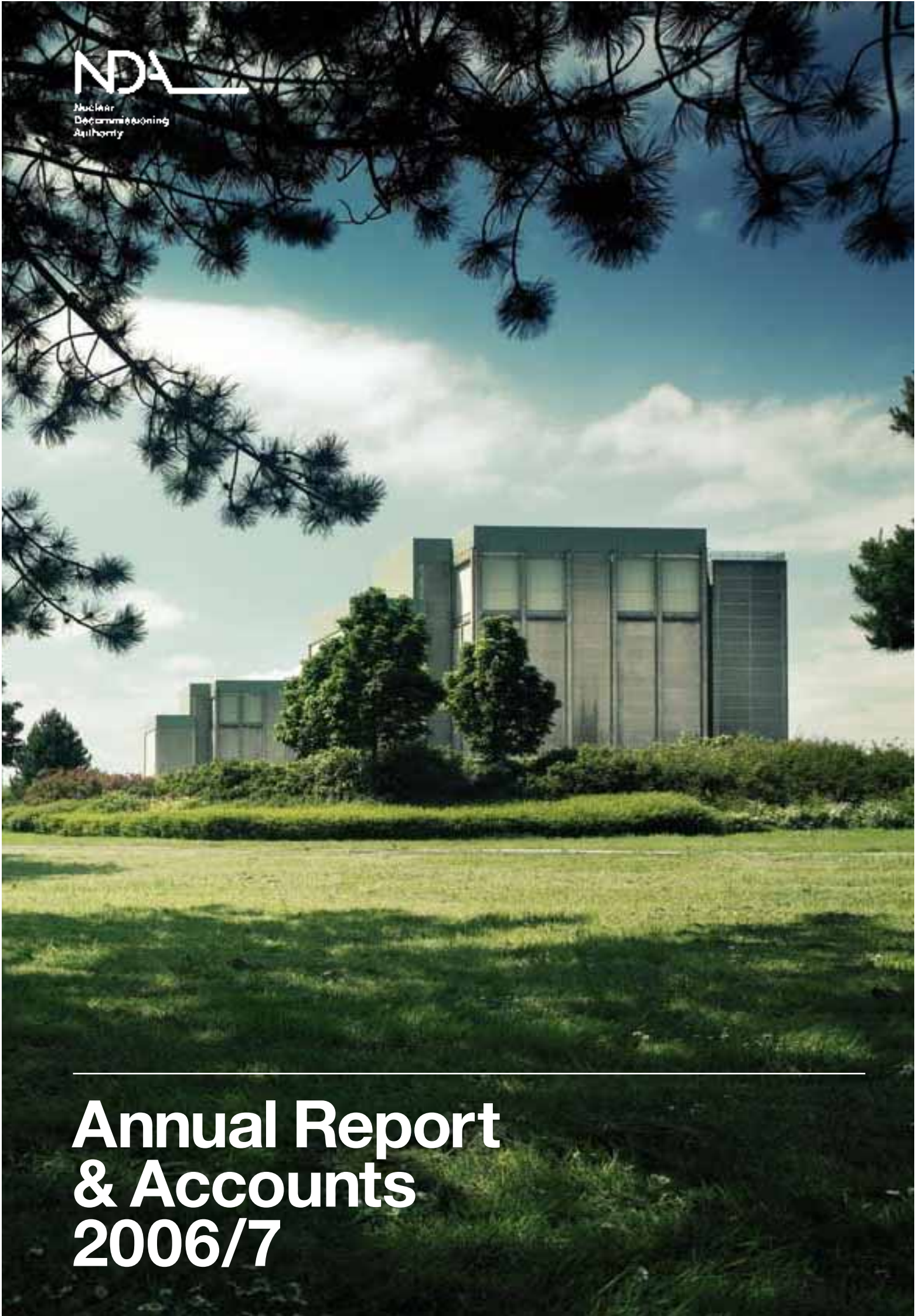

Annual Report & Accounts 2006/7

Our mission is to:

Deliver safe, sustainable and publicly acceptable solutions to the challenge of nuclear clean-up and waste management. This means never compromising on safety or security, taking full account of our social and environmental responsibilities, always seeking value for money for the taxpayer and actively engaging with stakeholders.

Welcome to the NDA Annual Report & Accounts 2006/7

Presented to Parliament pursuant sections 14 [6], [8] and 26 [10], [11] of the Energy Act 2004.
Laid before the Houses of Parliament 9 October 2007 HC/1001.
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HC1001 London: The Stationery Office.

The Nuclear Decommissioning Authority (NDA) is a non-departmental public body set up under the Energy Act 2004. This means that operationally we are independent of Government, although we report to the Secretary of State for Business, Enterprise and Regulatory Reform and to the Scottish Ministers.

Our remit is to ensure that the UK's civil public sector nuclear sites for which we are responsible are decommissioned and cleaned up safely, securely, cost-effectively, affordably and in ways that protect the environment for this and future generations. We are also required to ensure that our existing commercial plant is operated effectively and efficiently until current contracts have been met to generate income to fund decommissioning and clean-up.

Annual Report and Accounts 2006/7
Published by the Nuclear Decommissioning Authority 2007

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Clockwise from top left:
Clean-up work in progress under the Calder Hall towers
Trawsfynydd site
NDA staff members
Bradwell site worker
Berkeley site
NDA staff member
Bradwell site
Berkeley site worker

INVESTOR IN PEOPLE


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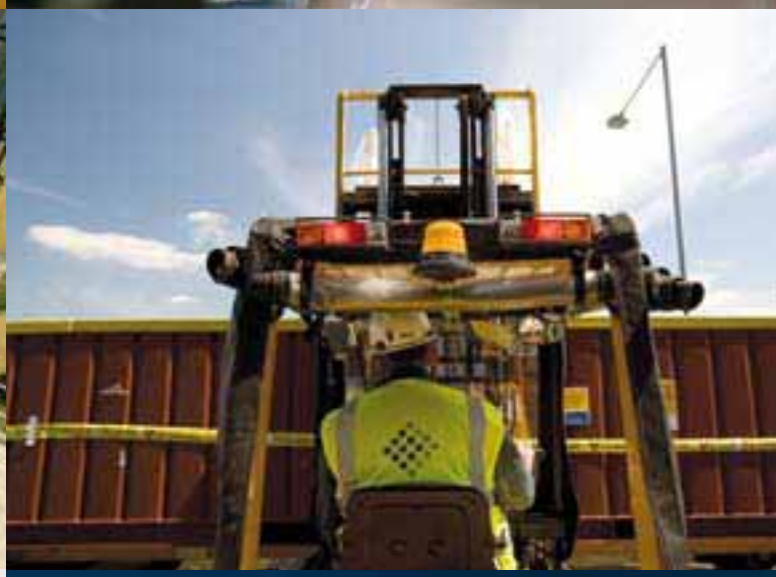


Our Priorities

To achieve our mission, our strategic priorities are to:

Encourage the highest standards in safety, security and environmental management;

Drive hazard reduction;

Secure our funding framework;

Gain the support and confidence of our stakeholders;

Achieve more for less;

Develop integrated waste solutions;

Maximise commercial value;

Build an effective industry; and

Create a world class organisation.

Encourage the highest standards in safety, security and environmental management
Facilitating measurable improvements across our sites.

Drive hazard reduction
Ensuring radioactive waste continues to be put into a passively safe form in the earliest feasible timeframe and in line with agreed end states for our sites.

Secure our funding framework
Understanding and defining the nuclear liabilities; Further developing funding mechanisms with our stakeholders that will provide the right environment for the cost-effective delivery of our remit.

Gain the support and confidence of our stakeholders
Building a reputation for openness and transparency and effective stakeholder engagement; Delivering our socio-economic obligations.

Achieve more for less
Achieving value for money by planning and managing the programme to deliver more decommissioning for less cost without compromising health, safety, security and the environment; Defining and reducing the cost base.

Develop integrated waste solutions
Developing an implementation plan to deliver the repository programme; Providing the long-term management solution for UK radioactive materials; Delivering national solutions for interim higher activity materials storage; Overseeing Low Level Waste (LLW) management.

Maximise commercial value
Maximising commercial revenues and realising the full potential value from our assets in order to reduce the burden on the UK taxpayer.

Build an effective industry
Facilitating the restructuring of the industry and creating a competitive market with the right commercial framework that will deliver excellent contractor performance; Investing in skills, research and development and innovation; Developing and engaging with the supply chain.

Create a world class organisation
Developing high performing people and teams and operating to the highest quality standards.

Top left: Magnox Storage Pond at Sellafield
Top right: In the middle of the Separation Area on the Sellafield site, a redundant storage facility is demolished.

"We have continued to deliver value for money for the taxpayer, with efficiency in the year exceeding £200 million before payment of incentive fees to our contractors."

Sir Anthony Cleaver
Chairman

Chairman's Report

I am pleased to report that at the end of the NDA's second year of operation we have continued to make excellent progress against the objectives laid down in the Energy Act 2004. I would highlight the following key areas:

- The performance of the sites on safety continues to show improvement and there have been no major incidents in the year;
- We have continued to deliver value for money for the taxpayer, with efficiency in the year exceeding £200 million before payment of incentive fees to our contractors;
- Competitions for Low Level Waste Repository Limited and for Sellafield Limited are both progressing well;
- The Combined Nuclear Pension Plan (CNPP) was set up ready for the transfer of employees, following the privatisation of Springfields Fuels Limited;
- The relevant assets of UKAEA were transferred to the NDA immediately following the year end;
- Considerable progress was made on the skills agenda with the announcement of the creation of the Nuclear Academy and the creation of the Dalton Institute's Cumbrian operation; and
- We continued to hold extensive dialogue through the Site Stakeholder Groups (SSG) and the National Stakeholder Group (NSG).

Throughout the year, the NDA has continued to build its own organisation and in the last quarter successfully incorporated those staff who had previously worked for UK Nirex Limited. This followed the Government's decision to make the NDA responsible for implementing the long-term policy for managing the UK's higher activity radioactive wastes.

In the course of the year, we also qualified for the Investors in People (IiP) standard and were accredited under ISO9001.

In summary, I believe the NDA is now well equipped to handle the major issues for which it is responsible.

A key requirement, if the NDA is to achieve all that the Government would wish, is the development of the NDA's funding system to facilitate agreement of the optimum programme with our contractors.

There are still other major challenges ahead – continuing to reduce hazards on our sites; ensuring that all the competitions are completed satisfactorily; determining the best way of handling our stocks of plutonium and uranium; securing Low Level Waste (LLW) capacity and long-term arrangements for the management of higher activity radioactive wastes.

Equally, there is still much to do to ensure that the socio-economic challenges that our activities will present in many of our locations are handled as effectively as possible. However, I believe we now understand what needs to be done and as I leave the NDA I am confident that it will be able to rise to all these challenges.

Sir Anthony Cleaver
Chairman

Top left: Berkeley site
Top right: Sir Anthony Cleaver, Chairman

"I am in no doubt that the establishment of the NDA has introduced a new focus to the industry as well as a renewed sense of partnership with the communities that host our sites."

Dr Ian Roxburgh
Chief Executive and Accounting Officer

Chief Executive's Review

During the year, the NDA has continued to deliver its mission while improving its understanding of how this can be achieved with better value for money.

Safety, security and environment

I am pleased to note that overall performance has improved on 2005/6. We have introduced a comprehensive safety reporting system based on common metrics and publish regular reports on our website **(www.nda.gov.uk)**.

In respect of the incidents that occurred at Sellafield and Dounreay in 2005/6 which resulted in a fee deduction, I believe that the shortcomings in both management training and culture that were identified have been addressed vigorously, and am pleased to say that the contractors have been able to earn back the fee deduction.

Programme delivery

Our expenditure has increased significantly on last year, with more effort being put into Sellafield decommissioning and clean-up. Data quality has continued to improve and significant cash efficiencies have again been delivered. Our expenditure with contractors was £2,192 million (2005/6 £2,022 million) and they delivered a positive cost variance of £208 million against plan, with a cost performance index of 1.10 and a schedule performance index of 0.98. This marks an improvement on the £124 million saved last year and represents a net efficiency of 3.3% on contracted work programmes after payment of incentive fees to our contractors, exceeding the 2% Public Service Agreement (PSA) target.

Monthly programme reports, introduced on our website during the year, show how our contractors are performing.

Operations

Our income was £1,206 million, some £112 million less than budgeted, largely accounted for by the continued unavailability of the Thermal Oxide Reprocessing Plant (THORP). The THORP outage continued mainly because of operational difficulties with downstream 'evaporator' plants used to treat waste products from THORP and other waste streams. These difficulties also affected Magnox reprocessing and vitrification output, neither of which met the targets set out in the NDA 2006/7 Annual Plan. These reprocessing issues have indicated a need to fully review the Magnox reprocessing plan.

There were also unplanned outages at Oldbury, Wylfa and at the Sellafield MOX Plant (SMP), reflecting our reliance on ageing and technically challenging plant for our income.

Electricity generation, at 11.624 TWh, was marginally ahead of a revised target of 11.024 TWh but softening electricity prices contributed to an income shortfall of £13 million against budget.

Income from Springfields Fuels Limited was £198 million, £6 million below budget, owing to reduced demand for new reactor fuel assemblies following unscheduled outages at some of British Energy's Advanced Gas-Cooled Reactors (AGRs).

Direct Rail Services (DRS) turnover has risen to £35 million in line with expectations and the company has continued to modernise its fleet and to grow its non-nuclear business. New contracts with Tesco, for example, have helped to maintain growth and have taken heavy goods vehicles off the roads. Most importantly, in terms of signals passed at danger, which is the headline measure of safety in the rail industry, DRS had the best performance record of all freight train operators in the UK in 2006.

New Year's Eve was a milestone day for nuclear generation in the UK when the world's two oldest operating Magnox power stations, Dungeness A and Sizewell A, were shut down after 40 years of safe operation. Between them they generated 218 TWh of electricity – worth around £8 billion at today's prices.

Top left: Chapelcross cooling towers being demolished
Top right: Dr Ian Roxburgh,
Chief Executive and Accounting Officer

Understanding and defining the nuclear liabilities

Progress continues to be made against our target of fully characterising the liabilities by 2008. Estimating liabilities is inherently uncertain and the overall estimate of the NDA's future costs is still subject to significant uncertainties, with work continuing to include firmer costs where this is practical.

We own a portfolio of contaminated land and sites that can often have a complex mix of contamination dating back over 50 years originating from military, nuclear energy research and first generation nuclear power activities. Inevitably, there will always be cost variability in the long-term as Lifetime Plans (LTPs), by their very nature, include cost estimates associated with work to be undertaken far into the future where the scope is not easily characterised.

In addition, at Sellafield and Dounreay, there are older facilities where the records of plant design and usage are incomplete and where the wastes have deteriorated, making treatment more difficult and creating uncertainty over the exact design of waste retrieval, waste treatment and dismantling processes that will be required.

Our Annual Report and Accounts last year indicated that increases in estimated liability could be expected. Overall the result of our further work has been to identify £7.9 billion of increased future cost estimates giving rise to a liability of £37.0 billion (2005/6 £30.6 billion) after discounting and other accounting adjustments. Work to provide the robust baseline is continuing and the estimated future cost remains the directors' best estimate, based on information currently available. The NDA believe that as our work to form a full and comprehensive understanding of the legacy continues, we expect to see further movement in this figure.

The NDA continues to work to deliver the PSA target which requires it, in part, to have delivered a robust baseline cost by 2008. This target was set in the knowledge that experience elsewhere clearly demonstrates that estimates are likely to arise year on year in the early stages of the process before plateauing and subsequently declining.

Top left: One of the areas in decommissioning on the Sellafield site.
Top right: Skip removal taking place at one of the ponds at Sellafield.

Controlling costs

Taking account of commercial income shortfalls, efficiency savings on our programme and adjustments to the overall cost base, total expenditure in 2006/7 was £2,679 million compared with a budgeted figure of £2,749 million.

To optimise return to the taxpayer, we have commenced a programme to improve our understanding of fixed and marginal costs across our estate and identify where further savings can be made without risk to safety, the environment or to overall delivery. At the same time Site Licensees have, with NDA support, begun to explore the creation of a shared services venture in 2007/8 under their direct ownership.

At 31 March 2007 the NDA had generated a cumulative funding surplus of £110 million which is committed to the programme.

We remain concerned that a number of inherited capital projects continue to under perform and have initiated a process to identify common causes, while endeavouring to improve our process for sanctioning expenditure.

Managing the NDA

Our approach to quality assurance is now underpinned by ISO9001 accreditation and, in the coming year, we intend to explore further accreditation under ISO14001, which covers environmental aspects. We are now working on integrating this framework into our risk management processes.

Responding to an increasing focus on competitions and contract management, we have restructured the NDA to reflect the seven new Site Licence Companies (SLCs) that are being created. A recruitment programme to resource our new model is progressing well and we are pleased to have secured Investors in People (IiP) recognition.

Further changes to our organisation resulted from the Government's decision to give the NDA responsibility for implementing the long-term policy for managing the UK's higher activity radioactive wastes and to integrate UK Nirex Limited into the NDA. Our organisation structure includes a new Radioactive Waste Management Directorate to accommodate the majority of staff from UK Nirex Limited from 1 April 2007, and which we expect to evolve over time into an SLC to take forward this responsibility. Appropriate protections have been agreed with the regulators to continue to safeguard both the generic repository safety case and provision of waste package letters of compliance.

Top left and right: NDA staff members

Competition

Our first two competitions for the LLW Repository Limited and for Sellafield Limited are progressing well and we are on track to deliver the remaining SLCs in preparation for future competitions. A new private sector style contract for the management of Springfields Fuels Limited was introduced following the sale of Westinghouse to Toshiba Group. We ended the year ready to complete the planned transfer of relevant United Kingdom Atomic Energy Authority (UKAEA) assets to the NDA, which was transacted on 1 April 2007.

One of the major tasks facing the NDA during the past year has been the creation of the Combined Nuclear Pension Plan (CNPP), which went live on 20 October 2006. UKAEA was the successful bidder to provide administration support to the new scheme. Furthermore, the trustees have reported that the CNPP, Magnox Electric Limited, UK Nirex Limited and British Nuclear Group pension funds all ended the year fully funded as a result of improvements in stock market and asset values and further top-up funding from the NDA, subject to revaluation.

Technology, skills and R&D

A key achievement in 2006/7 was the launch of the Nuclear Academy in West Cumbria. The Academy has progressed well, securing funding in excess of £16 million and laying the foundations for successful operation. I am pleased to report that, in October 2006, the Secretary of State for Education and Skills approved the development of a business plan to establish a National Skills Academy for Nuclear (NSAN).

The NDA signed a collaboration agreement with the University of Manchester in October 2006 to invest £10 million each towards establishing world class research and education facilities centred in West Cumbria. We have also supported the Energy Foresight programme, providing teaching materials and training for teachers covering the science curriculum for 14-16 year olds. Our input to the radioactive waste element of the programme will enable 430 schools across the UK to be supported in respect of awareness of this issue over the next two years.

We have continued to invest in research and development and to build on our relations with other countries, expanding the pool of good practice from which we can learn. Following the signing of a mutual cooperation agreement with Electricité de France, we were preparing to sign a joint agreement with the US Department of Energy early in 2007/8. Relationships with the Japanese Ministry of Economy, Trade and Industry and Ministry of Foreign Affairs continue to strengthen.

Top left: Sellafield site
Top right: Apprentices at the GENII training centre at Sellafield, receiving nuclear and engineering technology training.

Earning trust

Openness and transparency continue to drive the way we operate. During the year, we received and responded to 73 Freedom of Information (FoI) requests and hosted two meetings of the National Stakeholder Group (NSG), where we updated stakeholders on a variety of topics and received reports back from the two issues groups covering Waste and Nuclear Materials. Responding to a proposal at the NSG meeting held in November 2006, we began a review of our arrangements for engaging with stakeholders.

Our Site Stakeholder Groups (SSGs) have successfully managed the first phase of a major project to establish preferences for site end states. The results of these deliberations, together with the outcomes of a number of public consultations such as the Waste Materials review, will be fed into the review of our Strategy, which will begin in 2008/9.

Socio-economic support

In October 2006, we published for public consultation a draft socio-economic policy that set out how the NDA proposes to deliver its socio-economic obligations. The policy was revised to reflect comments we received from a range of stakeholders and submitted to Government for approval. To further reinforce our commitment to the communities in which we live and work, the NDA Board has decided to develop a Corporate Social Responsibility Policy, which will be subject to public consultation.

To ensure proper governance of our expenditure on socio-economic support, the NDA Board has established a Socio-Economic Committee to consider and approve funding requests with a value of £100,000 and above. Professor David Rhind has been appointed to chair the committee and to advise the Board on socio-economic matters more generally.

The NDA continues to display the enthusiasm, customer focus, comradeship, work rate and 'can do' attitude that marked its start-up phase. I am in no doubt that the establishment of the NDA has introduced a new focus to the industry, as well as a renewed sense of partnership with the communities that host our sites.

As well as acknowledging the extraordinary efforts of my staff, I wish to recognise the vital contributions made by the many individuals and organisations with whom we engage to deliver our strategy. In particular, I would like to acknowledge Sir Anthony Cleaver, who chaired the NDA from its inception until his retirement at the end of July 2007. Without his presence, stature, experience and formidable commitment, the NDA would not be the credible organisation that it is today. I offer my thanks to him, both personally and on behalf of the wider NDA community, for all that he has achieved on our behalf.

Dr Ian Roxburgh
Chief Executive and Accounting Officer
18 September 2007

Top left: NDA National Stakeholder Group Meeting
Top right: NDA Stakeholders

NDA Business Review

Managing the NDA

We continued to work towards our objective of building a world class organisation, developing and motivating our staff and putting in place the robust business processes we need to support the delivery of our programme.

- We produced a register of objectives set out in the approved NDA Strategy. Specific projects to deliver commitments made in our Strategy continue to run to schedule.
- We continue to report publicly on both the NDA's and site licensees' health, safety and environmental performance. Details can be found on the following pages of this Annual Report and Accounts and in the NDA's Annual Health, Safety, Security and Environmental Report 2006/7, which is available in hard copy and on the NDA website.
- ISO9001 certification was achieved ahead of schedule following the successful outcome of the final Stage Two audit in October 2006, with award of the certificate on 28 October 2006.
- We achieved Investors in People (IiP) accreditation in June 2006. This followed a final two day assessment by a team from the North West Quality Centre in May 2006. During this assessment 20% of the NDA's employees were interviewed.
- We have continued to make good progress towards delivering the existing Public Service Agreement (PSA) targets and in meeting our Key Performance Indicators (KPIs) and corporate objectives, including:
  - securing a net efficiency saving on our contracted work programmes of 3.3%, after deduction of incentive fees paid to our contractors;
  - good progress in delivering the competition processes for LLW Repository Limited, for Sellafield Limited; and
  - significant progress towards establishing a comprehensive baseline for the UK's civil nuclear liability ready for publication in 2008/9.
- Responding to an increasing focus on delivering competitions and contract management, we have restructured the NDA to reflect the seven new Site Licence Companies (SLCs) that are being created to manage and operate our sites. Further changes to our organisation have resulted from the Government's decision to give the NDA responsibility for implementing the long-term policy for managing the UK's higher activity radioactive wastes and to integrate UK Nirex Limited into the NDA.

  Our organisational structure includes a new Radioactive Waste Management Directorate to accommodate the majority of staff from UK Nirex Limited, who were transferred to the NDA on 1 April 2007. Good progress has been made in implementing a recruitment programme to resource our restructured organisation.

Key Milestones and Deliverables

Key milestones are agreed at the start of each financial year to enable the effective measurement of progress against objectives through agreed reporting procedures.

- **Achieved –** the key milestone or activity has been completed during the financial year (2006/7).
- **Not Achieved –** the key milestone or activity was due for completion during the financial year (2006/7) however was not completed.
- **On Track –** the key milestone or activity was due for completion after 31 March 2007 and as at that date was on track to be completed to schedule.
- **Behind Schedule –** the key milestone or activity was due for completion after 31 March 2007 and as at that date there had been a delay to the schedule.

Continuous Activity – this activity is undertaken to support delivery of the NDA's objectives and ongoing implementation of our strategy, and therefore has no specific end date.

Clockwise from top:

Herdus House
NDA stakeholders
Bradwell site
NDA staff members
Berkeley site worker

Health, Safety, Security and Environment (HSSE)

Health, safety, security and environmental protection at the nuclear licensed sites is legally the responsibility of the site licensees that operate those sites under contract to the NDA and we expect each of those companies to have HSSE management systems that fully reflect all of the relevant expectations set out in our HSSE policy.

The NDA believes that good health, safety, security and environmental performance are not only paramount but also fundamental to our success. We have a Nuclear Safety, Security, Environment and Engineering Directorate (NSSEED) to provide independent oversight of these aspects of the performance of the site licensees to give assurance to the NDA's Chief Executive and Board.

The NDA's NSSEED has a number of Nuclear Safety Assurance Managers who interface with the site licensees. During 2006/7, they have visited the sites to review and assess current site safety, security and environmental performance, identify immediate performance issues and discuss how to improve that performance. Nuclear Safety Assurance Managers meet with site nuclear regulators on a regular basis and organise meetings between representatives of the NDA, the site licensees and the regulators to discuss site-related issues.

More detail of safety and environmental performance at individual sites is provided in the operating unit reports section of this Annual Report and Accounts, and in the NDA's Annual Health and Safety Report, which is published separately.

NSSEED carried out four Site Safety and Environment Assurance Reviews during the year at Dounreay, Windscale, Trawsfynydd and Berkeley. The reviews were wide ranging across many aspects of safety and environmental management and all included periods of observing ongoing work on the sites. Reports from the reviews were then discussed by the NDA and the sites' management to assure the NDA that any issues found during the reviews were appropriately addressed. The reviews have been welcomed by the site licensees as they bring fresh 'pairs of eyes' to assess the strengths and weaknesses of the sites.

In January 2007, the NDA hosted a health and safety 'Sharing Best Practice' conference in Manchester. It was the first time that safety representatives from the NDA's nuclear licensed sites had had an opportunity to share their knowledge and experience at a forum attended by their peers from all of the NDA's contractors. More than 150 delegates, representing all of the NDA's sites, attended and were provided with an opportunity to display good health and safety practices and procedures from their sites. There were also a number of specialist guest speakers on various health and safety issues. The conference was judged to have been hugely beneficial and will become an annual event.

Left: Berkeley site

NDA interaction with regulators

While the Energy Act 2004 gave the NDA certain duties in relation to health and safety, security and the environment, the role of the nuclear industry regulators (principally the Nuclear Installations Inspectorate (NII), the Office for Civil Nuclear Security (OCNS), the Environment Agency (EA), the Scottish Environment Protection Agency (SEPA) and the Department for Transport (DfT)) was unchanged by the introduction of the Act. The NDA has, therefore, been careful to establish its own role without affecting the existing regulatory framework.

The NDA has a Memorandum of Understanding with each of the principal safety, security and environment regulators that sets out how the NDA and the regulators will interact to ensure the safe, secure and environmentally acceptable delivery of decommissioning work without placing unnecessary or conflicting demands on the site licensees.

During 2006/7, the National NDA Industry and Regulator Forum (NNIRF), which the NDA had set up to discuss matters of mutual interest and to facilitate the delivery of the NDA's mission, was deemed to have successfully completed its role of managing the transition from the creation of the NDA to the production of an agreed strategy. The NNIRF has been superseded by a new Senior Regulatory Forum (SRF), the objective of which is to enable effective discussion on matters relating to safety, security, the environment and transport in order to identify and resolve, or propose measures to resolve, any potential barriers to delivering the NDA's Strategy. Membership of the SRF consists of senior representatives of the NDA, the regulators, UK Government departments, Devolved Administrations and the site licensees.

The SRF met twice during 2006/7 and will continue to meet quarterly.

The SRF operates by delegating any issues that it cannot address immediately to a sub-group, which addresses that one particular issue and then reports back to the SRF. During 2006/7, SRF sub-groups and other freestanding groups worked on issues including:

- spent fuel and nuclear materials;
- prioritisation;
- integrated waste strategies;
- site end states;
- contracts and competitions;
- regulatory schedules; and
- HSSE metrics.

The membership of these groups is determined by the subject but, in general, it includes representation from the relevant regulators and from the site licensees.

NDA health, safety, security and environmental performance

72 incidents were reported within the NDA last year, with 82% of these being near misses. Of these incidents, including near misses, 68 were safety-related and four were security-related. There were no environmental incidents. The most frequent safety incidents were related to slips, trips and falls. To date, there have been no Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reportable incidents in the organisation. One lost time incident occurred during 2006/7 when an employee fell on the stairs at one of the NDA's offices.

The next most frequent type of incident reported related to driving and 165 of our employees have undertaken defensive driver training during the year to enhance their safe driving skills and to provide us with an assessment of the individual risk for each driver.

Radiation doses to NDA employees were all very low, with an average individual dose of 0.04 mSv and the highest individual dose being 0.51 mSv, much lower than the legal limit of 20 mSv.

Work has continued during the year to develop the NDA's safety management system with new and revised documents on a number of topics. Compliance audits by a member of the Chartered Institute of Environmental Health have confirmed that significant improvements have been made.

A training matrix has been created to ensure that all of our employees are able to carry out their health and safety duties and a large amount of health and safety-related training has been completed during the year.

Regular inspections of safety and housekeeping standards in NDA occupied accommodation have been carried out throughout the year, as well as safety reviews with the three long-term contract organisations that provide services to the NDA.

Direct Rail Services safety performance

Direct Rail Services (DRS) is a wholly owned subsidiary of the NDA that operates as a rail freight company throughout the UK. The overall accident rate for DRS has improved from last year, maintaining the downward trend over the last five years. DRS continues to have an exemplary record against the railway industry headline safety metric of signals passed at danger, with only a single incident in the year. In terms of signals passed at danger, which is the headline measure of safety in the rail industry, DRS had the best performance record of all freight train operators in the UK in 2006.

Nuclear licensed sites' safety, security and environmental performance

The analysis of the safety and environment metrics from the Site Licensees showed that improvements were made across all areas of safety and environmental performance in 2006/7.

In nuclear safety, there were 10 events that rated on the International Nuclear Event Scale. This is lower than the number of events that occurred in 2005/6 and all of these events were rated at the lowest level. A downward trend in overdue corrective actions has also been seen.

In radiological protection, the highest average individual doses for employees was less than 1 mSv and for contractors was slightly above 1 mSv, both well below the 20 mSv legal limit. The maximum individual dose for employees and for contractors was just over 9 mSv, significantly less than in 2005/6.

In industrial safety, the sites that had the highest Total Recordable Incident Rates (TRIR) have reduced their rates significantly. Overall, more sites have reported reducing rates than rising rates and overall the rates are now significantly lower than at the start of the year.

Most of our sites have sickness absence rates that are significantly better than the national average. Those sites with the highest rates have rates at or around the national average, and these rates have reduced over the course of the year.

The number of environmental non-compliances that occurred at NDA sites in 2006/7 was 15, which is around half of the figure for 2005/6. We believe that all of the non-compliances that have occurred in 2006/7 will rate at the lowest level on the Environment Agency's Compliance Classification Scheme.

Decommissioning and Clean-up

2006/7 Key Milestones and Deliverables

Hazard reduction is our top decommissioning priority. We are also working with our contractors and with the regulators to develop a comprehensive understanding of contaminated land on our sites and to develop fully costed and robust plans for the long-term management of contaminated land.

We will finalise our preferred approach to reactor site decommissioning.

Progress: Behind Schedule

A project has been initiated to look at a number of aspects of reactor site decommissioning, including:

- the potential rationalisation of processing and storage arrangements for operational Intermediate Level Waste (ILW);
- the potential for on-site facilities for the disposal of some Low Level Wastes (LLW); and
- an investigation into whether or not a case can be made for accelerating the actual dismantling of the reactor cores.

To deliver this work, the NDA has commissioned Magnox Electric Limited. However, work was held back during the year to ensure available funding was directed to higher priority hazard reduction.

We will require our contractors to provide further information on contaminated land present on our sites. We are also requiring them to develop plans to characterise the contamination and to produce management strategies for dealing with this.

Progress: On Track

We have collected information from all of our sites and completed a review of contaminated land issues across our sites. We intend to use this information to secure further improvements both in the characterisation of contaminated land liabilities and in the development of robust management strategies.

New guidance and requirements have been developed for our contractors on how to incorporate contaminated land management into their Lifetime Plans (LTPs).

We are instigating a consultation with local stakeholders to review the end states and end dates for each site.

Progress: On Track

The majority of sites completed the consultation process in 2006/7 through the Site Stakeholder Groups (SSGs), with the exception of Sellafield, which completed its consultation in May 2007. The SSGs have made recommendations on site end uses to the NDA.

In 2007, site licensees will develop site end state options, which will be subject to a reconciliation process and independent review to ensure that final recommendations on end states are consistent with national policy and strategic considerations.

Work will continue to reduce further the quantities of liquid High Level Waste (HLW) by putting them into passively safe conditions in accordance with the programme agreed between British Nuclear Fuels Limited (BNFL) and the Nuclear Installations Inspectorate (NII).

Progress: Behind Schedule

This has been a difficult year, with a series of unexpected plant failures and operational difficulties in the facilities. However, liquid HLW stocks at Sellafield have been reduced and are now below the storage limit agreed between BNFL and the NII, with more than 320 containers of vitrified products produced.

New guidance will be provided to the site licensees to support the implementation of the prioritisation process.

Progress: Achieved

A revised prioritisation procedure was issued to our contractors in August 2006. The procedure, supported by detailed work instructions, describes how prioritisation will be carried out by site licensees.

The main aim of the process is to aid decision making at site level to ensure the optimised prioritisation of decommissioning and clean-up work in line with the NDA's Strategy.

Further work is planned for 2007/8 to develop the prioritisation process, with a focus on reducing the hazard posed by potentially mobile waste forms.

The revised prioritisation procedure is available on the NDA's website.

Other Activities

In line with our remit of securing better value for money through our contractual arrangements, we planned to deliver more work for less money. Our expenditure with contractors was £2,192 million (2005/6 £2,022 million) and they delivered a gross positive cost variance of £208 million against plan, with a cost performance index of 1.10 and a schedule performance index of 0.98. This marks an improvement on the £124 million saved last year and, after deduction of incentive fees paid to our contractors, represents a net efficiency of 3.3% on contracted work programmes, exceeding the 2% Public Service Agreement (PSA) target.

Waste Management

2006/7 Key Milestones and Deliverables

We are committed to ensuring that radioactive waste is managed safely by putting it into a passively safe form and that appropriate plans are developed for dealing with non-radioactive wastes on our sites. We are also responsible for implementing the long-term policy for managing higher activity radioactive wastes, following the Government's acceptance of the recommendation made by the Committee on Radioactive Waste Management (CoRWM).

The NDA has required all sites to base their site plans on optimised and integrated waste strategies covering solid, liquid and gaseous radioactive and non-radioactive wastes and the management of nuclear materials.

Progress: On Track

All of the NDA's sites have developed more mature and consistent integrated waste strategies. Waste management plans have improved significantly as a result of the Life Cycle Baseline improvement (LCBLi) project. This aims to produce, by March 2008, a consolidated and underpinned plan for decommissioning the NDA's sites.

We need to determine how many new Intermediate Level Waste (ILW) stores should be commissioned and built in 2006/7 and beyond.

Progress: On Track

Work undertaken by Magnox Electric Limited and UKAEA has shown that it may be possible to omit a number of future ILW stores that are currently in the Lifetime Plans (LTPs) for southern UK sites, if new waste reduction initiatives are successful and ILW is consolidated within other planned stores. No immediate decisions are required and work remains in progress.

Developments in the potential location of a national disposal facility for higher activity radioactive wastes could also influence the location of storage facilities for wastes arising in the future.

The detailed plan and decision making process for the ILW rationalisation project will be agreed with the UK National Stakeholder Group (NSG) during 2006/7.

Progress: On Track

The Waste Issues Group of the NSG has been briefed extensively on the progress and outputs of the ILW optimisation project.

ILW storage consultation will now be co-ordinated with the other waste management initiatives on the Magnox sites.

We will put work in hand to develop the proposed LLW facility at Dounreay. Planning documents will be submitted to the Highland Council and the associated preliminary Post-Closure Safety Case (PCSC) submitted to the Scottish Environment Protection Agency (SEPA). Preparations will be undertaken for a Planning Inquiry, should one be called, as well as progressing the repository concept through to outline scheme design. Consultation with stakeholders on the proposed facility will continue.

Progress: On Track

The planning application for the LLW facility at Dounreay was submitted by UKAEA to the Highland Council in June 2006.

In January 2007, SEPA requested an additional 18 months to the planning application timescale in order to undertake a detailed assessment of the Environmental Safety Case before making its submission to the Highland Council.

Other Activities

Following the UK Government and Devolved Administrations' endorsement of the recommendations made by CoRWM, the NDA was given responsibility for managing the UK's higher activity radioactive wastes. This included the transfer of shareholding in UK Nirex Limited from the Department of Trade and Industry (now known as the Department for Business, Enterprise and Regulatory Reform (BERR)) and the Department for Environment and Rural Affairs (DEFRA) to the NDA to enable the full integration of Nirex and its functions into the NDA, which took place on 1 April 2007. At the same time, the NDA mobilised a new dedicated Radioactive Waste Management Directorate in order to ensure continued focus on this important work area.

On 26 March 2007, the UK Government and Devolved Administrations published a new policy for managing solid LLW in the UK. The NDA was actively involved in the policy review. As well as allowing for more flexible and pragmatic approaches to the management of the UK's LLW, the new policy gives the NDA responsibility for developing a UK wide strategy for managing the UK nuclear industry's LLW and for securing disposal capacity for LLW generated by non-nuclear industry users.

Commercial Operations

2006/7 Key Milestones and Deliverables

Our objective is to maximise revenue from our commercial operations in order to offset the cost of decommissioning and clean-up. Our commercial operations include two electricity generating nuclear power plants, two spent fuel reprocessing plants, two fuel manufacturing plants, and as domestic rail and overseas transports. These provide a substantial amount of our budgeted income.

Dungeness A and Sizewell A will cease electricity generation in December 2006.

Progress: Achieved

Dungeness A and Sizewell A power stations operated well above expectations up to the scheduled date for ceasing generation. Both stations have now entered their de-fuelling phases in preparation for full decommissioning.

Thermal Oxide Reprocessing Plant (THORP) restart is planned for summer 2006, subject to regulatory approval.

Progress: Not Achieved

Regulatory approval for the restart of THORP was given to Sellafield in February 2007. This has enabled plant operations to restart, although technical problems with downstream facilities prevented a full restart of the plant in 2006/7. A revised timetable for the restart of THORP operations will follow the outcome of a complete assessment of these facilities.

The commissioning of the Sellafield MOX Plant (SMP) will continue during 2006/7, as will efforts to improve its throughput.

Progress: Behind Schedule

The final fuel assemblies for the NOK campaign were successfully delivered.

Plant performance overall, however continues to be poor and is being closely scrutinised. Options for improved plant output and/or the potential disposition of nuclear materials are also being considered. These will be reviewed with the Government during 2007/8.

We will explore how best to preserve Springfields' commercial integrity while retaining its more limited focus on decommissioning and clean-up.

Progress: On Track

Springfields Fuels Limited has continued to make good progress in developing its strategic approach to future business opportunities. Contract performance was maintained, with the successful completion of all British Energy's (BE's) Advanced Gas-Cooled Reactor (AGR) fuel requirements, although BE's fuel requirements were reduced due to reactor outage.

We will continue to exercise, on behalf of the Government, oversight of BE's planning for and decommissioning of its nuclear power plants and the discharging of its uncontracted liabilities.

Progress: On Track

We have reviewed and approved BE's Near Term Work Plan (NTWP) for 2006/7 (termed Annual Liabilities Report, Part 2) and begun the review of the company's plan for 2007/8 during the year.

In 2006/7 we plan to:

- **Review and approve annual plans that detail BE's work programme and costs for the following rolling three years and detail any changes in BE's nuclear liabilities cost estimates;**

  We have also completed our review of BE's strategy and budgets for all seven of its nuclear power stations and for the discharge of BE's uncontracted liabilities. All of BE's plans were approved, with the exception of that for Sizewell B, which was not considered to have a sufficiently robust basis. A revised plan for Sizewell B, which was submitted in November 2006, was subsequently reviewed and approved by the NDA.

- **Review and approve any updates to BE's strategy and budgets for the decommissioning of its power stations and discharging of its uncontracted liabilities;**

  We also reviewed BE's estimates of changes in their liabilities over the previous financial year and confirmed that the figures stated by the company were appropriate and robust.

- **Confirm whether it is appropriate to fund any increases in BE's nuclear liabilities arising from changes in its operations from BE's Nuclear Liabilities Fund (NLF);**

  BE submitted only one application during the year for funding the discharge of their liabilities. This was assessed by the NDA and approved for payment by the NLF.

- **Approve for payment by the NLF those invoices submitted by BE arising from work carried out in discharging those liabilities covered by the NLF.**

  All of the above tasks have been completed within the prescribed time allowed for in the BE restructuring agreements.

Commercial Operations

2006/7 Key Milestones and Deliverables (cont)

Other Activities

Organisational and ownership changes have been completed during the year for Spent Fuel Services (SFS) and Energy Sales and Trading Limited (ESTL). Previously reporting to BNFL, SFS is now owned jointly by Sellafield Limited (formerly British Nuclear Group Sellafield Limited) and the NDA (which has a 49% stake) and has been renamed International Nuclear Services (INS) Limited. The change was carried out in order to enhance customer focus and contractual integration between customers and the Sellafield site.

Preparations were undertaken during the year for the sale of ESTL, (which traded the power generated by the Magnox stations) to British Energy (which now trades the power on behalf of the NDA). The purpose of the sale was to secure the integrity of the revenue stream from the remaining generating Magnox stations. The sale was completed on 1 April 2007. A limited amount of energy from the Oldbury Station was traded during the year, as Reactor 2 remained out of service.

Progress has been made on a number of fronts to maximise revenues from our assets. A range of business opportunities has been developed, including 'Advanced Allocation', which was developed in response to the ongoing technical issues that have prevented a restart of THORP and the need for European customers to receive reprocessed materials within a timeframe dictated by contract. Subject to Government approval, following a public consultation on the proposal, we expect this business will be transacted in the coming year.

Customer relationships have been a key focus of attention and commercial customers now have a better understanding of the NDA's decommissioning and clean-up mission. We have supported the European and Japanese customer forums arranged by INS, in addition to a series of face-to-face meetings with INS customers.

Good progress has been made in defining our Property Asset Portfolio. This work will be fed into the development of our Property Asset Strategy, which will be completed in 2007/8. This includes the property assets transferred to the NDA from UKAEA.

A number of contracts for technical assistance at the Japanese Rokkasho reprocessing facility have been transferred to the NDA from British Nuclear Group Project Services. The NDA and Project Services will jointly market capability of this nature in Japan.

Clockwise from top:

Chimneys at Sellafield site
Dungeness site workers
Sizewell site

Nuclear Materials

2006/7 Key Milestones and Deliverables

The UK has large stocks of spent nuclear fuel, plutonium (from the reprocessing of spent fuel) and uranic material, including Magnox Depleted Uranium (MDU – a by-product of Magnox reprocessing) and 'Hex tails' (a by-product of the uranium enrichment process). These nuclear materials are stored safely, securely and without danger to the environment. During the year, we have taken forward our planned work on the long-term strategic options for the management both of civil nuclear materials and of spent fuel as set out in our Strategy.

To carry out an internal assessment of the uranics issues and to use this to develop a plan to carry out a macro-economic study on the future management of all civil uranics, as well as plutonium, during 2006/7. The scope and timing of this study will be discussed with the Department for Business, Enterprise and Regulatory Reform (BERR).

In 2006/7 we propose to start discussions with the Government on the issues relating to plutonium that we set out in our Strategy.

Progress: Achieved

The NDA agreed with the UK National Stakeholder Group (NSG) to undertake a macro-economic study of the future management of civil nuclear materials.

A contractor, ERM, was selected through a competitive tender to carry out this study.

The study compared the relative advantages and disadvantages of each nuclear materials management option focusing on financial, environmental, socio-economic and human health factors. An up-to-date inventory of the UK's civil nuclear materials stocks has also been produced as a result of the study.

The NDA engaged a range of stakeholder groups during the course of the study, including the Nuclear Materials Issues Group, which was set up by the NSG to look at this issue, and the Spent Fuel and Nuclear Materials sub-group of the Senior Regulatory Forum (SRF).

The study was completed and its findings submitted to the Government in March 2007. A public version of the results was published in June 2007.

To carry out an assessment of the full life-cycle implications of spent fuel management to ensure that we can meet our obligations.

Progress: On Track

The NDA agreed with the NSG to undertake a study of the future management options for spent fuel.

The study was undertaken by ERM.

Components of the study that were completed in 2006/7 include:

- an accurate civil nuclear spent fuel inventory;
- a bounding financial case for the management of Advanced Gas-Cooled Reactor (AGR) fuels;
- a mechanism to predict future spent fuel arisings;
- a technical review of international spent fuel management options;
- a review of the political and regulatory aspects of international spent fuel management options; and
- a model to calculate the financial, environmental, socio-economic and human health factors associated with each management option.

Clockwise from top:

Site worker at the Low Level Waste Repository
Storage drums at Capenhurst site
Bradwell pond
Graphite store at Sellafield site
Berkeley site containers


Lansing

Competition and Contracting

2006/7 Key Milestones and Deliverables

We aim to stimulate improved performance and to encourage innovation through competition. The industry restructuring programme has continued throughout the year, thereby preparing the market for effective competition.

We plan to compete the management and operation of the Low Level Waste Repository (LLWR), with the issue of an Invitation to Tender (ITT) in 2006.

Progress: On Track
The ITT was issued ahead of schedule on 18 October 2006. Three viable bidders have qualified to be invited to tender for contract. A contract has also been prepared for the successful bidder.

It is anticipated that this competition will be finalised, with the successful bidder selected in Autumn 2007.

By 2006/7, we will start initial work in relation to preparations for later competitions, including the restructuring of site licensing arrangements where that is needed.

Progress: Achieved
A full competition schedule has been prepared, restructuring progress is on track and preparations for the Magnox South competition are underway. Our competition programme was revised in response to the change in strategic approach by British Nuclear Fuels Limited (BNFL) regarding the future of British Nuclear Group Sellafield Limited (BNGSL). Following a change to the company's original strategy the competition timescale for the Sellafield Parent Body Organisation (PBO) was brought forward. Contracts were also prepared to support the sale of the Reactor Sites Management Company, which includes Magnox Electric Limited, by BNFL to Energy Solutions.

Industry Restructuring

In February 2007, the NDA announced that, as part of the restructuring of the UK's civil nuclear industry, seven new Site Licence Companies (SLCs) would be created to manage and operate its sites.

This restructuring is ongoing and when completed, the new SLCs will be:

- **Sellafield Limited**
  This SLC is responsible for managing and operating the Sellafield, Calder Hall, and Capenhurst sites.

  Windscale is set to be relicensed to Sellafield Ltd at the beginning of financial year 2008/9, with a view to full integration of Windscale into the Sellafield site in due course.

- **Magnox North Limited**
  This SLC will be responsible for managing and operating Chapelcross, Hunterston A, Trawsfynydd, Wylfa, Oldbury and the Magnox North Support Office.

- **Magnox South Limited**
  This SLC will be responsible for managing and operating Berkeley, Bradwell, Dungeness A, Hinkley Point A, Sizewell A and the Magnox South Support Office.

- **Dounreay Site Restoration Limited (DSRL)**
  This SLC will be responsible for managing and operating the Dounreay site in Caithness.

- **Research Sites Restoration Limited (RSRL)**
  This SLC will be responsible for managing and operating Harwell, Winfrith and the RSRL Support Office.

- **LLW Repository Limited**
  This SLC is responsible for managing and operating the Low Level Waste Repository (LLWR) near Drigg in Cumbria.

- **Springfields Fuels Limited**
  This SLC is responsible for managing and operating the Springfields site near Preston, Lancashire.

The new SLC names will be adopted in the run up to competitions as the new licensed entities are created. For this Annual Report and Accounts, the site licence arrangements described are those that were in force during the reporting period.

A programme of competitions is underway to select the PBOs that will own shares in the new SLCs for the duration of contracts awarded by the NDA.

Competition and Contracting

2006/7 Key Milestones and Deliverables (cont)

Other Activities

Springfields Fuels Limited was the first Site Licence Company (SLC) to transfer to private sector management as the result of the sale of Westinghouse Electric Company (WEC) by BNFL to Toshiba Group in October 2006. Our strategy for the Springfields site will be informed by the opportunities that the new management team have to offer.

The new contract for the management and operation of Springfields, which has been developed for the new private sector PBO, has been the only significant change to the contractual arrangements of the NDA during the year. There have been no changes to the identity of persons with control of designated installations, sites or facilities.

Good progress has also been made to create the SLCs required to enable the NDA's competition programme to proceed. Relevant UKAEA assets were transferred to the NDA on schedule and progress has been made in setting up SLCs for the sites previously owned by UKAEA. The UKAEA site Management and Operations (M&O) contract has been revised to reflect this transfer.

Incentivisation principles for 2007/8 were prepared and Performance Based Incentives (PBIs) have been drafted.

In recognition of the importance of the supply chain to our mission of encouraging effective and healthy competition, we have refocused our activities to stimulate and retain interest in this important area. Accordingly, an initiative to provide effective dialogue with companies either involved with or interested in bidding for PBO contracts has been launched and we have sought to improve our engagement with all levels of the supply chain through other initiatives.

Recognising that some of the services that are provided by the SLCs share common characteristics, we have initiated a project to identify where these areas of common services exist and where efficiencies can be achieved by introducing economies of scale by sharing these services between site licensees and sites. With NDA support, site licensees have begun to explore the creation of a shared services venture under their ownership in 2007/8.

Clockwise from top:

Sellafield site
NDA staff members
Worker on site at the LLW Repository
Berkeley site worker
Trawsfynydd site
NDA staff members
Berkeley site
Hinkley Point A site








Innovation, Skills, R&D and Good Practice

2006/7 Key Milestones and Deliverables

The NDA is responsible for ensuring that a skilled workforce is available to carry out its mission. We are continuing to work in partnership with other agencies and with skills providers across the UK to develop a National Skills Academy for Nuclear (NSAN) and a Nuclear Institute as major initiatives, while developing locally specific provision. We will ensure the effective co-ordination of research and development (R&D) to support our remit and take steps to encourage the sharing of good practice across our sites. The Combined Nuclear Pension Plan (CNPP), which ensures that the nuclear decommissioning workforce continues to receive high quality pensions provision, went live in October 2006.

We will fund the site licensees for those R&D activities necessary to support agreed clean-up programmes.

Progress: On Track

We have continued to support our contractors in carrying out appropriate R&D in 2006/7.

Working with our contractors and taking lessons learned in 2005/6, we have updated the requirements for developing a technical baseline that underpins Lifetime Plans (LTPs) by linking requirements to our contractors' site R&D plans to ensure that both short and long-term requirements are understood. A summary of the research requirements needed to support our mission was published in April 2006.

We will also consider sponsoring and/or funding R&D activities of a more generic nature, provided it can be demonstrated that these activities support the NDA's mission.

Progress: On Track

The NDA ran a competition process for novel ideas from the supply chain. The process attracted 100 proposals of which 12 received NDA funding.

In 2006/7 we plan to spend around £20 million on R&D.

Progress: Achieved

Expenditure on supporting R&D activities included the contractual agreement with UK Nirex Limited to support work on radioactive waste packaging and on long-term radioactive waste management arrangements.

In addition, planned spend on R&D also included:

- **The development of University Research Alliances specialising in fields directly related to the NDA's decommissioning and clean-up mission.**

  We have continued to support the University of Sheffield Immobilisation Science Centre, the University of Leeds Particle Centre and the Material Performance Centre at Manchester. All were successful in attracting both industry and research council funding in 2006/7.

  We also engaged our contractors at a number of our sites in a project aimed at developing a systematic approach to the categorisation of wastes, based on good practice across the nuclear industry. On a site by site basis the potential changes could result in reductions of as much as 80% of the original amounts of lower activity waste. Over the next 20 years, the potential cost savings identified are in excess of £250 million.

- **Work on long-term waste management options.**

  Strategic work programmes that have benefited from NDA investment in 2006/7 include Low Level Waste (LLW) management, nuclear materials and spent fuel management, and work to underpin the definition of site end states and the remediation of contaminated land at our sites.

- **Options for contaminated ground remediation and site end state determination.**

  The NDA has supported Nexia Solutions Limited in the development of SimER (Simulation of Environmental Risks), a powerful and flexible performance assessment code for contaminated land and near surface waste disposal sites that can be used to support decision making on site end states and the development of appropriate management strategies.

We will continue to contract with Nexia Solutions Limited for research into decommissioning and clean-up activities, including an assessment of the feasibility of plutonium treatment technologies.

Progress: On Track

We have continued to fund Nexia Solutions Limited for research, in 2006/7. Work elements of the plutonium disposition study include:

- the potential reuse of plutonium as fuel;
- the potential immobilisation of plutonium as a waste; and
- the development of suitable tools to evaluate alternative strategies involving varying degrees of reuse or immobilisation.

Innovation, Skills, R&D and Good Practice

2006/7 Key Milestones and Deliverables (cont)

We will work with contractors and stakeholders to ensure that skills needs are properly understood and identified through the Life Cycle Baseline improvement (LCBLi) project.

Progress: On Track

As part of the LCBLi project, we have worked with our contractors and with the National Skills Working Group to update, redefine and improve the content of Site Skills Strategies. Our contractors have also agreed the definition of Standard Resource Codes, which will be used to analyse skills requirements and to gain a better understanding of the resources and skills required to deliver our programme.

Once we are clear on skills needs, we will ensure that appropriate measures are put in place to meet them both in the short and long-term.

Progress: On Track

We have either initiated, developed or supported the following:

- the National Skills Working Group and appropriate task groups;
- University Partnerships, PhD, MSc and Foundation Degree sponsorships;
- the Dalton Cumbria Facility (Nuclear Institute) Collaboration Agreement;
- the National Skills Academy for Nuclear bid;
- Energy Foresight Phase 2 implementation; and
- National Occupational Standards in nuclear-related areas, such as decommissioning and radiological protection.

Sufficient detail has been collated to enable the NDA to develop a comprehensive Skills Strategy in 2007/8, which will set out plans to develop the necessary infrastructure and skills provision with partners and stakeholders.

We will work in partnership with local providers and other agencies to provide longer term sustainable skills that will contribute to addressing local socio-economic needs.

Progress: On Track

Funding has been secured to set up a National Community Apprenticeship Scheme to support the supply chain, as well as providing socio-economic benefits. Under the National Community Apprenticeships scheme, 100 new apprentices will be placed through the National Skills Academy for Nuclear over the next four years. We have also worked with stakeholders in North Wales to review options for the development and delivery of vocational skills.

The budget earmarked for supporting skills in 2006/7 is £11.9 million.

Progress: On Track

The following sums of money were committed, allocated or invested in directly funded skills initiatives, of which around £8 million was direct expenditure:

University of Cumbria	£3 million
Community Apprentice Scheme	£2 million (allocated)
Nuclear Institute	£2.2 million
National Skills Academy	£5 million
Energy Foresight	£500,000
Skills Shortages	£250,000

This investment will be focused on developing:

- **A Nuclear Institute, in partnership with North West Universities.**

  In October 2006, the NDA and the University of Manchester signed a collaboration agreement to invest £10 million each over a seven year period to establish a centre for world class education and research based in West Cumbria. Professors in the fields of Radiation Sciences and Decommissioning Engineering were appointed in 2006/7.

- **The National Skills Academy for Nuclear that will attract funding for vocational skills in West Cumbria and Scotland and link to the South East and West.**

  In October 2006, the Secretary of State for Education and Skills gave his approval for the development of a business plan to establish a National Skills Academy for Nuclear (NSAN), following the submission of an Expression of Interest covering the national skills requirements of the nuclear industry.

  Good progress has been made following the successful establishment of the (NSAN's) hub in West Cumbria, the Nuclear Academy in March 2007. During 2006/7, the Academy secured over £16 million in funding, as well as laying the ground for successful future operation.

Innovation, Skills, R&D and Good Practice

2006/7 Key Milestones and Deliverables (cont)

- Young Foresight which links to the science curriculum in schools.

Following an Official Journal of the European Union (OJEU) tender process in August 2006, the NDA formally selected the Energy Foresight programme as the vehicle through which the NDA would support the teaching of the science curriculum in schools. The programme involves the provision of teaching materials and training for teachers covering the science curriculum for school pupils aged between 14 and 16. The NDA has actively supported the radioactive waste element of the curriculum and has provided a range of materials to support teaching, with a view to distributing these to 430 schools across the UK over the next two years.

- A national graduate scheme.

We have engaged stakeholders to determine support for and participation in a National Graduate Scheme. Some 20 or more potential partners have been identified and plans are being prepared to define a framework for the scheme in 2007. The scheme design will be informed by good practice from existing graduate schemes, following a review of graduate schemes in both the nuclear industry and similar sectors in 2006/7.

- Schemes to address the shortage of health physics skills within the industry.

The NDA has continued to support targeted skills development, including sponsorship of PhDs, studentships for higher degrees in the supply chain, bursaries for foundation degrees in nuclear decommissioning and the promotion of National Vocational Qualifications (NVQs) in health physics. A review of skills requirements in radiological protection has also been completed and potential issues that need to be addressed have been identified. This review will continue throughout 2007/8.

Establish a new nuclear decommissioning industry wide pension scheme.

Progress: Achieved

The NDA established the Combined Nuclear Pension Plan (CNPP) to look after the needs of Site Licence Company employees if, on a transfer to the private sector, they are no longer able to continue with their existing arrangements. The CNPP was established in October 2006, following extensive discussion with stakeholders on its design and approval by the Secretary of State for Trade and Industry. It has been set up as an independent trust governed by a board of trustee directors, half of whom are member nominated with the remainder appointed by the NDA.

The CNPP took in its first 1,400 members at Springfields SLC, when the ownership of Westinghouse transferred from BNFL to Toshiba. The CNPP provides high quality pension arrangements and meets the requirement set out in the Energy Act to enable staff transferred for NDA purposes to continue to accrue benefits that are no less favourable than those they enjoy before the transfer.

Clockwise from top:

Artist's impression of what the new Nuclear Academy will look like.
Trainee working with a glovebox
NDA stakeholders
Seascale Beach
NDA stakeholders

Socio-economic Support and Stakeholder Engagement

2006/7 Key Milestones and Deliverables

The NDA is committed to open and transparent engagement with its stakeholders. Both the Site Stakeholder Groups (SSGs) and the UK National Stakeholder Group (NSG) have continued to meet throughout the year and, to improve our processes for engaging with stakeholders, a convenor was appointed. We also have a duty to take account of the socio-economic impact of our activities on communities living near our sites. Our draft socio-economic policy, which addresses both national priorities and local needs, was published for public consultation during the year.

We propose to work with other agencies and key stakeholders to contribute to the delivery of alternative long-term sustainable employment opportunities in the areas affected by our activities.

Progress: Continuous Activity

We have continued to work with relevant bodies, including economic development agencies, in the development of long-term plans for areas that will suffer the biggest impacts from the decommissioning and clean-up of our sites. This includes our continued involvement in the development of a Strategic Master-plan for West Cumbria. The NDA Board has also established a Socio-Economic Committee to consider and approve socio-economic funding requests with a value of £100,000 and above. A Socio-Economic Panel of senior NDA staff has been set up to consider and approve funding requests with a value of less than £100,000.

During 2006/7, we will:

- **Publish a socio-economic policy;**
- **Guide our contractors to address socio-economic issues strategically, developed in consultation with local stakeholders;**
- **Engage proactively with stakeholders to define the long-term socio-economic framework; and**
- **Explore the feasibility of devolving the administration of some socio-economic funding to locally based organisations (for example, site charitable trusts), which could fund smaller scale, community based socio-economic activity.**

Progress: Achieved

Our draft socio-economic policy was published for public consultation between 5 October 2006 and 19 January 2007. In total, 87 sets of comments were received from a wide range of stakeholders. Following revision in March 2007 to incorporate stakeholders' views, a revised draft of the policy was submitted to the Government for approval.

During 2006/7, we will continue to support the further development of SSG as the main vehicle for engagement with the communities around our sites.

Progress: Continuous Activity

The SSGs now have a dedicated time slot for discussion during the NSG meetings. In addition and at their request, a site visit to Sellafield was arranged in March 2007.

We will support engagement with local stakeholders to determine site end states and end dates.

Progress: Continuous Activity

Two rounds of regional events were hosted by the NDA to assist the SSGs in their work to develop recommendations on site end states. All SSGs submitted their recommendations to the NDA by 30 April 2007.

Two meetings of the NSG will be held during 2006/7.

Progress: Achieved

Meetings of the NSG were held on 20-21 April 2006 in Edinburgh and 7-8 November 2006 in Birmingham. Reports of these discussions are available on the NDA's website.

We will support the working groups set up so far by the NSG.

Progress: Continuous Activity

Regular (approximately quarterly) meetings of the Materials Issue Group and the Waste Issue Group were held throughout the year. Reports of these discussions are available on the NDA website.

Other activities in 2006/7 include:

- **continuing to engage with the supply chain in the run-up to site competitions; and**
- **establishing a forum for Scottish stakeholders to deal with matters that are specifically relevant to Scotland.**

Progress: Achieved

Industry days were hosted in relation to the LLWR competition (25 April 2006) and the Sellafield PBO competition (28-29 November 2006).

In addition, the NDA will hold Scottish stakeholder events when there is a need.

Operating Unit Reports

The following pages give a brief report on each of the NDA's operating units, which are grouped into NDA owned operating subsidiaries and site licensees. Within the Operating Unit Reports there are also summary breakdowns from each site relating to each particular site licensee.

The reports cover progress towards delivering key milestones and activities from the 2006/7 NDA Annual Plan, key earned value performance data and an overview of the safety and environmental performance of each site licensee.

Income and expenditure data are included on page 120 of this Annual Report and Accounts. The subsidiary companies that are reported on are those that we consider to be our key operating units and do not, therefore include Rutherford Indemnity Limited.

Due to the approval of plans to extend the Joint European Torus (JET) operations at Culham, the start of decommissioning work has been deferred from 2008 until the end of 2010. The NDA does not intend to report on activities at the Culham JET facilities in its Annual Report and Accounts until a decision is taken to designate the facilities to the NDA.

Left: Trawsfynydd

How to read this section

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

Earned value performance data

'Earned value' refers to the positive variance of work delivered by our contractors against the original budgeted cost and planned schedule of work. To help us measure earned value data, the following key concepts are used:

- **Original Budgeted Cost of Work Scheduled (BCWS)**

  BCWS is the budgeted value of the work that our contractors set out to complete at the beginning of the year.
- **Budgeted Cost of Work Performed (BCWP)**

  BCWP is the budgeted value of work actually completed during the year.
- **Actual Cost of Work Performed (ACWP)**

  ACWP is the actual cost of work completed in the year.

To determine the earned value of our contractors' performance, the following formulae are used:

- **Cost Variance (CV) = BCWP – ACWP**
- **Schedule Variance (SV) = BCWP – BCWS**
- **Cost Performance Index (CPI) = BCWP/ACWP**
- **Schedule Performance Index (SPI) = BCWP/BCWS**

For example, when the BCWP is higher than the BCWS, this means that more work has been completed than planned. When the ACWP is lower than the BCWP, then the work has been completed at a lower cost than planned.

Key among the tools that the NDA employs to ensure that our contractors deliver work in line with our strategic priorities and for better value is portfolio management – that is, the reallocation of funds from one site or site licensee to another site or site licensee in order to bring forward work planned from future years. This sometimes results in an adjustment to the original BCWS to reflect the revised funding levels. Where appropriate, these revised BCWSs are used throughout this report in order to determine the earned value of our contractors' performance.

Summary of health, safety, security & environment performance

The reports on the NDA's operating units provide an overview of the health, safety and environmental incidents reported at each NDA site in 2006/7.

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

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

- **The Royal Society for the Protection of Accidents (RoSPA)** is a UK charity that aims to promote safety in all fields by providing information, advice, resources and training. RoSPA holds an annual occupational health and safety awards ceremony at which medals are awarded to organisations that have demonstrated excellent health and safety performance.
- Security arrangements are agreed between site operators and the **Office for Civil Nuclear Security (OCNS)**, which is the independent security regulator for the civil nuclear industry. Detailed security arrangements at nuclear licensed sites are not discussed in this report.
- **Total Recordable Incident Rate (TRIR) and Days Away Case Rate (DACR)** are measures that we use for industrial health and safety performance from OSHA (OSHA is the US Department of Labor's Occupational Safety and Health Administration).

Key Milestones and Deliverables

Key milestones are agreed at the start of each financial year to enable the effective measurement of progress against objectives through agreed reporting procedures. The milestones and activities listed for each site are taken from the 2006/7 NDA Annual Plan.

- **Achieved –** the key milestone or activity has been completed during the financial year (2006/7).
- **Not Achieved –** the key milestone or activity was due for completion during the financial year (2006/7) however, this was not completed.
- **On Track –** the key milestone or activity was due for completion after 31 March 2007 and as at that date was on track to be completed to schedule.
- **Behind Schedule –** the key milestone or activity was due for completion after 31 March 2007 and as at that date there had been a delay to the schedule.

Other Site Information

- **Site Licensee or Site Licence Company (SLC)**

  This is the entity that holds the nuclear site licence and discharge authorisations in respect of a nuclear licensed site and which is directly responsible for day-to-day site management and operations.
- **Parent Body Organisation (PBO)**

  The PBO is the site management contractor that holds the shares in the SLC for the duration of a contract issued by the NDA.

Status of Operations

The following categories are used to describe the stage in the lifecycle of each nuclear site:

- **Operational**

  This indicates that commercial operations, which include fuel manufacturing, electricity generation, spent fuel reprocessing and waste management services, are undertaken on the site.
- **Defuelling**

  Defuelling indicates the removal of spent nuclear fuel from reactors at the Magnox stations, following the cessation of electricity generation in preparation for site care and maintenance.
- **Decommissioning and Termination**

  Decommissioning and termination is the final stage in the lifecycle of a nuclear site and refers to the clean-up of radioactive and other material and progressive dismantling of the site.


DEMCO

British Nuclear Group Sellafield Limited (BNGSL)

British Nuclear Group Sellafield Limited (BNGSL) was the Site Licensee responsible for the management and operation of Sellafield, Calder Hall, Capenhurst and the Low Level Waste Repository near Drigg (LLWR) and since April 2007 is now a new Site Licence Company, known as Sellafield Limited. The Parent Body Organisation (PBO) of BNGSL was British Nuclear Group.

A competition process is currently underway to select a PBO to manage the new SLC. This will include Sellafield, Calder Hall, Capenhurst and, subject to relicensing, Windscale. A competition is also underway for the management and operation of the LLWR. Following preparatory work in 2006/7, the LLWR is now in a position to be effectively separated from the existing licensing arrangements in preparation for the selection of a new PBO in 2007/8.

Key developments in 2006/7

- The Windscale Pile Chimney stack has been released to allow decommissioning to restart, following a protracted shut down of more than three years in response to a fatality;
- Good progress has been made in the remediation of legacy ponds and silos, including;
  - completion of the Local Effluent Treatment Plant;
  - installation and operation of the B30 Gantry Refurbishment system; and
  - sanctioning of the B38 treatment plant project;
- The regulators have been encouraged by progress in the characterisation of contaminated land on the site;
- All regulatory requirements have been met in order to allow the restart of the Thermal Oxide Reprocessing Plant (THORP);
- The demolition of the four cooling towers at Calder Hall was delayed;
- Defuelling of the reactors at Calder Hall was delayed following changes to the Magnox Operating Plan (MOP); and
- The restart of THORP was delayed as a result of problems experienced at the Highly Active Liquor Evaporation and Storage (HALES) facility, which reduces the volume of liquid High Level Waste (HLW) before its incorporation into glass (vitrification) for long-term storage.

Forward Look

- The rescheduled demolition of the Calder Hall cooling towers in 2007/8;
- The contract for a PBO for LLWR Limited will be awarded in 2007/8;
- It is anticipated that THORP will restart in 2007/8, initially to process Feed Clarification Cell liquors;
- Securing appropriate capacity at the HALES facility will remain a top priority; and
- Support will continue to be given to the Magnox Operating Plan (MOP), with the continued receipt and storage of fuel from British Energy's Advanced Gas-Cooled Reactors (AGRs).

Left: Calder Hall site

Calder Hall

Calder Hall is located on the Sellafield site in Cumbria. It was the world's first commercial nuclear power station and started generating electricity in 1956. Generation ceased in 2003.

(See the entry on Sellafield for further information about the site and surrounding area).

Location: Cumbria

Type of Site: Reactor Site

Status of Operation: Defuelling, Decommissioning and Termination

Site Licensee: British Nuclear Group Sellafield Limited (BNGSL)

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Complete the preparations for defuelling.	Not Achieved	Planned work was not completed. A review of the Magnox Operating Plan (MOP), poor performance and safety issues resulted in delays in the programme and deferral of scope. Completion of scope of work for all four reactors is now planned for 2007/8. A revised contracting strategy has been introduced to reduce risk to the project.
Fuel removal from reactors and transfer to fuel handling plant.	Not Achieved	Since the preparations for defuelling have not been completed this work has not commenced.
Continue asbestos removal from heat exchangers and turbine hall.	On Track	Planned work was completed to cost. Remaining work is planned to be completed over the next three years.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
33.7	28.8	30.4

The Original BCWS was £33.4 million.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.75
Days Away Case Rate	0.38
RIDDOR Major Injury	1
RIDDOR Lost Time Accident	1
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	0

Capenhurst

Capenhurst is located near Ellesmere Port in Cheshire, adjacent to Urenco (the Uranium Enrichment Company), and has an area of 32 hectares covered by the nuclear site licence. It was home to a uranium enrichment plant and associated facilities that ceased operation in 1982.

Location: Cheshire
Type of Site: Uranium Facility
Status of Operation: Decommissioning and Termination
Site Licensee: British Nuclear Group Sellafield Limited (BNGSL)

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Complete removal of enriched uranium.	Achieved	Completion of this project saw the removal of one of the major hazards from the site.
Disposal of 2,000 cubic metres of raw waste.	Achieved	2006/7 was a record year for waste disposal from the Capenhurst site, with over 3,467 cubic metres of raw waste disposed of.
3,000 kg uranium recovered.	Achieved	Over 3,000kg of uranium was recovered as part of the Non Standard Waste Project.
Capable to receive 3,700 drums of uranium.	Achieved	All drums have been received as part of ongoing operations over a number of years.
Decontamination of B200/400 complex.	Achieved	Decontamination of the complex has been completed. Demolition of the uncontaminated building is ongoing.
Best Practicable Environmental Option (BPEO) for slabbed areas.	On Track	Characterisation work completed this year. Information from this is being used to generate BEPO for slabbed areas.

Other Activities	Status	Progress Report
Miscellaneous building demolitions – diversion of services and, where applicable, decontamination of ancillary facilities.	On Track	As part of the site's move towards the 'End of Decommissioning' milestone, services and buildings are decommissioned and demolished as they become available.
Despatch of more than 10 International Standards Organisation (ISO) containers to the LLWR and various mixed waste consignments.	Not Achieved	Only two half-height ISO containers were despatched due to the need for a transport licence for the transportation of fissile ISO containers.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
23.7	22.8	20.7

The Original BCWS was £22.6 million. All accelerated work was funded through savings made during the year.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.49
Days Away Case Rate	0
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	1

LLWR

The Low Level Waste Repository (LLWR) is located near Drigg in Cumbria and has an area of 98 hectares covered by the nuclear site licence. It has operated as a disposal facility since 1959. Wastes are compacted and placed in containers before being transferred to the facility. The area around the site is environmentally sensitive and is designated as a Special Area for Conservation (SAC) and Site of Specific Scientific Interest (SSSI).

Location: Cumbria

Type of Site: Waste Repository

Status of Operation: Operational

Site Licensee: British Nuclear Group Sellafield Limited (BNGSL)

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Bulk material handling facilities - complete detailed design.	Not Achieved	Planning permission for this key enabler work was received in March 2007. Construction is scheduled to commence in September 2007.
Completion of Plutonium Contaminated Material (PCM) retrieval and disposal.	Behind Schedule	An unexpected increase in the number of PCM items and drums has pushed this programme of works back by seven to eight months. Stakeholders have been kept fully informed of the situation. All the PCM has now been removed to Sellafield.
Submit planning application for Vault 9.	Not Achieved	Vault 9 is also making steady progress. The application for planning permission was to be presented to Copeland Borough Council late May 2007. Identification of a perched water table in the footprint of the area where Vault 9 will be constructed has resulted in the need to change the geometric design. This has effectively added six months to the overall programme.
Complete backlog processing.	Achieved	All backlog waste operational requirements have now been completed and the backlog waste treatment facility removed ready for reuse at Sellafield.

LLWR Cont.

Other Activities	Status	Progress Report
Progressing the provision of the next vault and maintaining the licence to operate by gaining approval of the required safety cases with the regulators.	On Track	Vault 9 design work has made steady progress throughout 2006/7 and the over-arching Safety Case has been submitted to the Nuclear Installations Inspectorate (NII).
Treatment and storage of backlog waste containers from Vaults 8-34 are to be returned to the Sellafield Waste Monitoring and Compaction Facility (WAMAC) plant for compaction.	Achieved	Work was completed to cost and schedule.
Process of 120 backlog containers not suitable for compaction through the purpose built backlog waste processing facility.	Behind Schedule	This programme has been deferred to 2007/8 for operational reasons and to maximise available space.
Receipt, grouting and emplacement of approximately 550 Low Level Waste containers in Vault 8.	Achieved	A total of 773 International Standards Organisation (ISO) containers were emplaced into Vault 8. Significant work has been undertaken with waste consignors to improve predictions of future waste levels. This work will remain an iterative process.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
37.1	31.3	28.8

The Original BCWS was £36.7 million. The significant difference between the BCWS and the BCWP data relates to difficulties in the Modular Vaults programme of works comprising Vault 9, the Bulk Material Handling Facility and the Vault 8 contingency work.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0
Days Away Case Rate	0
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	0

Sellafield

Sellafield is located in Cumbria and has an area of 262 hectares covered by the nuclear site licence. It is a large, complex nuclear chemical facility that has supported the nuclear power programme since the 1940s, and has undertaken work for a number of organisations including UKAEA and Ministry of Defence (MoD). Operations at Sellafield include processing of fuels removed from nuclear power stations; Mixed Oxide (MOX) fuel fabrication; and storage of nuclear materials and radioactive wastes. The area around the site is environmentally sensitive.

Location: Cumbria

Type of Site: Nuclear Chemical Site

Status of Operation: Operations and Decommissioning

Site Licensee: British Nuclear Group Sellafield Limited (BNGSL)

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Sellafield Product and Residue Store (SPRS) construction completion of the 13.2m level slab.	Not Achieved	Construction progress has been delayed by a combination of the unusually poor prevailing weather and shortage of specific resources.
Inactive commissioning of Vitrification Export Facility.	On Track	Inactive commissioning work has progressed well. The programme remains on track to deliver the first waste return in 2008.
Commence removal of Multi-Element Bottles (MEB) from B560.	Achieved	First MEB was removed on schedule. As part of this work operational difficulties have required a review of the process to decontaminate MEBs that are removed from the pond.
Complete reprocessing of legacy fuel.	Not Achieved	Delayed due to unreliability of operational facilities aggravated by evaporator performance issues which directly impacted the sites' reprocessing capability
Reduce high activity liquor stocks in accordance with regulatory commitments (primarily the 'HAL Curve' specification from NII).	Achieved	The volume of stored Highly Active Liquor (HAL) has been reduced further than was planned.
Deliver a total of 16 fuel assemblies.	Not Achieved	Sellafield MOX Plant (SMP) has continued to experience operational difficulties which constrained output for the year, to eight completed fuel assemblies.

Other Activities	Status	Progress Report
Treatment, vitrification and storage of highly radioactive liquor stocks.	Not Achieved	**Treatment** **Evaporator A** - Highly Active (HA) Evaporator issues included the potential failure of a bottom coil. Subsequent work has meant that the evaporator can support Waste Vitrification Plant (WVP) operations and Magnox reprocessing. **Evaporator B** - Following initiation and acceleration of work from out-years in response to the situation with Evaporator A, Evaporator B is now due to resume operations in February 2008. **Evaporator C** - Has seen huge developments in the inspection devices for coils and base, although in some cases these remain in development. **Evaporator D** - Contracting arrangements for Evaporator D have been amended to allow for known areas of acceleration and future potential areas to be exploited, thereby accelerating or protecting the critical path. **Vitrification** Overall it has been a difficult year, with a series of unexpected plant failures and operational difficulties. These included unexpected dust scrubber and cranege issues across all lines. The target was to complete 450 containers, with an outturn of 320, although increased incorporation rates resulted in the completion of 10 fewer containers than planned.
Decommissioning of existing redundant plants.	Behind Schedule	Work was slightly behind programme but remains ongoing.
Preparing for legacy waste retrieval to enable hazard reduction.	On Track	Good progress has continued in preparation to start the retrieval of legacy wastes.
Continuing floc retrieval.	Behind Schedule	The annual target for ullage (i.e. the amount of liquid by which a tank is short of being full) was not achieved, with 458m^3 being achieved against a plan of 560m^3, but some good work on clearing blockages in downstream plants was completed. This should improve the reliability of future processing. Furthermore, work on the identification of waste incorporation rates has been progressing well, with potential future savings.
Projects for treatment and storage of Plutonium Contaminated Material (PCM).	Behind Schedule	PCM treatment within the Waste Treatment Complex has experienced problems, including difficulties in gaining a 'Consent to Operate' from the regulators and a plant incident in which a maintainer was injured. A substantial improvement plan has been assembled that addresses PCM liquor arisings, moving machinery, feedstock compliance, reliability and throughput concerns. The Best Practicable Environmental Option (BPEO) process has been progressing well and to programme.
Efforts to improve throughput of SMP and of High Level Waste (HLW) vitrification plant.	On Track	The Vitrification Assistance Programme with Cogema has resulted in the installation of key pieces of plant to increase reliability and throughput. Equipment is being tested in preparation for operations.
Continue preparations for retrievals within B38.	On Track	In B38, the compartment 7 enclosure has been removed.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
1,297.0	1,214.5	1,128.0

The Original BCWS was £1,311.1 million.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.48
Days Away Case Rate	0.34
RIDDOR Major Injury	5
RIDDOR Lost Time Accident	25
RIDDOR Dangerous Occurrence	5
INES incidents	5
Environmental non-compliance	2

Magnox Electric Limited

Magnox Electric Limited is the Site Licensee responsible for the management and operation of the Magnox sites. Currently, these sites include Berkeley, Bradwell, Chapelcross, Dungeness A, Hinkley Point A, Hunterston A, Oldbury, Sizewell A, Trawsfynydd and Wylfa.

The Parent Body Organisation (PBO) for Magnox Electric Limited during 2006/7 was British Nuclear Group (BNG).

In line with the restructuring of the industry, Magnox Electric Limited will be separated into two separate Site License Companies (SLCs): Magnox South Limited, comprising Berkeley, Bradwell, Dungeness A, Hinkley Point A and Sizewell A; and Magnox North Limited, comprising Chapelcross, Hunterston A, Oldbury, Trawsfynydd and Wylfa.

Key Developments in 2006/7

- For the first time, a substantial part of a Magnox site was delicensed at Berkeley;
- Despite the continuing challenge at Oldbury, the overall fleet generation achievement was 11.624 TWh against a revised target of 11.024 TWh;
- Significant progress was made towards establishing the Graphite Core Safety Case (GCSC) at Oldbury and towards obtaining regulatory approval for the restart of Reactor 2;
- Sizewell A and Dungeness A reached the end of their generating lives as planned on 31 December 2006, with preparations underway for their defuelling;
- Work continued on three Intermediate Level Waste (ILW) stores during 2006/7 at Hunterston A, Trawsfynydd and Hinkley Point A;
- A significant asbestos challenge exists at Chapelcross and a full programme to contain and remove the hazard is planned for 2007/8;
- Despite experiencing conventional plant difficulties concerning damage to pipework systems and steam condensing plant deterioration, Wylfa achieved its quarter three forecasted output;
- Significant progress on hazard reduction was made on a number of sites, including successful trials of smelting skips from Hinkley Point A, the continued encapsulation of Fuel Element Debris (FED), including fuel elements at Trawsfynydd, the removal of all remaining undamaged fuel from the Wylfa dry store and the commissioning and operation of the FED dissolution plant at Dungeness A; and
- Work on separating Magnox Electric Limited into Magnox North Limited and Magnox South Limited has continued throughout the year.

Forward Look

- Magnox Electric Limited will continue to work towards achieving a complete separation into two SLCs, Magnox North Limited and Magnox South Limited;
- Progress in hazard reduction will continue to be made at all decommissioning sites, with the availability of two ILW stores by the end of 2007/8; and
- Wylfa will continue to generate electricity until the scheduled cessation date. Subject to regulatory approval of the Graphite Core Safety Case (GCSC), it is anticipated that Oldbury will restart in 2007/8.

Left: Bradwell site

Berkeley

Located near Berkeley in Gloucestershire, this was one of the UK's first nuclear power stations and has a total site area of 27 hectares covered by the nuclear site licence. The site includes Berkeley Centre laboratories and offices that lie adjacent to the power station. The station operated from 1962 until 1989 when it ceased electricity generation. Defuelling was completed by 1992. The area around the site is environmentally sensitive and is designated a Special Protection Area (SPA), Special Area for Conservation (SAC), a wetland of international importance under the RAMSAR convention and a Site of Specific Scientific Interest (SSSI). The nearby Berkeley Gazebo is a Grade 2 listed building, constructed in 1754.

Location: Gloucestershire

Type of Site: Reactor Site

Status of Operation: Decommissioning and Termination

Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Active Waste Vault Retrieval (AWVR) – completion of civil construction.	On Track	The AWVR concept design is substantially complete and Invitations to Tender (ITTs) have been issued for civil construction/balance of plant and mechanical detail design and supply. Preparatory civil works have been completed. Two prototype Vault Retrieval Machines have been designed, manufactured and tested.
Active Waste Vault Retrieval (AWVR) – completion of design and supply	On Track	As above
Shielded Area – cell dismantling	On Track	Four cells have been decontaminated and a further 19 cells have been demolished. All remaining cells have had equipment and plant removed to the extent possible prior to demolition.
Shielded Area – completion of West Wing deplant and decontamination	On Track	The West Wing laboratories have been fully decommissioned and remediated and are being converted to provide office space.
Be in a position to apply for partial site delicensing.	Achieved	Partial site delicensing was applied for and achieved to plan during December 2006.

Other Activities	Status	Progress Report
Civil engineering works to prepare the Caesium Removal Plant (CRP) to receive waste processing equipment will be completed by February 2007.	Not Achieved	The strategy for waste management has been reviewed and an innovative solution proposed and accepted for implementation in 2008/9 due to the availability of funding. Meanwhile, redundant tanks and pipes in the CRP have been removed and disposed of.
Preparations will continue so that a case can be made to the Nuclear Installations Inspectorate (NII) to determine whether the 'no danger' criteria have been adequately demonstrated. If so, the site licence will then be varied.	Achieved	The safety case was submitted to the NII in September 2006 and licence variation came into force on 22 December 2006.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
46.0	45.9	38.6

The Original BCWS was £40.9 million. £4.9 million of extra scope was accelerated into the baseline for 2006/7. Total savings have equalled £7.2 million, considerably exceeding the original target.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.54
Days Away Case Rate	0.22
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	2
RIDDOR Dangerous Occurrence	1
INES incidents	0
Environmental non-compliance	1

Bradwell

Located at Bradwell in Essex and with an area of 20 hectares covered by the nuclear site licence, this power station operated from 1962 until 2002 when it ceased electricity generation.

Location: Essex

Type of Site: Reactor Site

Status of Operation: Defuelling/Decommissioning and Termination

Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Complete the despatch of all fuel to Sellafield and confirm fuel removed.	Achieved	On 1 October 2006 the regulators agreed that all fuel had been removed from the reactors at Bradwell.
Complete the concept for Intermediate Level Waste (ILW) treatment and storage strategy and let contracts.	On Track	The preparation of the Invitation to Tender (ITT) for the detailed design for the ILW management facility was completed but was not issued due to funding constraints.
Complete asbestos removals.	On Track	2,100 cubic metres of asbestos have been successfully removed from the boiler house. Circulator halls work will remain ongoing in 2007/8.
Staff structure post defuelling complete and in place following submissions to the regulators.	Achieved	Bradwell is now into its decommissioning stage. Work is progressing on a broad range of fronts on both conventional and nuclear systems decommissioning.
Circular Hall 1 strip-out complete.	Achieved	Good practice techniques developed during the initial deplant stage have allowed current, similar works to be executed at lower cost than envisaged.

Other Activities	Status	Progress Report
Transportation of approximately 220 cubic metres of Low Level Waste (LLW).	On Track	The first shipment of LLW was delayed and despatched in August 2006. However, following a successful operation to reduce the quantity of waste generated, 136 cubic metres of LLW were dispatched in accordance with the schedule.

Non Accounting Financial Measures (Earned Value)

Original BCWS (£m)	BCWP (£m)	ACWP (£m)
53.5	48.2	41.4

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0
Days Away Case Rate	0
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	0

Chapelcross

Chapelcross power station is located near Dumfries in southwest Scotland and has an area of 96 hectares covered by the nuclear site licence. It was the first nuclear power station in Scotland. Electricity generation started in 1959 and ceased in June 2004. The area around the site is environmentally sensitive.

Location: Dumfries and Galloway
Type of Site: Reactor Site
Status of Operation: Decommissioning and Termination
Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Fuel route modifications – Reactors 1 and 3 completed.	On Track	Preparations for the defuelling of Reactor 1 have been completed.
Demolition of four cooling towers.	On Track	Drilling to enable explosive charging was completed in preparation for the demolition of the four cooling towers, which took place on 20 May 2007.
Magnox Depleted Uranium (MDU) drum processing and export to Capenhurst, (1,700 drums).	Achieved	1,802 drums of nuclear materials were despatched to Capenhurst.
Continue strip of asbestos from Turbine Hall.	Behind Schedule	It was originally planned to retrain existing personnel to Asbestos Competent People (ACP). However, through further work it became apparent that this was not a viable option and therefore a contractor who is already Asbestos Competent has now been hired to undertake the work.

Other Activities	Status	Progress Report
Preparations for defuelling the four reactors will progress with the provision of plant modifications to enable safe and timely defuelling to commence next year.	On Track	Work has been progressing. Delays at Sellafield have rescheduled the programme.
Obtain approval from the Nuclear Installations Inspectorate (NII) and the Scottish Environment Protection Agency (SEPA) for organisational structure for defuelling.	Achieved	The regulators gave their consent to the organisational structure for defuelling.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
69.6	68.6	63.5

The Original BCWS was £69.3 million. During the year, the cost of the Magnox North Support Office was consolidated into the Oldbury plan by transferring £6.6 million worth of work scope. Additional work on a number of key projects in the year resulted in an increase to the BCWS to £69.6 million. This included major elements of scope acceleration, primarily in respect of waste disposal (worth £2.0 million) and asbestos abatement on heat exchangers (worth £1.5 million).

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.17
Days Away Case Rate	0
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	1
INES incidents	0
Environmental non-compliance	0

Dungeness A

Located at Dungeness in Kent and with an area of 20 hectares covered by the nuclear site licence, Dungeness A power station started generating electricity in 1965. The area around the site is environmentally sensitive, is designated as a Special Protection Area (SPA), Special Area for Conservation (SAC) and Site of Specific Scientific Interest (SSSI), is proposed as a wetland of international importance under the RAMSAR convention and is home to the largest shingle peninsula in Europe. Continuous shingle replenishment is in progress to maintain the reactor site and British Energy's Dungeness B power station.

Location: Kent

Type of Site: Reactor Site

Status of Operation: Operational

Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Generate 1.82 TWh of electricity.	Achieved	On 31 December 2006, Dungeness A ceased generating electricity as planned and entered its defuelling phase. During 2006/7, 2.7 TWh against a revised target of 2.2 TWh was generated, equalling the best ever output from the site.
Workforce restructuring proposals agreed.	Not Achieved	Site submission prior to year end but final Nuclear Installations Inspectorate (NII) approval gained 16 April 2007.
Defuelling verification plant modifications completed.	Achieved	The modifications were completed ahead of plan. The plant has subsequently been successfully tested with the removal of five tonnes of fuel from each reactor.
Despatch 97 tonnes of fuel.	Achieved	Following a revision of the target in the current Magnox Operating Plan (MOP), 79 tonnes of spent fuel were shipped to Sellafield for reprocessing, meeting P50 MOP target for 2006/7.

Other Activities	Status	Progress Report
Dispatch of four half-height and two full-height containers of routine Low Level Waste (LLW) arisings to the Low Level Waste Repository (LLWR).	Achieved	In total, 16 International Standards Organisation (ISO) containers were shipped to Winfrith and to the LLWR.
Completion of plant enhancements in preparation for future defuelling and decommissioning.	Achieved	Several projects were completed, including offload discharge chutes and Active Effluent Discharge Lines (AEDL).
Retrieval and processing of 7.5 tonnes of Magnox debris through the Magnox Dissolution Plant (MXD).	On Track	The MXD Plant has been reconfigured, with dissolution optimisation trials underway.
Continued work on new safety case.	Achieved	The Management of Change (MOC) and Post Operational Defuelling Safety Case (PODSC) have been submitted, including additional scope requested by the Nuclear Installations Inspectorate (NII).

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
60.3	60.0	50.5

Approximately £2 million of work scope has been deferred or deleted, balanced by a similar value of emergent and accelerated scope delivered in 2006/7.

£5 million of surplus funding, from the substantial savings made, was reallocated to other sites through the prioritisation process. The site achieved more than £9.5 million of savings from the original BCWS.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0
Days Away Case Rate	0
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	2

Hinkley Point A

Hinkley Point A power station is located at Hinkley in Somerset and has an area of 19 hectares covered by the nuclear site licence. It started electricity generation in 1965 and ceased operations in 2000. Several Sites of Specific Scientific Interest (SSSIs) and Special Protection Areas (SPAs) are situated around the site.

Location: Somerset
Type of Site: Reactor Site
Status of Operation: Decommissioning and Termination
Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Commence construction of wet Intermediate Level Waste (ILW) facility.	On Track	The business case for change to process wastes has been approved, from encapsulation to thermal vitrification.
Commence decontaminating pond skills.	On Track	Retrieval of fuel pond skips from the skip store has been completed, with 40 skips retrieved. 270 skips have been characterised as ILW. The project will continue in 2007/8, with retrieval of skips from the ponds and size reduction of retrieved skips.
Hand new Low Level Waste (LLW) facility over for operation.	On Track	Operations remain ongoing in this area.
Complete removal of asbestos on Boilers 10, 11 and 12.	Achieved	The major asbestos removal project is now complete.

Other Activities	Status	Progress Report
Construction of a store for ILW packages pending a long-term solution for radioactive wastes held on site or generated during defuelling and decommissioning.	Behind Schedule	The project has been demobilised due to funding constraints. The base slab has been completed and the Mechanical and Electrical Services (M&E) plant and equipment are mostly completed.
Decommissioning work will continue to isolate, decontaminate, remove plant and demolish redundant buildings.	Achieved	All planned scope was delivered to schedule, resulting in a Schedule Performance Index (SPI) of 1.0.
Continuation of removal of major plant in the turbine hall.	On Track	Deplanting will be completed in early 2007/8.
Construction of an alternative Active Effluent Discharge Line (AEDL). The existing line will be removed by July 2006.	Achieved	The existing line has been sealed at the site boundary and the new line is in operation.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
52.0	61.9	52.6

The Original BCWS was £50.9 million. Additional scope covering the construction of the ILW store (worth £5.3 million) and major asbestos removal project (worth £2.5 million) was added to the baseline.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.35
Days Away Case Rate	0
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	0

Hunterston A

Hunterston A power station is located in Ayrshire, Southwest Scotland and has an area of 15 hectares covered by the nuclear site license. It started electricity generation in 1964 and ceased production in 1989. The surrounding area of coastal mudflats is designated as a Site of Specific Scientific Interest (SSSI).

Location: Ayrshire
Type of Site: Reactor Site
Status of Operation: Decommissioning and Termination
Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Commence Intermediate Level Waste (ILW) Store cladding installation.	On Track	External infrastructure of the store has been completed. The commissioning of equipment installation is in progress.
Demolish precipitator tower.	Achieved	The tower has been completely removed.
Remove plant from fuel tunnels and block houses.	Achieved	Original scope was completed to schedule. Additional scope was accelerated during the year and is progressing well.
Progress design and build solid ILW retrieval plant.	On Track	The sanctioning and validation process in preparation for award of the tender is in progress.
Complete commissioning of skip recovery equipment.	Achieved	Commissioning of the equipment has been completed.

Other Activities	Status	Progress Report
Removal, clean-up and disposal of over 100 of 200 total cartridge cooling pond ILW skips	Behind Schedule	This work has been deferred.
Removal of pile cap crane in Reactor 2 and service machines ready for decontamination.	Behind Schedule	Service machines have been removed but work package has been deferred.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
42.7	41.5	36.8

The Original BCWS was £40.9 million. Increases to the BCWS during the year included the delivery of a major element of accelerated work scope for land characterisation (worth around £1.0 million) plus carry over of around £0.6 million worth of work from 2005/6.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.55
Days Away Case Rate	0
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	0

Oldbury

Oldbury power station is located at Oldbury in Gloucestershire and has an area of 51 hectares covered by the nuclear site licence. It started electricity generation in 1967. The area around the site is environmentally sensitive and has been designated as Special Protection Area (SPA) and Site of Specific Scientific Interest (SSSI).

Location: Gloucestershire

Type of Site: Reactor Site

Status of Operation: Operational

Site Licensee Company: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Generate 2.64 TWh in 2006/7.	Not Achieved	In view of the prolonged and unplanned shutdown of Reactor 1 during the year, the generation target was revised to 0.55 TWh. The site generated 0.69 TWh of electricity, 0.14 TWh in excess of the revised target. Subject to regulatory acceptance of the Graphite Core Safety Case (GCSC), it is anticipated that generation will restart in 2007/8.
Complete Reactor 1 outage within 106 days.	Achieved	Reactor 1 outage was executed with the milestone 'Completion of Outage Intent Document (OID) allowing consent to start-up to be requested' achieved in December 2006.
Transfer 45 tonnes of fuel.	Achieved	53.6 tonnes of irradiated fuel were despatched for reprocessing.
Start Environment Impact Assessment for Decommissioning (EIAD) process.	Achieved	The Article 37 submission project was successful in meeting all milestones. The EIAD milestone, 'Submission of Environmental Statement to Health and Safety Executive (HSE)', was for March 2007. The Article 37 milestone, 'Article 37 submission to Department for Environment, Food and Rural Affairs (DEFRA)', was planned for completion January 2007.
Preparation of Post-Operational Safety Case (POSC).	On Track	The POSC was completed to programme in line with the Paper of Principle originally produced. However, increasing regulatory requirements with respect to the construction of POSCs for Magnox Reactors has necessitated significant additional work to be completed compared with that originally planned. The Oldbury POSC will be submitted to the Nuclear Installations Inspectorate (NII) for assessment following presentation to the Nuclear Safety Committee in 2008 in line with the agreed programme.
Preparation for Environmental Agency (EA) consents for defuelling.	On Track	Early regulator engagement is progressing with a view to securing the appropriate consents to facilitate defuelling.

Oldbury Cont.

Other Activities	Status	Progress Report
Sampling and inspection work to support the Graphite Core Safety Case (GCSC) and the Turbine Low Pressure Rotor Safety Case.	On Track	Sampling and inspection work has enabled the submission of the GCSC to the regulator for a return to service of Reactor 2. A significant number of inspections of Reactor 1 were also undertaken. Sufficient work was undertaken to allow the Turbine Low Pressure Rotor Safety Case to be substantiated and to remove the issue from the risk register.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
90.4	89.1	73.6

The Original BCWS was increased from £74.8 million to £90.3 million. This included the transfer of scope and the cost of the Magnox North Support Office from Chapelcross (worth £6.6 million) and work in support of the graphite programme (worth around £1.5 million).

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.54
Days Away Case Rate	0.18
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	1
RIDDOR Dangerous Occurrence	0
INES incidents	1
Environmental non-compliance	3

Sizewell A

Located at Sizewell in Suffolk and with an area of 14 hectares covered by the nuclear site licence, Sizewell A power station started generating electricity in 1966. The area around the site is environmentally sensitive and is designated a Special Protection Area (SPA), Special Area for Conservation (SAC), a wetland of international importance under the RAMSAR convention, Site of Specific Scientific Interest (SSSI) and National Nature Reserve (NNR)

Location: Suffolk
Type of Site: Reactor Site
Status of Operation: Defuelling
Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Generate 1.84 TWh of electricity.	Achieved	During 2006/7, 2.53 TWh of electricity were produced against a revised target of 2.06 TWh.
Generation ceases.	Achieved	On 31 December 2006, Sizewell A ceased generating electricity as planned and entered its defuelling phase.
Nuclear Installations Inspectorate (NII) approval of Post-Operational and Defuelling Safety Case (PODSC).	Achieved	Approval was gained and Sizewell A ceased generation at the end of December 2006. Sizewell A is now in a post-operational condition.
Despatch 90 tonnes of spent fuel	Achieved	85.06 tonnes of fuel were despatched to Sellafield, based on a revised Magnox Operating Plan (MOP) target of 69 tonnes.
Commence defuelling.	Not achieved	The schedule for submitting the PODSC has been agreed with regulators. However, defuelling is now scheduled to commence following the return to service of the ponds recirculation line and available evaporator capacity at Sellafield.
Health and Safety Executive (HSE) issue consent to decommission following approval of the Environmental Statement.	Achieved	The consent was issued in October 2006.
Management of change for defuelling and decommissioning organisational structure approved by NII and the Environmental Agency (EA).	Achieved	Acknowledged in March 2007, this has part of the organisational change programme for Magnox Electric Limited.

Other Activities	Status	Progress Report
Commencement of care and maintenance preparations.		Post-Operation Clear Out (POCO) commenced with the draining of turbine oil tanks, removal of all Carbon Dioxide (CO_2) and associated activities. All Low Level Waste (LLW) backlog has been removed. Defuelling plant enhancements projects have been successfully completed. A new accommodation block has been constructed.

Non Accounting Financial Measures (Earned Value)

Original BCWS (£m)	BCWP (£m)	ACWP (£m)
62.1	64.9	52.0

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.34
Days Away Case Rate	0.34
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	2
RIDDOR Dangerous Occurrence	0
INES incidents	2
Environmental non-compliance	1

Trawsfynydd

Trawsfynydd power station is located at Trawsfynydd in Gwynedd, North Wales and has an area of 15 hectares covered by the nuclear site licence. It started electricity generation in 1965 and ceased generating in 1991. The site is situated in the Snowdonia National Park near to a number of Site of Specific Scientific Interest (SSSI), National Nature Reserve (NNR) and Special Area for Conservation (SAC). The NDA also has designated powers to manage and operate the Maentwrog hydro-electric power station, which was opened in 1928 and is situated near the site.

Location: Gwynedd

Type of Site: Reactor Site

Status of Operation: Decommissioning and Termination

Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Civil work for North Vault Fuel Element Debris (FED) complete.	Behind Schedule	The majority of civil scope was deferred to meet overall funding constraints in August 2006. The remaining project works for 2006/7 were completed as planned. As well as this, some acceleration of procurement activities to facilitate future scope was completed.
Reactor 1 capping roof contractor ready to start work.	Behind Schedule	The majority of scope on this project was deferred to meet overall funding constraints in August 2006. The remaining project works for 2006/07 were completed as planned.
South Vault FED Pre-Commissioning Safety Report (PCSR) issued for project use.	Behind Schedule	A PCSR for vacuum retrieval was achieved in June 2006. Commencement on the vacuum system scope was deferred to meet overall funding constraints in August 2006. A PCSR will be completed once the design works are completed. Completion of Box 5 filling & grouting ahead of schedule allowed acceleration to commence Box 6 filling. Recovery of FED using existing technology continues. Scope to develop vacuum recovery equipment was deferred to meet overall funding constraints in August 2006.
Reactor 2 Miscellaneous Active Components (MAC) recovery and processing complete.	Behind schedule	Operations are ongoing to recover MAC from the vault in line with the current plan. 99% of scheduled scope in Lifetime Plan (LTP) 2006/07 complete at the end of the year.
Resin Vault 2 ready for equipment deplanting.	Behind Schedule	Plant modifications to commence bulk recovery of resin were completed in February 2007, and bulk recovery commenced in line with the LTP 2006/7 plan.

Trawsfynydd Cont.

Other Activities	Status	Progress Report
In 2006/7 new construction activity will continue to provide the facilities needed to manage radioactive wastes held on site. This includes the construction of a store for Intermediate Level Waste (ILW) pending a long-term solution. New construction activities also include care and maintenance preparation and installation of the plant to retrieve and package FED from the North and South Vaults.	On Track	Planned scope has been completed, including innovative and award winning FED recovery and encapsulation from the South Vaults. Construction of the ILW store has progressed well, with completion of the walls and construction of the roof structure progressing to plan. This progress reflected an acceleration of additional scope.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
54.9	54.3	53.1

The BCWS was increased from £51.6 million. Additional work during the year included scope to use funds that were made available from other sites through the portfolio management process, for the acceleration of boiler deplanting (worth £1.0 million) and for the construction of the ILW interim store (worth £2.3 million).

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.80
Days Away Case Rate	0.80
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	1
RIDDOR Dangerous Occurrence	0
INES incidents	1
Environmental non-compliance	0

Wylfa

Wylfa power station is located on Anglesey in North Wales and has an area of 21 hectares covered by the nuclear site licence. Commencing electricity generation in 1971, it was the last and largest power station of its type to be built in the UK and consequently, radioactive doses during decommissioning are anticipated to be lower than at other sites. The area around the site includes several areas of environmental importance.

Location: Anglesey
Type of Site: Reactor Site
Status of Operation: Operational
Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Generate 6.14 TWh in 2006/7.	Not Achieved	The site generated 5.7 TWh. This was lower than both the original target of 6.21 TWh, and the revised target of 6.14 TWh due to an extended outage and other plant issues.
Request to Nuclear Installations Inspectorate (NII) for permission to start up Reactor 2 within 64 days of outage commencing.	Achieved	The outage was extended due to emergent work that was identified during inspections and maintenance.
Transfer 142 tonnes of fuel.	Achieved	290.6 tonnes were despatched to Sellafield during the year.
Delivery of Periodic Safety Review (PSR) phase 3 by September 2006.	Achieved	Closed out with regulator with agreed forward programme of work agreed.
Completion of modifications for Dry Cell 4 recovery programme by March 2007.	Not Achieved	Development and implementation of engineering solutions is ongoing engineering.

Other Activities	Status	Progress Report
Removal of undamaged fuel from Dry Store Cells.	Achieved	All undamaged fuel was removed to plan.
Completion of Reactor 2 outage.	Not Achieved	The outage was longer than expected.

Non Accounting Financial Measures (Earned Value):

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
100.7	98.3	89.8

The Original BCWS was increased from £88.0 million to fund additional scope during the year. This work was principally to support additional electricity generation, delivering additional income for the NDA and protecting future output. The increased scope also arose as a result of additional outage costs for Guide Tube Assemblies (GTA) inspection (worth £3.4 million), for the recovery of generation on TA4 (worth £2.2 million) and TA1 condensor re-tubing (worth £2.5 million).

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.28
Days Away Case Rate	0.14
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	3
INES incidents	0
Environmental non-compliance	0

ESTL

Energy, Sales and Trading Limited (ESTL) supports the operation of the generating Magnox power stations, including the hydro-electric power station, Maentwrog, by administering their electricity sales and trading costs.

Location: Gloucestershire
Type of Site: N/A
Status of Operation: Operational
Site Licensee: Magnox Electric Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Review of trading strategy.	Achieved	This activity was completed as planned.
Electricity Output and Trading Committee meetings.	Achieved	This activity was completed as planned.
Financial and organisation reports to Financial Services Authority (FSA).	Achieved	The final return for 2006/7 was completed.
Transfer of NDA trading business to British Energy.	Achieved	ESTL ceased to exist as an NDA 'site' on 1 April 2007.

Non Accounting Financial Measures (Earned Value)

Original BCWS (£m)	BCWP (£m)	ACWP (£m)
6.0	8.4	7.4

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0
Days Away Case Rate	0
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	0
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	0

United Kingdom Atomic Energy Authority (UKAEA)

The United Kingdom Atomic Energy Authority (UKAEA) is the site licensee for Dounreay, Harwell, Windscale and Winfrith, as well as being the authority responsible for fusion research at the Joint European Torus (JET) facility at Culham.

Preparations were completed during the year to enable the transfer of relevant assets from UKAEA to the NDA as planned on 1 April 2007, effectively transferring the ownership of the Dounreay, Windscale and Winfrith sites to the NDA. The ownership of the Harwell site remains with UKAEA but the site is leased to the NDA.

In line with plans to restructure the industry, the following Site Licence Companies (SLCs) will be created: Dounreay Site Restoration Limited, comprising the Dounreay site only; and Research Sites Restoration Limited, comprising Harwell and Winfrith nuclear licensed sites. It is intended that Windscale will be relicensed to Sellafield Limited and, in due course, fully integrated into the Sellafield licensed site.

Key developments in 2006/7

- The Goliath Crane refurbishment project at the Dounreay Fast Reactor (DFR) was completed to enable commissioning in April 2007;
- Decommissioning in the Dounreay Fuel Cycle Area has progressed well and all Performance Based Incentives (PBIs) were achieved;
- The second draft of the environmental safety case was completed for the proposed low level waste disposal facilities at Dounreay;
- The first area of the Harwell site was delicensed;
- The commissioning of the sludge immobilisation plant at Winfrith was brought back on schedule;
- An additional 25 gloveboxes above target were removed from the radiochemical facilities at Harwell;
- The restart of the Dounreay Cementation Plant (DCP) was delayed due to the need for a greater degree of engineering and procurement activities in the recovery programme. A new programme is currently being developed for plant recovery;
- The removal of the first batch of NaK (a sodium/potassium alloy) was delayed until early 2007/8. During inactive commissioning it became apparent that the level probes, Ph probes and flow meters were not providing consistent, reliable readings. These probes were replaced resulting in additional work with a consequent delay to the programme of two months;
- Liquid metal residue removal operations were not completed at the Dounreay Prototype Fast Reactor (PFR), due to instrumentation faults following the start of inactive commissioning;
- Construction of the DFR Breeder Fuel Removal Containment Building was completed; and
- Good progress has been made with the Dounreay shaft isolation project.

Forward Look

- Destruction of PFR Bulk Sodium;
- Destruction of DFR Bulk NaK;
- A restart of the DCP and commencement of DCP Import/ Export Facility operations;
- Completion of the shaft isolation system;
- The return of thorium from Peru;
- Completion of concept and detailed designs for D3200 and D3900 plants; and
- Completion of Breeder Fuel Removal (BFR) active commissioning.

Left: Dounreay site

Dounreay

Dounreay is located in Caithness, Scotland and has a total site area of 74 hectares. It was established in the mid-1950s as a research reactor site with fuel production and processing facilities. There were three reactors, the last of which ceased operation in 1994.

Location: Caithness

Type of Site: Former Research Reactor Site

Status of Operation: Decommissioning and Termination

Site Licensee Company: UKAEA

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Complete inactive commissioning of Dounreay Fast Reactor (DFR) Sodium / Potassium destruction plant (NDP).	Behind Schedule	Inactive commissioning has now been completed and the output from this is being reviewed by the Nuclear Installations Inspectorate (NII) before the commencement of active commissioning, which was planned to start in June 2007.
Commence DFR breeder examination.	On Track	The installation of the cropping machine into D2001 cell 1 is imminent. Once the machine is operational, the examination of the breeder already in cell 1 will be undertaken followed by the unpacking, cladding removal and recanning (prior to transfer to the Remote Handled Intermediate Level Waste (RHILW) waste stream) of material currently stored in D9875.
Complete D1200 glovebox / fumehood decontamination.	On Track	Post-Operation Clean Out (POCO) of Lab75 shielded cells was completed to schedule. The decommissioning of the D1200 complex continues into 2007/8 as planned.
Complete D1204 Stage 1 decommissioning.	On Track	The schedule for submitting the Post-Operation Defuelling Safety Case (PODSC) has been agreed with regulators. However, defuelling is now scheduled to commence following the return to service of the ponds recirculation line and available evaporator capacity at Sellafield.
Complete D1206 Stage 1 decommissioning.	On Track	Loose ILW was packaged and removed from the disassembly cave in March 2007.
Completion of PRF Sodium Destruction Plant (SDP) operations.	On Track	Problems were encountered with the pumps which delayed this project. This is forecast for completion in October 2007.
Complete shaft plug reinforcement.	Achieved	This was achieved in November 2006.
Start construction of Waste and Nuclear Materials Management Flask.	On Track	DFR RHILW flask No 1 was delivered to Dounreay in February 2007. DFR RHILW flask No 2 delivery to Dounreay is due in March 2009. The Multi Purpose Overpack has been designed but fabrication is suspended pending a review. The Conditioned Waste Flask will be to the Windscale Pilot Encapsulation Plant design with delivery being due in 2011.

Dounreay Cont.

Other Activities	Status	Progress Report
Commencement of interim decommissioning on a number of facilities, including the Prototype Fast Reactor (PFR) Post Irradiation Examination facility, Materials Test Reactor (MTR) and PFR Fuel reprocessing plants and the Pulse Column Laboratory.	On Track	Work has started on decommissioning in these facilities as planned. In addition, the decommissioning of a number of other fuel and waste facilities has progressed, such as active strip-out in the MTR fuel fabrication plant and removal of a criticality cell vessel in preparation for the demolition of the facility.
Shaft isolation work.	On Track	Drilling and grouting to isolate the shaft is ahead of schedule.
Work to remediate the Castlegate seepage.	On Track	Work took place to remediate this seepage but further work is required in 2007/8 due to storm damage.
Processing of 100 cubic metres of MTR raffinates through the Dounreay Cementation Plant (DCP).	Behind Schedule	The processing of MTR raffinates has not been carried out. Remedial works associated with returning the DCP to operation have taken longer than planned.
Completion of new solid interim Low Level Waste (LLW) store.	Achieved	The construction of this store has been completed.
Remote-handled Intermediate Level Waste (ILW) immobilisation and encapsulation for raffinate immobilisation and solid ILW encapsulation.	Behind Schedule	The D3900 scheme design phase has been extended, following dissolution of the design team alliance.
Continuation of Dounreay Shaft and Silo waste recovery projects.	On Track	Design work has progressed as planned.
Removal of DFR breeder material.	On Track	Construction of the facility to deal with this material has progressed to plan. The facility is now weather tight and internal equipment has been fitted.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
171.1	164	146.8

The Original BCWS was £147.1 million. Funding was increased by £7 million as a result of SCAPE (Superannuation Contributions Adjusted for Past Experience) contributions. The following major scope was also accelerated as a result of savings and efficiencies at the site:

- the demolition of a total of 22 minor and inactive buildings; and
- the removal of more than 250 tonnes of waste steelwork from the PFR Steam Generating Building, including a wide range of pipework, beams and vessels.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.54
Days Away Case Rate	0.18
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	4
RIDDOR Dangerous Occurrence	2
INES incidents	0
Environmental non-compliance	2

Harwell

Harwell is located in Oxfordshire and was established in 1946 as Britain's first Atomic Energy Research Establishment. The campus, of which the designated site forms a part, is home to a wide range of research organisations and businesses. The NDA has responsibility for 110 hectares of land – approximately one-third of the total area.

Location: Oxfordshire

Type of Site: Former Research Reactor Site

Status of Operation: Decommissioning and Termination

Site Licensee: UKAEA

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Eastern area delicensing case submitted to NII.	Achieved	The Nuclear Installations Inspectorate (NII) approved the delicensing of the 'pilot' area in the eastern area of the site, the first part of the site to be delicensed. Submissions were made to the NII to delicense two further areas in the eastern area. A large section of a new fence line was installed and detailed plans were developed for new entrance facilities and a new police control building, which will allow the whole eastern area of the site to be outside the fenced site within a few years.
New groundwater containment plant commissioned.	Achieved	A new groundwater treatment plant to replace the existing ageing plant has been installed and the first phase of reliability testing was completed as planned. Targets for the treatment of groundwater were met.
'Difficult' wastes from Western Storage Area disposed of.	Achieved	Drigg waste slipped as part of the Low Level Waste (LLW) programme at Harwell, remainder disposed of in 2006/7 to hazardous waste landfill site.
Manufacture and installation of second waste retrieval machine.	Achieved	The second machine for retrieval of degrading Intermediate Level Waste (ILW) from B462.9 was received at the end of March 2007. A transfer corridor was also constructed to allow direct access to both of the old ILW tube stores.
Construction of Waste Encapsulation Plant.	On Track	Construction commenced on a plant to allow encapsulation (grouting) of ILW repackaged in 500 litre stainless steel drums. The building base had been laid and the main cell raft, walls and roof cast, with construction of the main building structure underway.
Recovery of cans of waste from 'tube' stores.	Achieved	156 cans of degrading remote-handled ILW were recovered against a target of 120 cans. 576 cans of remote handled ILW waste from the tube stores were assayed, characterised and repackaged into stainless steel containers suitable for long-term storage and disposal, 96 more than the planned 480. A new assay system and programmable logic controllers were installed and commissioned in the Head End Cells during a planned shutdown during the year.

Harwell Cont.

Other Activities	Status	Progress Report
Complete decommissioning of B552 laboratories and B581 redundant experimental chemical plant.	Achieved	Five buildings were decommissioned and demolished: B552, B581, B336.3, B393.1 and B40. The latter two buildings and the base-slab of B552 were accelerated. In total, 12,361 square metres of building footprint was demolished, of which 4,700 square metres was accelerated.
Continued clear-out and decommissioning of parts of B220.	Achieved	Following acceleration, all of the 60 remaining glove boxes from B220 were removed from the building and reduced in size in B462. The original plan was to decommission 35 glove boxes.
Continued decontamination and grouting or removal of the redundant underground trade waste drain.	On Track	1.6km of trade waste drain was surveyed by Closed Circuit Television (CCTV) and pressure washed. Almost 1.3km of drain was either grouted in situ or removed and 46 manholes were decommissioned. In addition, damaged drainage systems were repaired, which involved the installation of over 0.1km of pipe work, two pump-stations and a new manhole.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
67.1	65.9	57.5

The Original BCWS was £60.4 million. The change in BCWS arises from the addition of carryover work from 2005/6 (worth £2.2 million), the addition of SCAPE (Superannuation Contributions Adjusted for Past Experience) costs (worth £2.5 million) and the addition of work accelerated from 2007/8 and new work-scope (worth £2.1 million).

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	1.46
Days Away Case Rate	0.53
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	2
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	0

Windscale

Windscale is a separate licensed site located on the Sellafield site in Cumbria. The site area is 14 hectares. It comprises three reactors, two of which were shutdown in 1957. The third was closed in 1981. A fire damaged one of these reactors (Pile 1) in 1957, making its decommissioning a significant challenge.

Location: Cumbria

Type of Site: Reactor Site

Status of Operation: Decommissioning and Termination

Site Licensee Company: UKAEA

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Complete the removal of the Windscale Advanced Gas-Cooled Reactor (WAGR) pressure vessel.	On Track	The tundish (i.e. container through which molten metal is poured) was removed and the gas baffle cleaned.
B50 Office of Government Commerce (OGC) Gateway Review 0 Complete.	Behind schedule	Plan adjusted following NDA direction to take over decommissioning operations of reactor pressure vessel. A combined decommissioning strategy paper for B50, B52 and B60 was completed on schedule in line with revised plan. Formal Gate 0 review planned for a future date.
B52 OGC Gateway Review 0 Complete.	Behind schedule	A combined decommissioning strategy paper for B50, B52 and B60 was completed on schedule in line with revised plan as described above. Formal Gate 0 review planned for a future date.
B52 Examination Caves ILW conditioned and stored in B64.	Revised schedule of work	Alternative options are now available for conditioning waste due to a change in strategy which no longer required this work to be completed in 2006/7.
Delivery of Approved Operational Safety Case for Pile 1.	Achieved	Operational safety case approval was obtained.
Delivery of Approved Operational Safety Case for Pile 2.	Achieved	Operational safety case approval was obtained.
B53, B76 and B77 demolished.	Achieved	B53 demolished. B76 and B77 will now be utilised as a waste processing facility for the Windscale and Sellafield sites.

Other Activities	Status	Progress Report
In the associated fuel examination facility, the caves will be cleaned out and Low Level Waste (LLW) and Intermediate Level Waste (ILW) removed to allow human access and the ventilation plant modified to support the next decommissioning phase.	Achieved	All work was completed to schedule.
Complete the characterisation of the WAGR concrete biological shield.	Achieved	All work was completed to schedule.
Complete the concept design for WAGR mortuary tubes removal.	Behind Schedule	Work was deferred late in the financial year due to funding restrictions.
Removal of isotopes from Pile 2.	On Track	Equipment was installed. The site is awaiting approval from the Nuclear Installations Inspectorate (NII) to proceed.

Windscale Cont.

Other Activities	Status	Progress Report
Wastes arising from decommissioning of WAGR and examination caves, primarily ILW, will be packaged as required and transferred to the ILW store.	Achieved	Wastes arising from the decommissioning of the WAGR and examination caves were packaged and transferred to the ILW store according to plan.
ILW arising from decommissioning of the piles will be transferred to Sellafield.	On Track	The Piles Team have continued to develop an alternative strategy for the management of ILW arising from the decommissioning of the piles.
Legacy and ongoing waste arisings from the Post Irradiation Examination Facility (ILW and LLW) will be packaged and a determination made on final disposition of the waste.	On Track	The waste has been packaged and is awaiting processing through the WAGR waste route.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
43.3	42.8	34.2

The Original BCWS was £27.4 million. The increase in BCWS arises from an increase of £3.5 million for B13, an increase of £6.4 million for the Western Area and an increase of £4.3 million for the acceleration of work in respect of the removal of fuel and isotopes from Pile 1, plus other minor adjustments.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	1.20
Days Away Case Rate	0.72
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	3
RIDDOR Dangerous Occurrence	0
INES incidents	1
Environmental non-compliance	2

Winfrith

Winfrith is located near Poole in Dorset and has a total site area of 88 hectares. It was established by the UKAEA in 1958 as an experimental reactor research and development site. The coast south of Winfrith is a World Heritage Site and the surrounding heathland and chalk ridges are environmentally sensitive.

Location: Dorset

Type of Site: Former Research Reactor Site

Status of Operation: Decommissioning and Termination

Site Licensee: UKAEA

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
A59 decommissioning completed.	Not achieved	Additional scope arose around the refurbishment at the A59 area, which included removal. The building structure was removed to programme, however work remained ongoing.
Complete 1st phase of DRAGON decommissioning.	On Track	Current phase 1 work for both reactors has continued and has been completed for the SGHWR. The letting of contracts for the phase 2 work was put on hold pending future funding decisions.
Complete 1st phase of Steam Generating Heavy WaterReactor (SGHWR) decommissioning.	Behind Schedule	As above.

Other Activities	Status	Progress Report
Decommissioning of the Active Handling Facility is still ongoing with demolition of the building superstructure due to commence in April 2006.	Achieved	Decommissioning of the building superstructure started in April 2006 and was completed during the year.
The B2 complex will be demolished this year.	Achieved	The B2 complex was demolished.
The new cementation facility to treat sludge wastes is being commissioned.	Achieved	Commissioning of the new cementation facility was completed and is in operation, with 200 drums having been processed.
Some 435 cubic metres of Low Level Waste (LLW) will be sent to the Low Level Waste Repository (LLWR).	Achieved	Some 1,800 cubic metres of LLW were sent to the LLWR.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
39.4	37.4	33.7

The Original BCWS was £34.9 million. The change in BCWS arises from the addition of carry over work from 2005/6 (worth £2.9 million), the addition of Superannuation Contributions Adjusted for Past Experience (SCAPE) costs (worth £1.2 million) and the addition of work accelerated from 2007/8 and new work scope (worth £0.4 million).

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	1.41
Days Away Case Rate	0.94
RIDDOR Major Injury	0
RIDDOR Lost Time Accident	2
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	1

Right: Decommissioning in action at Sellafield

Springfields Fuels Limited

Springfields is located near Preston in Lancashire. The site manufactures nuclear fuel and fuel products for the UK's nuclear power stations and for international customers.

Springfields Fuels Limited is the Site Licensee (SLC) for the site. The Parent Body Organisation (PBO) is Westinghouse Electric Company (WEC). WEC became the NDA's first private sector management and operations (M&O) contractor following its acquisition by Toshiba Group in October 2006.

This year, Springfields Fuels Limited has met in full the orders for Advanced Gas-Cooled Reactor (AGR) fuel for British Energy's power stations, Magnox fuel for the Magnox power stations and fuel intermediate products. The new contract to convert uranium hexafluoride has commenced. Annual production fell short of target due to problems with the specification of feed material and plant performance, although production rates increased towards the year-end.

The future focus for the site is to continue to manufacture and deliver fuel products for existing customers while seeking to explore opportunities for attracting new business and bringing in additional revenue for NDA, without losing its focus on decommissioning and clean-up. The NDA and Springfields Fuels Limited will work towards developing the current contractual relationship to enhance the commercial potential of the site.

Left: Springfields

Springfields

Springfields is located near Preston in Lancashire and has an area of 81 hectares covered by the nuclear site licence. It manufactures nuclear fuel and fuel products for the UK's nuclear power stations and for international customers. Several environmentally sensitive and protected areas are situated close to the site, including the Ribble Estuary.

Location: Lancashire

Type of Site: Nuclear Fuel Manufacturing Site

Status of Operation: Operational

Site Licensee: Springfields Fuels Limited

Key Milestones and Deliverables

2006/7 Annual Plan Activities	Status	Progress Report
Supply Magnox Fuel against the contractual obligations in line with customer demand.	Achieved	Fuel deliveries to Magnox stations were completed in full in line with the plan.
Supply Oxide Fuel against the contractual obligations in line with British Energy (BE) customer demand.	Achieved	Fuel deliveries to BE stations were completed in full in line with customer orders.
Timely completion of the associated plant enhancement activities required to refurbish Enriched Uranium Residues Reprocessing Plant (EURRP) facility and accelerated recovery of enriched uranium residues. This will lead to early closure of the recovery plant and a reduced final cost base.	Achieved	Refurbishment of the EURRP facility has progressed well with key equipment now operational or undergoing active commissioning.
Decommissioning plan and associated plant closures.	Achieved	Decommissioning completed to plan.

Non Accounting Financial Measures (Earned Value)

Revised BCWS (£m)	BCWP (£m)	ACWP (£m)
139.5	135.1	133.5

The Original BCWS was £138.0 million.

Significant changes to the Annual Site Funding Limit (ASFL) were:

- a decrease due to a change in the enriched residue processing strategy (worth £3.4 million);
- an increase in pension costs (worth £1.2 million);
- an increase in gas and electricity costs (worth £3 million); and
- a decrease due to reduced capital funding requirement (worth £2.5 million).

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.62
Days Away Case Rate	0.48
RIDDOR Major Injury	1
RIDDOR Lost Time Accident	4
RIDDOR Dangerous Occurrence	0
INES incidents	0
Environmental non-compliance	0

Top and bottom right: Bradwell site workers
Other Images: Berkeley site

NDA Owned Subsidiary Reports

Direct Rail Services (DRS)

Direct Rail Services (DRS) is a wholly owned subsidiary of the NDA. The company was established in 1995 to provide a strategic rail transport service to British Nuclear Fuels Limited (BNFL), its parent company at the time.

During 2006/7, the company has continued to develop its business into new areas in order to secure income for the NDA, while continuing to ensure the transportation of spent nuclear fuel from the UK's nuclear power stations to Sellafield for reprocessing.

Company Objective		Target	Actual
Services requested v's delivered	Nuclear	98 – 99.5%	99.0%
	Non Nuclear	98 – 99%	99.9%
% Arrivals on time	Nuclear	90 – 92.5%	93.8%
	Non Nuclear	90 – 91%	90.6%
Flasks not delivered	Nuclear	<6	4

Health, Safety, Security and the Environment

The overall accident rate for DRS has improved from last year to maintain the falling trend over the last 5 years. DRS continues to have an exemplary record against the railway industry headline safety metric of signals passed at danger with only a single incident in the year. Network Rail has reported that, in 2006/7, DRS operated the safest rail freight company on the UK's railway.

Key Performance Developments

Overall performance against the company's high level Key Performance Indicators (KPIs) was good. Service delivery to nuclear customers was around 99%, with on time delivery running at 93.8%. The table above gives a more detailed breakdown of service delivery performance in 2006/7.

Other key developments in 2006/7 include:

- the introduction of additional services from 6 November 2006 to facilitate the transportation of Plutonium Contaminated Material (PCM) between Sellafield and the Low Level Waste Repository (LLWR) near Drigg;
- the completion of the first movement of Ministry of Defence (MOD) spent fuel from Devonport to Sellafield; and
- the commencement of the new intermodal service contract with Stobart to provide services for Tesco in August 2006. Following successful performance during 2006/7, DRS have been in discussions with Tesco to expand service delivery between terminals in England and Scotland.

DRS has continued to provide price and service information to a number of parties for the provision of Low Level Waste (LLW) transportation services.

The company plans to continue to seek new business opportunities.

Right: DRS train at Dungeness site


DRS
Direct
Rail
Services

NDA Owned Subsidiary Reports

UK Nirex Limited

UK Nirex Limited was the company responsible for developing and advising on safe, environmentally sound and publicly acceptable options for the long-term management of radioactive materials in the UK and for advising on packaging standards for the UK's nuclear industry.

Following the UK Government's and Devolved Administrations' endorsement of the recommendations made by the Committee on Radioactive Waste Management (CoRWM), the NDA was given responsibility for managing the UK's higher activity radioactive wastes. This included the transfer of shareholding in UK Nirex Limited from the Department of Trade and Industry (DTI) and the Department for Environment, Food and Rural Affairs (DEFRA) to the NDA to enable the full integration of UK Nirex Limited and its functions into the NDA, which took place on 1 April 2007.

At the same time, the NDA mobilised a new dedicated Radioactive Waste Management Directorate in order to ensure continued focus on this important work area.

It is envisaged that, in due course, this new organisation will become a wholly owned subsidiary company of the NDA and that, subject to the selection of a suitable site for the repository, this organisation will evolve in the Site Licence Company (SLC) responsible for the geological repository.

Scientific and Technical Work Programme 2006/7

During the year, UK Nirex Limited continued its core research into areas supporting the development of radioactive waste management concepts, design studies and safety assessment work, both before and after the transfer of share ownership to the NDA.

Scientific research carried out in 2006/7 in support of the Phased Geological Repository Concept (PGRC) included work on the following:

- Non-Aqueous Phase Liquids (NAPLs);
- Carbon-14 release;
- improving understanding of the potential consequences of a criticality event under repository conditions;
- waste package longevity; and
- geosphere characterisation.

Collaboration between UK Nirex Limited and counterpart organisations in other countries continued to examine how international knowledge on the long-term management of High Level Waste (HLW) and of spent fuel might be applied in the UK. In October 2006, UK Nirex Limited hosted a workshop on the development of repository concepts for the geological disposal of HLW and of spent fuel, which was attended by the environmental regulators

International Projects and Liaison

Over the course of the year, UK Nirex Limited contributed to a number of international working groups and to five projects carried out under the auspices of the Nuclear Energy Agency (NEA) of the Organisation for Economic Cooperation and Development (OECD), including:

- the **Forum on Stakeholder Confidence,** which works to improve understanding of the principles of stakeholder interaction and public participation;
- the **Working Party on Decommissioning and Dismantling;** and
- the **Integration Group for the Safety Case**, which defines the scientific and technical processes, components, methodology and means of ensuring consistency that are required to build a long-term safety case.

Right: Bradwell site workers

Waste Packaging

UK Nirex Limited has worked to maintain the UK's packaging standards for Intermediate Level Waste (ILW), known as the Generic Waste Package Specification, and to improve guidance issued to users involved in waste retrieval and conditioning.

UK Nirex Limited also continued to assess the disposability of waste packages through the Letter of Compliance (LoC) process. During the year, 21 LoCs were issued for waste packages at a number of sites. A waste packaging annual report, available on the NDA's website, gives full details of the interactions with waste producers on packaging issues.

Other Work

During the year, UK Nirex Limited responded to 13 consultations by Government and national organisations, including:

- the Health and Safety Executive (HSE) consultation (DS354) on the disposal of radioactive waste;
- the UK Government's consultation on the policy framework for new build; and
- DEFRA and the Devolved Administrations' consultation on the long-term management of solid Low Level Waste (LLW).

Other activities included participation in both national and international technical fora, the submission of a draft publication scheme to the Information Commissioner in April 2006, in line with the requirements of the Freedom of Information Act (FOI) 2000, and continued widespread engagement with a range of special interest groups and other stakeholders.

Directors and Executives

Non-Executive Directors

Sir Anthony Cleaver
Chairman

Sir Anthony Cleaver was the first Chairman of the NDA and was appointed in July 2004. He has extensive knowledge of the UK nuclear sector, having been Chairman of UKAEA from 1993 to 1996. During that time he led the formation and flotation of AEA Technology, which he chaired from 1996 to 2001.

Sir Anthony is currently President of Business Commitment to the Environment, having had a long-term interest in the environment. For many years, he was Chairman of Business in the Environment, a member of the Advisory Panel of the Environmental Change Unit (Oxford), Vice-Chairman of Business in the Community and a member of British Government Panel on Sustainable Development.

Sir Anthony joined IBM in 1962 and became its Chairman and Chief Executive before retiring in 1994. Sir Anthony has also been Chairman of the Government's Industrial Development Advisory Board, is Chairman of several other companies and, until recently, was a non-executive director of Lockheed Martin (UK).

Sir Anthony completed his three year term of office at the end of July 2007 and has retired from the NDA.

Nick Baldwin

Nick Baldwin has a portfolio of advisory, consultancy and governance roles, working in the Government, Utility, Private Equity and Housing sectors.

He is a non-executive director of Scottish and Southern Energy plc and a non-executive director of the Forensic Science Service. He also serves on the Advisory Boards of Climate Change Capital and Towerbrook Capital Partners and is Chairman of Worcester Community Housing.

Previously he worked in electricity, gas and water utilities, culminating in being the Chief Executive of Powergen plc.

Tony Cooper

Tony Cooper is a former senior Trades Union Official with nuclear industry connections and has held a number of public sector non-executive roles, including roles in the Forestry Commission and the Postal Services Commission. He was Chairman of the Nuclear Industry Association (NIA) but stepped down from that role in December 2005 following his appointment to the NDA Board. He is also a former non-executive member of the DTI Strategy Board and the DTI Investment Committee. In 2006, he became Chairman of the Combined Nuclear Pension Plan Trustees Limited.

Left: Herdus House

Directors and Executives

Non-Executive Directors (cont)

David Illingworth

David Illingworth is Chairman of the NDA's Audit Committee and is also Independent Chairman of the Trinity Retirement Benefit Scheme (TRBS).

David was President of the Institute of Chartered Accountants in England and Wales (ICAEW) from 2003 to 2004. He served as Chairman of the CCAB (Consultative Committee of Accounting Bodies) and as Director and Deputy Chair of the Financial Reporting Council (FRC). He was a member of the Takeover Panel from 2003 to 2004.

David joined KPMG in 1968 and, after qualifying as a chartered accountant and spending 26 years in the partnership, left in 2004.

Professor Roger Scott

Professor Scott has led an academic career, working at the Scottish Universities Research and Reactor Centre, which culminated in his being appointed Director and Professor of Nuclear Science.

He is a Fellow of the Institute of Physics and of the Royal Society of Edinburgh. His academic research in both pure and applied nuclear physics and his close involvement with all aspects of the decommissioning of a research reactor have led to in-depth knowledge of the relevant technical, regulatory and waste disposal issues.

He is presently engaged part-time to produce and submit to the Health and Safety Executive (HSE) a case for delicensing the former reactor site at the Scottish Universities Research and Reactor Centre. He has undertaken occasional consultancy work for BAe Systems and Halcrow.

Dr Lyndon Stanton

Dr Stanton is currently a non-executive director of the Environment Agency and was Deputy Chairman of the Churches Conservation Trust until late 2005.

Dr Stanton spent a number of years with Arco Chemical Europe, where he held various business development and business management roles. He was Arco's President and Chief Executive from 1994 to 1998 and, when the company merged with fellow American firm, Lyondell, he continued as its President and Chief Executive. His early career was with ICI.

Primrose Stark

Primrose Stark served as the Human Resources Director of First Engineering Limited for eight years, having been part of the successful management Employee Buy Out from British Rail. She also represented Engineering Contractors as a Board Member on the Railway Industry Training Council from 1997 to 2003.

She began her career with the Health Service and with British Rail, where she held a number of Human Resources and Change Management roles.

Primrose currently works as a consultant in business transformation and change management. She is also involved in the development of a competency management system in the construction sector.

Executive Team

Dr Ian Roxburgh*
Chief Executive

Dr Ian Roxburgh joined the NDA as CEO in September 2004. Having previously been Chief Executive of the Coal Authority, Dr Roxburgh brings to the NDA knowledge and experience both of the energy sector and in dealing safely with its historical legacy.

Before working for the Coal Authority, Dr Roxburgh was Managing Director of George Wimpey Strategic Land Management Limited, a private sector business that specialised in the building of housing developments on former brown field sites. He has also worked as a Senior Inspector with The Planning Inspectorate and as a Course Director and Senior Lecturer in Environmental Science at Plymouth Polytechnic.

Dr Roxburgh has written a text book entitled 'Geology of High Level Nuclear Waste Disposal' and has also contributed to the hydro-geological entries for the New Oxford University Press 'Concise Oxford Dictionary of Earth Sciences'.

Fiona Hammond
Legal and HR Director

Fiona Hammond joined the NDA from the British Airport Authority (BAA plc), where she was the company's only construction lawyer handling complex, high-risk projects with a value of up to £4 billion within what is a highly complex, regulated environment.

Fiona played a key role in developing a unique, integrated project management, contracting and underwriting framework for BAA's Heathrow Airport Terminal 5 project, which is currently under construction. She is a qualified barrister with over 18 years' experience working in commercial and contracting environments. Prior to joining BAA in 1994, she worked as a Senior Legal Advisor with Taylor Woodrow Construction for six years.

In addition to her role as the NDA's Legal and HR Director, Fiona is a trustee of the Combined Nuclear Pension Plan (CNPP) and is a director of Rutherford Indemnity Limited.

William Roberts*
Finance and Resources Director

Appointed as Finance and Resources Director in January 2005, Bill Roberts has extensive experience in finance and has been responsible for shaping large infrastructure enterprises in both the public and private sectors. Before joining NDA, Bill held senior finance and board positions with TXU and CDC Group, where he worked internationally, and has worked in the energy sector for more than ten years. Prior to that, Bill worked on UK railway privatisation after qualifying with Ernst & Young.

In addition to his role as the NDA's Finance and Resources Director, Bill is a trustee of the Combined Nuclear Pension Plan and a director both of Direct Rail Services Limited and Rutherford Indemnity Limited.

James Morse*
Decommissioning and Clean-up Director

James Morse joined the NDA, having previously worked for Bechtel on a variety of project management and project director roles, latterly leading 1,200 staff working on the West Coast Mainline Modernisation programme for Network Rail.

James brings to the NDA 25 years experience in programme and project management, having previously worked for Exxon Chemical, Foster Wheeler Energy and Costain Engineering in a variety of project engineer and project management roles. He has gained significant project and management experience both in the UK and internationally.

In addition to his role as the NDA's Decommissioning and Clean-up Director, James is a director of Direct Rail Services Limited.

*Indicates Board Member

Directors and Executives

Executive Team (cont)

Jon Phillips
Communications Director

Jon Phillips joined the NDA from BAA plc, where he had worked since 1992 in a number of roles, including Community Relations, Media Relations and Public Affairs. In his most recent role as Communications Director at Heathrow, Jon had been involved in building awareness and support for the sustainable growth and physical transformation of the airport, including the flagship Terminal 5 project. Jon spent five years working in consultancy Public Relations (PR) before joining BAA.

Mark Leggett*
Commercial Director

Mark joined the NDA from Aker Kvaerner E&C where he was President and Managing Director of the European Engineering Services Business with the responsibility of delivering maintenance, engineering and operational support services to the process, nuclear and industrial business sectors.

Mark brings over 25 years experience in the engineering contracting and support services industry. In that time he has worked across a broad portfolio of projects, industries and international locations in both project and corporate roles.

In addition to his role as the NDA's Commercial Director, Mark is Chairman of Direct Rail Services Limited and a Director of International Nuclear Services Limited.

Richard Waite*
Radioactive Waste Management Director

Richard Waite joined the NDA from BAE Systems, where he was the Land Systems Business Improvement Director with responsibility for project management and engineering across a diverse range of defence business areas.

He was also Programmes Director in the company's RO Defence business, responsible for the delivery of a large land weapons systems order book to time, cost and specification targets.

Richard joined the defence industry in 1998 as Prime Contracts Director for GEC Marine and, prior to his defence career, spent 18 years in the nuclear industry. His nuclear career has spanned a number of roles in Advanced Gas-Cooled Reactor (AGR) design and construction before joining the Sizewell B project, where he became Site and Commissioning Manager before taking up the role of Projects Director in Nuclear Electric.

In addition to his role as the NDA's Radioactive Waste Management Director, Richard is a director of Cogent, the Sector Skills Council covering the chemicals, nuclear, oil and gas, petroleum and polymers industries.

Laurence Williams FR Eng Chief Engineer and Director for Nuclear Safety, Security and Environment

Laurence Williams joined the NDA from the Health and Safety Executive (HSE), where he had been Her Majesty's Chief Inspector of Nuclear Installations and Director of the Nuclear Safety Directorate for seven years. Prior to this position, Laurence was Head of the HSE's Nuclear and Hazardous Installations Policy Division.

Laurence is a member of the Ministry of Defence (MoD) Defence Nuclear Safety Committee. He is a member of the European Bank for Reconstruction and Development's Safety Review Group, which deals with nuclear safety matters in Eastern Europe. He is a member of the Bank's International Advisory Group on the Chernobyl Sarcophagus and chairs the Bank's committee on the clean-up of nuclear submarines in North West Russia. Laurence chaired the International Atomic Energy Authority's (IAEA's) Commission on Safety Standards for five years.

Laurence has over 35 years of experience in the nuclear industry, including reactor design, operations and safety regulation.

David Hayes Special Projects Director

David Hayes joined the NDA from the Department of Trade and Industry (DTI) (now the Department for Business, Enterprise and Regulatory Reform (BERR)), where he had been at the forefront of the work to establish the NDA and to ensure its readiness for full operation from 1 April 2005.

David played a key role in formulating the Government's energy strategy, set out in the 2003 White Paper. He has also been closely involved in nuclear issues, including reviews of BNFL corporate strategy and the privatisation of British Energy.

David has wide experience of working in and across Government departments, both in London and overseas (Geneva, Washington), as well as in the private sector.

David was the director responsible for the development of the NDA's first Strategy in 2005/6.

Terry Selby Strategy Director

Terry joined the NDA from the DTI (now BERR), where he was a member of the Liabilities Management Unit (LMU), the Unit charged with preparing the ground for the NDA.

Terry contributed to the development of the 'Managing the Nuclear Legacy' White Paper, which was published in 2002. He had previously been closely involved in nuclear safety policy, regulatory and other issues during his secondment from the HSE to the DTI. In 1995/6, Terry headed the HSE's team that put in place the gas safety regime to underpin the opening up of the UK domestic gas market. He has wide experience of working in various Government Departments at local, regional and HQ levels.

In addition to his role as the NDA's Strategy Director, Terry is a director of the West Cumbria Development Fund, which was set up to fund business start-up and to sustain employment opportunities in West Cumbria.

Financial Review

William Roberts, Finance and Resources Director

This Financial Review is intended to convey management's perspective of the NDA Group and its operational and financial performance as measured in accordance with the Financial Reporting Manual (FReM). Some of the key areas covered in this commentary revolve around the movement in the nuclear future cost estimates and the nuclear provision, as well as how much we have spent on contracts and how much of that spend discharges our nuclear liabilities. We intend this disclosure to assist readers in the understanding and interpretation of the financial statements and this commentary should be read in conjunction with those financial statements and the accompanying notes.

Overview

During the year, we have managed our operations within our agreed Grant-in-Aid funding. Spend by NDA's site contractors increased by £170 million to £2,192 million, mainly attributable to increased spend on the clean-up of the legacy ponds and silos at Sellafield. The results for the year, prepared in accordance with our accounting policies show a net deficit of £7.8 billion, primarily attributable to increased future cost estimates requiring an increase in nuclear and non-nuclear provisions.

Financial stability and efficiency have been delivered by strong budgetary and investment control and planning, seeking increased efficiency in spending on priority activities, critically reviewing discretionary spend and improving the understanding of our cost drivers. The NDA continues to monitor and challenge these efficiencies as part of the operation of its contracts with the site licensees.

The NDA has developed significantly over the last 12 months and is still continuing to evolve to accommodate changes in the scope of its role. These changes have led to the NDA increasingly becoming a more complex and multi-faceted organisation, including:

- The announcement by the Secretary of State on 25 October 2006 that UK Nirex Limited would be transferred to the NDA, following the Government's acceptance of the recommendations made by the Committee on Radioactive Waste Management (CoRWM), this share ownership transfer took place in November 2006;
- During the financial year, work on preparing the Site Licence Companies (SLCs) for competition has continued. Three competition activities are underway;
- Ownership of the site operator of the Springfields site, Springfields Fuels Limited, was transferred to the private sector on 16 October 2006. The Magnox sites' operator was transferred to the private sector on 26 June 2007;
- The NDA took ownership of United Kingdom Atomic Energy Authority (UKAEA) assets, including the Dounreay, Windscale and Winfrith sites, via a transfer scheme;
- On 1 October 2006, the NDA established the Combined Nuclear Pension Plan (CNPP), which accepted its first members on 16 October 2006, and the NDA commenced the fulfilment of its pension scheme requirements under the Energy Act 2004;
- Further restructuring of the NDA's nuclear estate has taken place in readiness for competition.

Financial performance

Fig 1 **SUMMARY GROUP FINANCIALS**

	2007 £m	2006 As restated £m
Income and Expenditure Account extracts		
Income	1,206	1,213
Exceptional operating costs and expenses	-	(1,550)
Contractor expenditure (including capitalised expenditure) (see note 6 to the accounts)	(2,192)	(2,022)
Nuclear liability charge (see note 6 to the accounts)	(3,842)	(2,736)
Operating deficit before financing	(6,043)	(6,110)
Financing charges	(1,765)	(1,295)
Deficit for the year	(7,808)	(7,395)

	2007 £m	2006 As restated £m
Balance Sheet extracts		
Tangible fixed assets	4,009	5,305
Nuclear liabilities	(37,036)	(30,575)
Net liabilities	(36,380)	(29,706)

	2007 £m	2006 As restated £m
Cash Flow Statement extracts		
Purchase of tangible fixed assets	(368)	(291)
Grant-in-Aid received	1,108	773

Income was £1,206 million, a small decrease of £7 million against the prior year income of £1,213 million. Key factors in this change are set out in Figure 2 overleaf. A milestone during the year was the end of operation of two Magnox stations, Sizewell A and Dungeness A, which ended their productive output on 31 December 2006 having each completed 40 years of safe and reliable electricity generation.

In line with our Near Term Work Plan (NTWP) contractor expenditure increased by £170 million, mainly attributable to increased spend on the legacy ponds and silos at Sellafield. There were no exceptional operating costs this year, with prior year exceptional costs relating to impairments and the change in basis of accounting for provisions.

The nuclear liability charge for the year increased by £1.1 billion, as the Life Cycle Baseline Improvement (LCBLi) process continued to refine our future cost estimates.

Financing charges mainly relate to the restatement of the nuclear and non-nuclear provisions at current price levels and the unwind of one year's discounting of the provisions.

Fixed assets represents the book value of the nuclear infrastructure at £4.0 billion for 31 March 2007 compared to £5.3 billion at March 2006. The reduction was due to the change in accounts presentation set out fully in note 3 to the financial statements.

The nuclear provision increased by £6.4 billion to £37.0 billion at 31 March 2007 (from £30.6 billion at March 2006). The increase arose from the latest cost estimates available to the NDA.

Net liabilities stand at £36.4 billion compared with £29.7 billion last year. The net liabilities represent the current estimate of the Grant-in-Aid funding (on a discounted basis) that the NDA would require to settle the NDA's liabilities, after taking into account the net effect of future recoveries of costs from commercial customers, and the level of payments in advance already made by customers to settle future costs.

The purchase of tangible fixed assets represents £362 million of capital expenditure by NDA's site contractors (see Figure 3), as well as £6 million of capital expenditure by the NDA and its subsidiaries.

Grant-in-Aid of £1,108 million represents the amount of funding received from the taxpayer by the NDA, which with commercial income, funds the NDA's operations.

The prior year figures in the Income and Expenditure Accounts, Cash Flow Statement and Balance Sheets have been restated to include UK Nirex Limited.

Commercial income

Figure 2 details the outputs and income from the NDA's commercial activities. With the closure of two stations, generation output reduced by 3.7 TWh but related income only fell by £45 million as a result of higher electricity prices. Spent fuel management income largely represents the income earned under spent fuel storage, reprocessing contracts for spent fuel and waste storage activities, and for the 'vitrification' of highly active liquors. The contracts are long-term contracts entered into in the previous two decades.

Fig 2 **COMMERCIAL ACTIVITIES**

	2007		2006	
	Output	**Income £m**	**Output**	**Income £m**
Electricity generation	11.624 TWh	469	15.370 TWh	514
Spent fuel management (transport, reprocessing and storage)	0T (THORP) 594T (Magnox)	387	51T (THORP) 243T (Magnox)	454
Fuel manufacture (AGR & MOX)	196.7T (AGR) 2.6T (MOX)	232	216T (AGR) 2.9T (MOX)	208
Other	N/A	118	N/A	37
Total		**1,206**		**1,213**

(TWh = Terrawatt hours)
(T=Tonnes)

Operational performance was below expectations. The Thermal Oxide Reprocessing Plant (THORP) outage continued mainly because of operational difficulties with downstream 'evaporator' plants used to treat waste products from THORP. These difficulties also affected Magnox reprocessing and vitrification output, neither of which met the targets set out in the NDA 2006/7 Annual Plan.

There were unplanned outages at Oldbury, Wylfa and at the Sellafield MOX Plant (SMP), reflecting our reliance on ageing and technically challenging plant for income. Income from Springfields was below budget and prior year, due to technical problems at British Energy's (BE's) Advanced Gas-Cooled Reactor (AGR) stations, which significantly reduced demand for new reactor fuel assemblies. Springfields operational performance was good, with all AGR fuel for BE being completed, enabling a buffer stock to be built up for 2007/8.

Other income increased from £37 million to £118 million, reflecting increased commercialisation of the asset base, with sales of surplus materials and increased revenue at Direct Rail Services being the major contributing factors.

During its lifetime, Dungeness A supplied the National Grid with 114TWh of electricity, more than enough to supply the entire needs of all the UK's domestic consumers for 12 months. This would be worth £6 billion at today's prices. Dungeness A accumulated more than 5.5 million working hours without a Lost Time Accident. Sizewell A had a lifetime output of 104TWh and it was the first industrial facility in the world to attain the highest levels in the International Safety and Environmental Rating Systems. During their lifetimes neither plant had an event nor incident that put its neighbours at risk.

The NDA's two remaining nuclear generating stations are scheduled to close over the next four years. The loss of this income will increase the NDA's reliance on Grant–in-Aid funding.

Site operational expenditure

The NDA operated sites through contracts with British Nuclear Group Sellafield Limited (now known as Sellafield Limited), Magnox Electric Limited, UKAEA and Springfields Fuels Limited. These contracts were cost reimbursable, with the NDA funding allowable costs and paying the contractors fees where key performance targets were met. The expenditure was as follows:

Fig 3 **CONTRACTUAL SPEND**

	BNG Sellafield Limited £m	Magnox Electric Limited £m	S'Fields Fuels Limited £m	UKAEA £m	2007 Total £m	2006 Total £m
Staff costs	510	217	58	69	854	725
Raw materials & consumables	90	49	25	37	201	318
Sub-contractors	206	174	17	89	486	446
Other	187	44	20	38	289	256
Capital spend	237	74	9	42	362	277
Total	**1,230**	**558**	**129**	**275**	2,192	2,022

Note: 'Other' includes: research and development; transportation costs; audit fees; security; IT; training & recruitment; regulatory charges; rent and rates; charitable donations; legal and general costs.

All of the expenditure in Figure 3 relates to the delivery of the NDA's programme.

Figure 3 demonstrates that during 2006/7 the NDA incurred £2,192 million of allowable costs paid to contractors (2005/6 £2,022 million). The largest elements of the site operations expenditure are staff costs and spend on sub-contractors, reflecting the manpower intensive nature of the site operations. The number of full-time equivalent staff engaged by the contractors on nuclear decommissioning and commercial activities during the year, is shown in Figure 4 (this includes agency staff but excludes UKAEA head office staff and staff employed by any sub-contractors).

Fig 4 **CONTRACTOR EMPLOYEE NUMBERS**

	2007	2006
Employees (Full time equivalent)		
British Nuclear Group Sellafield Limited	10,771	9,996
Magnox Electric Limited	4,312	4,203
Springfields Fuels Limited	1,468	1,565
UKAEA	1,606	1,766
Total Contractor Staff	**18,157**	17,530

Staff costs increased from £725 million to £854 million as a result of additional staff and additional pension costs reflecting increases in longevity assumptions. Reasons for increased staffing were predominantly to carry out the additional planned work in legacy ponds and silos, 'catching up' in filling vacant posts, and conversion of long-term interims and contractors to permanent staff.

Pensions

At 31 March 2007, the NDA was directly and indirectly responsible for funding a number of pension schemes. In the income and expenditure account there is a direct charge of £6 million in respect of the NDA Group's pension costs, which comprises contributions to the Principal Civil Service Pension Scheme (PCSPS) for NDA employees, the Direct Rail Services (DRS) element of the British Nuclear Fuels Limited (BNFL) Group Pension Scheme and the UK Nirex Limited Pension Scheme.

The Combined Nuclear Pension Plan (CNPP) was established by the NDA in October 2006 to provide future pension benefits for employees in the nuclear industry who are employed by a privately owned Site Licence Company (SLC) and as such can no longer remain in their previous schemes. The NDA is the lead company and this new pension scheme is in response to our Energy Act 2004 requirement to protect the pensions of the nuclear decommissioning workforce. Contributions to the scheme are paid by the site licensees and the pension costs are included within contractor costs.

As part of the NDA's responsibilities under the Energy Act 2004, the NDA has agreed to take over the lead company role for the BNFL Group Pension Scheme from April 2008, subject to Government approval. The NDA also works closely with Magnox Electric Limited, the sponsoring employer of the Magnox Group of the Electricity Supply Pension Scheme, which provides pensions for the majority of the Magnox SLC employees.

Each of the schemes were fully funded at the year end as a result of improvements in stock market and asset values and further top up funding from the NDA.

Funding

The NDA is funded by Grant-in-Aid, which it relies on as commercial income does not cover its expenditure. Grant-in-Aid amounted to £1,108 million for 2006/7 (£773 million for 2005/6) and is shown as financing in the Cash Flow Statement and not as income. At 31 March 2007, the NDA had a cumulative surplus of £110 million against its agreed funding, up from £89 million at the end of the previous year. This balance is carried forward as a reserve against income shortfalls and emerging costs to fund future accelerations of work. Taking into account forecast commercial income and agreed levels of Grant-in-Aid, the NDA has funding in place for its 2007/8 Annual Plan. For the future, the NDA applies for Grant-in-Aid funding in three-year cycles, effectively fixing the grant for those three years. The NDA is currently in the process of agreeing funding for the years 2008/9, 2009/10 and 2010/11 as part of the Comprehensive Spending Review 2007 (CSR07).

The nature of the NDA's activities exposes the NDA to substantial variability in its commercial income, largely attributable to factors over which it has limited or no control. Site expenditure can also vary although to a lesser and more manageable extent. The NDA has been developing extensive reporting and control mechanisms and our contractors have made significant investments in information technology (IT) systems. Together these have allowed the NDA to maintain a clear view of its financial position, to make funding decisions in its prioritisation of work and to manage its operations within our agreed Grant-in-Aid funding.

In accordance with the Energy Act 2004, the Secretary of State established and now maintains a Nuclear Decommissioning Funding Account (NDFA), which ensures transparency in respect of the funding of the NDA's functions.

Risk management

To assist in the understanding of financial and operational risks, the NDA has undertaken an extensive programme to embed risk management practices across all its functions and to provide contractual mechanisms to obtain assurance of good risk management practices from its contractors.

The NDA's objectives in relation to the management of risk are to:

- build a comprehensive approach to risk;
- improve awareness of risk and the need for effective risk management;
- integrate risk management into the organisation's culture, via the alignment and coordination of risk management across the Group;
- anticipate and respond to changing social, environmental and legislative requirements; and
- manage risk in accordance with best practice.

The key processes involved are:

- a combined top-down and bottom-up risk identification approach;
- identification, evaluation and categorisation of all significant business risks;
- an NDA Board approved risk management policy;
- the use of risk maps and registers at the strategic, directorate and operational levels; and
- the overall integration of risk management into business planning and formal management reporting and review process.

The principal risks faced by the NDA are:

- health, safety, security and environmental risks;
- IT failures;
- lack of access to technology and inadequate innovation;
- challenge of resourcing skilled employees;
- changes in legislation, fiscal and regulatory policies;
- loss of reputation due to real or perceived failure;
- plant failure;
- variability of commercial income and availability and use of funding;
- effective programme and contract management; and
- pension scheme funding requirements.

The NDA's financing by a combination of Government funding and commercial activities means that the NDA is not exposed to the degree of financial risk faced by other business entities.

Future cost estimates

We own a portfolio of contaminated land and sites that can often have a complex mix of contamination dating back over 50 years originating from military, nuclear energy research and first generation nuclear power activities. The main focus of our remediation programme is on managing the environmental risk. To assist in understanding the programme of works required and to provide a firm basis for the Grant-in-Aid requirements, the NDA has continued to make progress in establishing the framework for the management of the nuclear legacy via the Life Cycle Baseline Improvement (LCBLi) process.

The NDA requires each site to prepare plans for their site, known as the Lifetime Plan (LTP – also known as the LCBL covering commercial activities as well as decommissioning and clean-up. These plans set out a description of each component of the plan for each site, the time-phasing of when they will be carried out and a forecast of the likely costs of delivering each component in each year on an undiscounted basis at current price levels.

The LTPs are detailed long-term plans and provide an essential yardstick against which the NDA's progress and that of its contractors in delivering the NDA programme can be measured. Inevitably, the plans will develop over time, with greater understanding of the nuclear clean-up task, innovation and through competition.

The plans are updated annually to reflect:

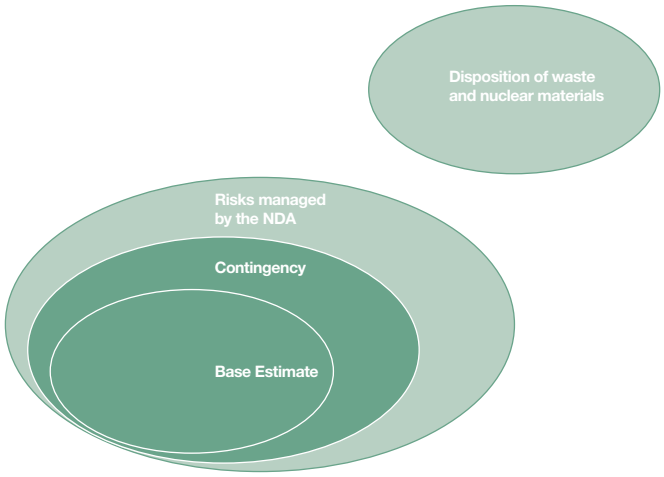
- changes in price levels;
- improvements in efficiency;
- improvements in technology and methodologies;
- changes to the approach to be adopted and/or to the timing of the work;
- improved understanding of the size and nature of the task; and
- changes in Government policy, for example, the policy for managing higher activity radioactive wastes.

In last year's accounts we announced our LCBLi project to improve these plans, which has continued throughout 2007. By 31 March 2007, this work has provided an interim update suggesting an increase in the future gross cost estimates. The LCBLi project is scheduled for completion by 31 March 2008, after which the NDA will publish the LTP.

The NDA's future cost estimates are calculated, as shown in Figure 5, as the sum of:

- the LTP base estimates for all the NDA sites, including an allowance for some specific project contingencies and risks;
- an additional estimate for risks managed by the NDA rather than by site contractors; and
- an allowance for the disposition of waste and nuclear materials.

Fig 5 **DERIVATION OF NDA's FUTURE COST ESTIMATES (Not to scale)**



Although the plans are extremely detailed, there is a significant degree of inherent uncertainty in the future cost estimates that underpin the nuclear provisions and there are still some specific uncertainties that need to be addressed, such as:

- site end states;
- material to be retrieved from the legacy ponds and silos;
- contaminated land quantities and treatments required;
- programming of work and risks arising from programme inter-dependencies;
- timing of final decommissioning of Magnox stations; and
- disposition plans for wastes – High Level Waste (HLW), Intermediate Level Waste (ILW) and Low Level Waste (LLW) – and for spent fuels.

For example, at Sellafield and Dounreay there are older facilities where the records of plant design and usage are incomplete and where the wastes have deteriorated, making treatment more difficult and creating uncertainty over the exact design of waste retrieval, waste treatment and dismantling processes that will be required. The NDA's sites are extensive and extensively built-upon. Gaining an understanding of the extent of contaminated land requires significant site investigation, which is underway and should be completed within the next 12 months. The NDA and the SLCs have also made assumptions about the phasing of work, which need to vary; there are large inter-dependencies between plants and projects where delays to one project can cause significant knock-on delays and cost increases. The availability of funding can also cause plans to vary.

For Magnox decommissioning plans, one major uncertainty is the timing of decommissioning. The current plans allow for the complete dismantling of the reactor buildings and final site clearance some 80 to 100 years after defuelling but this final stage may be rescheduled. The end states of sites, which define the physical condition of the site when the programme of work has been completed, are being reviewed in consultation with local stakeholders. There is also a public consultation on the nature and scope of nuclear waste management, *('Managing Radioactive Waste Safely (MRWS): A Framework for Implementing Geological Disposal').*

The destination of nuclear waste and nuclear materials is also uncertain until the Government review of the long-term policies around waste disposal have been completed. Work is also underway on the long-term options for the disposition of wastes, uranic materials, plutonium and AGR spent fuel and the cost estimates are being developed accordingly.

The NDA has been successively improving the quality of the future cost estimates. As a result, the uncertainties and gaps have been reduced, with the result that the LTP has increased by £7.9 billion from £64.8 billion to £72.7 billion as set out in Figure 6.

Fig 6 **MOVEMENT IN THE NDA'S FUTURE COST ESTIMATES**

Figure 6 shows that the largest increases are in waste and nuclear material management, and in decommissioning and termination costs. The Sellafield site represents approximately £4 billion of the increase to £72.7 billion, with the largest increases due to contaminated land and legacy ponds and silos. £2.5 billion of the increase is at Magnox sites; plus an increase of £0.8 billion at Dounreay for increased future cost estimates, fissile materials and ILW storage.

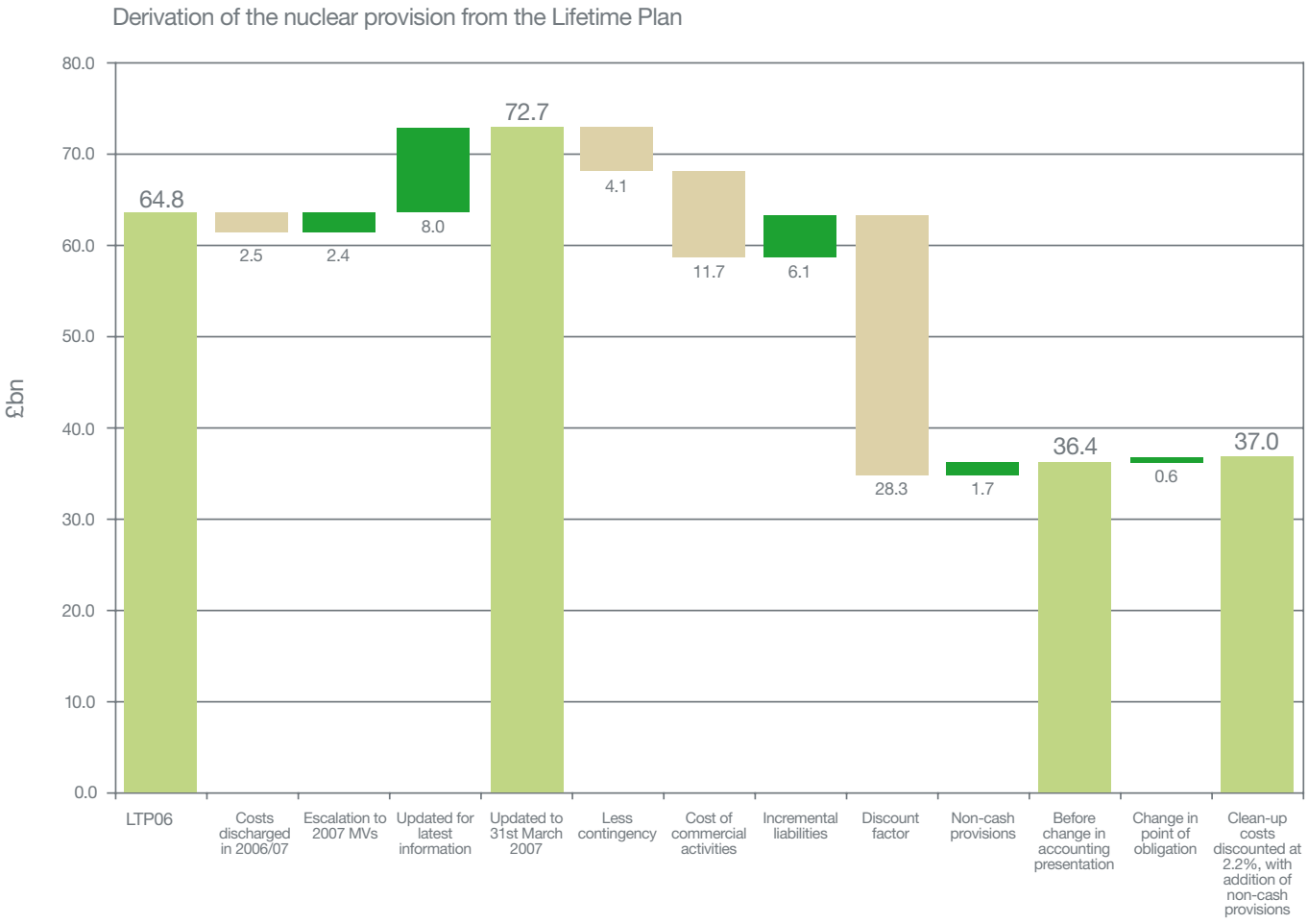
In summary, whilst the estimated future cost remains the directors' best estimate, based on information currently available, the overall estimate of the NDA's future costs is still subject to significant uncertainties, with work continuing to include firmer costs where this is practical. The NDA has a Public Service Agreement obligation to establish a more robust baseline estimate by 31 March 2008 and the draft LTP08 is being further reviewed in 2007/8 and will be published as LTP08 following the completion of the LCBLi project. Inevitably, there will always be cost variability in the long-term as Lifetime Plans, by their very nature, include cost estimates associated with work to be undertaken far into the future where the scope is not easily characterised. As a result of these factors, the Comptroller and Auditor General's audit opinion on the accounts includes an 'emphasis of matter' paragraph.

Nuclear provisions

Nuclear provisions are recognised in the financial statements at the net present value of the future expenditure estimated to be required to settle the Group's obligations. The future expenditure is derived from the draft LTP08, although it excludes some costs that are not yet 'obligated', for example future costs of commercial activities. The measurement of the nuclear provision involves the use of estimates and assumptions such as the discount rate used to determine the net present value of the liability.

Figure 7 shows the derivation of the NDA's nuclear provision from the future cost estimates as they were set out in the NDA's previous Annual Report and Accounts.

Fig 7 **DERIVATION OF THE NDA'S NUCLEAR PROVISION FROM FUTURE COST ESTIMATES**



The movements in the future cost estimates figure are:

- The £7.9 billion increase in the draft LTP can be further analysed as the combination of a reduction of £2.5 billion in respect of work performed during 2006/7, an increase of £2.4 billion to update the cost estimates for one year's cost inflation; and an increase in future cost estimates of £8.0 billion reflecting the latest available information from draft LTP08;
- removing £4.1 billion to reduce excessive contingencies and restate these to expected values in line with our accounting policies;
- the removal of future forecast costs attributable to commercial activities of £11.7 billion. Costs attributable to commercial activities are excluded from the provision in line with our accounting policies as they are expected to be covered by future revenues;
- the inclusion of incremental liabilities of £6.1 billion for risks and uncertainties managed by the NDA such as ILW disposal, which are not quantified in the draft LTP and which we include in the provision in line with our accounting policies;
- future costs are discounted at 2.2% per annum in line with HM Treasury guidance, the rate is unchanged from 2005/6;
- a further FRS12 adjustment of £1.7 billion to provide for the 'non-cash' depreciation charges on assets used in discharging nuclear liabilities; and
- an increase in the provision of £0.6 billion following the change in point of obligation as described in note 3 to the accounts.

The NDA's nuclear provision is therefore, £37.0 billion.

The undiscounted future cost estimates and the discounted nuclear provision of £37.0 billion will be discharged over the next 120 years as follows:

Fig 8 **DISCHARGE PROFILE**

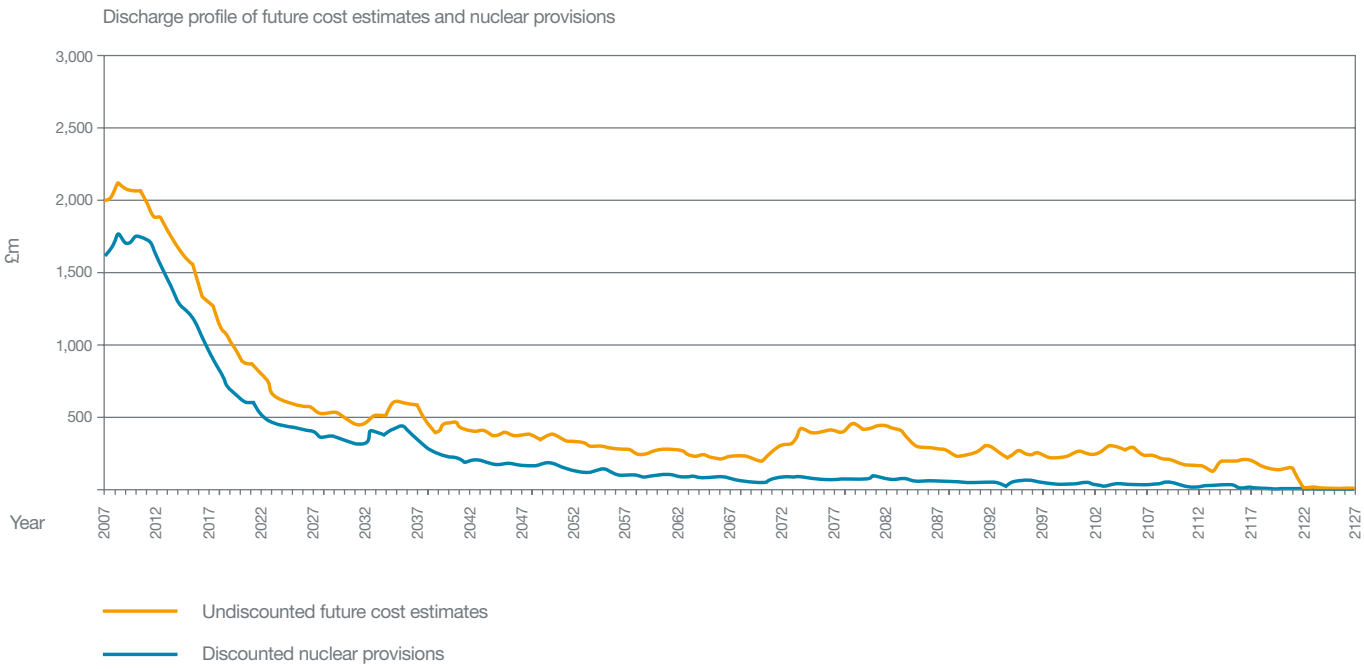


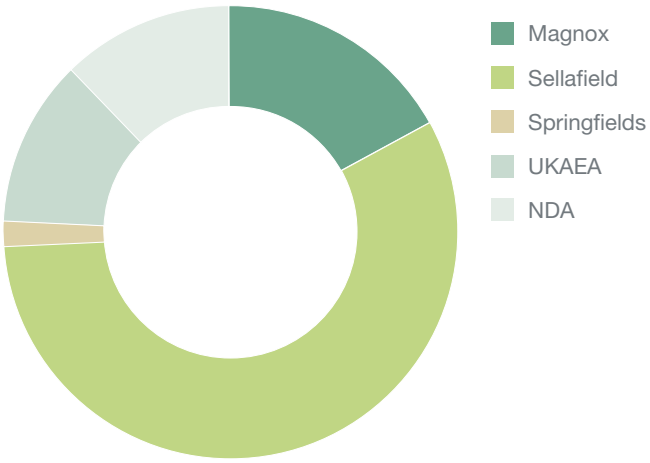
Fig 9 ANALYSIS OF DISCOUNTED NUCLEAR PROVISION

The discounted nuclear provision can by analysed by site and site licensee:

DISCOUNTED NUCLEAR PROVISION	2007 £m	2006 As restated £m
Magnox Electric Limited		
Berkeley	463	360
Bradwell	621	506
Chapelcross	601	527
Dungeness A	695	504
Hinkley Point A	717	543
Hunterston A	630	482
Oldbury	620	444
Sizewell A	694	354
Trawsfynydd	699	413
Wylfa	492	442
Magnox central costs	499	4
British Nuclear Group Sellafield Limited		
Calder Hall	349	349
Capenhurst	416	297
LLW Respository	181	116
Sellafield	22,041	17,082
Springfields Fuels Limited	609	244
UKAEA		
Dounreay	2,694	2,091
Harwell and Winfrith	1,177	1,103
Windscale	650	400
Other	-	10
NDA central liabilities	2,134	4,253
Authority provision	**36,982**	30,524
NDA group companies	54	51
NDA Group provision	**37,036**	30,575

Figure 9 shows a significant increase in the Magnox central costs. This is attributable to the fact that some central elements, such as Reactor Site Services (RSS) costs, were omitted from the March 2006 provisions on the basis that they were not directly supporting the decommissioning process, so were excluded from individual site provisions. For the year ended 2006/7, unless costs are specifically generation-related, they have been included in the Magnox central costs category.

Fig 10 ANALYSIS OF DISCOUNTED NUCLEAR PROVISION BY SITE LICENSEE



The total provision includes £25.7 billion for liabilities that originate from commercial activities such as Magnox Generation and the current obligations from THORP contracts. The balance of £11.3 billion relates to the liabilities of the old military and nuclear research programmes.

Movement in nuclear provisions

The movement in the nuclear provision charge of £6.4 billion is analysed in Figure 11.

Fig 11 **MOVEMENT IN NUCLEAR PROVISION**

	2007 £m	2007 £m
Nuclear provision (discounted)		
Opening provision		30,575
Financing charges:		
- changes in price levels	1,137	
- unwind of one year's discount	616	
Total		1,753
Transfers from non-nuclear provisions		137
Increase in nuclear liabilities		5,532
Less: provisions released to offset current expenditure on liabilities discharge		(1,549)
Sub-total		36,448
Change in recoverable commercial obligations		588
Nuclear provision as at 31 March 2007		**37,036**

The discount implicit in recognising the nuclear liability is unwound over the life of the provision. The part of the discount unwind attributable to the NDA is included in the Income Statement as a financing item and the parts recoverable from customers and representing FRS12 fixed assets are included as additions to Customer Recoverable Relating to Nuclear Liabilities and Fixed Assets respectively.

The increase in nuclear liabilities of £5,532 million represents the discounted effect, excluding commercial costs, of the £11.7 billion increase in future cost estimates.

The provision released in respect of liabilities discharged of £1,549 million can be compared with the actual expenditure on liabilities discharge of £1,424 million, a positive cost variance on liabilities discharge of £125 million.

The recoverable commercial obligations represent the NDA's future costs of reprocessing customers spent fuel on site at Sellafield. The amount is recoverable from customers and is included within debtors. The increase reflects the recognition of the obligation at the balance sheet date. The change in presentation is described in note 3 to the accounts.

The nuclear provisions charge for 2006/7 is £3,842 million. This represents the net charge arising from the increase in provisions, excluding financing, and is related to the increase in nuclear liabilities as follows:

Fig 12 **NUCLEAR PROVISIONS CHARGE**

	2007 £m	2007 £m
Nuclear provisions charge		
Increase in nuclear liabilities		5,532
Less: increase in nuclear provisions recoverable under long-term contracts		(412)
Less: provisions released to offset current expenditure on liabilities discharge	(1,549)	
Release from amounts recoverable under long-term contracts	271	
Net provision released to offset current expenditure		(1,278)
Nuclear provisions charge		**3,842**

Non-nuclear provisions

The non-nuclear provisions include provisions for future restructuring and anticipated contract losses, as follows:

Fig 13 **ANALYSIS OF NON-NUCLEAR PROVISIONS**

	2007 £m	2006 As restated £m
Provision		
Restructuring	158	199
Contract loss provisions	2,397	1,704
Other	79	38
Total	**2,634**	1,941

The restructuring provisions relate primarily to continuing annual payments to be made under early retirement arrangements. The remaining contract loss provisions relate to contracts where, in accordance with Statement of Standard Accounting Practice 9 'Stocks and long-term contracts', the NDA has made full provision for the anticipated shortfall between future income and costs.Other provisions include provisions for insurance claims and early retirements not covered by the restructuring provisions.

Review of assets

Operational difficulties caused us to review THORP and as a result of this review we were able to determine that even with the prolonged outage, the commercial benefit will outweigh the future operating costs and that there was currently no impairment in the carrying value of THORP. No requirement for further impairment was identified from a review of our other assets.

Future challenges

Integration of Nirex

On 25 October 2006, the Secretary of State announced plans for the long-term management of higher activity radioactive wastes. He said 'we have decided that responsibility for securing geological disposal of waste should fall to the Nuclear Decommissioning Authority, so as to create one organisation able to take a view across all stages of waste management.' He also said that 'the NDA will be augmented by the transfer of United Kingdom Nirex Limited into the NDA, with steps taken to ensure Nirex's skills and intellectual property are preserved. UK Nirex Limited will then be wound up.'

As a result of that announcement, on 30 November 2006 the ownership of shares in UK Nirex Limited was transferred from the Government to the NDA and UK Nirex Limited staff members were formally transferred to the NDA on 1 April 2007. The NDA and UK Nirex Limited have worked together to effect a smooth merger of the staff and functions of the two organisations.

The transfer of UK Nirex Limited was accounted for using merger accounting in accordance with Government accounting guidelines. Details of the amounts transferred can be seen in note 2 to the Accounts.

UKAEA

From 1 April 2007, relevant UKAEA assets and obligations falling within the NDA's remit were legally transferred from UKAEA to the NDA. As the NDA believed it had a constructive obligation under FRS5 'Reporting the Substance of Transactions,' it had recognised these assets and obligations with effect from 1 April 2005. As the transfer documentation was finalised, there have been some adjustments to the figures originally noted and these are shown in note 31 to the accounts.

International Financial Reporting Standards (IFRS)

Following the announcement in the 2007 Budget, our accounts will be produced using IFRS from 2008/9, as interpreted for the public sector in the IFRS FReM.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the NDA has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. In forming this judgement, the directors have considered the NDA requirement for Grant-in-Aid funding and the ring-fenced funding surplus retained by the Government. On the basis that this funding is made available to the NDA through the provisions of the Energy Act 2004, which require the NDA to undertake the strategic responsibility for the decommissioning and clean-up of all of the UK's civil nuclear sites, the directors consider that the NDA will continue in operational existence for the foreseeable future.

William Roberts
Finance and Resources Director

Directors' Report

ABOUT THE NDA

The Nuclear Decommissioning Authority (the NDA) is an executive Non-Departmental Public Body (NDPB) and was established on 22 July 2004 by the Energy Act 2004.

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

The Board meets each month, except August, with additional meetings being held when necessary. Board papers are circulated to Directors in advance of each meeting. Responsibilities are delegated to the Audit Committee and Remuneration Committee. Separate reports on each committee are included on pages 110–111.

ACCOUNTS DIRECTION

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

DIRECTORS

The directors who served during the year to 31 March 2007 and their responsibilities were:–

Sir Anthony Cleaver	Non-Executive Chairman
Dr Ian Roxburgh	Chief Executive and Accounting Officer
Primrose Stark	Non-Executive Director
Dr Lyndon Stanton	Non-Executive Director
Tony Cooper	Non-Executive Director
David Illingworth	Non-Executive Director
Nick Baldwin	Non-Executive Director
Professor Roger Scott	Non-Executive Director
William Roberts	Finance and Resources Director
James Morse	Programme Director
Richard Waite	Engineering Director
Mark Leggett	Commercial Director

Non-Executive Directors are appointed with three-year service contracts.

DIRECTORS' INTERESTS

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

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

LOCATIONS

The NDA's headquarters are located at Moor Row in Cumbria and it has offices in Calderbridge, Warrington, Forss, London, Abingdon and Harwell.

EXTERNAL AUDITORS

The NDA Group's auditor, the Comptroller and Auditor General (C&AG), appointed under the Energy Act 2004, audits the NDA's financial statements. The services provided by the C&AG's staff in the National Audit Office (NAO) related only to statutory audit work for the Authority and its consolidation.

DISCLOSURE OF INFORMATION TO THE AUTHORITY'S EXTERNAL AUDITOR

As Accounting Officer, as far as I am aware there is no relevant information of which the NDA's Auditors are unaware. I have taken all the steps that I ought to have taken to establish that the NDA's Auditors are aware of that information.

EMPLOYEES & EMPLOYMENT

Equal opportunities

The NDA aims to promote and implement equality of opportunity through its policy and practices. This policy covers all aspects of employment and training, to conditions of service. Regular reviews and monitoring of equal opportunities data will be undertaken to ensure compliance with current policies.

Learning and development

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

Staff Consultation Group

Employee involvement is critical to the success of the business and to this end a Staff Consultation Group has been set up to discuss management and policy matters between staff and management.

Pensions

All employees are entitled to join the Principal Civil Service Pension Scheme (PCSPS). Details of the scheme are given in note 30 to the Accounts.

Investor in People

The NDA was awarded Investors in People (IiP) status in May 2006.

ISO9001:2000 Quality Management System

The NDA was accredited to the ISO9001 Quality Management system by Lloyds Register Quality Assurance (LRQA) in October 2006.

The number of the Authority's full-time equivalent employees during the year to 31 March 2007 averaged 234 (2005/6 – 175), (see note 7 for more detail).

ACTIVITIES OF SUBSIDIARY COMPANIES

Direct Rail Services Limited – a wholly owned subsidiary company – was established in 1995 to provide the civil nuclear industry with a strategic rail transport service. Initially handling the specialist transportation of used nuclear fuel from the UK's nuclear power stations to the Sellafield reprocessing facility in Cumbria, DRS's reputation for excellence in this area has led to the company's development into a wider range of non-nuclear related business.

Rutherford Indemnity Limited and Hinton Insurance Limited – both are wholly owned subsidiaries engaged in nuclear insurance and re-insurance and are based in Guernsey. Hinton Insurance Limited was amalgamated into Rutherford Indemnity Limited on 31 March 2007 to form a single entity. Rutherford Indemnity Limited is engaged in nuclear insurance and re-insurance.

Low Level Waste Repository Site Licence Company Limited – was incorporated during 2005/6 to provide the vehicle for competition of the repository site near Drigg and was sold to British Nuclear Group Sellafield Limited (now Sellafield Limited) in August 2006.

United Kingdom Nirex Limited ('Nirex') – the ownership of the shares of this subsidiary was transferred from the Government to the NDA under the direction of the Secretary of State on 30 November 2006. Its purpose is to develop and advise on safe, environmentally sound and publicly acceptable options for the long-term management of radioactive materials in the UK in support of Government policy. Nirex has 11 subsidiaries, all of which were dormant in 2006/7.

International Nuclear Services (INS) Limited – on 2 October 2006, the NDA acquired a 49% share in INS, which has been classified as a subsidiary as the NDA is deemed to have effective control over INS. INS is involved in the transportation of spent fuel, reprocessing products and waste.

Pacific Nuclear Transport Limited (PNTL) – INS has a 62.5% shareholding in PNTL, which is accounted for as a subsidiary. PNTL is involved in the transportation of nuclear fuel.

BETTER PAYMENT PRACTICE

The NDA is working towards compliance with the Better Payment Practice Code in its treatment of suppliers. The key principles are to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. During the year, the NDA has achieved a 82% success rate for payment of suppliers in accordance with terms (2005/6 92%). The NDA is striving to achieve a 100% success rate.

CHARITABLE AND POLITICAL DONATIONS

During the year, the Authority made charitable donations of £3,000 (2005/6 – £2,660). No political donations or contributions were made.

INVESTMENT IN SOCIO-ECONOMIC DEVELOPMENTS

In accordance with its remit under the Energy Act 2004, during the year the NDA made socio-economic grants of £10 million (2005/6 £9 million), details of which are given in the Chief Executive's report.

RESEARCH AND DEVELOPMENT

During the year, the NDA funded expenditure of £13 million (2005/6 £11 million) on research and development. In addition, substantial spend was also made on R&D through our contractors.

FUNDING, COUNTERPARTY AND FOREIGN EXCHANGE RISK

Although a Non Departmental Public Body (NDPB), the NDA is also responsible for certain commercial activities and is, therefore, subject to risks and uncertainties surrounding a commercial operation. Its electricity trading activity is subject to price variation risk and was managed by Electricity Sales and Trading Limited to hedge energy price exposure. The NDA's foreign exchange risk is managed by the site licensees to hedge foreign currency transactions. Details are to be found in notes 1 and 35 to the Accounts.

SUMMARY OF RESULTS FOR THE PERIOD

The summary of the results for the year is as stated in the Financial Review.

Transfers to and from Reserves are detailed in note 31 to the Accounts.

CHANGES IN FIXED ASSETS DURING THE PERIOD

The changes in fixed assets are reported in notes 12 and 13 to the Accounts.

EVENTS AFTER THE YEAR END

(a) The Transfer Scheme for UKAEA fixed assets and stock was successfully implemented on 1 April 2007;

(b) United Kingdom Nirex Limited has transferred its trade and activities into the NDA;

(c) The sponsoring department of the NDA was formerly the Department of Trade and Industry (DTI) but from 28 June 2007 is now the Department for Business, Enterprise and Regulatory Reform (BERR);

(d) The NDA has entered into an agreement with British Energy (BE) for them to market the output of NDA's power stations over their remaining lives. This agreement came into effect on 1 April 2007. Previously this activity had been carried out under contract for the NDA by Electricity Sales and Trading Limited, a subsidiary of Magnox Electric Limited; and

(e) Sir Anthony Cleaver announced his intention not to renew his contract at the end of his three year term of office and left the NDA at the end of July 2007.

GOING CONCERN

The accounts show a deficit on the Income and Expenditure Account of £7.8 billion for the year ended 31 March 2007, largely arising from the increase in the nuclear liabilities and a net liability of £36.4 billion primarily attributable to the nuclear provision.

A full explanation of the adoption of a going concern basis appears in the Accounting Policies, note 1 to the Accounts and Financial Review.

Dr Ian Roxburgh
Chief Executive and Accounting Officer
18 September 2007

Corporate Governance

BEST PRACTICE

The NDA, as a non-departmental public body (NDPB), operates in accordance with the provisions of the Energy Act 2004 and Cabinet Office guidelines for NDPBs. It also seeks to apply, where appropriate, best practice in corporate governance as represented by the revised Combined Code on Corporate Governance.

THE BOARD

Responsibility for ensuring that high standards of corporate governance are observed at all times within the NDA rests with the Board of Directors. In particular, they are responsible for ensuring the maintenance of a control framework in which they can obtain assurance that risk is properly assessed and managed, appropriate internal controls are in force and complied with and business performance is properly monitored.

The Board sets out the strategic framework and direction within which the NDA operates. The Secretary of State for Business, Enterprise and Regulatory Reform (BERR) in consultation with the Scottish Ministers appoints the Chairman of the Board.

Matters reserved to the Board include:

- establishing committees of the Board, reviewing their activities, and where appropriate ratifying their decisions;
- reviewing and approving the NDA Annual Report and Accounts following review by the Audit Committee;
- receiving and considering reports from the Audit Committee on the control, risk management and assurance framework;
- ratification of the NDA Strategy and Plans;
- approval and maintenance of NDA policies;
- approval and operation of delegated authorities; and
- ratification of all significant matters relating to the NDA, such as material acquisitions and disposals of assets, major litigation or significant matters related to the public interest or of interest at a ministerial level in government.

The Board has five executive directors (2005/6 – five) and seven non-executive directors (2005/6 – seven), including the non-executive Chairman and meets monthly, except for August.

The day-to-day, business management of the NDA, is delegated by the Board to the Chief Executive Officer and the other executive directors.

In addition, the Board has delegated certain responsibilities to the Audit Committee and the Remuneration Committee.

THE CHAIRMAN

The Secretary of State for BERR and Scottish Ministers set the NDA Chairman objectives for the NDA Board. The Chairman is responsible for the leadership of the Board, ensuring that it effectively discharges its responsibilities and managing its agenda.

THE CHIEF EXECUTIVE OFFICER AND ACCOUNTING OFFICER

The Chief Executive Officer, Dr Ian Roxburgh, is also the Accounting Officer.

The responsibilities of the Accounting Officer are set out in a letter from the Permanent Secretary to BERR the Accounting Officer Memoranda and the Management Statement and Financial Memorandum.

The Accounting Officer is accountable to Parliament for the activities of the NDA, the stewardship of public funds entrusted to the NDA and the extent to which key performance targets and objectives are met.

He is personally responsible for:

- the propriety and regularity of the public finances for which he is answerable;
- the keeping of proper accounts;
- prudent and economical administration;
- the avoidance of waste and extravagance and the effective and efficient use of all available resources; and
- the maintenance of public service values within the NDA, and for the transparency and openness of its proceedings.

He is also responsible for taking appropriate action if the NDA Board should consider taking a course that would not comply with these requirements.

THE REMUNERATION COMMITTEE

The purpose of the Remuneration Committee is to support the Board in discharging its responsibilities under the Energy Act 2004 to determine the remuneration and terms of service for the Chief Executive and the Executive Directors.

The NDA Remuneration Committee is comprised wholly of non-executive directors, these members are:

Nick Baldwin (Chairman)
Sir Anthony Cleaver
Primrose Stark
Tony Cooper

The Committee typically meets in line with the annual cycle for determining the remuneration and terms of service for the Chief Executive and other Executive Directors, setting the pay remit and approving the bonus scheme arrangements.

The Committee has met four times during the 2006/7 accounting period ended 31 March 2007, attendance at these meetings being 100%. The CEO along with the Director of Human Resources also attends these meetings, except for the discussion of issues relevant to their own remuneration.

THE AUDIT COMMITTEE

The Board has delegated responsibility for reviewing the Authority's system of internal control and monitoring its effectiveness to the Audit Committee. The system is designed to manage rather than eliminate the risk of failure to achieve the Authority's objectives. Any such system can only provide reasonable, and not absolute, assurance against misstatement or loss.

Through the Audit Committee the Board has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with best practice.

The NDA Audit committee is comprised wholly of non-executive directors, these members are:

David Illingworth (Chairman)
Professor Roger Scott
Dr Lyndon Stanton

Dr Ian Roxburgh attends all audit committee meetings in his capacity as Accounting Officer.

The Committee has met six times during the 2006/7 accounting period ended 31 March 2007, attendance at these meetings being 100%. The Finance and Resources Director, senior employees of the NDA and representatives from both BERR and the NAO were also invited to attend.

The roles and responsibilities of the Audit Committee are set out in the terms of reference approved by the Board and include inter alia:

- reviewing the NDA Annual Report and Financial Statements prior to submission to the Board and reporting on them appropriately;
- ensuring that systems are in place to provide the Board and management with relevant, accurate and timely information based on solid management information systems which are continually being challenged and improved;
- reviewing and challenging the Risk Management Framework Process with specific reports produced for Audit Committee approval;
- approval of the Internal Audit plan and work programme;
- reviewing and challenging individual internal audit reports;
- reviewing the effectiveness of the NDA's system of internal control and its Internal Audit function to ensure compliance with its policies, strategies and operating procedures;
- reporting to the Board on its review of the overall effectiveness of the NDA's system of internal control; and
- monitoring the external auditors' independence and objectivity

The Audit Committee is an advisory body and through a continuous improvement review process identifies, evaluates and controls the significant risks the NDA faces. The internal control environment will continue to be monitored by the Committee which will, where necessary, ensure improvements are implemented.

Remuneration Report

SETTING REMUNERATION

The Nuclear Decommissioning Authority (NDA) was constituted under the Energy Act 2004, which provides that the NDA Board shall consist of not less than seven or more than thirteen directors comprising both non-executive and executive directors. The number of executive directors must, as far as is practical, be less than the number of non-executive directors.

The remuneration of the Chairman, Chief Executive Officer and non-executive directors is determined by BERR. A Remuneration Committee makes recommendations to BERR on the overall package for executive directors. Non-executive directors are not involved in decisions relating to their own remuneration.

In reaching its recommendations, the Remuneration Committee has regard, inter alia, to the following considerations:–

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

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

REMUNERATION POLICY

The individual components of the remuneration packages are:–

Salaries and allowances

Salaries and allowances are reviewed annually and in the first instance have been benchmarked against industry data. They represent a rate deemed applicable to attract the calibre of employee, with the appropriate level of experience, required to undertake the role and responsibility of the position.

Performance-related bonuses

These are calculated in accordance with fixed formulae that are agreed each year with BERR on the basis of recommendations from the Remuneration Committee.

The NDA has a total reward strategy comprising both pay and grading arrangements and other rewards and non-pay benefits. This includes a commitment to permit staff, including executives, to participate in a bonus scheme. NDA specific objectives, set and approved by the Remuneration Committee, are tracked and monitored throughout the year as part of the Performance Management process.

Subject to satisfactory performance, bonuses are awarded as follows:-

- for CEO and Executive Team employees – 75% of the bonus is based on corporate objectives and 25% based on personal objectives. This recognises that the Executive Team members of staff have a greater ability to control overall NDA performance than do staff in other grades. Achievement of the personal objectives is approved by the Remuneration Committee; and
- for all other employees – 50% of the available bonus is based on corporate objectives with the remaining 50% of available bonus being based on the successful completion of personal performance against objectives.

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

Fees

Non-Executive Directors are entitled to fees that are determined by BERR. They do not receive performance-related bonuses or pension entitlements but are reimbursed for reasonable expenses incurred in the performance of their duties as directors.

SERVICE CONTRACTS

General

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

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

Service details

	Date employment commenced	Notice period
Dr Ian Roxburgh	10.09.04	12 months
William Roberts	17.01.05	6 months
Richard Waite	04.04.05	6 months
James Morse	21.03.05	6 months
Mark Leggett	13.03.06	6 months

The following information has been audited:

Directors' emoluments

	Salaries £	Car benefit £	Bonus £	Healthshield £	Relocation £	Total emoluments £	2005/6 emoluments £
Non-Executive directors							
Sir Anthony Cleaver	116,667	-	-	-	-	116,667	80,000
David Illingworth	34,167	-	-	-		34,167	25,000
Primrose Stark	25,000	-	-	-	-	25,000	25,000
Dr Lyndon Stanton	25,000	-	-	-	-	25,000	25,000
Nick Baldwin	34,167	-	-	-	-	34,167	25,000
Tony Cooper*	47,833	-	-	-	-	47,833	25,000
Professor Roger Scott	25,000	-	-	-	-	25,000	25,000
Executive directors							
Dr Ian Roxburgh	206,480	13,408	103,240	221	23,859	347,208	325,945
William Roberts	144,536	12,000	57,814	221	-	214,571	258,575
Peter Graham**	-	-	-	-	-	-	144,462
James Morse	144,536	12,000	57,814	221	-	214,571	289,535
Richard Waite	144,536	12,000	57,814	221	32,150	246,721	206,290
Mark Leggett	144,536	12,000	57,814	221	34,750	249,321	10,828

*Includes £13,666 relating to additional services as a trustee of CNPP.
**Resigned 30 June 2005. £35,000 relates to service as a director, other amounts reflect contracted entitlements only.

Long-term incentive plan

The Executive Directors have been enrolled in long-term incentive arrangements linked to Public Service Agreements (PSA) targets and approved by the Remuneration Committee. The extent to which the remuneration under this plan will vest is wholly dependant on the extent to which the NDA meets its performance hurdles. An amount of £75,000 for each director will vary if the Directors do not meet or exceed these targets.

Compensation payments

During 2006/7 (and 2005/6), there were no compensation payments made to past Executive Directors.

Third party payments

During 2006/7 (and 2005/6), there were no payments made to third parties for services of an Executive Director.

PENSION

Pension policy

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index.

New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002, calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

The following information has been audited:

Executive directors' pension:

	Real increase in pension in band £000's	Real increase in lump sum	Pension at end date in band £000's	CETV and start date in band £000's	CETV at end date in band £000's	Employees contributions and transfers in in band £000's	Real increase in CETV funded by employer in band £000's
Dr Ian Roxburgh	0 - 2.5	N/A	60 - 65	1,173	1,253	2.5 - 5	27
William Roberts	0 - 2.5	N/A	5 - 10	34	62	2.5 - 5	28
Richard Waite	2.5 - 5	N/A	5 - 10	37	87	20 - 22.5	28
James Morse	0 - 2.5	N/A	0 - 5	35	71	2.5 - 5	35
Mark Leggett	0 - 2.5	N/A	0 - 5	1	30	2.5 - 5	28

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Dr Ian Roxburgh
Chief Executive and Accounting Officer
18 September 2007

Statement of the Directors' and Accounting Officer Responsibilities

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

In preparing the accounts the NDA is required to:

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

The Accounting Officer of the Department for Business, Enterprise and Regulatory Reform (BERR) has designated the Chief Executive as Accounting Officer for the NDA. The responsibilities for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the NDA's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury.

Statement on Internal Control

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Nuclear Decommissioning Authority's ('the Authority') policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

In addition, from 30 November 2006 UK Nirex Limited became a wholly owned subsidiary of the NDA and I, therefore, also have a responsibility for ensuring that a sound system of internal control has been in place since 1 April 2006 and that this system has been maintained throughout this reporting period. To ensure that this system was maintained, a project team was established with members of staff from both the NDA and UK Nirex Limited to ensure a smooth transition into the NDA and to establish control over the merger of systems, processes and procedures. The project team delivered their main objective by merging UK Nirex Limited with the NDA on 1 April 2007. Work continues on activities to merge systems and processes.

A process of accountability has been established with the Department for Business, Enterprise and Regulatory Reform (formerly the DTI, herein, the Department) through the Management Statement and Financial Memorandum that involves:

- the accountability to Parliament of the Secretary of State and the Scottish Executive for the activities and performance of the NDA;
- the funding and allocation of grants to the NDA by the Secretary of State in accordance with the relevant sections of the Energy Act 2004;
- establishment and agreement of corporate and business plans with appropriate objectives and performance targets along with the identification of risks that may prevent delivery of the plan including contingent liabilities;
- regular progress reports and monitoring information on performance and finance which are reviewed at quarterly accountability meetings together with any other issues or significant problems, whether financial or otherwise; and
- copies of all internal audit reports, the corporate risk register and risk action programmes have been provided to the Department.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control that I take responsibility for has been in place in the Authority for the period commencing 1 April 2006 to the year ending 31 March 2007 and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury guidance.

CAPACITY TO HANDLE RISK

The Authority's risk management strategy has been determined and endorsed by myself, the Audit Committee and Board, all of whom are actively involved in the risk management process and have been instrumental in the development and endorsement of both the Risk Policy and Internal Audit Policy and Strategy.

This statement covers the period between 1 April 2006 and 31 March 2007 and up to the date of approval of the Annual Report and Accounts. The NDA's capacity to handle risk is influenced by the existence of a complex governance structure where decommissioning and commercial operations and NDA transactions are undertaken under contract by site licensees.

The NDA, in its second year of operation, is still maturing as a Non Departmental Public Body (NDPB) and management by risk assessment is at the forefront of the management style being promulgated by myself and my management team.

The Authority's risk management philosophy is supported by the policy, process and procedure documents which are held on the Authority's Electronic Document Management System and are accessible to all staff. In addition, the NDA continues to train and induct all new employees on risk management.

The policy sets out the Authority's attitude to risk and defines roles and responsibilities throughout the organisation. Overall responsibility for risk management lies with myself as Chief Executive and this responsibility is discharged by the management team and NDA staff taking 'ownership' of any risks that lie within their domain. The Head of Risk facilitates the effective management of risk and continues to develop and enhance the infrastructure to support and embed and report on risk management at every level of the business.

THE RISK, CONTROL AND ASSURANCE FRAMEWORK

The risk strategy for the period concerned was predominantly focused on embedding the NDA as a fully functioning NDPB by gaining an increased level of understanding of the risks associated with all aspects of the NDA's responsibilities, which includes the full nuclear estate managed on our behalf by site licensees.

The key elements of this strategy include:

- embedding the risk register setting out the risks in each work stream with a ranking based on the probability of those risks occurring and an assessment of their potential impact. The control strategies/risk mitigation are recorded against each risk;
- to ensure ownership, in every area of the business, and that the risks are allocated to permit clear responsibility for controls and action plans;
- the embedding of the risk management framework, including the work of the Executive Risk Management Committee, chaired by myself, with the objective of embedding the comprehensive risk management processes throughout the NDA, including the monitoring of compliance against internal control measures;
- stakeholder engagement, in terms of the site licensees, is a key aspect of the operation of the NDA. The NDA relies on site licensees to manage effectively the risks relating to all of their operations and therefore has close synergy and clear escalation routes in relation to risks emerging from these key stakeholders; and
- all matters referred to the Board for approval included a risk assessment and associated mitigation action.

In addition, the NDA has continued to develop and enhance arrangements to provide assurance on the adequacy of the governance arrangements, encompassing the relationship with the Department and the Scottish Executive, and our relationship with the site licensees, which form part of the control framework.

These include:

- an NDA regional structure including a Regional Director, supported by site-facing teams encompassing programmes, commercial and support services, whose role has been to manage contractual arrangements and associated costs. This structure has been reviewed for appropriateness as the organisation moves into the broader competition environment, with all changes and modifications to the structure effective from 1 April 2007;
- management information from sites on the financial position, performance and programme status is a standing item for the Business Management Board and is considered regularly by the NDA Board;
- in response to issues raised in the 2005/6 NAO management letter, created nine new Site Licence Company (SLC) facing Finance Manager posts to strengthen the oversight and interface on site financial matters; and
- working protocols between NDA Internal Audit and the site licensees' Internal Audit functions, which allows for an independent review of their assurance work programme. This has also been reviewed during the period and has resulted in development of a Governance and Assurance Interface Procedure that will be applicable across the site licensees, and Parent Body Organisations (PBOs) as we move into an increased competitive environment.

REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive Risk Management Committee has been reviewed and continues to be chaired by myself and consists of the Executive Directors, the Head of Risk and the Head of Internal Audit. The committee now meets bi-monthly, although reports are produced, circulated and reviewed by the committee members on a monthly basis. The committee reviews reports from the Risk Management Forum before reporting upwards to the Audit Committee and this is considered to be an integral part of the Authority's Risk Management Framework.

The following review and assurance mechanisms have been operational during the period:

- an Internal Audit unit, operating to the requirements defined in the Government Internal Audit Standards. The Internal Audit mandate is to look across management systems as a whole and as such has developed and delivered a robust Internal Audit plan to assess the effectiveness of the internal controls both within the Authority and its contracted site licensees. The audit programme is focused around key risks with additional input from Functional Management Teams and the Business Management Board and is endorsed by the Audit Committee. Regular reports are submitted to the Audit Committee on the adequacy and effectiveness of internal control, together with recommendations for improvements. The Head of Internal Audit also provides an annual report, which contains an independent opinion on the adequacy and effectiveness of internal control across the Authority;
- a level of assurance has been gained from the site licensees through visibility of and a degree of influence over their Internal Audit work programmes. Protocols are also in place to enable, where necessary, joint audit work and arrangement which have been utilised on a number of occasions. This has enabled our Internal Audit to provide an opinion in the Annual Audit Report on the Internal Audit arrangements within the site licensees. No substantial issues have been identified and action plans are in place to address those issues which have arisen;
- the continuous development and improvement of the Quality Management System to provide an effective framework for the recording and control of the business policies, processes and procedures. This system has been subjected to both internal and external audit throughout the 2006/7 financial year, resulting from which the NDA became ISO9001 accredited with effect from 20 October 2006;
- this accreditation is subject to periodic external review and mechanisms are in place to ensure that the Quality Management System remains robust;
- the adoption of a set of eight high level objectives which have subsequently been cascaded to be included in departmental and individual objectives;
- the establishment of a policy of assessing and adopting 'good practice' when undertaking system review's. This also includes the use of benchmarking to support process improvements;
- a comprehensive review of the risk register by the Executive Risk Management Committee continues to be undertaken at least twice yearly; and
- all papers submitted to the Board for consideration, follow a standard template which includes a section for risk identification and if appropriate, risk analysis.

In relation to UK Nirex Limited, I have gained assurance on the robustness of internal control prior to 30 November 2006 by a number of means, including consideration of the work carried out by the UK Nirex Limited Board of Directors to discharge their responsibility for reviewing the effectiveness of internal controls during the year. These reviews included but are not exclusive to financial and operational compliance and risk management processes. In addition, at the time of transfer of UK Nirex Limited shares to the NDA, a number of due diligence exercises were instigated in order to gain an understanding of the governance processes and procedures in place within Nirex; to gain a level of assurance that all processes are effectively managed and controlled; and that they establish and share good working practices.

Based on the Internal Audit programme of work performed during the financial year, Internal Audit concluded that the systems of control, subject to review, were generally satisfactory and that the NDA has a sound risk management framework in place to support effective Corporate Governance.

The areas where there was one or more weakness in control or significant departure from policies or procedures that individually or taken together seriously endangered the achievement of key business objectives, were in relation to the following:

- policy and consistency regarding the use of interims, agency staff and consultants within the NDA;
- NDA oversight and review of historic commercial contracts (i.e. those in place prior to the inception of the NDA);
- governance arrangements for the Competition Programme, specifically separation of the programme boards for competition and restructuring phases, membership of these boards, and procedures for public release of information on the competition process;
- clear and unambiguous interpretation of the NDA's corporate targets, supported and approved by members of the BMB, NDA Board and the Remuneration Committee;
- improvement in the NDA's procedure for issuing contractual requirements (including Programme Controls Procedures (PCPs) and associated guidance) to site licensees, compliance with these procedures and the system of document management for these within the NDA;
- processes by which the NDA sets Performance Based Incentives (PBIs) and reviews and approves achievement against these;
- governance arrangements around the efficiency scheme, specifically an agreed timetable and action plan for delivery, internal audit review and implementation of audit recommendations;
- securing the site licensees' skills base to meet the intellectual property requirements of the management and operation (M&O) contracts and having the systems and processes in place to meet the knowledge management requirements of the NDA's estate as competition and decommissioning moves forward; and
- project cost controls and compliance with the Official Journal of the European Union (OJEU) procurement legislation (specifically highlighted in relation to the UKAEA restructuring project).

All Audit recommendations have been accepted by Senior Management and action plans put in place to address the weaknesses identified. Systems are in place to follow up these action plans and report progress to the Audit Committee.

In addition, during 2006/7, the NDA has also built its capacity to effectively manage its remit to oversee nuclear decommissioning through other parties in the following ways:

- continuous improvement, which included additional procedures to increase validation of financial information and ultimately, overall knowledge and understanding of transactions and information pertaining to the NDA's financial accounts; and
- continuous engagement with site licensees to ensure the robustness of the nuclear liabilities estimate through the Life Cycle Baseline improvement (LCBLi) process and work performed to establish and embed improvements, which include enhanced risk assessment.

Dr Ian Roxburgh
Chief Executive and Accounting Officer
18 September 2007

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

I certify that I have audited the financial statements of the Nuclear Decommissioning Authority for the year ended 31 March 2007 under the Energy Act 2004. These comprise the Consolidated Income and Expenditure Account, Balance Sheets, Consolidated Statement of Recognised Gains and Losses, and the Consolidated Cashflow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE NUCLEAR DECOMMISSIONING AUTHORITY, ACCOUNTING OFFICER AND AUDITOR

The Nuclear Decommissioning Authority and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Energy Act 2004 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Nuclear Decommissioning Authority and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Energy Act 2004 and Secretary of State directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Financial Review and Directors' Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Nuclear Decommissioning Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Nuclear Decommissioning Authority's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Nuclear Decommissioning Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Nuclear Decommissioning Authority and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Nuclear Decommissioning 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

AUDIT OPINION

In my opinion:

- the financial statements give a true and fair view, in accordance with the Energy Act 2004 and directions made thereunder by the Secretary of State, of the state of the Nuclear Decommissioning Authority's affairs as at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Energy Act 2004 and Secretary of State directions made thereunder; and
- information given within the Annual Report, which comprises the Financial Review and Directors' Report is consistent with the financial statements.

AUDIT OPINION ON REGULARITY

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

EMPHASIS OF MATTER – NUCLEAR PROVISIONS

Without qualifying my opinion I draw attention to the disclosures made in note 27 concerning the uncertainties in the likely costs in respect of the Nuclear Decommissioning Authority's nuclear liabilities totalling £37.036 billion. It is not possible to quantify reliably the impact on the Nuclear Decommissioning Authority's future financial results of the settlement of these liabilities.

REPORT

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
24 September 2007

The maintenance and integrity of the NDA's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Consolidated Income & Expenditure Account

Year ended 31 March 2007

	Note	31 Mar 2007 £m	Restated 31 Mar 2006 £m
Income	4	1,206	1,213
Expenditure			
Exceptional operating costs and expenses	5	-	(1,550)
Other operating costs and expenses	6	(7,249)	(5,773)
Total operating costs		(7,249)	(7,323)
Deficit from ordinary activities before financing		(6,043)	(6,110)
Net financing charges	8	(1,765)	(1,295)
Deficit from ordinary activities before taxation		(7,808)	(7,405)
Tax on deficit from ordinary activities	9	-	10
Notional Cost of Capital Credit	10	1,160	913
Deficit from ordinary activities after taxation and notional cost of capital		(6,648)	(6,482)
Reversal of Notional Cost of Capital Credit	10	(1,160)	(913)
Deficit for the year		**(7,808)**	(7,395)

All amounts derive from continuing operations.

The Accounts to 31 March 2006 have been restated to take into account the acquisition of UK Nirex Limited as explained in note 2.

Consolidated Statement of Recognised Gains and Losses

Year ended 31 March 2007

	Note	31 Mar 2007 £m	31 Mar 2006 £m
Unrealised surplus on revaluation of tangible fixed assets	13	12	3
Actuarial loss on pension scheme	30	(3)	-
Recognised gains and losses relating to the year	31	**9**	3

The related notes numbered 1 to 39 form part of these Accounts.

Balance Sheet

As at 31 March 2007

	Note	NDA Group 31 March 2007 £m	NDA Group Restated 31 March 2006 £m	Authority 31 March 2007 £m	Authority 31 March 2006 £m
Fixed assets					
Intangible assets	12	1	-	1	-
Tangible assets	13	4,009	5,305	3,862	5,189
Investments	14	-	-	197	197
		4,010	5,305	**4,060**	5,386
Current assets					
Stocks	16	153	151	151	149
Debtors: amounts falling due within one year	17	434	704	517	751
Debtors: amounts falling due after more than one year	17	50	37	50	37
Customer recoverable relating to nuclear liabilities falling due within one year	18	12	271	12	271
Customer recoverable relating to nuclear liabilities falling due after more than one year	18	4,068	1,583	4,068	1,583
Investments	19	235	201	-	-
Cash at bank and in hand	20	82	206	56	169
		5,034	3,153	4,854	2,960
Creditors: amounts falling due within one year	21	(946)	(978)	(915)	(954)
Net current assets		4,088	2,175	3,939	2,006
Total assets less current liabilities		8,098	7,480	7,999	7,392
Creditors: amounts falling due after more than one year					
Deferred income (including non-equity interests)	22	(4,809)	(4,670)	(4,807)	(4,669)
Nuclear liabilities	27	(37,036)	(30,575)	(36,982)	(30,524)
Other provisions for liabilities and charges	29	(2,634)	(1,941)	(2,619)	(1,928)
Total creditors due after more than one year		(44,479)	(37,186)	(44,408)	(37,121)
Net liabilities before pension asset		(36,381)	(29,706)	(36,409)	(29,729)
Pension asset	30	1	-	-	-
Net liabilities including pension asset	31	**(36,380)**	(29,706)	**(36,409)**	(29,729)
Reserves					
Transfer reserve	31	(23,066)	(23,082)	(23,071)	(23,086)
Revaluation reserve	31	15	3	13	1
General reserve	31	(13,329)	(6,627)	(13,351)	(6,644)
Total government funds		**(36,380)**	(29,706)	**(36,409)**	(29,729)

The related notes numbered 1 to 39 form part of these Accounts. Authority refers to the balances within the NDA itself, with NDA Group balances incorporating the Authority and its wholly owned subsidiaries and quasi-subsidiaries. The Accounts to 31 March 2006 have been restated to take into account the acquisition of UK Nirex Limited as explained in note 2.

The Accounts were signed off on behalf of the directors on 18 September 2007.

Dr Ian Roxburgh Chief Executive and Accounting Officer 18 September 2007

Consolidated Cash Flow Statement

Year ended
31 March 2007

	Note	31 Mar 2007 £m	Restated 31 Mar 2006 £m
Net cash outflow from operating activities	32	(850)	(783)
Net cash inflow from returns on investment and servicing of finance			
Investment income		13	13
Interest received		5	1
Taxation		2	(2)
Net cash outflow from capital expenditure			
Purchase of tangible fixed assets		(368)	(291)
Net cash outflow from management of liquid resources			
Investment in short-term deposits		(34)	(5)
Financing			
Grant-in-Aid received		1,108	773
Decrease in cash in the year		**(124)**	(294)

The related notes numbered 1 to 39 form part of these Accounts.

The restatement relates to the acquisition of UK Nirex Limited as explained in note 2.

Notes to the Accounts

Year ended
31 March 2007

1. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared under the accounts direction issued by the Secretary of State for the Department for Business, Enterprise and Regulatory Reform (BERR) in accordance with section 26 of the Energy Act 2004. The accounts direction requires compliance with HM Treasury's Financial Reporting Manual (FReM) and any other guidance which HM Treasury may issue. The Financial Reporting Manual includes specific direction in respect of the accounting for Modified Historical Cost Accounting (MHCA). This treatment is explained more fully under the relevant accounting policies in section 1(e) below. The financial statements also comply with generally accepted accounting practices in the United Kingdom (UK GAAP) to the extent that it is meaningful and appropriate in the public sector context. The financial statements have been prepared under the historical cost convention modified to account for the revaluation of intangible and tangible fixed assets, except waste management assets, at their value to the business.

The consolidated Balance Sheet at 31 March 2007 shows net liabilities of £36,380 million. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the NDA's other sources of income, may only be met by future grants or Grants-in-Aid from the NDA's sponsoring department, the Department for Business, Enterprise and Regulatory Reform (the Department). Under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need. Grant-in-Aid for 2007/8, taking into account the amounts required to meet the NDA's liabilities falling due in this year, has already been included in the Department's estimates, which have been approved by Parliament. There is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

b. Basis of Consolidation

The Consolidated Income and Expenditure Account, Consolidated Statement of Recognised Gains and Losses, Balance Sheets, Consolidated Cash Flow Statement and notes 1 to 39 form the Accounts of the NDA and of its subsidiary undertakings and quasi-subsidiaries for the period ended 31 March 2007. Intra-group transactions and profits are eliminated fully on consolidation.

All consolidated entities in the NDA Group follow UK GAAP applied in accordance with the FReM.

c. Intangible Fixed Assets

Intangible fixed assets comprise software licences and patents and are valued at historical cost less any required impairment adjustment and are amortised over their useful economic life, unless material, in which case MHCA principles are applied.

d. Goodwill

Goodwill arising on acquisitions represents the difference between the fair value of the consideration at acquisition and the fair value of the identifiable net assets acquired. Goodwill is capitalised as an intangible asset on the Consolidated Balance Sheet and is amortised over 20 years.

e. Tangible Fixed Assets

Tangible fixed assets include assets purchased directly by the NDA and assets for which the legal title transferred to the NDA under Transfer Scheme arrangements pursuant to the Energy Act 2004 (note 3). Title to certain assets designated under the Energy Act 2004 had not yet been passed to the NDA at the year end. The directors of the NDA believe that the NDA had the risks and rewards of ownership of those assets and consequently it is recognising them under Financial Reporting Standard 5 'Reporting the Substance of Transactions'.

In accordance with the requirements of the Government Financial Reporting Manual, tangible fixed assets should be valued at the lower of replacement cost and recoverable amount, which is the higher of net realisable value or value in use.

In accordance with the Secretary of State's Accounts Direction, waste management assets are excluded from this requirement as there is no reliable and cost effective revaluation methodology. Waste management assets are therefore stated at historical cost, less accumulated depreciation and any impairment charges.

Assets used to support commercial activities are valued at their value in use to the relevant activity. Properties outside the site licence boundary, other than strategic assets, are revalued periodically, strategic assets are not revalued in line with the treatment of waste management assets.

For economic facilities that have been commissioned, decommissioning provisions are recognised in full and the discounted costs are capitalised as part of the costs of the asset and depreciated over the life of the plant.

Depreciation is calculated so as to write off the cost or valuation of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful lives of the assets as follows:–

Land	Not depreciated
Buildings	10 to 60 years
Fixtures and fittings	3 to 10 years
IT equipment	3 years
Plant and equipment	10 to 20 years
Transport equipment	4 to 14 years

Commercial and waste management assets are depreciated over the programme life of each specific asset.

Assets under construction are not depreciated until brought into use.

The carrying values of tangible fixed assets, including assets under construction, are reviewed for impairment if events or changes in circumstances indicate that a provision for impairment may be required. Residual values are calculated at the prices prevailing at the date of acquisition or revaluation.

f. Fixed Asset Investments

Fixed asset investments comprise investments in subsidiaries and quasi-subsidiaries. Investments are stated at cost less provision for any impairment. The carrying values of investments are reviewed for impairment if events or changes in circumstances indicate that a provision for impairment may be required.

g. Current Asset Investments

Current asset investments are stated at market value, which is calculated using mid-market prices at the balance sheet date. The gains or losses on the change in market values and on disposal of investments are taken to the Income and Expenditure Account. Gains in market values are only recognised to the extent that they represent reversals of previous impairment losses.

h. Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is the actual or estimated selling price (net of trade but before settlement discounts) less all further costs to completion and all costs to be incurred in marketing, selling and distributing. Work in progress is valued at cost, less the cost of work invoiced on incomplete contracts and less foreseeable losses. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks. plutonium and uranium stocks are held at nil value.

i. Pension Costs

Authority employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), defined benefit scheme that is unfunded and largely non-contributory. The Authority recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is not the responsibility of the NDA.

Employees of the subsidiary Direct Rail Services (DRS) Limited are members of the BNFL Group Pension Scheme (GRS). This has been accounted for under FRS17 as a defined benefit scheme. However, as the scheme was only sectionalised on 31 March 2007 there is no charge or credit against the operating profit, other finance income or cost and the statement of recognised gains and losses. In addition there is no history of experience gains and losses to report in respect of DRS's section of the GPS.

Employees of the subsidiary UK Nirex Limited were members of the Nirex Pension Scheme. This has been accounted for under FRS17 as a defined benefit scheme. The UK Nirex Limited employees have subsequently transferred to the NDA and are now members of the PCSPS for their future service.

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

j. Income

Income represents the total value, excluding VAT and intra-group sales, of products delivered and services rendered to customers, rental income receivable and the value of long term contract work completed during the year. Income received in advance of work performed is held on the Balance Sheet and released to the Income and Expenditure Account when the work is completed and the liability extinguished.

k. Long-term Contracts

Income 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. Full provision is made for losses on contracts in the year in which they are first identified (note 29). Amounts recoverable on long-term contracts (which are included in debtors) are stated at the net sales value of work done less amounts received as progress payments on account and any associated contract loss provisions. The amount by which payments on account exceed turnover is shown under creditors as payments on account (see note 21 and 22) and is presented net of amounts recoverable on contracts and any associated contract loss provisions.

l. Foreign Currency

All transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date the transaction takes place or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. All foreign exchange differences are taken to the income and expenditure account in the year in which they arise. Forward exchange contracts are used to reduce exposure to foreign exchange risk. The NDA does not hold forward exchange contracts for speculative purposes.

m. Derivatives and other Financial Instruments

Through the Management Options (M&O) contracts with the site licensees, the NDA entered into contracts to sell electricity generated by its power stations. Since the year end the NDA now enters into these contracts directly having taken on the work of ESTL. The principal contracts for physical delivery are accounted for either on the spot or forward price, depending on the nature of the contract. Gains and losses are recognised when the hedged transaction takes place. For more details on derivatives and other financial instruments, see note 35.

n. Leases

Costs in respect of operating leases are charged on a straight-line basis over the life of the lease in accordance with Statement of Standard Accounting Practice 21 'Accounting for Leases and Hire Purchase Contracts'.

o. Provisions

Non-Nuclear Provisions

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

Nuclear Provisions

The Accounts include provisions for the NDA's obligations in respect of nuclear liabilities, being the costs associated with the nuclear decommissioning of designated sites. These provisions are based on the Lifetime Plan (LTP) for the designated sites, being the latest available technical assessments of the processes and methods likely to be used in the future and represent best estimates of future required work. The NDA's obligations are reviewed on a continual basis and estimates and hence provisions are updated accordingly. Where some or all of the expenditure required to settle a provision is expected to be recovered from a third party, in accordance with Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets', the recoverable amount is treated as a fixed or current asset. In the Income and Expenditure Account, the provisions charges are net of recoveries from customers. Full provision is made for the NDA's nuclear liabilities and changes are accounted for in the year in which they arise.

The provision and recoverable balances are expressed at current price levels and discounted at 2.2%, the 2006/7 (2005/6 2.2%) rate specified by HM Treasury, to take account of the time value of money for the very long timescales over which work will be carried out, currently expected to be over 100 years. The financing charges in the Income and Expenditure Account include the adjustments to amortise one year's discount and restate the liabilities to current price levels.

p. Research and Development Expenditure

Research and development expenditure on projects not specifically recoverable directly from customers is charged to the Income and Expenditure Account in the year in which it is incurred (note 6).

q. Taxation

Current tax

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable surplus and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surplus from which a future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Value Added Tax (VAT)

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

i. Irrecoverable VAT is charged to the Income and Expenditure Account, and included under the heading relevant to the type of expenditure;

ii. Irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset;

The net amount due to, or from, HM Revenue & Customs in respect of VAT is included within the debtors and creditors within the balance sheet.

r. Cost of Capital

Treasury guidance requires that Non-Departmental Public Bodies disclose the full cost of their activities, and therefore the Income and Expenditure Account includes any notional costs as well as those actually incurred. A notional charge or credit is made for the cost of capital, which is calculated at 3.5% (the rate set by HM Treasury) of the average capital employed. For this purpose, capital employed is defined as comprising capital loans (including the current portion of capital loans included in creditors: amounts falling due within one year), reserves and Income and Expenditure Account. The notional cost of capital is abated by any actual interest incurred or received during the year.

Any cash balance held with the Office of Paymaster General is at nil rate.

s. Grant-in-Aid

In accordance with HM Treasury's Financial Reporting Manual the NDA prepares its accounts showing Grant-in-Aid received from the Department as credited to income and expenditure reserves as financing. This change in accounting policy was first reflected in the 2005/6 NDA figures in accordance with accounting direction received.

2. ACQUISITION OF UK NIREX LIMITED

On 30 November 2006 the NDA acquired the shares in United Kingdom Nirex Limited in accordance with a direction issued by the Secretary of State. This acquisition has been treated as a Machinery of Government transfer in accordance with the FReM, and accounted for under the merger accounting principles of Financial Reporting Standard 6 'Acquisitions and Mergers'. The prior year figures in the Income and Expenditure Account, Cashflow Statement and Balance Sheet have been restated to include United Kingdom Nirex Limited.

	Acquisition of UK Nirex Ltd £m
Debtors – amounts < 1 year	1
Cash at bank and in hand	4
Creditors: amounts falling due within 1 year	(2)
Net current assets	3
Total assets less current liabilities	3
Nuclear liabilities	(1)
Total creditors due after more than one year	(1)
Net (liabilities)/assets	**2**
General Reserve	(2)
Transfer Reserve	4
	2

3. CHANGE IN ACCOUNTS PRESENTATION

On 1 April 2005 certain account balances were transferred from BNFL to the NDA under the direction of the Energy Act 2004. In conjunction with the transfer of assets and liabilities from BNFL, in substance the NDA assumed ownership of certain UKAEA assets and the associated nuclear liabilities, again under the direction from the Energy Act 2004, applying FRS5. Details of the nature of these transfers and the assets and liabilities adopted at 1 April 2005 were provided in the NDA's accounts for the year ended 31 March 2006. The balances were accounted for using merger accounting, in accordance with the FReM and FRS6.

Subsequent to 1 April 2006 the NDA has revisited the accounting policies applied to and the presentation of these balances and has concluded that clearer and more appropriate presentation can be achieved as follows:

a) Spent Fuel Obligation Recognition Date. The obligation to reprocess/store spent fuel was previously recognised when the fuel reprocessing cycle started. Following further consideration of the NDA's responsibility to reprocess this fuel, it has been concluded that there is a constructive obligation to store/reprocess this fuel once it is received on site at Sellafield or, in some cases, loaded into the reactor. Whilst not leading to a change in net assets, this change in the recognition of the obligation date has resulted in an increase in the provision, with the corresponding costs being held as an asset on the balance sheet as Customer Recoverable Relating to Nuclear Liability. Further details on the impact on the nuclear provision are given in note 27.

b) Decommissioning costs provided for and recoverable under contract.
Certain of the FRS12 Fixed Asset balances are recoverable under contract from customers. The depreciation policy relating to those assets has been reviewed and brought into line with the depreciation policy relating to the underlying fixed asset. This has resulted in a depreciation charge of £1,419 million for the year, with a corresponding increase in the Customer Recoverable Relating to Nuclear Liability balance within current assets.

c) FRS12 fixed assets relating to clean up assets. FRS12 states that where the cost of decommissioning provides long term economic benefit, such as in relation to commercial plants, the provision charge should be recorded as an asset and released as the benefit is derived. However, to the extent that these balances relate to clean up or research assets that have no association with commercial plant and have no other economic benefit to the NDA in relation to its principal function of decommissioning then no FRS12 fixed asset should be recognised. However a detailed fixed asset analysis has now indicated that in earlier years FRS12 assets have been recognised for the anticipated decommissioning cost of certain "non-income generating assets". In the year ended 31 March 2007 these asset balances have been written off to the income statement, with a corresponding release of the related accumulated depreciation.

The effect of the above adjustments on the previously adopted figures is shown in the following table:

	Obligation Date Change £m	Decommissioning Cost Recoverable under Contract £m	FRS 12 Clean up Assets £m	After Presentation Change 31 Mar 07 £m
Fixed Asset				
- Cost			(1,943)	14,786
- Depreciation		(1,419)	1,943	(10,777)
Customer Recoverable Relating to Nuclear Liability	588	1,419		4,080
Nuclear Provision	(588)			(37,036)

4. INCOME

	31 Mar 2007 £m	Restated 31 Mar 2006 £m
Operating income	1,204	1,212
Rental income	2	1
	1,206	1,213

5. EXCEPTIONAL OPERATING COSTS AND EXPENSES REPORTED BEFORE OPERATING DEFICIT

	31 Mar 2007 £m	31 Mar 2006 £m
Impairment of fixed assets (see note a below)	-	955
Release of impairment (see note a below)	-	(383)
Charge due to change in basis of accounting estimates for nuclear provisions (see note b below)	-	978
	-	1,550

a) Exceptional impairment of fixed assets related to Sellafield Mox Plant, Sellafield Drypac and Box Encapsulation Plants (SMP, SDP and BEP) and the Business Technology Centre (BTC), and is shown net of the corresponding release of provisions.

b) Exceptional charge due to change in basis of accounting estimates for nuclear provisions consequent upon use of 2.2% discount rate for liabilities, as prescribed by the Treasury, and adoption of NDA provisioning methodology last year.

6. OTHER OPERATING COSTS AND EXPENSES

	Note	31 Mar 2007 £m	Restated 31 Mar 2006 £m
Contractor costs (net)		2,192	2,022
Less: Contractor costs capitalised		(362)	(277)
Trading costs		171	133
M&O Contractor Fees		128	86
Staff costs	7	50	43
Skills & socio-economic development programme		23	9
Administration costs		25	40
Insurance		20	16
Auditors' remuneration - audit fees*		1	1
Research and development costs		13	11
Other operating costs		33	17
Depreciation of tangible fixed assets	13	419	331
Impairment of tangible fixed assets	13	36	48
Impairment of intangible fixed assets	12	-	28
Nuclear liability charge		3,842	2,736
Non-nuclear provision charge	29	658	529
		7,249	5,773

*The fee payable to the National Audit Office in respect of the external audit for the NDA Authority and the consolidation for 2006/7 will be £800,000 (2005/6 - £743,000).

7. STAFF COSTS

	NDA Group		Authority	
	31 Mar 2007 £m	Restated 31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Wages and salaries	36	29	16	11
Social security costs	4	2	2	1
Pension costs (see note 30)	6	4	3	2
Total permanent staff	**46**	35	**21**	14
Interim and contracted staff	4	8	3	8
Total staff costs	**50**	43	**24**	22

Directors' emoluments can be seen in the remuneration report on page 112.

The average full time equivalent NDA staff during the year was:

	NDA Group		Authority	
	31 Mar 2007 No.	Restated 31 Mar 2006 No.	31 Mar 2007 No.	31 Mar 2006 No.
Directors	5	5	5	5
Other staff	645	445	198	147
Quasi-subsidiaries	13	131	-	-
Total staff	663	581	203	152
Interim and contracted staff	42	23	31	23
	705	604	**234**	175

8. NET FINANCING CHARGES

	31 Mar 2007 £m	31 Mar 2006 £m
Financing charges		
Revalorisation of nuclear liabilities:		
- Changes in price levels	976	769
- Unwinding of one year's discount	535	421
	1,511	1,190
- Top up of advance payments	155	101
	1,666	1,291
Revalorisation of other provisions:		
- Changes in price levels	78	-
- Unwinding of one year's discount	40	18
	1,784	1,309
Interest receivable and other income		
Investment income	(13)	(13)
Interest receivable and other income	(6)	(1)
	1,765	1,295

9. TAXATION

a) Analysis of tax charge or credit in the year	31 Mar 2007 £m	31 Mar 2006 £m
Current tax		
UK corporation tax for the current year at 30%	-	-
Deferred tax		
Under/(over) provision in respect of prior years	-	(10)
Tax on deficit on ordinary activities	**-**	(10)

b) Factors affecting the tax credit for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

	31 Mar 2007 £m	31 Mar 2006 £m
Deficit on ordinary activities before tax	(7,808)	(7,405)
Deficit on ordinary activities before tax at the UK standard rate of corporation tax of 30%	(2,342)	(2,222)
Effects of:		
Income which qualifies for statutory exemptions	2,198	2,238
Capital allowances for the year in excess of depreciation	(111)	(22)
Unutilised losses	255	6
Current tax charge for the year	**-**	-

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

There were no outstanding corporation tax balances at 31 March 2007. The corporation tax debtor of £2 million recognised at 31 March 2006 reflected the refund due of payments on account which were repaid during the year.

10. NOTIONAL COST OF CAPITAL CREDIT

	31 Mar 2007 £m	31 Mar 2006 £m
Notional cost of capital credit	**1,160**	913

Notional interest is calculated at 3.5% on the average capital employed during the year as prescribed by Government.

11. DEFICIT ATTRIBUTABLE TO THE AUTHORITY

As a Consolidated Income and Expenditure Account is included in these Accounts, the Authority's individual Income and Expenditure Account has not been included in accordance with Section 230 of the Companies Act. The result for the financial year of the Authority was a deficit of £7,813 million (see note 31).

12. INTANGIBLE FIXED ASSETS

	NDA Group and Authority £m
Cost	
At 31 March 2006	34
Additions	1
At 31 March 2007	**35**
Amortisation	
At 31 March 2006	(34)
Charge	-
At 31 March 2007	**(34)**
Net book value	
At 31 March 2007	1
At 31 March 2006	-

13. TANGIBLE FIXED ASSETS

	Land & Buildings - Freehold £m	Land & Buildings - Leasehold £m	IT Equipment £m	Fixtures & Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets Under Construction £m	Capitalised Decommissioning Costs £m	Total £m
NDA Group									
Cost or valuation									
At 1 April 2006	3,692	6	4	110	5,177	40	1,540	6,111	16,680
Additions (c)	6	-	2	1	10	-	349	185	553
Reclassifications (d)	(144)	54	2	9	(328)	1	(70)	(1,943)	(2,419)
Disposals	(4)	(1)	-	(3)	-	(29)	(1)	(2)	(40)
Revaluations (c)	12	-	-	-	-	-	-	-	12
At 31 March 2007	3,562	59	8	117	4,859	12	1,818	4,351	**14,786**
Depreciation & impairment									
At 1 April 2006	(2,519)	(2)	(1)	(103)	(4,035)	(22)	(583)	(4,110)	(11,375)
Charge in year	(143)	(1)	(1)	(2)	(197)	(1)	-	(1,493)	(1,838)
Reclassification (d)	136	(20)	(2)	(11)	363	11	19	1,945	2,441
Disposals	4	-	-	3	22	1	1	-	31
Impairments	(3)	-	(1)	-	(20)	-	(12)	-	(36)
Revaluations	-	-	-	-	-	-	-	-	-
At 31 March 2007	(2,525)	(23)	(5)	(113)	(3,867)	(11)	(575)	(3,658)	**(10,777)**
Net book value									
At 31 March 2007	1,037	36	3	4	992	1	1,243	693	4,009
At 31 March 2006	1,173	4	3	7	1,142	18	957	2,001	5,305
Net book value at 31 Mar 2007 represented by									
Valuation	794	-	-	-	2	-	359	-	1,155
Cost	243	36	3	4	990	1	884	693	2,854
	1,037	36	3	4	992	1	1,243	693	**4,009**
Authority									
Cost or valuation									
At 1 April 2006	3,692	4	4	109	5,001	14	1,527	6,061	16,412
Additions (c)	6	-	2	-	10	-	314	181	513
Reclassifications (d)	(144)	50	2	9	(332)	(1)	(66)	(1,943)	(2,425)
Disposals	(4)	(1)	-	(4)	(22)	(1)	(1)	(2)	(35)
Revaluations (c)	12	-	-	-	-	-	-	-	12
At 31 March 2007	3,562	53	8	114	4,657	12	1,774	4,297	**14,477**
Depreciation & impairment									
At 1 April 2006	(2,519)	(1)	(1)	(102)	(3,895)	(12)	(583)	(4,110)	(11,223)
Charge in year	(142)	(1)	(1)	(2)	(189)	(1)	-	(1,493)	(1,829)
Reclassification (d)	136	(18)	(2)	(10)	371	1	18	1,946	2,442
Disposals	4	-	-	3	22	1	1	-	31
Impairments	(3)	-	(1)	-	(20)	-	(12)	-	(36)
Revaluations	-	-	-	-	-	-	-	-	-
At 31 March 2007	(2,524)	(20)	(5)	(111)	(3,711)	(11)	(576)	(3,657)	**(10,615)**
Net book value									
At 31 March 2007	1,038	33	3	3	946	1	1,198	640	3,862
At 31 March 2006	1,173	3	3	7	1,106	2	944	1,951	5,189
Net book value at 31 Mar 2007 represented by									
Valuation	794	-	-	-	-	-	359	-	1,153
Cost	244	33	3	3	946	1	839	640	2,709
	1,038	33	3	3	946	1	1,198	640	**3,862**

(a) Through the application of Modified Historical Cost Accounting (MHCA) principles the NDA's assets used to support commercial activities have been revalued at 31 March 2007 by our property agent. The exception is the valuation of the THORP plant where this represents the NDA's best estimate of the value in use of that asset. In accordance with the Secretary of State's Accounts Direction waste management assets have not been revalued.

(b) Non-strategic assets outside the site licence boundary have been valued at current open market value, as defined by the International Standards Committee and outlined by the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual, with any surplus on the revaluation taken to the revaluation reserve. The valuation was carried out by David M Atkinson, who is a NDA employee and Member of the Royal Institute of Chartered Surveyors.

(c) In accordance with the Energy Act 2004, the NDA recognised that it had a constructive obligation under Financial Reporting Standard 5 'Reporting the Substance of Transactions' to account for certain of the assets and liabilities owned by UKAEA. Accordingly, the value of these assets and liabilities were disclosed in the 2005/ 6 Accounts, although legal title had not passed to the NDA. Subsequently details of the assets being transferred have been finalised to allow the transfer scheme to take place on 1 April 2007. This has resulted in changes of £24m to the value of Fixed Assets transferred from UKAEA reported in the 2005/6 Accounts, and this change is included in note 13 above, with £12m of Fixed Asset additions and £12m revaluation of Fixed Assets.

(d) A detailed fixed asset analysis has indicated that in earlier years FRS12 assets have been recognised for the anticipated decommissioning cost of certain "non-income generating assets'. In the year ended 31 March 2007 these asset balances have been written off to the income statement, with a corresponding release of the related accumulated depreciation (see note 3). This is shown in note 13 as a reclassification.

14. FIXED ASSET INVESTMENTS

Shares in subsidiaries and quasi-subsidiaries:

	Authority	
	31 Mar 2007 £m	31 Mar 2006 £m
Cost and net book value	**197**	197

Subsidiary undertakings

Rutherford Indemnity Limited, incorporated in Guernsey, is a wholly owned subsidiary of the NDA. The principal activity of this company is nuclear insurance. On 31 March 2007 the wholly owned company Hinton Insurance Limited, incorporated in Guernsey was amalgamated into Rutherford Indemnity Limited.

Direct Rail Services Limited is wholly owned by the NDA. Its purpose is to provide rail transport services within the UK and it is incorporated in the UK.

LLWR Limited was incorporated during 2005 in the UK, and was wholly owned by the NDA at 31 March 2006. It was set up by the NDA in preparation for the competition of the Low Level Waste Repository near Drigg, and its ownership was sold to Sellafield Limited in August 2006.

The entire share capital of UK Nirex Limited, a company registered in the UK was acquired on 30 November 2006 following a direction issued by the Secretary of State.

On 2 October 2006 the NDA acquired a 49% share in International Nuclear Services (INS) Limited, which as a result of control exercisable by the NDA has been classified as a subsidiary. INS, incorporated in the UK, is involved with the management of the transportation of spent fuel, reprocessing products and waste and has a 62.5% shareholding in Pacific Nuclear Transport Limited (PNTL) which is also accounted for as a subsidiary. The amounts shown for INS within the NDA's Group Accounts are shown after accounting for PNTL as a subsidiary. PNTL was disclosed as a quasi-subsidiary in the 2005/6 accounts.

15. QUASI-SUBSIDIARIES

The NDA has two quasi-subsidiaries at the year end, being BNFL SA and International Fuel Services Japan KK (formerly BNFL Japan KK), companies registered and operating in France and Japan respectively. The quasi-subsidiaries are both involved in fuel transportation.

A further quasi-subsidiary, EPIC (Guernsey), existed but was liquidated in March 2005. The only financial impact during the year to 31 March 2007 was the recognition of a debtor balance of £350,000 in respect of a distribution of £350,000. This payment was received in April 2007.

As a result of the contractual arrangements arising from the NDA Transfer, according to the definition set out in Financial Reporting Standard 5 'Reporting the Substance of Transactions', the NDA gains the benefits arising from the net assets of these companies and hence they are treated as quasi-subsidiaries of the NDA.

The summarised Balance Sheet before consolidation adjustments of the above companies is as follows:

	31 Mar 2007 £m	31 Mar 2006 £m
Net Assets	1	1
Equity shareholders' funds		
Profit and loss account	1	1
	1	1

The summarised Profit and Loss Accounts before consolidation adjustments for the years ended 31 March 2007 and 31 March 2006 for the companies named above are as follows:

	31 Mar 2007 £m	31 Mar 2006 £m
Turnover	-	4
Operating expenses	-	(3)
Profit on ordinary activities before taxation	-	1

There have been no recognised gains and losses in any of these companies, other than the result for the year.

The summarised cash flows for the above companies, before consolidation adjustments for the years ended 31 March 2007 and 2006 are as follows:

	31 Mar 2007 £m	31 Mar 2006 £m
Cash inflow from operating activities	1	1
Capital expenditure and financial investment	-	(1)
Increase/(decrease) in cash in the year	**1**	-

16. STOCKS AND WORK IN PROGRESS

	NDA Group		Authority	
	31 Mar 2007 £m	31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Nuclear fuels	32	34	32	34
Finished goods	8	5	8	5
Raw materials and consumables	54	91	52	89
Work-in-progress	59	21	59	21
	153	151	**151**	149

17. DEBTORS

	NDA Group		Authority	
	31 Mar 2007 £m	Restated 31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Amounts falling due within one year:				
Trade debtors	222	371	215	371
Prepayments and accrued income	105	172	190	219
Collateral	-	11	-	11
VAT	96	136	96	136
Corporation taxation	-	2	-	2
Other debtors	11	12	16	12
	434	704	**517**	751
Debtors falling due after more than one year	**50**	37	**50**	37

Details of related party and intra-government balances are included within notes 37 and 38.

18. CUSTOMER RECOVERABLE RELATING TO NUCLEAR LIABILITIES

The NDA Group and the Authority have commercial agreements in place under which some or all of the expenditure required to settle nuclear liabilities will be recovered from third parties. The movements in amounts recoverable during the year are detailed in the table below.

Revalorisation reflects the change in price levels in the year and the unwinding of one year's discounting.

	NDA Group		Authority	
	31 Mar 2007 £m	31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Customer recoverable relating to nuclear liabilities				
- Falling due within one year	12	271	12	271
- Falling due after more than one year	4,068	1,583	4,068	1,583

	NDA Group £m	Authority £m
At 31 March 2006	1,854	1,854
Revalorisation	118	118
Increase in year	372	372
Discharge in the year	(271)	(271)
	2,073	2,073
Reclassification from fixed assets (see notes 3 and 13)	1,419	1,419
Impact of revision in obligation date (see note 3)	588	588
Amounts recoverable under long-term contract at 31 March 2007	**4,080**	**4,080**

19. INVESTMENTS

	NDA Group		Authority	
	31 Mar 2007 £m	31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Investments	**235**	201	**-**	-

These funds are held by the Captive Insurance subsidiaries and are invested via a number of fund managers, who operate portfolios which include a combination of equity investments, property investments, fixed income instruments and bank deposits.

The rate of return during the year on investments was 5.74% (2006 5.60%).

At the year end the following amounts were held on deposit:

£m	Interest Rate
4	5.22%
1	5.30%
8	5.27%

20. CASH AT BANK AND IN HAND

	NDA Group		Authority	
	31 Mar 2007 £m	Restated 31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Office of Paymaster General	55	169	55	169
Balances held in Commercial banks	27	37	1	-
	82	206	**56**	169

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	NDA Group		Authority	
	31 Mar 2007 £m	Restated 31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Payments received on account	(290)	(405)	(290)	(405)
Trade creditors	(494)	(474)	(485)	(460)
Other taxes and social security	(2)	-	-	-
Accruals and deferred income	(155)	(90)	(137)	(89)
Other creditors	(4)	(9)	(2)	-
Grants	(1)	-	(1)	-
	(946)	(978)	**(915)**	(954)

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	NDA Group		Authority	
	31 Mar 2007 £m	31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Deferred Income				
Payments received on account*	(4,804)	(4,669)	(4,803)	(4,669)
Minority interests	(1)	(1)	-	-
Grants	(4)	-	(4)	-
	(4,809)	(4,670)	**(4,807)**	(4,669)

Repayable as follows:

	NDA Group		Authority	
	31 Mar 2007 £m	31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Between one and two years	(453)	(577)	(453)	(577)
Between two to five years	(1,606)	(1,807)	(1,606)	(1,807)
After five years	(2,750)	(2,286)	(2,748)	(2,285)
	(4,809)	(4,670)	**(4,807)**	(4,669)

***Payments Received on Account**

This relates to payments on account which customers had paid to BNFL and have now paid to the NDA for the provision of services under long-term contracts. These will be released to the Income and Expenditure Account and hence recognised as income as the services are provided.

23. CAPITAL COMMITMENTS

At 31 March 2007 there were capital commitments to construct assets totalling £221 million (2006 - £83 million).

24. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2007 the NDA was committed to make the following payments during the next year under non-cancellable operating leases:

	31 Mar 2007 £m	31 Mar 2006 £m
Expiring within one year	2	1
Expiring between two and five years	2	3
Expiring after five years	2	-
	6	4

25. OTHER COMMITMENTS

The NDA also has the following commitments in respect of its socio-economic development programme:

	31 Mar 2007 £m	31 Mar 2006 £m
West Cumbrian Cottage Hospitals*	7	14
Chair in Epidemiology**	-	3
	7	17

These commitments are due as follows:-	31 Mar 2007 £m	31 Mar 2006 £m
Due within one year	7	8
Due between two and five years	-	9
	7	17

*The NDA has a statutory duty to provide support to activities that benefit the social and economic lives of communities near our sites. To this end the NDA provided funding to support cottage hospitals in West Cumbria that were threatened by closure.

**The NDA is responsible for ensuring that a skilled workforce is available to carry out its remit and has sponsored a new Chair in Epidemiology with the University of Central Lancashire, who will be based at the West Lakes Research Institute in West Cumbria.

26. PROVISIONS FOR LIABILITIES AND CHARGES

	NDA Group		Authority	
	31 Mar 2007 £m	Restated 31 Mar 2006 £m	31 Mar 2007 £m	31 Mar 2006 £m
Nuclear provisions (see note 27)*	(37,036)	(30,575)	(36,982)	(30,524)
Other provisions (see note 29)	(2,634)	(1,941)	(2,619)	(1,928)
	(39,670)	(32,516)	**(39,601)**	(32,452)

*Of which recoverable under commercial agreement £4,080 million. (2006: £1,854 million). See note 18.

27. NUCLEAR LIABILITIES

		Discounted	
		NDA Group £m	Authority £m
Provision at 1 April 2006		(30,575)	(30,524)
Financing Charges	(a)		
- Changes in price levels		(1,137)	(1,134)
- Unwind of one year's discount		(616)	(616)
		(1,753)	(1,750)
Changes in future cost estimates	(b)	(5,532)	(5,532)
Transfers from Non-Nuclear Provisions and Payments in Advance		(137)	(137)
Change in point of obligation (see note 3)	(c)	(588)	(588)
Liabilities discharged in the year	(d)	1,549	1,549
Provisions at 31 March 2007		**(37,036)**	**(36,982)**

(a) The discount implicit in recognising the nuclear liability is unwound over the life of the provision. The part of the discount unwind attributable to the NDA is included in the Income Statement as a financing item and the parts recoverable from customers and representing FRS12 fixed assets are included as additions to Customer Recoverable Relating to Nuclear Liabilities and Fixed Assets respectively.

(b) The changes in estimates of the future cost for discharging nuclear liabilities based on an updated technical evaluation of the costs at each site required to discharge nuclear liabilities, as set out in the latest Lifetime Plan (LTP).

(c) Change in the point of obligation to handle spent fuels as per note 3.

(d) Liabilities discharged in the year represent work undertaken in the year that has reduced the nuclear liability.

The NDA's nuclear provisions are based upon the Lifetime Plan (LTP) estimates prepared by each site, discounted at 2.2% per annum in line with HM Treasury guidance.

These plans are extremely detailed but are necessarily based on assumptions derived from detailed technical assessments of the processes and methods likely to be used to discharge the obligations. These assumptions reflect a combination of the latest technical knowledge available, the timescale involved and the requirements of the existing regulatory regime, Government policy and commercial agreements.

The nuclear liabilities recorded are the best estimate from the information available. However, there remains a significant degree of inherent uncertainty in the future cost estimates, as well as the following specific uncertainties that need to be addressed:

- gaining an understanding of the extent of the contaminated land requires significant site investigation, which is underway and should be completed within the next 12 months. This will enable sites to estimate the costs based on more accurate quantities and a greater understanding of the treatments required;
- there is a lack of detailed information held on the design of the legacy ponds and silos and the exact quantities and chemical composition of the historical wastes held in them. This means treatment is more difficult and uncertainty exists around the dismantling processes that will be required;
- the destination of nuclear waste and materials cannot be confirmed, nor costs estimated, until the Government's reviews of long-term policy around waste disposal have been completed. Long-term options for the disposition of wastes, uranics,plutonium and Advanced Gas-Cooled Reactor (AGR) spent fuel are being developed, along with their associated cost estimates;
- a better understanding is required about the phasing of work and risks arising from programme inter-dependencies, whereby delays to one project can cause significant knock-on delays and cost increases;
- the timing of final site clearance of Magnox stations is currently planned for 80 to 100 years after defuelling but there is a chance that this phase may be accelerated;
- site end states, which define the physical condition of the site when the programme of work has been completed, are being reviewed in consultation with local stakeholders;
- technological advances may occur to facilitate the work undertaken to decommission and clean up the sites; and
- the NDA's funding profile can also cause plans to vary.

The uncertainty over these areas means it would be inappropriate to include the cost estimates for them in the nuclear liabilities provision. Where practical, the NDA continues work to improve the robustness of these estimates, which should enable gaps to be reduced and allow a greater proportion of total costs to be provided for in future.

The uncertainties that surround the nuclear liabilities mean that quantifying the incremental financial impact of various possible outcomes from the treatment of the waste materials is very difficult, given the risk included in these activities. In this context, risk means the financial implications of a large range of possible alternative outcomes associated with the treatment of these wastes. The nuclear liabilities recorded still remain the best available estimate at the present time.

Certain expenditure required to discharge nuclear liabilities is recoverable from third parties under commercial agreements, the amounts recoverable are set out in note 18.

28. DEFERRED TAXATION

A deferred tax asset in respect of non-decommissioning activities has not been recognised in respect of any losses incurred by the NDA as the NDA does not anticipate suitable taxable surplus arising in the foreseeable future. The estimated value of the deferred asset not recognised, measured at the standard rate of 30% (2005/6 – 30%), is £255 million (2005/6 – £6 million).

29. OTHER PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring £m	Contract loss provisions £m	Other £m	Total £m
NDA Group				
At 31 March 2006	(199)	(1,704)	(38)	(1,941)
Financing charges	(12)	(106)	-	(118)
Reclassification	2	121	(40)	83
Increase in provisions	14	(780)	(2)	(768)
Utilised in year	37	72	1	110
At 31 March 2007	**(158)**	**(2,397)**	**(79)**	**(2,634)**
Authority				
At 31 March 2006	(199)	(1,704)	(25)	(1,928)
Financing charges	(12)	(106)	-	(118)
Reclassification	2	121	(40)	83
Increase in provisions	14	(780)	-	(766)
Utilised in year	37	72	1	110
At 31 March 2007	**(158)**	**(2,397)**	**(64)**	**(2,619)**

(a) The restructuring provisions have been made to cover continuing annual payments to be made under early retirement arrangements to individuals working for the SLCs who had retired early, or had accepted early retirement, before 31 March 2007. These payments continue at least until the date at which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as debtors, since they are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age. Provisions for other areas are now minimal and are based on the NDA's best judgement of the level and cost of the restructuring which will be needed.

(b) In accordance with the requirements of Statement of Standard Accounting Practice 9 'Stocks and Long-term Contracts', the NDA has made full provision now for the anticipated shortfall between future income and future costs.

(c) Other provisions include provisions for insurance claims and early retirements not covered by the restructuring funding arrangements with the Department for Business, Enterprise and Regulatory Reform (formerly the DTI, herein, the Department). These provisions are not discounted as the impact of discounting would not be material.

30. PENSIONS

Principal Civil Service Pension Scheme (PCSPS)

NDA employees have pension benefits provided through the PCSPS which is an unfunded multi-employer defined benefit scheme. Details of the latest actuarial valuation of the scheme can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

In accordance with guidance issued by HM Treasury, the scheme is accounted for as a defined contribution scheme in these accounts. The total contributions paid by the NDA during the year were £2,724,882 (2005/6 – £1,709,000). No contributions were outstanding at this or the previous year end.

Direct Rail Services section of the BNFL Group Pension Scheme (GPS)

Employees of the subsidiary Direct Rail Services (DRS) are members of the GPS, which is a defined benefit (final salary) funded pension scheme and is available to all employees. The parent company and other participating employers contribute to the scheme at rates recommended by the scheme's professionally qualified actuaries. Rates range from 14.0% to 14.9%.

The most recent actuarial valuation was at 31 March 2004 using the projected unit method. The market value of the scheme's assets was £107 million with a 69% level of funding. The underlying assumptions used in the valuation were:

	% pa
Discount rate	4.9
Salary increase	4.9
Pensions increase	2.9
Price inflation (RPI)	2.9

The valuation for the scheme has been updated on a basis consistent with FRS17. The major financial assumptions are:

	% pa
Discount rate	5.2
Salary increase	5.1
Pensions increase	3.1
Price inflation (RPI)	3.1

On 31 March 2007 the GPS was sectionalised into various sections. Following the sectionalisation, DRS has reflected its share of the FRS17 assets and liabilities in its accounts as at 31 March 2007. The fair value of the assets and liabilities for the scheme are as follows:

	£000
Equities	5,915
Bonds	4,175
Other	1,508
Total Market value of assets	**11,598**
Present value of scheme liabilities	(12,930)
Pension liability	(1,332)

This pension scheme liability is fully recoverable from the lead organisation of the scheme.

The expected rates of return for each of the schemes are:

	% pa
Equities	7.0
Bonds	4.7
Other	5.3

The movements in the deficit in the period were as follows:

	£000
Deficit transferred on sectionalisation of the pension scheme at 31 March 2007	(1,332)
Closing deficit in scheme	(1,332)

The FRS17 valuation for the scheme at 31 March 2007 indicates that the scheme had a deficit of £30 million at that date (2006: deficit £71 million). The scheme was not sectionalised until 31 March 2007. Consequently there is no charge/credit against the operating profit, other finance income/(cost) and the Statement of Recognised Gains and Losses. In addition there is no history of experience gains and losses to report in respect of DRS' section of the GPS. The history of experience gains and losses for the scheme prior to sectionalisation is set out in the Group Accounts of British Nuclear Fuels plc. The Consolidated Accounts of the company are available to the public and may be obtained from 1100 Daresbury Park, Daresbury, Warrington, WA4 4GB.

Contributions are made by some employees to a group defined contribution scheme.

The total DRS pension costs for the year were £1,925,000 (2006: £1,457,000). The balance of pension scheme contributions outstanding at the year end was £137,000 (2006: £116,000) and of these £1,000 (2006: £1,000) related to the defined contribution scheme.

Combined Nuclear Pension Plan (CNPP)
The CNPP was established in September 2006. It is a sectionalised multi-employer scheme. The NDA is the lead company. The NDA does not employ any members of the CNPP and therefore the pension obligation and expense is effectively accounted for under FRS12. The first actuarial valuation of the Plan is due as at 31 March 2007. There were no outstanding contributions to the scheme at 31 March 2007 and no requirement for additional funding to be made available from the NDA.

United Kingdom Nirex Limited Pension Scheme
The NDA acquired 100% of the share capital of United Kingdom Nirex Limited ('Nirex') on 30 November 2006. Nirex sponsored a defined benefit pension arrangement, the United Kingdom Nirex Limited Pension Scheme ('the Nirex scheme'). Sponsorship has now transferred to the NDA. All but one of the active members has transferred to the PCSPS for their future service.

The last triennial valuation of the Nirex scheme was 31 March 2004. A market related Projected Unit method was adopted to determine the past service funding level and the future service contribution rates.

The long-term assumptions adopted were:

	% pa
Investment return	
- Pre retirement	7.7
- Post retirement	4.7
Salary Increases	3.75
Price inflation (RPI)	2.75
Pension increases (LPI)	2.65

The market value of the Scheme's assets (excluding AVCs) at 31 March 2004 was £14.17m with an 80% level of funding but will have improved as a result of the significant contribution made subsequently.

Nirex increased its contribution rate from 11.0% to 12.3% of Pensionable Salary from 1 April 2006. The Company pays the expenses of running the Scheme in addition. The Company and Trustees are committed to discuss contribution rates.

The actuarial valuation has been updated at 31 March 2007 by a qualified actuary using assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used by the actuary were:

	2007	2006	2005
Rate of increase in salaries	**4.65%**	4.00%	3.75%
Rate of increase in pensions in payment	**3.05%**	2.90%	2.75%
Discount rate	**5.35%**	5.00%	5.50%
Inflation assumption (RPI)	**3.15%**	3.00%	2.75%

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	March 2007 %pa	March 2007 £000	March 2006 %pa	March 2006 £000	March 2005 %pa	March 2005 £000
Equities	**6.75**	**17,420**	7.00	16,616	7.50	13,241
Bonds	**4.75**	**9,839**	4.25	9,672	4.75	2,548
Cash	**4.25**	**546**	4.00	291	4.00	1,239
AVC		**798**		891		794
Total fair value of the assets		**28,603**		27,470		17,822
Present value of scheme liabilities		**(30,892)**		(26,973)		(21,804)
Surplus/(deficit) in the scheme		**(2,289)**		497		(3,982)
Special contribution held in escrow at year end		**0**		0		4,000
Contribution due from NDA within one year		**2,964**		0		0
Surplus in the scheme after contribution		**675**		497		18
Related deferred tax (liability)		**(183)**		(149)		(6)
Net pension surplus		**492**		348		12

The movement in the deficit during the year is:

	March 2007 £000	March 2006 £000
Surplus/(deficit) at beginning of year (before deferred tax)	**497**	(3,982)
Current service cost	**(780)**	(525)
Contributions paid by the employer - special	**10**	4,000
Contributions paid by the employer - normal	**402**	409
Past service costs	**(10)**	(63)
Net finance charges	**256**	169
Actuarial (deficit)/surplus	**(2,664)**	489
Special contribution by the NDA	**2,964**	-
Surplus/(deficit) at end of year (before deferred tax)	**675**	497

Analysis of amount charged to operating profit

	March 2007 £000	March 2006 £000
Current service cost	**780**	525
Past service costs	**10**	63
Total	**790**	588

Analysis of amount charged to other finance cost

	March 2007 £000	March 2006 £000
Expected return on scheme assets	**1,599**	1,353
Interest on scheme liabilities	**(1,343)**	(1,184)
Net return	**256**	169

Analysis of amount recognised in statement of recognised gains and losses (SRGL)

	March 2007 £000	March 2006 £000
Actual return less expected return on scheme assets	**(821)**	3,909
Experience gains and (losses) arising on the scheme liabilities	**(689)**	1
Changes in assumptions underlying the present value of the scheme liabilities	**(1,154)**	(3,421)
Actuarial loss/gain recognised in SRGL	**(2,664)**	489

History of experience gains and (losses)

	12 months ending			
	March 2007 £000	March 2006 £000	March 2005 £000	March 2004 £000
Difference between expected and actual return on scheme assets:				
- Amount	**(821)**	3,909	311	1,819
- Percentage of scheme assets	**3%**	15%	1%	12%
Experience gains and losses arising on the scheme liabilities				
- Amount	**(689)**	1	149	(90)
- Percentage of the present value of the scheme liabilities	**2%**	0%	1%	(0.5%)
Total amount recognised in SRGL:				
- Amount	**(2,664)**	489	(1,599)	(18)
- Percentage of the present value of the scheme liabilities	**9%**	2%	(7%)	(0.1%)

31. RESERVES

	General £m	Revaluation £m	Transfer £m	Total £m
NDA Group				
At 31 March 2006	6,625	(3)	23,086	29,708
Nirex (see note 2)	2	-	(4)	(2)
At 31 March 2006 Restated	6,627	(3)	23,082	29,706
Surplus arising on revaluation of tangible fixed assets	(1)	-	-	(1)
UKAEA Transfer and other transfers	-	(12)	(16)	(28)
Actuarial loss on pension scheme	3	-	-	3
Grant-in-Aid received during the year	(1,108)	-	-	(1,108)
Deficit for the year	7,808	-	-	7,808
At 31 March 2007	**13,329**	**(15)**	**23,066**	**36,380**

	General £m	Revaluation £m	Transfer £m	Total £m
Authority				
At 31 March 2006	6,644	(1)	23,086	29,729
Surplus arising on revaluation of tangible fixed assets	(1)	-	-	(1)
UKAEA Transfer	-	(12)	(15)	(27)
Capital Contribution to Nirex	3	-	-	3
Grant-in-Aid received	(1,108)	-	-	(1,108)
Deficit for the year	7,813	-	-	7,813
At 31 March 2007	**13,351**	**(13)**	**23,071**	**36,409**

The opening Transfer Reserve represents the net liabilities transferred to the NDA at 31 March 2005.

In accordance with the Energy Act 2004, the NDA recognised that it had a constructive obligation under Financial Reporting Standard 5 'Reporting the Substance of Transactions' to account for certain of the assets and liabilities owned by UKAEA. Accordingly, the value of these assets and liabilities were disclosed in the 2005/6 Accounts, although legal title had not passed to the NDA. Subsequently details of the assets being transferred has been finalised to allow the transfer scheme to take place on 1 April 2007. This has resulted in changes of £27 million to the value of assets transferred from UKAEA reported in the 2005/6 accounts, and this change is shown in note 31 above.

32. RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	NDA Group	
	31 Mar 2007 £m	Restated 31 Mar 2006 £m
Operating deficit	(6,043)	(6,110)
Impairment of intangible fixed assets	-	28
Depreciation and impairment of tangible fixed assets	419	379
Exceptional impairment	-	955
Impairment	36	-
Increase in stocks and work in progress	(2)	(14)
Decrease/(Increase) in debtors	154	(146)
Increase/(Decrease) in creditors	87	(285)
Increase in nuclear provisions	3,919	3,331
(Decrease)/Increase in deferred income	(79)	550
Increase in non-nuclear provisions	659	529
Net cash outflow from operating activities	**(850)**	(783)

33. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	NDA Group	
	31 Mar 2007 £m	31 Mar 2006 £m
Decrease in cash in the year	(124)	(294)
Cash outflow from management of liquid resources	34	5
Change in net funds	(90)	(289)
Net funds at 1 April 2006	407	696
Net funds at 31 March 2007	**317**	407

NDA funds comprise current asset investments and short-term deposits excluding deposits repayable on demand.

34. ANALYSIS OF NET FUNDS

		NDA Group	
	Note	31 Mar 2007 £m	31 Mar 2006 £m
Analysis of net funds			
Current asset investment	19	235	201
Cash at bank and in hand	20	82	206
		317	407

35. FINANCIAL INSTRUMENTS

Financial Reporting Standard 13 'Derivatives and Other Financial Instruments' requires disclosure of the role that financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities.

Financial Risks

Due to the way in which it is financed by a combination of Government funding and commercial activities, the NDA is not exposed to the degree of financial risk faced by other business entities, although it does experience some degree of risk due to the variability of commercial income. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the companies to which FRS 13 mainly applies.

The primary financial risks faced by the NDA are commodity price risk and foreign currency risk. Liquidity risk and interest rate risk are not considered to be significant risks for the NDA. The NDA is funded through its commercial income, augmented by way of Grant-in-Aid. Grant-in-Aid is shown as financing in the Cash Flow Statement.

The NDA applies for top up funding via Grant-in-Aid from the Spending Review in three year cycles, effectively fixing the grant for those three years. The nature of the NDA's activities exposes the NDA to substantial variability in the commercial income and site expenditure and the NDA is required to manage these fluctuations in income and expenditure. This requires the use of extensive reporting and control mechanisms, and the site licensees have made significant investments in IT systems which have allowed the NDA to maintain a clear view of its financial position, and enabled the NDA to make funding decisions consistent with its prioritisation of work.

To assist in the understanding of financial and operational risks, the NDA is undertaking an extensive programme to embed risk management practices across all its functions and to provide contractual mechanisms to obtain assurance of good risk management practices from the site licensees.

To assist in understanding the programme of works required and to provide a firm basis for the Grant-in-Aid requirements the NDA has made progress in establishing the framework for the management of the nuclear legacy. The publication of the Life Cycle Baseline (LCBL) provides transparency and is an important step forward. Work is continuing to improve the processes for estimating costs over long periods and monitoring and managing the risks inherent in the programme.

The NDA has committed itself to creating the controls, systems, resources and contractual bases to raise standards of financial discipline and risk reporting and to reduce uncertainties over the decommissioning cost.

Commodity Price Risk

The most significant financial risk facing the NDA relates to commodity prices.

The NDA has two types of contract, commodity and British Energy contracts.

A commodity contract is a contract that provides for settlement by receipt or delivery of a commodity. The risk is primarily that market prices for commodities will move adversely between the time that sales prices are fixed or tariffs are set and the time at which the purchase cost is fixed, thereby potentially reducing expected margins.

The British Energy contract is for the supply and reprocessing of nuclear fuel. Commodity price risk arises here as a result of contracted or forecast supply and reprocessing of nuclear fuels not being fully matched by electricity production or procurement contracts with equivalent volumes, time periods and pricing.

Commodity Contracts

The NDA's objective is to reduce commodity price risk. In order to do this, under the electricity trading arrangements effective from 27 March 2001, a number of commodity contracts are entered into, in order to take trading positions in the market. The fair value of these instruments at 31 March 2007 is £5 million (£203 million 2005/6) negative credit exposure. The estimate is based on a comparison between the contracted price (specified at the date of the deal) and the price for a similar contract at the year end (based on available market data).

These hedged transactions are expected to occur up to 2009/10.

British Energy Contracts

The NDA manages contracts with British Energy for the supply and reprocessing of nuclear fuel that includes elements that are dependent on the market price of electricity. Although Sellafield Limited (formerly British Nuclear Group Sellafields Limited) and Springfields Fuels Limited remain the respective counterparties, the NDA has full economic risk as the costs of discharging the contractual obligations are allowable costs under the Management and Operations (M&O) contracts and all the income received by the contractors is passed to the NDA. Therefore via its financing of the site licensees, the NDA is an economic owner, but not legal counterparty to these contracts.

The elements of the contract dependent on the market price of electricity are effectively financial derivatives.

The table below shows the maximum annual exposure to movements in the market price of electricity.

	Ceiling £/MWH	Floor £/MWH	Maximum Annual Exposure/ Upside £m
British Energy Fuel Supply Contract			
Drop in Market price below (a)	20.31	16.93	(17)
British Energy Fuel Reprocessing Contract			
Market price of electricity exceeds (b)	22.08	17.16	130
Market price of electricity drops below (c)	22.08	17.16	(130)

a. Under the fuel supply contract, the income the NDA receives is reduced if the market price of electricity drops below this level. A floor and maximum annual exposure is also stipulated. The exposure is calculated by adjusting the £15 million discount stated in the 2003 contract by the rate of inflation, as per the contract.

b. Under the fuel reprocessing contract the NDA receives additional monies if the market price of electricity exceeds this amount. A ceiling and maximum annual exposure is also stipulated. The exposure is reached by calculating the amount of income the NDA would lose based on forecast activity if electricity prices were at or below the floor price in the contract.

c. Similarly, income is reduced if the market price of electricity drops below this level. A floor and maximum annual exposure is also stipulated.

Derivative financial instruments

The Fair Value of the derivatives within the commodity and British Energy contracts are as follows:

	2007 £m	2006 Restated £m
Commodity contracts at 31 March 2006 (d)	(5)	(203)
British Energy Fuel supply contracts (e)	Nil	Nil
British Energy Fuel reprocessing contract (e)	Nil	Nil
Net total	**(5)**	**(203)**

d. The estimate is based on a comparison between the contracted price (specified at the date of the deal) and the price for a similar contract at the year end (based on available market data). The reduction to £5million (2005/6 £203million) is due to lower electricity prices and a number of long-term contracts now having one less year to run.

e. It is not possible to calculate a fair value for the derivative element of the contracts with British Energy as they are not traded on an organised market. The fuel supply and reprocessing contracts are unique and no comparable contracts exist.

As a result of these contracts the NDA now shares part of the risk of fluctuating electricity prices with British Energy. The Board has considered this risk but, based on its view of medium-term electricity prices, has concluded that the costs of hedging the risk would outweigh the potential benefits.

Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The NDA is exposed to foreign currency risk through its operations as it receives a proportion of its income in foreign currency. Foreign currency contracts are held in relation to sales of MOX fuel and purchases of various components. The site licensees, on behalf of the NDA, manage the exposure to exchange risk and implement a policy of purchasing forward where appropriate to hedge the transactions and hence minimise risk. These hedges relate to transactions expected to occur over the next three years.

Liquidity Risk

Liquidity risk (also referred to as funding risk) is the risk that an entity will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.

The NDA is primarily financed by income from other public sector bodies, along with commercial income, and there is therefore no exposure to significant liquidity risks. Although the NDA is somewhat vulnerable to movements in commercial income, it always has the option to apply for increased funding from the Government.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

All cash balances on deposit are held in highly rated short-term fixed rate deposits and the NDA therefore has no significant interest rate risk. The NDA has no debt instruments.

Credit Risk

Counterparty credit risk is the risk that the financial benefits of the contract with a specific counterparty will be lost if a counterparty defaults on their obligations under the contract. This includes any cash amounts owed to the NDA by those counterparties, less any amounts owed to the counterparty by the NDA where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the Financial Statements.

The NDA's income is generated primarily from British Energy contracts. Due to the size of British Energy, the NDA's exposure to credit risk is low.

Financial Assets and Liabilities

Generally, financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the NDA in undertaking its activities.

The NDA, in accordance with the FReM's guidelines, has taken advantage of the exemption in FRS 13 not to give disclosures in respect of short-term debtors and creditors. In addition to the long-term debtor balances referred to in notes 17 and 18, the NDA's financial assets comprised current asset investments held by the wholly owned subsidiary Rutherford Indemnity Limited and cash at bank and in hand.

Fair Value of Assets and Liabilities

The fair value of financial instruments represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values have been calculated by discounting cashflows at prevailing rates. Significant differences can arise between the fair value and the carrying amount of financial instruments that are recognised at historical cost amounts.

	Book Value 31 March 2007 £m	Fair Value 31 March 2007 £m	Book Value 31 March 2006 £m	Fair Value 31 March 2006 £m
NDA Group				
Cash at bank and in hand	82	82	206	206
Current Asset investments	235	235	201	201
Amounts recoverable on long-term contracts	50	50	37	37
Customer recoverable relating to nuclear liabilities	**4,068**	**4,068**	1,583	1,583
Authority				
Cash at bank and in hand	55	55	169	169
Amounts recoverable on long-term contracts	50	50	37	37
Customer recoverable relating to nuclear liabilities	**4,068**	**4,068**	1,583	1,583

The NDA revalues its current asset investments at the end of every financial year and hence the book value is always the fair value.

36. CONTINGENT LIABILITIES

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

(a) Debtors include £74 million (£74 million 2006) of funds which are held by Sellafield Limited within charge over deposit accounts (CODAs). These represent funds provided by customers which are held in accounts controlled and owned by Sellafield Limited, over which the customer has a legal charge until the associated work has been completed. These funds will become payable to the NDA once the work is completed and the charge released. Interest on the accounts accrues to the benefit of the NDA.

(b) Bank guarantees of £51 million (£37.5 million 2006) have been issued as collateral to support electricity trading through Magnox Electric Limited.

(c) A contingent liability exists in respect of a debt disclosed by Nexia Solutions Limited relating to the management of the NDA's research facilities under commercial arrangements put in place with the fore-runner of the NDA. It is the opinion of the NDA that this is not supported by any commercial arrangement in place between the NDA and Nexia Solutions Limited and therefore it is not included within these financial statements.

(d) A contingent liability exists in respect of the deficit in the Electricity Supply Pension Scheme in the accounts of Magnox Electric Limited, as the scheme will be funded by the NDA. Although the deficit is currently fully funded, extra as yet unquantified payments may be requested by the trustees upon advice from the actuary.

(e) A contingent liability exists in relation to the costs of clean-up of Sandside Beach in Caithness, the amount for which is subject to resolution.

(f) A contingent liability exists in respect of a return of a quantity of thorium to Dounreay for handling and eventual disposal.

37. RELATED PARTIES

Government bodies

The NDA is an Executive Non-Departmental Public Body sponsored by the Department of Business, Enterprise and Regulatory Reform (BERR), which is regarded as a related party. During the year, the NDA has had various material transactions with BERR and with other entities for which BERR is regarded as the responsible department, mainly BNFL. The NDA receives Grant-in-Aid financing from BERR.

In addition, the NDA has a small number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the UK Atomic Energy Authority (UKAEA) and Ministry of Defence.

During the year the NDA had no direct transactions with British Energy (a related party due to its quasi-subsidiary relationship with the department) but does have transactions with British Energy via its M&O contracts with the site licensees as described in note 35. On 1 April 2007 a new contract between British Energy and the NDA came into effect for the marketing of the output of NDA's power stations (see note 39 Post Balance Sheet Events). The agreement was entered into on an arm's length basis.

The NDA is the parent of its subsidiaries Rutherford Indemnity Limited, Direct Rail Services Limited, United Kingdom Nirex Limited, International Nuclear Services Limited and Pacific Nuclear Transport Limited. It has two quasi-subsidiaries, being, BNFL SA and International Fuel Services Japan KK.

During the year, no Board member, key manager or other related parties has undertaken any material transaction with the NDA.

38. INTRA-GOVERNMENT BALANCES

Intra-government balances NDA Group	Debtors: amounts falling due within one year £m	Debtors: amounts falling due after one year £m	Creditors: amounts falling due within one year £m	Creditors: amounts falling due after one year £m
Balances with other central government bodies	98	-	(46)	-
Balances with NHS trusts	-	-	7	-
Balances with public corporations and trading funds	-	-	(452)	-
	98	-	(505)	-
Balances with bodies external to government	336	50	(441)	(4,809)
At 31 March 2007	**434**	**50**	**(946)**	**(4,809)**
Balances with other central government bodies	75	-	(56)	(45)
Balances with NHS trusts	-	-	(4)	-
Balances with public corporations and trading funds	-	-	(467)	-
	75	-	(527)	(45)
Balances with bodies external to government	629	37	(451)	(4,625)
At 31 March 2006	704	37	(978)	(4,670)

39. POST BALANCE SHEET EVENTS

a) The Transfer Scheme for UKAEA fixed assets and stock was successfully implemented on 1 April 2007.

b) United Kingdom Nirex Limited has transferred its trade and activities into the NDA.

c) The sponsoring department of the NDA was formerly the Department of Trade and Industry (DTI) but from 28 June 2007 is now the Department of Business, Enterprise and Regulatory Reform (BERR).

d) The NDA has entered into an agreement with British Energy for them to market the output of NDA's power stations over their remaining lives. This agreement came into effect on 1 April 2007. Previously this activity had been carried out under contract for the NDA by the Electricity Sales and Trading Limited, a subsidiary of Magnox Electric Limited.

e) Sir Anthony Cleaver announced his intention not to renew his contract at the end of his three year term of office, and left the NDA at the end of July 2007.

f) The Accounts were authorised to be issued for publication on 24 September 2007.

Glossary

ACWP	Actual Cost of Work Performed
AEDL	Active Effluent Discharge Lines
AGR	Advanced Gas-Cooled Reactor
ASFL	Annual Site Funding Limit
AWVR	Active Waste Vault Retrieval
BCWP	Budgeted Cost of Work Performed
BCWS	Budgeted Cost of Work Scheduled
BE	British Energy
BEP	Box Encapsulation Plant
BERR	Department for Business, Enterprise and Regulatory Reform
BFR	Breeder Fuel Removal
BNFL	British Nuclear Fuels Limited
BNGSL	British Nuclear Group Sellafield Limited
BPEO	Best Practicable Environmental Option
BTC	Business Technology Centre
C&AG	Comptroller and Auditor General
CETV	Cash Equivalent Transfer Value
CNPP	Combined Nuclear Pension Plan
CoRWM	Committee on Radioactive Waste Management
CPI	Cost Performance Index
CRP	Caesium Removal Plant
CSR07	Comprehensive Spending Review 2007
DACR	Days Away Case Rate
DCP	Dounreay Cementation Plant
DEFRA	Department for Environment and Rural Affairs
DFR	Dounreay Fast Reactor
DfT	Department for Transport
DTI	Department of trade and Industry
DRS	Direct Rail Services
DSRL	Dounreay Site Restoration Limited
EA	Environment Agency
EIAD	Environmental Impact Assessment for Decommissioning
ES&T	Electricity Sales and Trading
ESTL	Energy Sales and Trading Limited
EURRP	Enriched Uranium Residues Reprocessing Plant
FED	Fuel Element Debris
FReM	Financial Reporting Manual
GTA	Guide Tube Assemblies
HAL	Highly Active Liquor
HALES	Highly Active Liquor Evaporation and Storage
HLW	High Level Waste
HSE	Health and Safety Executive
HSSE	Health, Safety, Security and Environment
IAEA	International Atomic Energy Authority
ICAEW	Institute of Chartered Accountants in England and Wales
IFRS	International Financial Reporting Standards
IiP	Investors in People
ILW	Intermediate Level Waste
INES	International Nuclear Event Scale
INS	International Nuclear Services
ISO	International Standards Organisation
ITT	Invitation to Tender
JET	Joint European Torus
KPI	Key Performance Indicator
LCBLi	Life Cycle Baseline improvement
LLW	Low Level Waste
LMU	Liabilities Management Unit
LoC	Letter of Compliance
LTP	Lifetime Plan
M&O	Management & Operations
MAC	Miscellaneous Activated Components
MDU	Magnox Depleted Uranium
MEB	Multi-element bottle
MHCA	Modified Historical Cost Accounting
MOC	Management of Change
MoD	Ministry of Defence
MOP	Magnox Operating Plan
MOX	Mixed Oxide
MRWS	Managing Radioactive Waste Safely
MTR	Materials Test Reactor
MXD	Magnox Dissolution Plant
NAO	National Audit Office
NAPL	non-aqueous Phase Liquids
NDA	Nuclear Decommissioning Authority
NDFA	Nuclear Decommissioning Funding Account
NDPB	Non Departmental Public Body
NEA	Nuclear Energy Agency
NII	Nuclear Installations Inspectorate
NLF	Nuclear Liabilities Fund

NNIRF	National NDA Industry and Regulator Forum
NNR	National Nature Reserve
NRA	National Rivers Authority
NSAN	National Skills Academy for Nuclear
NSG	National Stakeholder Group
NSSEED	Nuclear Safety, Security, Environment and Engineering Directorate
NTWP	Near Term Work Plan
NVQ	National Vocational Qualification
OCNS	Office for Civil Nuclear Security
OECD	Organisation for Economic Cooperation and Development
OGC	Office of Government Commerce
OID	Outage Intent Document
OJEU	Official Journal of the European Union
PBI	Performance Based Incentive
PBO	Parent Body Organisation
PCM	Plutonium Contaminated Material
PCP	Programme Controls Procedure
PCSC	Post-Closure Safety Case
PCSPS	Principal Civil Service Pension Scheme
PCSR	Pre Commissioning Safety Report
PFR	Prototype Fast Reactor
PGRC	Phased Geological Repository Concept
PNTL	Pacific Nuclear Transport Limited
POCO	Post Operation Clear Out
PODSC	Post Operational Defuelling Safety Case
POSC	Post Operational Safety Case
PSA	Public Service Agreement
PSR	Periodic Safety Review
R&D	Research and Development
RAMSAR	A wetland of international importance under the RAMSAR convention
RHILW	Remote Handled Intermediate Level Waste
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RoSPA	Royal Society for the Protection of Accidents
RSRL	Research Sites Restoration Limited
RSS	Reactor Site Services
SAC	Special Area for Conservation
SCAPE	Superannuation Contributions Adjusted for Past Experience
SDP	Sodium Destruction Plant
SEPA	Scottish Environment Protection Agency
SFS	Spent Fuel Services
SGHWR	Steam Generating Heavy Water Reactor
SimER	Simulation of Environmental Risks
SLC	Site Licence Company
SMP	Sellafield MOX Plant
SPA	Special Protection Area
SPI	Schedule Performance Index
SPRS	Sellafield Product and Residue Store
SRF	Senior Regulator Forum
SSG	Site Stakeholder Group
SSSI	Site of Specific Interest
THORP	Thermal Oxide Reprocessing Plant
TRIR	Total Recordable Incident Rates
UKAEA	United Kingdom Atomic Energy Authority
WAGR	Windscale Advanced Gas-Cooled Reactor
WAMAC	Waste Monitoring and Compaction Facility
WEC	Washington Electric Company
WVP	Waste Vitrification Plant

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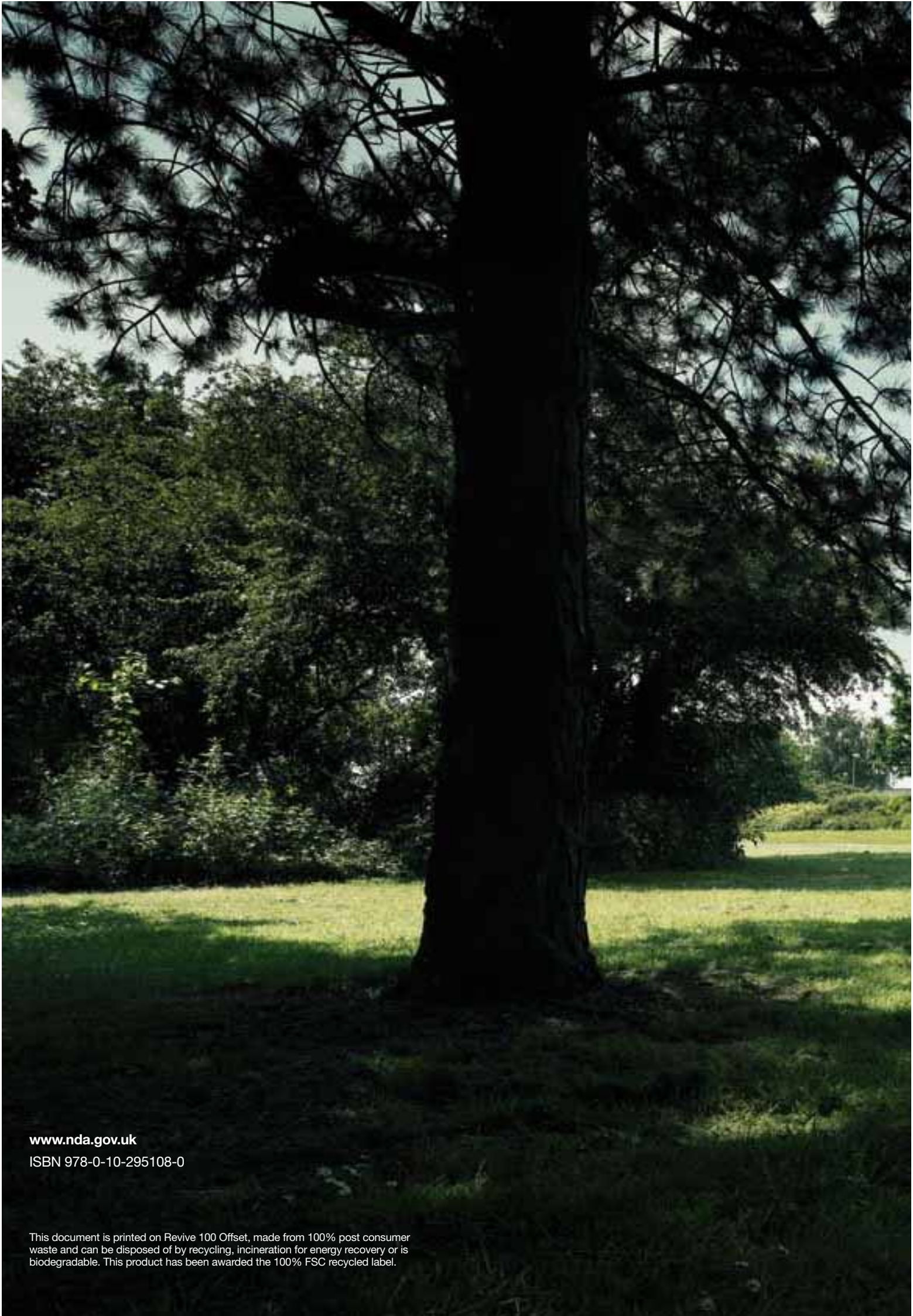

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