuing operations	3			**7.4**	45.9
Discontinued operations	3			**–**	5.2
	3, 8			**7.4**	51.1
Profit on sale of operations	10		9.0		1.7
Cost of termination of discontinued operations					
Provision for termination costs		–			(1.5)
Termination costs incurred		(1.4)			(0.6)
Less provision made in previous years		1.5			2.8
	10		0.1		
Profit on disposal of surplus properties					
Continuing operations	10		1.6		2.4
Restructuring					
Continuing operations					
Provision for continuing operations		(66.1)			(68.1)
Costs incurred		(43.0)			(23.2)
Less provision made in previous years		32.8			34.6
	10		(76.3)		
				(65.6)	
				(58.2)	(0.8)
Income from interests in associated undertakings				**(0.1)**	(0.2)
Income from investments				**0.4**	0.3
Amounts written back on/(off) investments	15			**0.2**	(1.0)
Interestreceivable				**0.7**	2.6
(Loss)/Profit on ordinary activities before interest payable				**(57.0)**	0.9
Interest payable	12			**(10.7)**	(11.6)
Retained loss for the year	9, 27			**(67.7)**	(10.7)

[1] *There were no material acquisitions in either period*

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March 1995

	1995 £M	1994 £M
Loss for the year	**(67.7)**	(10.7)
Goodwill written off	**(1.0)**	–
Foreign exchange translation gain	**0.6**	–
Unrealised deficit on revaluation of:		
properties	**(0.8)**	(7.0)
plant and equipment	**(0.1)**	–
Total recognised loss relating to the year	**(69.0)**	(17.7)

Reconciliation of movements in Government funds[1]

	1995 £M	1994 £M
Total recognised losses relating to the year	**(69.0)**	(17.7)
Increase/(decrease) in capital loans	**13.0**	(18.0)
Net reduction in Government funds	**(56.0)**	(35.7)
Opening Government funds	**19.6**	55.3
Closing Government funds	**(36.4)**	19.6

[1] *Government funds comprise capital loans, (including the current portion of capital loans included in creditors: amounts falling due within one year) general reserve, revaluation reserve and profit and loss reserve.*

Balance Sheets at 31 March 1995

	Notes	Group 1995 £M	Group 1994 £M	Authority 1995 £M	Authority 1994 £M
Assets employed					
Fixed assets					
Intangible assets	13	**0.3**	0.3	**–**	–
Tangible assets	14	**120.3**	146.6	**118.5**	144.4
Investments	15	**3.2**	2.2	**17.6**	14.2
		123.8	149.1	**136.1**	158.6
Current assets					
Stocks	16	**20.4**	18.3	**19.9**	17.5
Surplus properties held for resale	17	**17.0**	3.8	**17.0**	3.8
Debtors: amounts falling due within one year	18	**88.8**	103.6	**87.6**	103.3
Debtors: amounts falling due after more than one year	18	**62.6**	91.6	**62.6**	91.6
Investments	19	**6.0**	5.3	**–**	–
Cash at bank and in hand	20	**56.8**	64.0	**55.6**	61.6
		251.6	286.6	**242.7**	277.8
Creditors: amounts falling due within one year	21	**282.2**	201.6	**277.8**	199.8
Net current (liabilities)/assets		**(30.6)**	85.0	**(35.1)**	78.0
Total assets less current liabilities		**93.2**	234.1	**101.0**	236.6
Financed by					
Creditors: amounts falling due after more than one year	22	**20.8**	13.5	**20.5**	13.3
Provisions for liabilities and charges	24	**174.2**	229.7	**173.0**	227.9
		195.0	243.2	**193.5**	241.2
Capital and Reserves					
Capital loans	25	**71.0**	94.7	**71.0**	91.3
General reserve	27	**150.2**	150.3	**150.2**	150.3
Revaluation reserve	27	**18.2**	17.8	**18.2**	17.8
Profit and loss account	27	**(341.2)**	(271.9)	**(331.9)**	(264.0)
		(101.8)	(9.1)	**(92.5)**	(4.6)
		93.2	234.1	**101.0**	236.6

The accounts were approved by the Members of the Authority on 14 June 1995.

Sir Anthony Cleaver
Chairman

Paul Daffern
Executive Director, Finance

Consolidated Cash Flow Statement for the year ended 31 March 1995

	Notes	1995 £M	1995 £M	1994 £M	1994 £M
Net cash inflow from operating activities		**33.1**		37.2	
Cash outflow in respect of restructuring		**(62.8)**		(29.6)	
Cash inflow in respect of restructuring grants received		**10.8**		7.5	
Net cash (outflow)/inflow from operating activities after restructuring			**(18.9)**		15.1
Returns on investments and servicing of finance					
Interest received		**0.7**		2.6	
Interest paid		**(10.7)**		(11.6)	
Dividends received		**0.4**		–	
Net cash outflow from returns on investments and servicing of finance			**(9.6)**		(9.0)
Investing activities					
Investment in unincorporated joint venture, associated undertakings and other investments		**(0.8)**		0.3	
Purchase of tangible fixed assets	14	**(9.2)**		(13.8)	
Sale of tangible fixed assets		**3.7**		4.6	
Sale of surplus properties		**3.7**		4.1	
Sale of businesses		**13.4**		–	
Net cash inflow/(outflow) from investing activities			**10.8**		(4.8)
Net cash (outflow)/inflow before financing			**(17.7)**		1.3
Financing					
Repayment of loans	25	**(28.7)**		(28.7)	
New loans	25	**45.0**		10.7	
Payment of principal under finance leases		**(0.4)**		(0.4)	
Net cash inflow/(outflow) from financing	29		**15.9**		(18.4)
Decrease in cash and cash equivalents	28		**(1.8)**		(17.1)

Reconciliation of operating profit to net cash inflow from operating activities

	1995 £M	1994 £M
Operating profit	**7.4**	51.1
Depreciation on tangible fixed assets	**11.1**	11.5
Increase in provision for permanent diminution in value of fixed assets	**2.7**	0.5
(Increase)/decrease in stocks	**(2.1)**	3.8
Decrease/(increase) in debtors	**43.8**	(39.6)
(Decrease)/increase in creditors	**(11.5)**	4.5
Profit on sale of fixed assets	**(0.9)**	–
(Decrease)/increase in provisions relating to operating activities	**(17.4)**	5.4
Net cash inflow from operating activities	**33.1**	37.2

Notes to the Accounts for the year ended 31 March 1995

Principal accounting policies

1 The accounts comply with the provisions of the Atomic Energy Authority Act 1954 (Section 4(3)) and have been prepared in accordance with the Companies Act 1985, applicable accounting standards and HM Treasury Accounts Direction (reproduced at pages 54 to 57). The latter requires three departures from the Companies Act and accounting standard requirements:

(i) the note on historical cost profit and losses required under FRS3 Reporting Financial Performance has not been disclosed;

(ii) long term loans from the National Loans Fund and loans guaranteed for repayment by the Treasury which fall due for payment more than twelve months from the date of the balance sheet are shown as part of Capital and Reserves and not, as required by FRS4 Capital Instruments, as liabilities. This departure from FRS4 is necessary because of the long term nature of the loans made by the Government (via the National Loans Fund) and represents, together with reserves, the Government's long term interest in the Group;

(iii) interest payable on borrowings where the redemption period at the inception of the loan was less than twelve months is included within "other operating charges".

(a) Basis of accounting

The Authority Board have approved these accounts which have been prepared on a going concern basis as the Authority will remain in being as a public corporation following the proposed sale of AEA Technology. The Department of Trade and Industry (DTI) has confirmed that, in the light of the sale, the Government intends to write off the net present value of the Authority's debt to the National Loans Fund insofar as it can be covered by proceeds from the sale. Any remaining loans and any new loans made subsequently to the Authority will be repaid from income from customers, particularly DTI. DTI has also indicated that it will be discussing future funding arrangements for the residual Authority with HM Treasury and expects these arrangements to be sufficient to support the Authority's continuing operations for the foreseeable future.

The Atomic Energy Authority Bill will enable the Authority, acting in accordance with Directions of the Secretary of State, to form a scheme to transfer its commercial activities into a separate successor company or companies. Until then, the Authority will continue to operate in the existing environment and it would be neither appropriate nor possible to anticipate the changes in accounting values that may result from vesting. Accordingly, these accounts have been prepared within the statutory framework under which the Authority operated at 31 March 1995. The accounting policies followed in producing these accounts are those of the Authority. Consideration has been given to changes in policies which may be introduced as a result of the proposed privatisation of AEA Technology, which is expected to take place in the course of 1996, but the effect any such changes may have on the value of the Authority's assets and liabilities are not reflected in the accounts.

The accounts have been prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

(b) Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the Authority and of its subsidiary undertakings made up to 31 March 1995. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group transactions and profits are eliminated fully on consolidation.

(c) Associated undertakings

The Group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account and the Group's share of their net assets is included in the consolidated balance sheet.

The Group's 49% investment in its associated undertaking, Fast Reactor Technology Limited, is omitted from these accounts since the President of the Board of Trade, acting under the power conferred by the Atomic Energy Authority Act 1954, has ruled that gross dividends shall be surrendered to the Consolidated Fund and the Authority has no significant influence.

(d) Significant interests

Income from significant interests is included, together with any related tax credit, in the consolidated profit and loss account.

The Group's 7½% interest in United Kingdom Nirex Limited is omitted from these accounts since the President of the Board of Trade, acting under the power conferred by the Atomic Energy Authority Act 1954, has ruled that gross dividends shall be surrendered to the Consolidated Fund.

(e) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

(f) Tangible fixed assets and other intangible fixed assets

The cost of fixed assets created or purchased and intangible fixed assets where acquired is their purchase cost, together with any incidental costs of acquisition.

Plant and equipment funded by the Department of Trade and Industry (DTI) Programme Letters/Agreements are not capitalised. These are legally the property of the DTI, who retains the majority of the risks and rewards of ownership. In the event that the Authority wishes to retain any such assets for use on other third party work, then the assets may have to be purchased at a fair value from the DTI. Proceeds on the disposal of such assets, are remitted to the DTI, net of any sale costs.

In accordance with SSAP 19, (i) investment properties are revalued annually and permanent deficits (or reversals) are taken to the profit and loss account and all other valuation movements are taken to the revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Authority consider that to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19 as described above. If this departure had not been made, the profit for the financial year would have been reduced by depreciation on the revalued properties of £0.6M (1994: £0.6M).

Other interests in land and buildings are also stated at valuation. Surpluses arising from the professional valuations of properties are taken direct to a revaluation reserve and are reported in the statement of total recognised gains and losses. Valuation surpluses realised on sale are transferred from revaluation reserve to profit and loss reserve. Any deficit arising from the professional valuation of properties is taken direct to a revaluation reserve to the extent that such deficits are regarded as temporary. Where a permanent diminution in value of an individual property is identified, the deficit is eliminated against any revaluation reserve in respect of that property with any excess being charged to the profit and loss account.

Full valuations are made by independent professionally qualified valuers every five years and in the intervening years these valuations are updated by the Authority with the assistance of independent professional advice as required. The basis of valuation is explained in note 14.

The sale of property assets, and the profit thereon, is recognised when the contract for that sale is completed.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets (excluding investment properties) and intangible fixed assets, less their estimated residual values, on a straight line basis over the expected economic lives of the assets concerned.

The principal annual rates used for this purpose are:

Buildings	
permanent and semi permanent administrative and office buildings, laboratories and infrastructure	up to 30 years
Plant and equipment	
computers and vehicles	up to 5 years
other plant and equipment	5–10 years
Patents (where acquired)	5 years
Assets in course of construction	not depreciated
Investment properties	not depreciated
Freehold land	not depreciated

(g) Turnover

Turnover represents the total value, excluding VAT and intra-group sales, of invoices issued in respect of products delivered and services rendered to customers, royalties and contributions receivable in support of programmes and the value of long term contract work completed.

(h) Finance and operating leases

Costs in in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the Group substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit using the annuity method. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

(i) Stocks and work in progress, excluding long-term contracts

Stocks are valued at the lower of cost and net realisable value. Work in progress is valued at cost, less the cost of work invoiced on incomplete contracts and less foreseeable losses. Cost means direct cost plus production overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

(j) Long-term contracts

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances.

(k) Decommissioning and waste management

Provision is made for the future costs arising from the closing down and decontaminating of certain experimental facilities, reprocessing nuclear fuel and the management and final disposal of wastes where these activities are an Authority responsibility (see note 24). Many of the liabilities being provided for will not crystallise for many years and, in accordance with the practice of the nuclear industry, the provisions are expressed at current price levels and are discounted at a real rate of interest to take account of the delay in meeting the expenditure.

Calculation of the provisions is based on the latest technical assessments of the processes and methods likely to be used in the future and represent estimates derived from a combination of the latest technical knowledge available, existing legislation and regulations and commercial agreements.

The estimates are reviewed annually and any consequential changes to the provisions that are required, including price level changes, are accounted for in the year in which they arise, together with the recognition of a real rate of return on past provisions which have been discounted.

(l) Agency transaction

Contracts administered by the Authority on behalf of the Department of Trade and Industry and certain other Government bodies, but not directly related to the Group's activities, have been excluded from the profit and loss account. The turnover on these contracts excluded from the profit and loss account amounted to £62.6M (1994: £62.7M). Costs incurred and charges to customers made for the administration of these contracts are included in the profit and loss account.

(m) Insurance

The Group insures most non-nuclear risks through its wholly owned subsidiary AEA Insurance Limited. The company also covers some nuclear risks but in the main these continue to be covered by the Government under the Nuclear Installations Act 1965.

(n) Pension costs

The Authority operate three defined benefit (final salary) schemes (the Principal Non-Industrial, Industrial and Protected Persons Superannuation Schemes) and two defined contribution (money purchase) schemes. The defined benefit schemes are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Authority benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining Service lives of the members of the schemes. The figures are assessed every three years in accordance with advice from the Government Actuary. The two defined contribution schemes are fully insured schemes. No employer contribution is made to one (the Additional Voluntary Contribution Scheme) and for the other (the Shift Pay Pensions Savings Plan) the cost, which is directly linked to shift pay earnings, is charged to the profit and loss account, at the time shift pay is paid.

(o) Foreign currencies

All transactions denominated in foreign currency are translated into sterling at the exchange rate ruling on the date the transaction takes place. Balances denominated in foreign currencies are translated into sterling at the exchange rate ruling at the end of the year. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies and from the translation of the results of those companies at average rate are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

(p) Restructuring

Full provision is made for the future restructuring costs of any fundamental reorganisation or restructuring having a material effect on the nature and focus of the Authority's operations. Provisions include those in response to changes in government funding, the separation of UKAEA Government Division and AEA Technology prior to AEA Technology's eventual sale, the Authority's external business environment and to develop fully a successful commercial organisation. Reasonably firmly costed provisions have been made to cover Continuing Annual Payments made under the Authority's early retirement arrangements to individuals who had retired early on or before 31 March 1995. These payments continue at least until the date at which the individual would have reached normal retirement age. Early retirement provisions include lump sums paid to individuals on early retirement. Early retirement payments are refunded to the Authority from the appropriate superannuation scheme at or after the date on which the individual would have reached normal retirement age. Other provisions covering areas where, although it is clear that restructuring will be required, further work is needed to establish the precise restructuring strategies which will be necessary, are based on the Authority's best judgement of the level and cost of the restructuring which will be needed. Charges in the year against provisions comply with the costing basis agreed with the Department of Trade and Industry as appropriate to the context of the Authority in 1994/95 and the nature and extent of the Department's support.

(q) Government grants

Government grants in respect of restructuring, infrastructure and other operating costs are recognised either when invoiced or earlier, where Department of Trade and Industry letters of comfort or other assurances are held.

(r) Research and development

Research and development expenditure is written off as incurred.

(s) Corporation tax

The Authority is exempt from corporation tax. Annual exemption is obtained under Section 508 of the Income and Corporation Taxes Act 1988.

Turnover 2

As explained in the Operating and Financial Review in the light of the considerable changes within the Authority, business segmental accounting information is not included in these accounts.

The analysis of turnover by geographical area of destination, which is primarily of United Kingdom origin, is as follows:

	1995 Total[1]	1994 Continuing	1994 Discontinued	1994 Total
	£M	£M	£M	£M
United Kingdom	**297.6**	310.5	27.6	338.1
Rest of Europe	**40.9**	48.7	–	48.7
USA	**10.9**	7.7	–	7.7
Rest of World	**13.9**	10.1	–	10.1
	363.3	377.0	27.6	404.6

[1] *There were no discontinued operations in 1994/95*

Operating Items 3

	1995 Total[1]	1994 Continuing	1994 Dis-continued	1994 Total
	£M	£M	£M	£M
Turnover	**363.3**	377.0	27.6	404.6
Change in work in progress	**4.2**	(3.0)	–	(3.0)
Own work capitalised	**0.6**	1.4	–	1.4
Other operating income	**4.0**	4.9	–	4.9
	372.1	380.3	27.6	407.9
Raw materials and consumables[2]	**48.4**	46.0	2.8	48.8
Other external charges[2]	**109.9**	115.7	3.8	119.5
Staff costs[2]	**184.9**	178.7	15.8	194.5
Depreciation	**11.1**	12.2	–	12.2
Other operating charges	**10.4**	(18.2)[3]	–	(18.2)
	364.7	334.4	22.4	356.8
Operating profit	**7.4**	45.9	5.2	51.1

[1] *There were no discontinued operations in 1994/95*

[2] *Raw materials and consumables, other external charges and staff costs exclude charges attributable to the restructuring programme. See note 5.*

[3] *Exceptional items recognised in arriving at operating profit include:*

	1995	1994
	£M	£M
Other operating charges		
Property related provisions	–	(30.8)
Costs of strategic review	–	1.8
	–	(29.0)

Employees 4 (a) Staff costs in the year were:

	1995	1994
	£M	£M
Wages and salaries	**181.5**	182.0
Social security costs	**15.4**	15.6
Other pension costs (see note 7)	**5.7**	5.8
	202.6	203.4
Less transfer to restructuring (see note 5)	**17.7**	8.9
	184.9	194.5

(b) The average number of employees during the year was 7,793 (1994: 8,358). As a result of the sale of Facilities Services Division on 31 March 1995, some 950 staff transferred to Procord Limited in 1995/96. See note 11.

Costs attributable to the restructuring programme 5 The figures in the profit and loss account for raw materials and consumables, other external charges and staff costs exclude the following costs attributable to the restructuring programme:

	1995	1994
	£M	£M
Raw materials and consumables	**4.7**	2.2
Other external charges	**10.4**	5.4
Staff costs	**17.7**	8.9
	32.8	16.5

Members' emoluments[1]

6

	1995	1994
	£000	£000
Fees	**46**	40
Salary (including benefits in kind)	**391**	443
Performance related bonuses[3]	**85**	15
Pension contributions	**24**	24
	546	522
Pensions paid to former Members	**35**	32
Consideration paid to third party for services of Member[2]	**5**	–
	586	554

Fees and other emoluments include amounts paid to:

	1995		1994		
	Chairman	Highest paid Member	Chairmen		Highest paid Member
			John Maltby (3 months to 30 June 1993)	Sir Anthony Cleaver (9 months to 31 March 1994)	
	£000	£000	£000	£000	£000
Salary (including benefits in kind)	84	110	14	55	110
Performance related bonuses[3]	18	26	(2)	5	4
	102	136	12	60	114
Pension contributions	12	4	2	7	4
	114	**140**	**14**	**67**	**118**

(1) *The emoluments of both executive and non-executive Members are decided by Department of Trade and Industry (DTI). In the case of executive Members, the Remuneration Committee makes recommendations to DTI.*

(2) *Fees of £5,217 were paid to KPMG in respect of the services as a Member of Mr C M Sharman, and fees of £2,608 were paid to Courtaulds plc in respect of the services as a Member of Mr G A Campbell.*

(3) *The figure comprises estimated bonuses disclosed for 1994/95 plus the difference between the estimated bonuses for 1993/94 and the actual bonuses paid for 1993/94.*

Executive Members' bonus scheme

The Department of Trade and Industry and Treasury set targets for the executive Members' bonus scheme. For 1994/95, the main target set for all Members related to performance against the Group's Financial Target. Specific targets were also set for individual Members, including targets to improve operating performance and reduce operating expenditure. The scheme also provided for penalties for missing the Financial Target or breaching the External Financing Limit.

Chairman's pension

The Chairman is not eligible to be a member of the Authority Principal Non Industrial Superannuation Scheme but pays contributions and is eligible to receive benefits by analogy with that Scheme. The Government Actuary has advised that the Authority should make provision at the rate of 13.7% of his pensionable pay.

The number of Members (including the Chairman and highest paid Member) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

£	**1995**	1994
5,001–10,000	**6 (4 part year)**	4 (1 part year)
10,001–15,000	**1**	2 (1 part year)
60,001–65,000	**1 (part year)**	1 (part year)
65,001–70,000	**1 (part year)**	–
85,001–90,000	–	1
95,001–100,000	–	2
100,001–105,000	**1**	–
110,001–115,000	**1**	1
135,001–140,000	**1**	–

No Member waived emoluments in respect of the year ended 31 March 1995.

Members' advance of salary

Dr B L Eyre is in receipt of an interest free advance of salary to facilitate house purchase on transfer between locations. On appointment as a Member, on 11 November 1991, Mr A W Hills was in receipt of an interest free advance of salary to facilitate house purchase on transfer between locations. The amounts outstanding were:

	Amount outstanding at 31 March 1995	**Amount outstanding at 31 March 1994**	**Repayable in monthly instalments by**
	£	£	
Dr B L Eyre	5,803	6,909	1998
Mr A W Hills	2,013[1]	2,625	1996

[1] Amount outstanding on 10 November 1994 when Mr A W Hills ceased to be a Member.

Pension costs **7**

(a) The three defined benefit schemes operated by the Authority, the Principal Non Industrial Superannuation Scheme (PNISS), the Industrial Superannuation Scheme (ISS) and the Protected Persons Superannuation Scheme (PPSS) cover most Authority employees and in addition most employees of British Nuclear Fuels plc, some employees of Amersham International plc, the Ministry of Defence, the Engineering and Physical Sciences Research Council, the Particle Physics and Astronomy Research Council and the National Radiological Protection Board.

(b) No information in these accounts relates to other employers participating in the PNISS, ISS or PPSS, although the Authority has overall responsibility for the schemes. No contingent liability is expected to arise from this responsibility.

(c) All contributions are paid to and benefits are paid by HM Government via the Consolidated Fund. The surpluses of contributions over benefits are deemed to have been invested in portfolios of notional securities reflecting the investments of a sample of UK funded pensions schemes.

(d) Information relating to the Authority's interest in the schemes is given below:

i) *Actuarial report dates and financial information*

	PNISS	ISS	PPSS
(1) Date of most recent investigation for which information is available (31 March)	1991	1992	1990 (see para 8(g))
(2) Market value of notional investments	£919.1M	£156.7M	£13.9M
(3) Level of funding %	117	176	100
(4) Position on a current funding level basis	Surplus	Surplus	Surplus
(5) End of reporting period covered by next report (31 March)	1994	1995	1993

ii) *Actuarial methods, assumptions and funding*

The "entry age method" was used for PNISS and ISS and a modified "attained age method" for PPSS which is a closed scheme. For PNISS and PPSS, the main long term assumptions made in respect of the actuarial investigations were that investment yield would exceed pay increases by 1.5% pa and exceed price inflation by 3% pa. In the case of ISS, the yields, net of pay increases and price inflation, were assumed to be 2% pa and 3.5% pa respectively. The Authority has followed the Government Actuary's advice as set out below in respect of funding payments except where stated for PNISS.

PNISS funding

The Authority should pay a contribution of 4.1% of members' and new entrants' total pensionable pay from 1 April 1992 to 31 March 2008 and that such rates of contribution would be adequate to meet benefits payable and eliminate the current funding surplus over the average remaining service lives of employees.

During the year ended 31 March 1994, ahead of the next actuarial investigation, the Government Actuary advised that, because of a change in the portfolio of notional securities, the Authority contribution rate could reduce to zero with effect from 1 April 1993. This advice has not been acted on but is being kept under review pending decisions taken about the future of the Authority .

ISS funding

Until the results of the next actuarial valuation are known, the Authority should pay no contribution from 1 April 1993 and such rates of contribution would be adequate to meet benefits payable and eliminate the current funding surplus over the average remaining service lives of employees.

PPSS funding

The Authority should make no further contributions after 31 March 1992 as the contributions to this date are more than adequate in relation to the benefits payable for future liabilities arising under the scheme.

The Government Actuary's draft report on the PPSS as at 31 March 1993 has recently been received, but at the date of preparing these accounts, it had not yet been approved by the Board. The draft report recommends, as did the 1990 report, that no further contributions are needed from the Authority. The draft report is based on assured yields net of pay increases and price inflation of 2% pa and 3.5% pa respectively, following the change in notional investment criteria which took place since the 1990 report.

(e) Pension costs for the year:

	1995	1994
	£M	£M
Scheme costs[1]	**5.5**	5.7
Non scheme costs and early retirement benefits	**0.2**	0.1
	5.7	5.8

[1] *There is no charge to the profit and loss account for ISS, PPSS or AVC scheme. The PNISS regular cost, less variation cost charged to the profit and loss account is identical with the funding cost.*

(f) The two defined contribution schemes (the Additional Voluntary Contribution (AVC) scheme and the Shift Pay Pension Savings Plan (SPPP) scheme) are administered by Prudential Assurance Company Limited to whom contributions are paid. Contributions totalling £2,403 (1994: £1,984) were payable in respect of the SPPP at the year end and are included in creditors. The AVC scheme covers those employees of the Authority, British Nuclear Fuels plc, Amersham International plc, the Ministry of Defence, the Engineering and Physical Sciences Research Council, the Particle Physics and Astronomy Research Council and the National Radiological Protection Board, who are members of PNISS, ISS or PPSS and who have opted to pay additional voluntary contributions. The SPPP scheme covers most of those shift working employees of the seven employers participating in the AVC scheme who are members of PNISS, ISS, or PPSS.

No information in these accounts relates to the other employers participating in the AVC or SPPP schemes.

All contributions are paid to Prudential Assurance Company Limited who invest on behalf of each participating employee.

Operating profit 8

This is stated after charging/(crediting):

		1995		1994
	£M	**£M**	£M	£M
Rent receivable (net of outgoings)		**(0.2)**		(1.3)
Profit on disposal of plant and equipment		**(0.9)**		(0.3)
Auditors' remuneration		**0.3**		0.2
Audit				
— National Audit Office (£157,500, 1994 £182,500)				
— Coopers & Lybrand (£150,000, 1994 £Nil)				
Other services to the Authority		**0.1**		–
— National Audit Office (£30,000, 1994 £25,000)				
— Coopers & Lybrand (£95,000, 1994 £Nil)				
Hire of plant and equipment—operating leases		**1.3**		2.0
Hire of other assets—operating leases		**1.1**		0.3
Depreciation charge for the year:				
Intangible fixed assets	**–**		0.2	
Tangible owned fixed assets	**11.1**		11.8	
Tangible fixed assets held under finance leases	**–**		0.2	
		11.1		12.2
Research and development		**10.9**		17.1

Audit arrangements

The Comptroller and Auditor General remains, under statute, the external auditor of the Authority. For 1994/95, as part of the commercial development of AEA Technology and in support of the statutory audit of the Authority, Coopers & Lybrand undertook audit work on AEA Technology for fees of £150,000 under contract to the Authority. During 1994/95 Coopers & Lybrand provided services additional to their audit work for fees amounting to £4.8 million, of which £95,000 was charged against the Group's operating profit. These services principally comprised financial advice and assistance in connection with the sale of FSD and assistance with the commercial development of AEA Technology. Coopers & Lybrand are continuing to provide audit and advisory services to AEA Technology in 1995/96. National Audit Office received fees for other services of £30,000 (1994 £25,000), such fees being charged against the Group's operating profits.

Loss for the financial year 9

As a consolidated profit and loss account is included in these accounts, the Authority's individual profit and loss account has not been included. The result for the financial year of the Authority was a loss of £65.7M (1994 loss £7.0M).

Non operating exceptional items

10

	1995		1994
	£M	£M	£M
(a) Profit on sale of operations		**9.0**	1.7
(b) Cost of termination of discontinued operations			
Termination costs incurred	**(7.0)**		(3.2)
less DTI grant	**5.6**		2.6
		(1.4)	(0.6)
less provision for termination costs made in previous years (net of DTI grant 1995 £5.3M, 1994 £5.4M).		**1.5**	2.8
		0.1	2.2
Adjustment to provision carried forward for termination costs		**(0.6)**	1.2
DTI grant		**0.6**	(2.7)
		0.1	0.7
(c) Profit on disposal of surplus properties		**1.6**	2.4
(d) Cost of fundamental restructuring (continuing operations)			
Restructuring costs incurred	**(47.4)**		(28.0)
less DTI grant	**4.4**		4.8
		(43.0)	(23.2)
less provision made in previous years (net of DTI grant 1995 £5.8M,1994 £5.8M).		**32.8**	34.6
		(10.2)	11.4
Adjustment to provision carried forward for restructuring costs	**(52.5)**		(64.5)
DTI grant	**(14.0)**		(6.0)
	(66.5)		(59.1)
Inflation increase in early retirement lump sum payments recoverable from superannuation schemes	**0.4**	**(66.1)**	2.4[1]
		(76.3)	(56.7)

[1] *This includes £2.1M relating to previous years.*

Sale of facilities services division

11 In October 1994, the Authority announced its intention to outsource the services of its Facilities Services Division (FSD). Considerable interest was expressed by companies in the facilities management industry. Following a competitive process, an agreement was concluded on 31 March 1995 under which the assets and employees of FSD transferred to Procord Limited, a subsidiary of Johnson Controls Inc. of Milwaukee, a major American company, with turnover of some £650M from facilities management activities.

At the same time, the Authority signed contracts with Procord at all six main Authority sites for periods of up to six years, for the supply of a wide range of services including facilities management, transport, engineering, instrumentation and calibration, catering, telecoms, stores and grounds maintenance. These contracts include volume guarantees for particular services. They also commit the Authority to pay Procord's unavoidable consequential costs in the event of reductions in the volume of certain specified services scheduled for early review. The Authority has made a provision for such costs.

Some 950 staff transferred to Procord with their present terms and conditions under the Transfer of Undertakings (Protection of Employment)

Regulations. Procord have also established a new pension scheme with benefits broadly comparable to those offered by the Authority. As a result, staff transferring to Procord will no longer be contributing members of Authority schemes, but have up to six months to decide whether or not to transfer their past service into the new scheme.

The sale included a range of assets and stock which FSD use in delivering their services (e.g. vehicles, tools, computers etc). The assets and stock transferred to Procord had a historical cost book value of £2.5M as at 31 March 1995. The Authority also undertook a special asset identification and valuation exercise in preparation for the sale.

The Authority calculate the profit from the sale as being £7.9M, based on the historical cost book value of assets and stock and after taking account of a grant of £4.0M from the Department of Trade and Industry, the purpose of which was to defray some of the costs of external consultancy and advice incurred by the Authority in preparing FSD for sale. This profit figure is after the net costs of external advice, legal fees and changes in provisions for post 31 March 1995 sale related costs, which are subject to independent verification.

Interest payable **12** Interest costs on loans have been incurred as follows:

	1995	1994
	£M	£M
Loans repayable within five years, by instalments	**2.4**	3.8
Loans repayable within five years, not by instalments	**4.0**	2.9
Loans repayable wholly or partly in more than five years	**4.3**	4.7
Finance leases and long term hire purchase contracts	–	0.2
	10.7	11.6

(Interest payable on temporary borrowing amounted to £0.4M (1994 £Nil) and is included in other operating charges).

Intangible fixed assets **13** The Authority has no intangible fixed assets. Details of those relating to the Group are as follows:

	Patents £M
Cost	
At 1 April 1994 and 31 March 1995	**0.6**
Depreciation	
Depreciation at 1 April 1994	0.3
Charge for year	–
Depreciation at 31 March 1995	**0.3**
Net book value at 31 March 1995	**0.3**
Net book value at 31 March 1994	0.3

Tangible fixed assets **14**

	Land and buildings	Investment properties	Plant and equipment	Assets in course of construction	Total
Group	£M	£M	£M	£M	£M
Cost or valuation					
At 1 April 1994	122.1	46.3	93.8	6.6	268.8
Surplus/(deficit) on revaluation[1]	0.8	(2.8)	(54.1)	–	(56.1)
Capitalisation of assets in course of construction	0.4	0.6	5.2	(6.2)	–
Additions	–	–	5.5	3.7	9.2
Disposals	(2.0)	–	(9.0)	(0.3)	(11.3)
Reclassification as surplus property	(5.8)	(15.9)	–	–	(21.7)
At 31 March 1995	**115.5**	**28.2**	**41.4**	**3.8**	**188.9**
Depreciation (and provision for permanent diminution in value)					
At 1 April 1994	40.0	19.2	63.0	–	122.2
Deficit on revaluation[1]	–	(1.4)	(54.0)	–	(55.4)
Charge for year	1.8	0.2	11.8	–	13.8
Disposals	(1.6)	–	(6.9)	–	(8.5)
Reclassification as surplus property	(1.8)	(1.7)	–	–	(3.5)
At 31 March 1995	**38.4**	**16.3**	**13.9**	–	**68.6**
Net book value at 31 March 1995	**77.1**	**11.9**	**27.5**	**3.8**	**120.3**
Net book value at 1 April 1994	82.1	27.1	30.8	6.6	146.6
Cost or valuation at 31 March 1995 is represented by:					
Valuation	108.3	28.2	–	–	136.5
Cost[2]	7.2	–	41.4	3.8	52.4
	115.5	**28.2**	**41.4**	**3.8**	**188.9**

[1] *See note 14(a).*
[2] *Plant and equipment revalued at 31 March 1995 is carried at deemed historical cost in accordance with the Accounts Direction issued by the Treasury.*

	Land and buildings	Investment properties	Plant and course of equipment	Assets in construction	Total
Authority	£M	£M	£M	£M	£M
Cost or valuation					
At 1 April 1994	122.1	46.3	89.4	6.5	264.3
Surplus/(deficit) on revaluation[1]	0.8	(2.8)	(54.1)	–	(56.1)
Capitalisation of assets in the course of construction	0.4	0.6	5.2	(6.2)	–
Additions	–	–	5.1	3.7	8.8
Disposals	(2.0)	–	(8.5)	(0.3)	(10.8)
Reclassification as surplus property	(5.8)	(15.9)	–	–	(21.7)
At 31 March 1995	115.5	28.2	37.1	3.7	184.5
Depreciation (and provision for permanent diminution in value)					
At 1 April 1994	40.0	19.2	60.7	–	119.9
Deficit on revaluation[1]	–	(1.4)	(54.0)	–	(55.4)
Charge for year	1.8	0.2	11.1	–	13.1
Disposals	(1.6)	–	(6.5)	–	(8.1)
Reclassification as surplus property	(1.8)	(1.7)	–	–	(3.5)
At 31 March 1995	**38.4**	**16.3**	**11.3**	**–**	**66.0**
Net book value					
At 31 March 1995	**77.1**	**11.9**	**25.8**	**3.7**	**118.5**
Net book value					
At 1 April 1994	82.1	27.1	28.7	6.5	144.4
Cost or valuation at 31 March 1995 is represented by:					
Valuation	108.3	28.2		–	136.5
Cost[2]	7.2	–	37.1	3.7	48.0
	115.5	28.2	37.1	3.7	184.5

[1] *See note 14(a).*
[2] *Plant and equipment revalued at 31 March 1995 is carried at deemed historical cost in accordance with the Accounts Direction issued by the Treasury.*

(a) Non-specialised land and buildings and the land on which specialised buildings stand were valued at open market value for existing use at 1 April 1992. Specialised buildings were valued by the Authority at 1 April 1992 at depreciated replacement cost.

Investment properties were valued at 31 March 1995 at open market value by independent chartered surveyors.

Investment properties are held for their investment potential. Rental income from tenants outside of the Group is negotiated at arm's length.

Plant and equipment was valued by the Authority at 31 March 1995 at the lower of depreciated replacement cost and the recoverable amount, the recoverable amount being the higher of value in use and net realisable value taking into account the condition and usage of the plant and equipment. Plant and equipment held by Facilities Services Division continued to be held at historical cost. HM Treasury Accounts Direction (see pages 54 to 57) states that the new value is to be deemed historical cost and all surpluses or deficits arising from the valuation are to be credited or debited to the general reserve. The valuation was carried out by the Authority.

(b) Land and buildings and investment properties at net book value comprise:

	Land and buildings	**Investment properties**
	£M	£M
1995 Freeholds	77.4	11.9
1994 Freeholds	82.1	27.1

(c) All land is freehold and is stated at its revalued amount of £55.9M (1994: £53.8M).

(d) Capital Commitments

	Group		**Authority**	
	1995	1994	**1995**	1994
	£M	£M	**£M**	£M
Amounts contracted for, but not provided in the accounts:	**3.4**	0.9	**3.4**	0.7
Amounts authorised, but not contracted for:	**1.2**	1.4	**0.9**	1.2

Fixed asset investments **15**

	Unincorporated joint venture	Associated under-takings	Loans	Other investments	Total
Group	£M	£M	£M	£M	£M
Cost					
At 1 April 1994	0.2	0.1	1.0	2.0	3.3
Additions	–	0.8	–	–	0.8
Disposals	–	–	–	–	–
Share of retained profit/(loss)	–	(0.1)	–	–	(0.1)
At 31 March 1995	**0.2**	**0.8**	**1.0**	**2.0**	**4.0**
Amounts written off					
At 1 April 1994	0.1	0.2	0.8	–	1.1
At 31 March 1995	**0.2**	**–**	**0.6**	**–**	**0.8**
Net book value At 31 March 1994	0.1	(0.1)	0.2	2.0	2.2
Net book value At 31 March 1995	**–**	**0.8**	**0.4**	**2.0**	**3.2**

None of the above investments is listed

	Subsidiary undertakings	Associated under-takings	Loans	Other investments	Total
Authority	£M	£M	£M	£M	£M
Cost					
At 1 April 1994	7.9	0.4	5.1	2.0	15.4
Conversion of loan to equity	1.2	–	(1.2)	–	–
Additions	–	0.2	3.0	–	3.2
At 31 March 1995	**9.1**	**0.6**	**6.9**	**2.0**	**18.6**
Amounts written off					
At 1 April 1994	0.1	0.4	0.7	–	1.2
At 31 March 1995	**0.1**	**0.4**	**0.5**	**–**	**1.0**
Net book value At 31 March 1994	7.8	–	4.4	2.0	14.2
Net book value At 31 March 1995	**9.0**	**0.2**	**6.4**	**2.0**	**17.6**

None of the above investments is listed

Subsidiary undertakings

Name	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group	Proportion of nominal value of issued shares held by the Authority	Nature of Business
AEA Technology International Limited	England & Wales	Ordinary £1 shares		100%	Holding
AEA Insurance Limited	Isle of Man	Ordinary £1 shares		100%	Insurance
AEA Technology Inc	USA	$1 common stock		100%	Holding
AEA Technology Engineering Services Inc (formerly AEA O'Donnell Inc)	USA	Common stock with no par value	100%		Specialist nuclear engineering
AEA Sonomatic Limited	England & Wales	Ordinary £1 shares		100%	Non-destructive testing
		"A" Ordinary £1 shares		100%	
		10% Cumulative Preference Shares		100%	
		Deferred £1 shares		100%	

The information above relates to those subsidiary undertakings which principally affected the results or financial position of the Group.

Unincorporated joint venture

The Group owns 50% of the business of an unincorporated joint venture ASC Silicon.

Associated undertakings

Name	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group	Proportion of nominal value of issued shares held by the Authority	Accounting year end	Nature of Business
Safeguard International Limited	England & Wales	Ordinary £1 shares	50%		31 March	Radioactive and hazardous waste disposal
EBIS Harwell Limited	England & Wales	Ordinary £1 shares	49.99%		31 March	Electronic beam irradiation of medical and other products

The Authority's 49% interest in Fast Reactor Technology Limited is not listed above and is omitted from these accounts since the President of the Board of Trade ruled that dividends shall be paid to the Department of Trade and Industry (see note 1(c)).

Other significant interests

(i) The Authority has an 18% interest in the £1 ordinary shares of Hunting-BRAE Limited. Hunting-BRAE Limited is registered in England and Wales.

(ii) The Authority's 7½% interest in United Kingdom Nirex Limited is omitted from these accounts since the President of the Board of Trade has ruled that dividends shall be paid to the Department of Trade and Industry (see note 1(d)).

Stocks 16

	Group		Authority	
	1995	1994	**1995**	1994
	£M	£M	**£M**	£M
Raw materials and general stores[1]	**0.8**	2.9	**0.7**	2.8
Goods for resale	–	–	–	–
Work in progress	**19.6**	15.4	**19.2**	14.7
	20.4	18.3	**19.9**	17.5

[1] *The replacement value of raw materials and general stores is £0.8M higher than the balance sheet value.*

	Group and Authority	
	1995	1994
	£M	£M
Long term contracts (included in work in progress)		
Net cost less foreseeable losses (net of applicable payments on account)	–	0.7

Surplus properties held for resale 17

	Group and Authority	
	1995	1994
	£M	£M
Surplus properties	**17.0**	3.8

Surplus properties are for sale and are not intended for use on a continuing basis in the foreseeable future in the Group's activities and are expected to be sold within 12 months of the balance sheet date. Surplus properties are held at the lower of cost or net realisable value. The profit on sale of surplus properties was £1.6M (1994: £2.4M).

Debtors 18

	Group 1995	Group 1994	Authority 1995	Authority 1994
	£M	£M	**£M**	£M
Amounts falling due within one year:				
Trade debtors	**60.8**	61.1	**59.5**	59.9
Other debtors	**23.5**	29.6	**23.4**	29.5
Amounts recoverable on long term contracts	**0.9**	3.8	**0.4**	3.3
Prepayments and accrued income	**3.6**	4.7	**3.3**	5.9
VAT	–	4.4	–	4.3
Amounts owed by subsidiary undertakings	–	–	**1.0**	0.4
	88.8	103.6	**87.6**	103.3
Amounts falling due after more than one year:				
Other debtors	**62.6**	91.6	**62.6**	91.6
	151.4	195.2	**150.2**	194.9

Current asset investments 19

	Group 1995	Group 1994
	£M	£M
Fixed term bank deposits	**6.0**	0.5
Securities at lower of cost and market value listed in the United Kingdom	–	4.8
	6.0	5.3

Cash at bank and in hand 20

	Group 1995	Group 1994	Authority 1995	Authority 1994
	£M	£M	**£M**	£M
Cash at bank and in hand	**58.3**	64.0	**57.1**	61.6
less overdrafts offset	**1.5**	–	**1.5**	–[1]
	56.8	64.0	**55.6**	61.6

[1] *At 31 March 1994, overdrafts were not offset, but had they been offset cash at bank and in hand and bank loans and overdrafts would have been reduced by £2.7M.*

Creditors: amounts falling due within one year **21**

	Group 1995	Group 1994	Authority 1995	Authority 1994
	£M	£M	**£M**	£M
Debenture loans	**0.1**	0.2[1]	**0.1**	0.2[1]
Current portion of long-term loans	**68.4**	28.7	**65.3**	28.7
Bank loans and overdrafts	**30.2**	34.9[2]&[3]	**30.1**	34.9[3]
Payments received on account	**19.6**	21.6	**19.6**	21.6
Trade creditors	**20.6**	16.8	**20.2**	16.4
Other creditors	**1.7**	5.9	**1.5**	5.5
Taxation and social security	**9.4**	4.9	**9.3**	4.9
Obligations under finance leases and hire purchase contracts	**0.1**	0.4	–	0.3
Accruals and deferred income	**22.0**	19.9	**21.6**	19.0
	172.1	133.3	**167.7**	131.5
Transfer from provisions (see note 24) of costs expected to arise within 12 months	**110.1**	68.3	**110.1**	68.3
	282.2	201.6	**277.8**	199.8

[1] *Debenture loans represent unsecured loan stock which is redeemable at par in ten half yearly instalments from 29 September 1993.*

[2] *For the period 1 April 1994 to 31 March 1995, Authority bank overdraft balances with banks were guaranteed by HM Treasury up to an amount not exceeding £13M (1994: 1 April 1993–31 December 1993 £27M, 1 January 1994–31 March 1994 £7M) with an additional £20.0M temporary borrowing facility made available from the National Loans Fund. At no point during the year did the Authority exceed these limits.*

[3] *Overdrafts totalling £1.5M (1994 £Nil) have been netted against cash at bank and are not included in creditors (see note 20).*

Creditors: amounts falling due after more than one year **22**

	Group 1995	Group 1994	Authority 1995	Authority 1994
	£M	£M	**£M**	£M
(a) Debenture loans Repayable as follows:				
between one and two years	**0.1**	0.2	**0.1**	0.2
between two and five years	**0.1**	0.2	**0.1**	0.2
(b) Obligations under finance leases and hire purchase contracts	–	0.1	–	–
(c) Other Repayable as follows:				
between one and two years	**1.7**	0.2	**1.4**	0.1
two to five years	**18.9**	12.8	**18.9**	12.8
	20.8	13.5	**20.5**	13.3

Commitments under operating leases **23**

	Plant and Equipment Group 1995	Plant and Equipment Group 1994	Plant and Equipment Authority 1995	Plant and Equipment Authority 1994
	£M	£M	**£M**	£M
Annual commitments under non-cancellable operating leases were as follows:				
expiring within one year	**0.5**	1.2	**0.4**	0.9
expiring between one and two years	**0.4**	0.4	**0.1**	0.4
expiring between two and five years	**0.9**	0.7	**0.9**	0.1
expiring after more than five years	–	0.7	–	0.3
	1.8	3.0	**1.4**	1.7

Provisions for liabilities and charges **24**

	Infrastructure renewal	Decommissioning and waste management	Restructuring	Other	Total
	£M	£M	£M	£M	£M
Group					
At 1 April 1994	29.7	28.5	215.0	24.8	298.0
Increase/(decrease) in provision	(3.3)	9.0	59.0[4]	(7.7)	57.0
Provision utilised	(6.7)	(3.7)	(55.3)[5]	(5.0)	(70.7)
At 31 March 1995	19.7[1]	33.8[2]	218.7	12.1	284.3[3]
Less costs expected to arise within 12 months transferred to creditors (see note 21)	(9.0)	(4.0)	(90.3)	(6.8)	(110.1)
	10.7	**29.8**	**128.4**	**5.3**	**174.2**

	Infrastructure renewal	Decommissioning and waste management	Restructuring	Other	Total
	£M	£M	£M	£M	£M
Authority					
At 1 April 1994	29.7	28.5	215.0	23.0	296.2
Increase/(decrease) in provision	(3.3)	9.0	59.0[4]	(7.1)	57.6
Provision utilised	(6.7)	(3.7)	(55.3)[3]	(5.0)	(70.7)
At 31 March 1995	19.7[1]	33.8[2]	218.7	10.9	283.1[3]
Less costs expected to arise within 12 months transferred to creditors (see note 21)	(9.0)	(4.0)	(90.3)	(6.8)	(110.1)
	10.7	**29.8**	**128.4**	**4.1**	**173.0**

(1) *This provision relates to a programme of infrastructure renewal which was identified at several sites subsequent to the 1 April 1992 valuation of land and buildings and investment properties.*

(2) *This provision relates to those future costs for decommissioning and waste management for which the Authority has responsibility.*

(3) *In 1990/91, in a letter of comfort the Department of Energy (now subsumed within the Department of Trade and Industry) agreed to provide financial support over the period of the restructuring programme then envisaged. In 1995, in the context of the levels of these provisions and the proposed privatisation of AEA Technology, the Department of Trade and Industry confirmed that the Authority will remain in being as a public corporation following the expected sale of*

AEA Technology. The Department of Trade and Industry (DTI) has confirmed that, in the light of the sale, the Government intends to write off the net present value of the Authority's debt to the National Loans Fund insofar as it can be covered by proceeds from the sale. Any remaining loans and any new loans made subsequently to the Authority will be repaid from income customers, particularly DTI. DTI has also indicated that it will be discussing future funding arrangements for the residual Authority with HM Treasury and expects these arrangements to be sufficient to support the Authority's continuing operations for the foreseeable future.

(4) *The increase/decrease in the restructuring provision differs to the charge to Profit and Loss by £2.9M, due to a corresponding transfer to creditors.*

(5) *The restructuring provision utilised is analysed below:*

	£M	£M
Continued operations	47.4	
Discontinued operations	7.0	
Charged to profit and loss account		54.4
Provision for permanent diminution in value of fixed assets	3.8	
Transfer to creditors	(2.9)	
		0.9
		55.3

Capital loans outstanding 25

	1 April 1986 deemed capital debt		Post 1 April 1986 loans		Total	
Group	£M	£M	£M	£M	£M	£M
Outstanding at 31 March 1994						
long-term loans	44.0		50.7		94.7	
included in creditors	4.0		24.7		28.7	
		48.0		75.4		123.4
New loans		–		45.0		45.0
Repayments		(4.0)		(24.7)		(28.7)
Foreign exchange translation		–		(0.3)		(0.3)
Outstanding at 31 March 1995						
long-term loans	40.0		31.0		71.0	
included in creditors	4.0		64.4		68.4	
		44.0		**95.4**		**139.4**

	1995	1994
	£M	£M
Long term loans are repayable as follows:		
between one and two years	**32.0**	38.7
between two and five years	**15.0**	28.0
over five years (repayable by instalments)	**24.0**	28.0
	71.0	94.7

The average interest rate payable on long-term loans during the year was 8.2% (1994 8.6%).

	1 April 1986 deemed capital debt		**Post 1 April 1986 loans**		**Total**	
Authority	£M	£M	£M	£M	£M	£M
Outstanding at 31 March 1994						
long-term loans	44.0		47.3		91.3	
included in creditors	4.0		24.7		28.7	
		48.0		72.0		120.0
New loans		–		45.0		45.0
Repayments		(4.0)		(24.7)		(28.7)
Outstanding at 31 March 1995						
long-term loans	40.0		31.0		71.0	
included in creditors	4.0		61.3		65.3	
		44.0		**92.3**		**136.3**

	1995	1994
	£M	£M
Long term loans are repayable as follows:		
between one and two years	**32.0**	35.3
between two and five years	**15.0**	28.0
over five years (repayable by instalments)	**24.0**	28.0
	71.0	**91.3**

The average interest rate payable on long-term loans during the year was 8.2% (1994 8.6%).

Goodwill **26**

The cumulative amount of goodwill resulting from acquisitions which have been written off is set out below:

	£M
At 1 April 1994	2.1
Amounts written off in the year	1.0
At 31 March 1995	3.1

Reserves **27**

	Non-distributable general	**Revaluation**	**Profit and loss**
	£M	£M	£M
Group			
At 1 April 1994	150.3	17.8	(271.9)
Transfer from revaluation reserve to profit and loss reserve	–	1.2	(1.2)
Deficit arising on revaluation of investment properties and transfers between land and buildings and investment properties	–	(0.8)	–
Deficit arising on the revaluation of plant and equipment	(0.1)	–	–
Purchased goodwill written off	–	–	(1.0)
Foreign exchange translation of investment in subsidiaries	–	–	0.6
Loss retailed for the year	–	–	(67.7)
At 31 March 1995	**150.2**	**18.2**	**(341.2)**

	Non-distributable general	Revaluation	Profit and loss
	£M	£M	£M
Authority			
At 1 April 1994	150.3	17.8	(264.0)
Transfer from revaluation reserve to profit and loss reserve	–	1.2	(1.2)
Deficit arising on revaluation of investment properties and transfers between land and buildings and investment properties	–	(0.8)	–
Deficit arising on the revaluation of plant and equipment	(0.1)	–	–
Goodwill written off	–	–	(1.0)
Loss retained for the year	–	–	(65.7)
At 31 March 1995	**150.2**	**18.2**	**(331.9)**

The revaluation reserve includes £4.0M in respect of surpluses on the annual revaluation of investment properties.

Cash and cash equivalents 28

Changes during the year:	**1995**	1994
	£M	£M
Balance at 1 April	**34.4**	51.5
Net cash outflow	**(1.8)**	(17.1)
Balance at 31 March	**32.6**	34.4

Analysis of balances	**1995**	**1994**	**1995 Change in year**	1993	1994 Change in year
	£M	**£M**	**£M**	£M	£M
Cash at bank and in hand	**56.8**	**64.0**	**(7.2)**	65.3	(1.3)
Short term investments	**6.0**	**5.3**	**0.7**	4.7	0.6
Bank loans and overdrafts	**(30.2)**	**(34.9)**	**4.7**	(18.5)	(16.4)
Balance at 31 March	**32.6**	**34.4**	**(1.8)**	51.5	(17.1)

Analysis of changes in financing during the year

29

	Loans and fiance lease obligations 1995	1994
	£M	£M
At 1 April	**123.9**	142.3
Cash inflows from financing	**45.0**	10.7
Loan repayment	**(28.7)**	(28.7)
Repayments on principal on finance leases	**(0.4)**	(0.4)
At 31 March	**139.8**	123.9

Statement relating to statutory borrowing limit

30 *Group*

During 1994/95, the statutory borrowing limit set by Section 3 of the Atomic Energy Authority Act 1986 as amended by the UK Atomic Energy Authority (Limit of Borrowing) Order 1991 remained at £200M. The highest borrowing occurred on 27 March 1995 when the position was as follows:

	£M
Capital loans	155.6
Loans to US subsidiary from PNC Bank	3.1
Loan stock re acquisition of subsidiary	0.4
Bank loans and overdraft	1.7[1]
Temporary borrowing from National Loans Fund	11.0[2]
Total borrowing on 27 March 1995	171.8

(1) *At no time during the year did borrowing exceed the £13M limit set by DTI and HM Treasury for bank loans and overdrafts. The 31 March 1995 figure for bank loans and overdrafts of £30.2M shown in creditors (see note 21) is the amount in the Group's books, whereas the limit relates to amount shown in the banks' books.*

(2) *At no time during the year did borrowing exceed the £20M limit set by DTI and HM Treasury for temporary borrowing from the National Loans Fund.*

Contingent liabilities

31 There are contingent liabilities in respect of:

(i) guarantees or contingencies arising in the normal course of business; and indemnities issued with the consent of the President of the Board of Trade and HM Treasury in respect of claims for nuclear damage arising from nuclear matter in the course of carriage. (No material claims under these contingent liabilities are anticipated and accordingly no provision has been made);

(ii) payments under the insurance arrangements by which the Authority extends cover to British Nuclear Fuels plc in respect of occurrences prior to 1 April 1986. The cover extends to long lasting medical conditions and property damage requiring long term remedial measures. These costs may be incurred over a long period and cannot be predicted with certainty. Claims are reimbursed by the Department of Trade and Industry and accordingly no provision has been made;

(iii) future possible increases in cost in respect of liabilities for future decommissioning and radioactive waste management arising from work done for:

(a) CEGB and SSEB between 1 April 1986 and 31 March 1990 where the liabilities have now been vested respectively in Nuclear Electric plc and Scottish Nuclear plc in accordance with the Electricity Act 1990; and

(b) Nuclear Electric plc and Scottish Nuclear plc after 1 April 1990.

As the precise circumstances in which these liabilities will be discharged cannot be determined at this stage, it is not possible to estimate the cost increases involved;

(iv) Continuing Annual Payments (CAPs) arising from early retirements falling within the criteria for restructuring grants. The Department of Trade and Industry has agreed in principle to meet the costs of these CAPs which represent payments which will be funded out of grants beyond the current period covered by the Restructuring Programme Letter (see note 24(3)). The current estimate of the costs involved is £14.3M;

(v) future costs for decommissioning and waste management covered by letters of understanding issued to the Authority by the Department of Trade and Industry and other major customers of standing. The letter sent by the Secretary of State for Energy on 20 May 1986 stated that the Government was prepared to continue to accept responsibility in principle for those costs which the Authority incur in treating and disposing of nuclear wastes and in decommissioning plant arising from:

(a) programmes carried out by the Authority and its predecessors prior to 1 April 1986; and

(b) programme letter work undertaken for the Department of Energy/Trade and Industry after 1 April 1986.

The estimate of the total of the charges arising from the government liabilities covered by these arrangements is £4.4 billion within a range of £3–7 billion expressed, in accordance with the practice of the nuclear industry, at current price levels and discounted at a 2% real rate of interest to take account of the delay in meeting the expenditure. The undiscounted figure at present price levels is £7.5 billion within a range of £5–12 billion. This estimate is based on the best information now available and takes account of work done during the past year to obtain better estimates of the costs of decommissioning some of the largest facilities and of managing irradiated fuels. The estimate however remains dependent on a number of factors which are subject to great uncertainty, including the costs of waste disposal and future Government policy. Prudent allowance has been made for these uncertainties by the inclusion of contingencies. Allowance is also made for a share of site running costs and other costs attributable to plant and buildings which are being held under care and maintenance until fully decommissioned. In some cases, final decommissioning is not expected to take place until the middle of the next century or later. The majority of the expenditure will not arise until well into the future with expected expenditure over the next ten years, £1.4 billion, accounting for just under 20% of the undiscounted total. Liabilities to British Nuclear Fuels plc for nuclear waste management and decommissioning at their sites arising from Authority activities are covered by the Department of Trade and Industry letter of understanding and account for £0.9 billion of the undiscounted total (£0.5 billion when discounted at 2%). Provision is made in the accounts for Authority liabilities which are not covered by the letter of understanding from the Department of Trade and Industry or by similar undertakings from other major customers;

(vi) costs arising from the remedial strategy necessary to remove non-radioactive chemical contamination at the Harwell site. These costs are currently expected to lie in the range £15M to £25M, undiscounted at present price levels, depending on what long term remediation strategy proves the most feasible. The Department of Trade and Industry (DTI) have confirmed that they expect the costs to be met within the net funding arrangements agreed in the context of the Property Programme Agreement between DTI and UKAEA Government Division.

Consolidated Five Year Summary

	1995	1994	1993	1992	1991
	£M	£M	£M	£M	£M
Assets and liabilities					
Fixed assets	**124**	149	162	152	147
Net current assets (liabilities)	**(31)**	85	69	(8)	(20)
	93	234	231	144	127
Creditors due after more than one year	**(21)**	(13)	(2)	(2)	(1)
Provisions for liabilities and charges	**(174)**	(230)	(203)	(113)	(116)
	(102)	(9)	26	29	10
Capital and reserves					
Loans	**71**	95	112	89	86
General reserve	**150**	150	150	150	150
Revaluation reserve	**18**	18	23	–	–
Profit and loss reserve	**(341)**	(272)	(259)	(210)	(226)
	(102)	(9)	26	29	10
Sales and results					
Turnover					
Continuing	**363**	377	374	425	438
Discontinued	–	28	41	–	–
Operating profit/(loss)					
Continuing	**7**	46	(10)	33	17
Discontinued	–	5	4	–	–
Non operating exceptional items					
Profit on sale of fixed assets	**2**	2	2	–	–
Costs of termination of discontinued activity	–	(2)	(3)	–	–
Cost of fundamental restructuring	**(76)**	(57)	(32)	(9)	(49)
Other income and expenses	**10**	7	3	2	1
(Loss)/profit on ordinary activities before interest payable	**(57)**	1	(36)	26	(31)
(Loss)/profit for the year after all charges	**(68)**	(11)	(47)	17	(40)

Accounts Direction given by the Treasury

The Treasury, in pursuance of section 4(3) of the Atomic Energy Authority Act 1954, hereby gives the following Direction.

1 The statements of account ("the Statements") which it is the duty of the United Kingdom Atomic Energy Authority ("the Authority") to prepare in respect of the financial year ended 31 March 1995 and in respect of any subsequent financial year shall include:

(a) a foreword;

(b) a profit and loss account;

(c) a statement of total recognised gains and losses;

(d) a balance sheet; and

(e) a cash flow statement;

including in each case such notes as may be necessary for the purposes referred to in the following paragraphs.

2 The Statements referred to above shall give a true and fair view of the state of affairs of the Authority and its subsidiaries at the end of the financial year and of its profit or loss, total recognised gains and losses and cash flow for the year. Subject to the foregoing requirement, the Statements shall also, without limiting the information given and as described in Schedule 1 of this Direction, meet:

(a) the accounting and disclosure requirements of the Companies Act 1985 unless otherwise prescribed in Schedule 1 hereto;

(b) best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board, with the exception of the requirement contained in FRS3 for the inclusion of a note showing historical cost profits and losses;

(c) the accounts disclosure requirements set out in paragraph 43 of Chapter 12 of the Admission of Securities to Listing issued by the Council of the Stock Exchange; and

(d) shall have regard to all relevant accounting and disclosure requirements given in "Government Accounting" and in the Treasury booklet "Trading Accounts; A Guide for Government Departments and Non-Departmental Public Bodies" (the "Trading Accounts booklet") as amended or augmented from time to time; insofar as these are appropriate to the Authority and are in force for the financial period for which the Statements are to be prepared.

3 The profit and loss account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:

(a) non specialised land and buildings and the land on which specialised buildings stand at open market value for existing use;

(b) investment properties at open market value;

(c) specialised buildings and plant and equipment at the lower of depreciated replacement cost and the recoverable amount, the recoverable amount being the higher of value in use and net realisable value. Plant and equipment held by the Facilities Services Division will continue to be at historical cost; and

(d) stocks at the lower of cost (or net current replacement cost where materially different) and net realisable value.

4 The historical cost of revalued plant and equipment at 31 March 1995 shall be deemed to be the values determined in accordance with the basis of valuation in paragraph 3 above. Any surpluses or deficits arising from the revaluation shall be credited or debited to a revaluation reserve.

5 If, during the year, the Authority has a subsidiary or subsidiaries, the Statements described in paragraph 1 in respect of that year shall be prepared on a consolidated basis in respect of the Authority and its subsidiary or subsidiaries and shall include a separate balance sheet in respect of the Authority only.

6 Additional disclosure requirements are set out in Schedule 2 of this Direction.

7 This Direction shall be reproduced as an appendix to the Statements.

8 This Direction supersedes that dated 9 June 1987.

F Martin
Treasury Officer of Accounts — 23 February 1995.

Schedule 1

Application of the Companies Acts' Requirements

1 The disclosure exemptions permitted by the Companies Act 1985 shall not apply to the Authority unless specifically approved by the Treasury.

2 The foreword shall contain the information required by the Companies Act 1985 to be disclosed in the Directors' Report, to the extent that such requirements are appropriate to the Authority.

3 In preparing its profit and loss account and balance sheet, the Authority shall adopt respectively the profit and loss account format 2 and the balance sheet format 1 prescribed in Schedule 4 to the Companies Act 1985 to the extent that such requirements are appropriate to the Authority, except that:

(a) the balance sheet totals should be struck at "Total assets less current liabilities";

(b) loans from the National Loans Fund and Loans guaranteed for repayment by the Treasury which fall due for payment more than twelve months from the date of the balance sheet shall be shown as part of Capital and Reserves;

(c) the profit or loss on ordinary activities shall be stated before interest payable where the redemption period at the inception of the loan was twelve months or more; and

(d) interest payable on borrowings where the redemption period at the inception of the loan was less than twelve months shall be included with "other operating charges" and the amount disclosed within a note to the Statements.

4 The foreword and the balance sheet shall be signed and dated.

5 The provisions of paragraph 33(3) of Schedule 4 to the Companies Act 1985 shall not apply to the Statements.

Schedule 2

Additional Disclosure Requirements

1 The foreword shall, *inter alia*:

(a) state that the accounts have been prepared in accordance with a direction given by the Treasury in pursuance of section 4(3) of the Atomic Energy Authority Act 1954; and

(b) include a brief history of the Authority and its statutory background. Regard should be had to Annexes B and C of the Trading Accounts booklet.

2. For each financial year, a summary of the Authority's position in relation to the current statutory borrowing limits shall be given.

3. For each financial year, the estimated total cost of closing down and decontaminating facilities at the end of their useful lives, reprocessing nuclear fuel and the final disposal of wastes, and the accounting policy adopted for dealing with the costs shall be disclosed in the Statements.

4. For each financial year, a five year summary of the profit and loss accounts and balance sheets shall be given. If the Authority has a subsidiary or subsidiaries, this information shall only be given on a consolidated basis.

Chairman's Objectives

On the 26 July 1993 the Minister for Energy wrote to Authority (AEA) Chairman, Sir Anthony Cleaver, setting out his personal objectives. The text of that letter is reproduced here.

Introduction

I am writing to set the objectives I wish you to pursue as the Chairman of the AEA. These objectives set out the general direction in which the Government wishes you to take the AEA. Specific targets in support of these objectives will be set from time to time, after consultation with you. Nothing in these objectives over-rides your responsibilities as an Accounting Officer.

Statutory framework

The AEA's activities are undertaken within the framework of the Atomic Energy Authority Acts 1954 and 1986, the Science and Technology Act 1965, and other relevant legislation.

Aims

The AEA has, with Government support, progressively sought to increase its competitiveness, cut costs, provide better value for money for its customers and increase profitability. Good progress has been made but the AEA is operating in increasingly competitive markets, both for the work which it undertakes for the Government and for other customers.

Within the statutory framework, your prime objective is to ensure that the AEA competes effectively in these markets, develops its business to meet the needs of its customers and, in doing so, earns an acceptable return on its assets. To this end, you should ensure that the AEA has a structure and cost levels that secure these objectives and subject the AEA's support activities to market testing and contractorisation where appropriate. You should also ensure that the AEA has a clear market strategy and sufficient marketing and management expertise competent to deliver the objectives of that strategy. More generally you should continue the process of cultural change focusing the organisation on commercial success and recognising the key role that the development of staff has in this context.

Defined customer-contractor relations should apply to all work carried out by the AEA. As far as funding by the Department of Trade and Industry is concerned, this work will be in Programme Letters agreed with the Department or under a contract and will be carried out in accordance with the terms and conditions contained in the Letters or contract. Subject to its statutory constraints the AEA should undertake work for customers, whether nuclear or non nuclear, on the basis of an acceptable return after taking into account any related waste management and decommissioning costs and the overall needs of the business.

Within the framework of legislation and Government policy, you should ensure that the AEA explores all options for exploiting its technology, including collaboration with other organisations where this is commercially justified or where I indicate that there is a national interest in doing so.

You should ensure the AEA informs the Department, at an early stage, of its plans for such collaboration. Consistent with the development of its competitive position and securing an appropriate return for its investment in R&D, I also expect the AEA to take every opportunity to facilitate the process of technology transfer particularly to small firms. You should ensure that the AEA annually submits to the Department a Corporate Plan covering the Public Expenditure Survey period. This should contain

Business Plans for the AEA as a whole and for each main business area. In particular, the Plan should contain a clear strategy for reducing operating costs and identify those areas where increased resources (money, manpower, and research) are justified by prospects of future profitable business and those where effort should be reduced. The Plan should include a Capital Investment Memorandum setting out the AEA's capital expenditure proposals. It should also include contingency planning showing how the AEA would respond to different market outturns to those assumed in the plan.

Financial

The Government, whilst continuing to support the AEA in restructuring its operations, looks to the AEA to achieve returns that enable it to fund the costs of restructuring and make a return for the Exchequer.

I expect you to ensure that the financial target, as set by me from time to time after discussion with the AEA, is achieved.

I also expect you to ensure that the AEA stays within its External Financing Limit (EFL) as agreed from year to year and to surrender distributions of agreed sums from time to time to the Consolidated Fund.

Performance targets

You should propose suitable measurable performance targets, including efficiency and quality of service targets, consistent with and complementary to the financial target for approval by the Department.

Safety

The AEA is subject to the safety requirements imposed on licensed operators by the Health and Safety Executive under the Nuclear Installations Act 1965. You should ensure that the AEA continues to have arrangements which secure at all times the highest standards in safety that are reasonably practicable in its day-to-day activities, in its decommissioning activities and in the management of radioactive waste.

Decommissioning and radioactive waste management

Decommissioning and radioactive waste management are substantial and important activities within the AEA's total sphere of operations. You should accordingly ensure that the AEA carries out its decommissioning and radioactive waste management responsibilities in the most cost effective way, consistent with safety and other requirements of the regulatory authorities.

Options for the future

I have recently set in hand a study to consider options for the future of the AEA, including the possibility of privatisation and have appointed consultants to advise me. I expect you to ensure that the AEA co-operates fully with my Department and its advisers in considering the range of options. You should also ensure that the AEA conducts its business in such a way which does not restrict those options.

Conclusions

This letter sets out the main strategic objectives for the term of your current appointment until decisions are taken on the future of the AEA. I expect to discuss each annual Corporate Plan with you, to review the AEA's achievements against the specific targets which have been set, and if necessary to set new targets in the light of this discussion and review. I will review these objectives once decisions have been reached on the future of the AEA.

Tim Eggar
Ministry of Energy

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