Nuclear Decommissioning Authority

Nuclear Decommissioning Authority Annual Report and Accounts

Financial Year: April 2013 to March 2014

HC187

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Ministerial Foreword

As momentum builds behind the UK's programme to construct a new generation of nuclear power stations, it becomes ever more important that we deal with the legacy of previous generations.

To do this in the most efficient and cost-effective way it is vital that we bring to bear the very best skills and expertise from around the world on our unique decommissioning challenges.

With this in mind, I was pleased to see the NDA successfully achieve another milestone in the competition to manage its Magnox and Research Sites Restoration Limited (RSRL) sites. I look forward to seeing the new Parent Body Organisation (PBO) delivering on its plans to accelerate decommissioning of the sites while driving down costs.

Sellafield of course remains the priority site in the NDA estate and my visits during the last year have served to underline the importance of dealing with the site's high hazard facilities safely and effectively. I am also aware of the huge challenges associated with these programmes in addressing the legacy issues.

I'm satisfied with the progress made by the NDA in implementing the recommendations from the National Audit Office (NAO) and the Public Accounts Committee (PAC) which will help embed performance improvements in the major risk reduction projects at Sellafield and offer greater transparency and accountability through wider public reporting and accurate benchmarking.

The continuation of Nuclear Management Partner's (NMP's) contract to manage the Sellafield site offers the potential of stability and focus on the priorities during a vital five year period in the history of Sellafield as it transitions from an operational plant into a fully-fledged decommissioning site.

I'm pleased to see the progress being made at Dounreay where, two years into the Cavendish Dounreay Partnership's (CDP) contract to manage the site, great strides are being made and genuine cost savings achieved.

The NDA continues to provide the Government with strong support in the development of its policy for the re-use of plutonium by exploring the business and technical cases for the various options currently under consideration.

The Government continues to pursue its policy aim of a long-term sustainable solution for the disposal of higher activity waste in a Geological Disposal Facility (GDF), a vital final piece in the decommissioning programme, and will publish a revised policy document on a siting process for a GDF in due course.

I will continue to challenge the NDA to deliver improvements in performance across its estate and translate Government priorities into action on the ground, delivering safe and secure solutions to dealing with the legacy while delivering value for money for the taxpayer.

Baroness Verma

Parliamentary Under Secretary of State
Department of Energy and Climate Change

Chairman's Statement

The NDA has been the subject of continued public scrutiny during 2013/2014 with the National Audit Office (NAO) and the Public Accounts Committee (PAC) conducting reviews into our work at Sellafield.

It is entirely appropriate that a nationally important mission such as Sellafield, with an annual budget of £1.8 billion, is scrutinised in this way and we value the opportunity to demonstrate that we are accountable and committed to engaging openly and transparently about our challenges.

We welcome the conclusion of the NAO that our systems for recording and challenging efficiency savings claimed by our contractors Nuclear Management Partners (NMP) are satisfactory. It is vital for public confidence in our contractual model at Sellafield that we are able to demonstrate claims for efficiency savings are genuine, that the mechanism that translates this into the annual fee is robust and that they both stand up to the forensic scrutiny of the NAO.

The subsequent PAC hearing accepted the findings of the NAO on efficiency savings and moved on to closer scrutiny of our decision to continue NMP's contract at Sellafield into a second five year term. This was followed by a further hearing involving ourselves, the chairman of NMP, and the managing director of Sellafield. We accept the recommendations that flowed from these two hearings and we are working hard to ensure these are implemented in full. Our Chief Executive, John Clarke, made the point during both hearings that the decision to retain NMP was taken after a rigorous assessment of the options as the course of action most likely to achieve the progress we demand.

The Board fully endorsed this decision and I share John's belief that the knowledge acquired by NMP and Sellafield Ltd during the past five years has given invaluable insight into this uniquely challenging task. Great strides have already been made in understanding the full nature of the challenge and we will continue to demand that NMP produce the performance improvements required in order to deliver the critical hazard reduction projects in the Legacy Ponds and Silos (LP&S) programmes. The next five years will be pivotal in these programmes as hazard reduction projects begin to reach maturity and the first retrievals of material can commence in earnest.

Many of our major programmes, particularly at Sellafield but also elsewhere in the estate, involve technically challenging, novel plants and processes to treat wastes of uncertain characteristics over very long timescales. As a consequence, cost estimates contain very considerable uncertainties. In this year's accounts we have emphasised some of these uncertainties and highlighted their potential impact on estimated cost ranges.

Our task, along with our contractors, is to continually improve the accuracy of short-term plans, better describe the uncertainties over the longer term and progressively promote improved performance in delivery to allow us to first stabilise and then drive down programme costs and schedules. There remains a considerable way to go on this journey at Sellafield, however, across the rest of our estate, programmes are more mature and good progress is being made on delivering programmes on, or ahead of, schedule and cost.

At Dounreay our contractor, Cavendish Dounreay Partnership (CDP), is delivering on its promise to accelerate the programme and achieve savings for the taxpayer. There has been a requirement to add some additional scope into the baseline at Dounreay which is requiring increased expenditure. Over the first two years of CDP's contract; cost and schedule are being held against the original scope.

The competition to find a Parent Body Organisation (PBO) to oversee the decommissioning programme at our Magnox and RSRL sites demonstrated a contrasting approach to the cost reimbursable contract model at Sellafield. Here we will have a target cost contract which looks set to deliver savings of over £1.5 billion over the next 14 years against a baseline plan that had already been reduced by £1.3 billion in its previous iteration.

Three new appointments have been made to the NDA Board, which holds the Chief Executive to account on delivery and performance: Pete Lutwyche, who joined the NDA as Sellafield Programme Director and an Executive Director; Strategy and Technology Director, Adrian Simper, joins the Board as an Executive Director; and Ken McCallum, who has wide experience at the highest levels of Government including latterly at the

Shareholder Executive (ShEx), has joined the board as a Non Executive Director. Mark Lesinski, Chief Operating Officer (COO), left the Board in January 2013 and returned to North America and Murray Easton has stepped down as a Non Executive Director. I would like to thank them both for their contribution to the NDA during their time on the Board.

Finally, I would like to thank our staff at the NDA, our subsidiaries and our various PBOs and Site Licence Companies (SLCs) for their efforts throughout the year as well as our stakeholders, who continue to provide invaluable support and scrutiny of our mission. I look forward to continuing to work with John Clarke and his executive team on our internationally important mission which continues to drive value for money for the UK taxpayer.

Stephen Henwood CBE
Chairman

Chief Executive's Review

This financial year has seen genuine progress across the NDA estate and also a number of challenges on many fronts. A particular highlight has been the awarding of RoSPA's Sir George Earle Trophy for outstanding safety performance to the team at Magnox.

The year has been dominated by two major contractual decisions – the announcement of the preferred bidder in the competition to manage our Magnox and Research Sites Restoration Limited (RSRL) sites and the continuation of Nuclear Management Partner's (NMP's) contract to operate Sellafield.

The announcement of Cavendish Fluor Partnership (CFP) as preferred bidder for Magnox and RSRL should see savings of over £1.5 billion (c.25%) over the next 14 years in the decommissioning programmes of the 12 sites spread across Scotland, Wales and England, significantly reducing the demand on the public purse.

CFP bring extensive nuclear experience and a successful track record which will build upon the excellent work to date by the Magnox team under the ownership of Energy Solutions and RSRL under the ownership of Cavendish Nuclear.

Making progress on the high hazard facilities at Sellafield remains our number one priority. The decision to continue the contract with NMP into a second five year term was made after extensive consideration and we believe that this offers the greatest likelihood of achieving this progress.

Following last year's NAO report into the performance of major projects at Sellafield, there was an additional NAO report this year into efficiency claims made by NMP at Sellafield, followed by two PAC hearings. Whilst performance at the site has fallen short of some of our requirements, the NAO report did verify that £652 million of savings had been achieved in the first contract period.

We welcome the scrutiny of the NAO and the PAC, whose reports were insightful and instructive. These investigations have provided us with a useful external check on our progress. We are well on the way to implementing, in full, the recommendations made by the NAO and the PAC following their previous inquiries.

Good progress has been made on some of the construction projects associated with the hazard reduction programme at Sellafield this year including the completion of Sludge Packaging Plant 1, a key element of the decommissioning programme for the First Generation Magnox Storage Pond and Encapsulated Product Store 3 – a modern storage facility which will store waste retrieved from the high hazard facilities safely and securely pending final disposal. The sixth highest hazard in the estate has also been retired this year with the completion of a programme to transfer plutonium contaminated filters from a suite of old stores into newly constructed, modern storage facilities.

While performance in the operational plants at Sellafield has generally improved over the last year, it continues to be below that we would wish to see with all throughput targets being missed. Operations in the Vitrification Plant, which converts Highly Active Liquor (HAL) into a glass form for storage, were hampered by the consequences of an unplanned loss of power to the facility. Magnox fuel reprocessing has fallen short of its target, impacted by plant reliability issues. Completion of the Magnox Operating Programme (MOP9) remains possible but challenging. The Thermal Oxide Reprocessing Plant (THORP) which reprocesses oxide fuel from reactors around the UK and overseas has also suffered from interruptions during the year. These unplanned disruptions are an important reminder of the inherent fragility of the operating plants and infrastructure that we continue to rely on. The planned closure date of 2018 however remains feasible.

Sellafield Ltd has recently submitted an updated plan for the site, Performance Plan 2014 (PP14), which sets out the forward programme of work for the site with a particular emphasis on the next five years. The updated plan takes a more informed approach to estimating uncertainty and contingency within the necessary programmes of work, many of which are highly complex, of long duration and have technical challenges which are unlikely to be fully resolved for a considerable time. For example, waste treatment plants are, inevitably, designed around the expected characteristics and volumes of the waste material, based on very limited samples from an unknown and not fully documented inventory. Consequently, significant uncertainties will remain in the capability and capacity of the treatment plants required to handle all wastes until such time as the last waste is removed. This uncertainty allows firm delivery plans in these programmes in the relatively short-term only. Thereafter PP14 represents a set of planning assumptions based upon the best data available at present but with very large cost and schedule ranges to reflect the high levels of uncertainty in the programmes of work at this stage. We are currently reviewing PP14. Changes that we have accepted are reflected in our latest estimate of the lifetime cost of dealing with the challenges at Sellafield. However, it is likely that this estimate will increase significantly as we complete our scrutiny of the plan and better understand the ranges of uncertainties within it. It is also clear that it may take several iterations of the Sellafield plan before this level of uncertainty can be reduced to a level where cost estimates become more stable.

Elsewhere in our estate, the Magnox Optimised Decommissioning Programme (MODP) continues to deliver good progress with defueling at Sizewell A now past the 75% mark and due to complete by September 2014. Trawsfynydd passed the halfway point in its journey towards entry into the Care and Maintenance stage in 2016, underlining the momentum behind its decommissioning programme. There have been minor slippages in some of the programmes, which is not unexpected when undertaking these complex activities for the first time. Entry to Care and Maintenance at Bradwell is now expected to take six months longer than planned, however it is important to remember that the schedule at Bradwell came forward by a full twelve years as a result of the optimised plan, meaning the site is still on track to enter Care and Maintenance some eleven and a half years earlier than originally envisaged.

Progress continues to be made at Dounreay two years into the contract with Cavendish Dounreay Partnership. The site is holding both cost and schedule for the competed work scope, however significant additional work, associated largely with movements of material to Sellafield for consolidation purposes, means that several hundred million pounds worth of additional scope is being progressively added into the Dounreay programme. This work was recognised as likely during the PBO competition, however the exact scope was not sufficiently defined at that time to allow it to be included in priced bids for the site. The implication of the addition of this high priority scope is that the Interim End State date will be extended by a number of years. The SLC and NDA are working with HMG to minimise any impact on value for money arising from these changes.

An important milestone in the management of plutonium was reached during the year with the publication of our technical advice to Government on options for re-use. This position paper advises Government that alongside the preferred option of re-use as Mixed Oxide Fuel (MOX), there are two other credible options for the management of plutonium, the PRISM reactor proposed by GE Hitachi and a Candu MOX reactor proposed by SNC Lavalin. We will now carry out further work on behalf of Government to underpin the safety, technical and business cases for these options.

We concluded the work to transfer our Radioactive Waste Management Directorate (RWMD) into an NDA subsidiary company. The organisation will be known as Radioactive Waste Management Limited and will continue to be based at Harwell, in Oxfordshire, where its staff of nuclear scientists, geologists, engineers and other professionals will be responsible for delivering Government policy on geological disposal of higher activity radioactive waste. The NDA continues to support Government in revising the process to search for a suitable site for a Geological Disposal Facility (GDF). The Government has now completed a consultation on revisions to the Managing Radioactive Waste Safely (MRWS) process and a revised policy document will be published by Government in due course.

The outcome of the 2013 Spending Review for 2015/2016 reaffirmed the Government's commitment to funding our nationally and internationally important mission. We welcome this strong support from Government during a very challenging period for public finances and are fully committed to playing our part in ensuring that savings are made wherever possible and value for money is delivered. Once again we have surpassed our income generation target for the year contributing nearly £1 billion towards our funding requirement.

The NDA has taken action to support the health of the supply chain at all levels with a strong emphasis on Small and Medium-sized Enterprises (SMEs) as well as Research & Development (R&D) organisations, many of whom are also SMEs. We continue to work with the Government's export-focused investment arm, UKTI (UK Trade and Industry), and innovation-driving Technology Strategy Board (TSB) to encourage overseas opportunities and direct funding to collaborative research partnerships. These partnerships are proving effective in transforming innovative concepts into commercially deployable products. Our SME Action Plan, published in 2013 is now well-established and builds on initiatives already under way across the NDA estate to increase the proportion of public contracts awarded to the SME community. The NDA's plan, approved by the Cabinet Office, sets a challenging target of 20% of annual sub-contract spend (both direct and indirect) to SMEs by 2015. This year we achieved £315 million, representing 18% of spend.

Internationally, the aftermath of Fukushima continues to reverberate and the NDA has been pleased to contribute to the international effort to aid Japan's clean-up operation. As the only organisation in the world with decommissioning as its sole focus we have been able to offer a unique insight to our Japanese colleagues, with their interest being particularly concerned with how we formulate strategy and engage with stakeholders. As is always the case with such interactions we are also learning from Japan's experiences. A further benefit from this collaboration, not only with the Japanese but with nuclear experts in many other countries, is the opportunities that are beginning to open up for UK businesses with experience of decommissioning on our sites.

Finally, I have made a number of changes to the executive team at the NDA this year. Mark Lesinski, Jim McLaughlin and Sean Balmer have all moved on from the NDA after three, six and nine years' service respectively. I am hugely grateful for their contributions to the NDA and for their personal support to me. Pete Lutwyche has joined us from Jacobs in the newly created post of Sellafield Programme Director giving us an increased focus on our priority site. David Vineall has arrived from Tata Steel and taken over as HR Director and will lead our skills and people strategy across the estate. Kenna Kintrea and Rob Higgins have both been promoted onto the executive team from within the NDA as Assurance Director and Business Services Director respectively. I am confident that this restructuring and refresh will position us well for the challenges that lie ahead.

John Clarke
Chief Executive Officer

Financial and Strategic Overview

Introduction
The NDA is responding to the challenges of dealing with the legacy of the nuclear industry in the context of the current fiscal climate. Over the course of the year, we have spent £2.6 billion in directly addressing the often complex decommissioning tasks, and have secured over £0.9 billion of income to offset this cost. However, the sheer scale of the work to be delivered, and the long time frame, is such that this expenditure represents less than 3% of the total expenditure that will be required over a 100+ year period.

The scale of work is compounded by the complexity of many of the critical projects at Sellafield, which are at an early stage in their design and delivery, and therefore inherently uncertain in both the means of physical delivery and cost and schedule of delivery. Elsewhere in the estate, where there is relative certainty over the work needed for decommissioning, the NDA has been able to run competitions such that the work can be delivered under target cost contract arrangements, introducing more clarity and delivering reductions in the expected cost of the programmes.

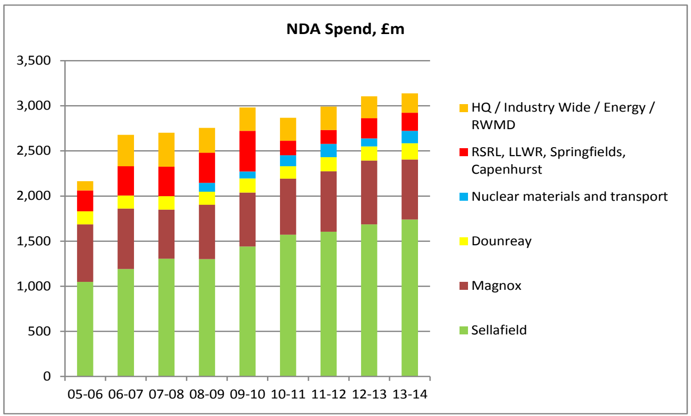
The estimated cost (undiscounted) to complete the necessary decommissioning activity has increased by £6.6 billion from the previous estimate, with consequent change in the nuclear provision shown within the financial statements on a discounted basis of £6.1 billion.

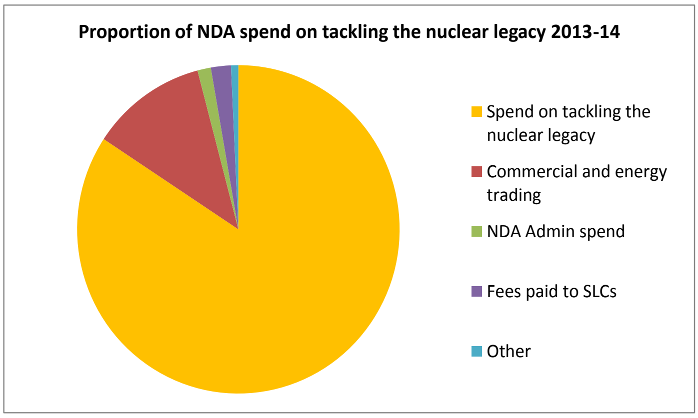
2013/2014 Financial Highlights – In year
Key performance highlights of the 2013/2014 financial year include:

- NDA's expenditure, net of commercial income, at £2,205 million, was within the funding voted by Parliament, and, through careful control, the NDA was able to generate a surplus against the original estimate of £68 million to carry forward with HMT approval to meet funding challenges in future years. The NDA used the principle of portfolio management to balance competing demands from the various SLCs to maximise value for money for the tax payer;
- of the total £3,140 million expenditure, £2,645 million was utilised in tackling the legacy which forms the core of the NDA mission. The expenditure and progress by site is covered below and reflects the importance of Sellafield but also the ability to make significant progress across the estate. The balance of expenditure (£495 million) was on commercial and energy trading costs (£365 million), SLC fees, NDA administration and industry wide costs in support of the NDA mission. This includes research and development expenditure which will provide benefits in solving some of the technical challenges faced by the industry as a whole;
- tight control of spending was evidenced in the achievement of the Support and Overhead Cost Reduction target (SOCR) which has seen the support and overhead costs in the estate reduce by in excess of the 25% target over four years, and therefore more expenditure committed to front-line decommissioning activity;
- the preferred bidder for the Magnox RSRL Competition was announced with the potential to significantly reduce the long term expenditure;
- £935 million of commercial income was secured by exceeding targets through sustained performance from the last remaining Magnox power station, through conclusion of commercial deals in respect of nuclear materials in the UK, and through continued progress in reprocessing and management of spent fuels;
- the NDA has worked with SLCs and the NAO and improved the internal governance and control of key financial models and;
- a funding settlement for 2015/2016 successfully concluded.

Spending within budget
NDA gross expenditure of £3,140 million was funded by grant from Government, and the commercial income of £935 million received by the NDA is separately remitted to Government as required by the Energy Act. However, the NDA is also required to balance its net demand on taxpayer funding, and in this respect we were able to deliver work within our initial Parliamentary allocation of £2,273 million, actual net spend being £2,205 million.

The bar chart below shows the expenditure by SLC with Sellafield the dominant site. The pie chart below demonstrates that the bulk of the NDA expenditure is directly on tackling the legacy.

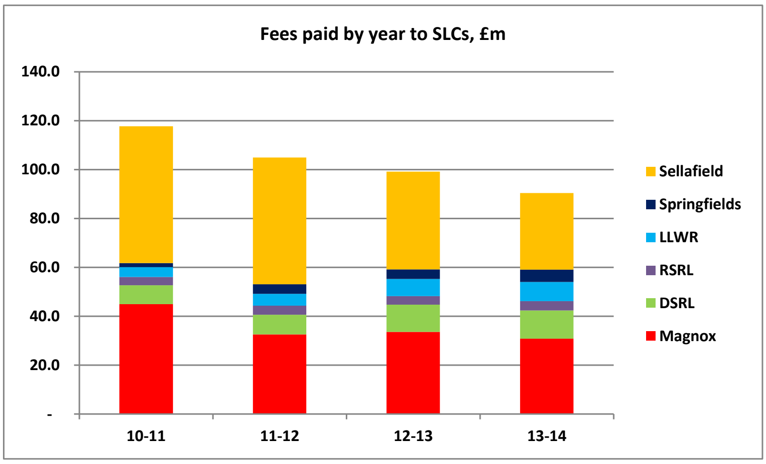




The running cost of the NDA is £42 million per annum. This expenditure has been maintained since the major restructuring of the organisation in 2010/2011 when costs were reduced by 30%. The cost of the NDA represents just over 1% of the total estate spend. Expenditure within the central function complies with Cabinet Office guidelines, and NDA takes advantage of Government framework contracts to drive value for money.

The NDA's programme for cleaning up the nuclear estate by its nature involves a range of complex, interdependent and often unique projects. The ability of the NDA and its contractors in the estate to achieve progress in this challenging environment requires continuous improvement in the areas of project, programme and supply chain management.

Contractors are paid fees which reflect their performance in the year in achieving programme milestones, output targets and efficiencies. The fee paid by NDA to its contractors is therefore, not a fixed amount and varies each year according to performance levels achieved. In most areas of the estate, plans are relatively mature with performance closely tracking those plans and, as a consequence, predictable and stable fees paid to contractors. Immaturity of plans and instability of performance has resulted in lower fees paid at Sellafield in recent years.



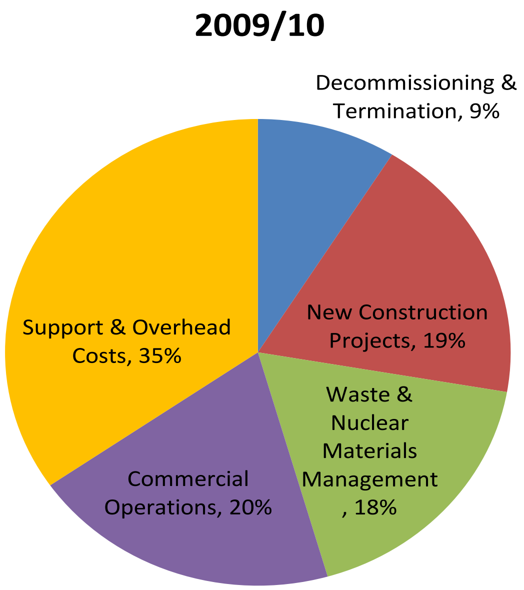
Reducing support and overhead costs

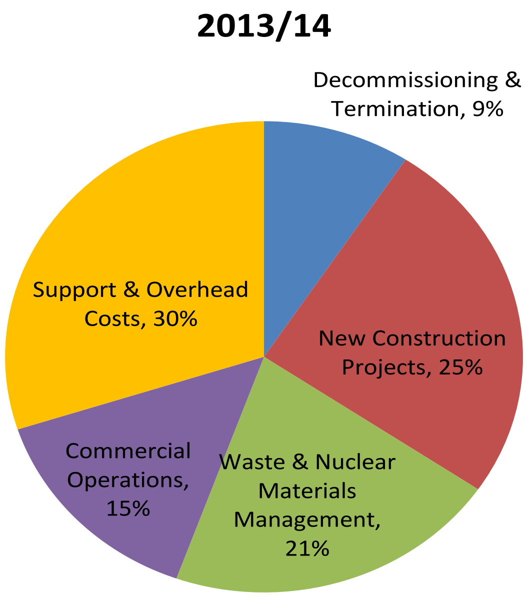
Under the SOCR initiative, the SLCs continued to achieve the challenging targets set at the beginning of the initiative, achieving 27.4% compared to the target of 25%.

The 2013/2014 financial year was the fourth and final year of this specific initiative. Going forward, NDA will continue to challenge the SLCs to ensure that targeted cost control remains a key tenet of the commercial arrangements.

The SOCR programme and careful management by the NDA means that a progressively lower proportion of NDA's funding is spent on support costs, freeing up resources to fund the construction and operation of essential new facilities. Cumulatively the four-year programme has reduced overhead spend by £450 million, as compared to an adjusted baseline. The reductions in overhead spending were built into NDA spending plans and have been realised through the project with a final year saving of £170 million against the baseline.

Evolution of SLC spend showing reduced support and overhead element





Reducing long-term expenditure

The competition for a new PBO for the sites managed by the Magnox and RSRL SLCs is nearing conclusion with the announcement of the preferred bidder (Cavendish Fluor Partnership).

The aim of the competition is to introduce a target cost based contract to produce efficiencies and continue progress towards the goal of placing the sites into their long-term Care and Maintenance phases.

The new PBO will be expected to develop the existing baseline – which already assumes innovations and efficiencies – and make further savings. Therefore following our scrutiny of the new baseline we expect to be able to reflect these savings in the nuclear provision in future years. The new contract is expected to commence September 2014.

Separate to the work of the SLCs, the NDA will continue to explore strategic opportunities for reducing long-term expenditure across the estate as a whole, for example by enabling the optimisation of site end states.

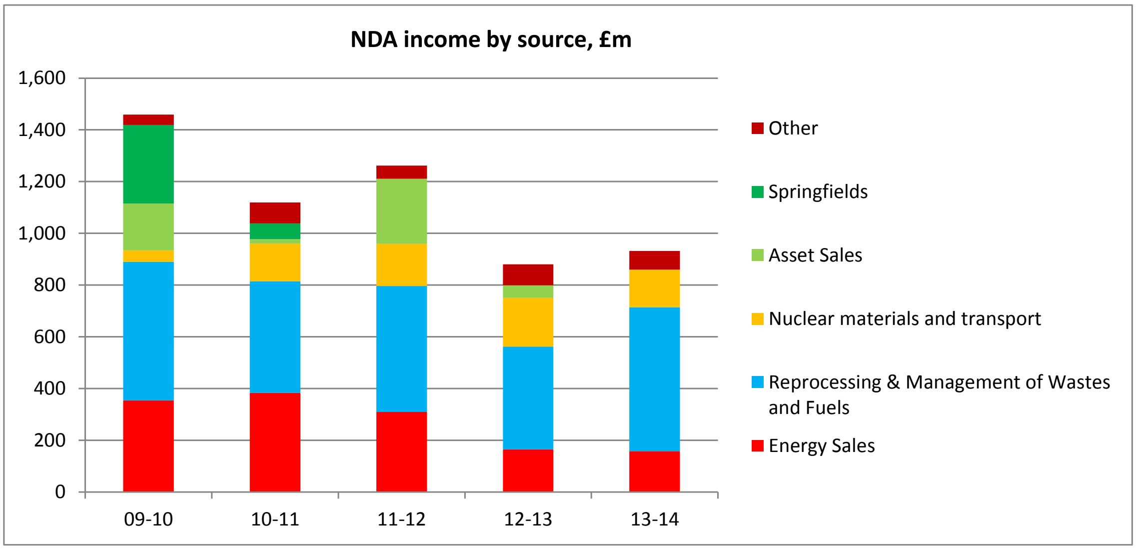
Income

The income earned by the NDA comes from various sources, the relative importance of which is changing over time.

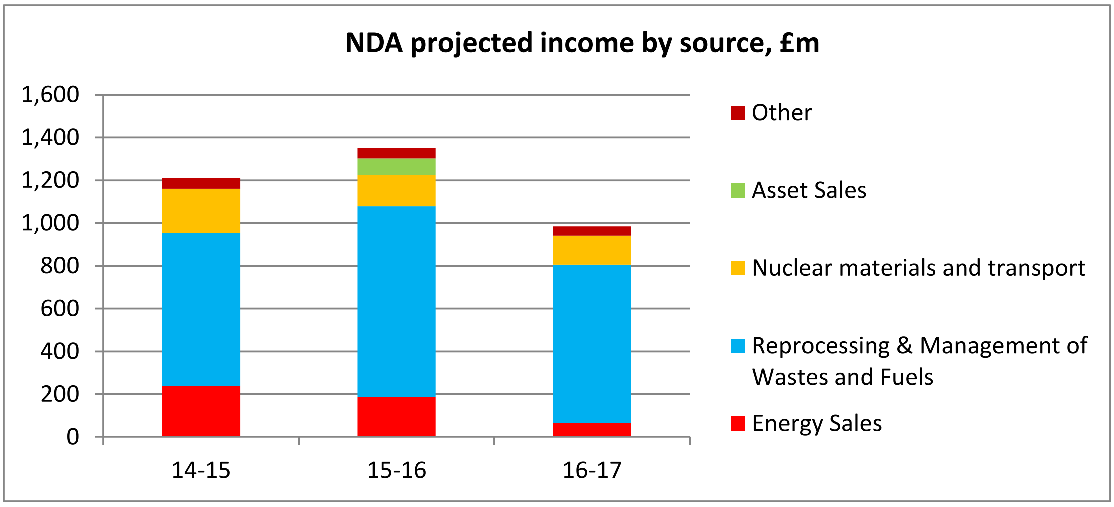
Of the current year total of £935 million, £157 million is attributable to electricity sales primarily from Wylfa, that is, at over 40 years old, the last operational Magnox station in the world. An application for further extension, subject to stringent safety case approval, has been developed to take the operational life of the station through to December 2015 when all useful fuel life will have been exhausted. However, as the plant reaches its end of life there is always potential for plant reliability issues to impact the economics of continued operation.

Income from reprocessing and waste and spent fuel management activities delivered £556 million income in year (up £155 million from previous year). The profile of this income stream will change over time with an increasing proportion derived from receipt and storage of spent fuel from the newer AGR stations, and a reduced reliance on the income derived from legacy UK and overseas fuel reprocessing and storage contracts.

The third key strand of income is from nuclear materials management (including deals regarding the ownership and future management of plutonium and shipping of waste and other materials).



Looking forward two years, the composition of the income will be significantly different, with electricity generation at Wylfa having ceased and only small amounts of energy sales remaining. The reprocessing element of income from reprocessing and management of wastes and fuels from the legacy contracts will also have reduced as the facilities reach the end of their commercial life. The bulk of the income will be derived from the contract to take ownership and treat the spent fuel arising from the EDF fleet of AGR power stations.



The NDA continues to explore commercial opportunities which offer value for the public purse, including transactions relating to the ownership and management of nuclear materials. It has an active policy of disposal of surplus land and buildings in support of the Cabinet Office initiative.

2013/2014 Financial Highlights – Planning for Future challenges

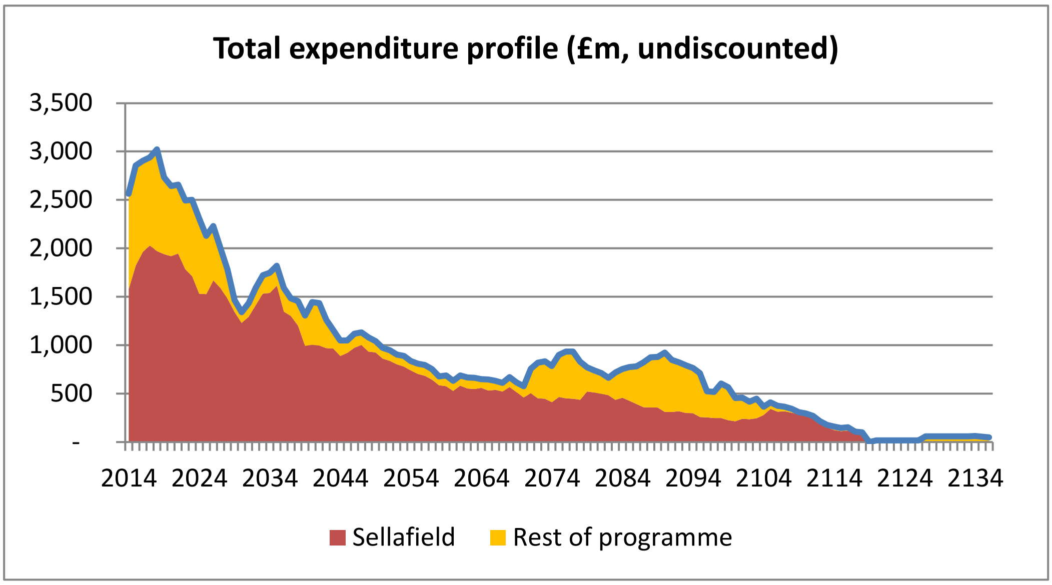
- the estimated undiscounted total cost of the NDA mission over the projected 100+ year timescale is £110.3 billion. Considering this as a single figure however could lead to a false sense of certainty in the outcome. The following paragraphs discuss the evolution of the number, the inherent uncertainties within it and the range of potential outcomes;
- as the Comptroller and Auditor General said in the NDA ARAC 2012/2013 'Given the very long timescales involved and the complexity of the plants and material being handled, considerable uncertainty remains in the cost estimate particularly in later years;
- other than for Sellafield, the cost estimates across the estate have remained relatively stable over the past couple of years, with changes introduced to reflect the latest agreed plans across the estate, including the second phase of the LLWR contract, and the Dounreay contract;
- the benefits of the recent Magnox and RSRL competition have not yet been incorporated, pending agreement of a revised plan and finalisation of the share transfer planned for 1 September 2014;

- at Sellafield the recently received Performance Plan 14 (PP14) has yet to be fully scrutinised and accepted by the NDA. Some cost increases are reflected for projects and programmes where the NDA has accepted new forecasts, with further increases likely as the plan is finalised and agreed. Even then, the inherent uncertainty in the materials and plants being constructed and the very long timescales, mean that PP14 will still contain considerable uncertainty and;
- it is anticipated the provision will increase significantly once the PP14 is accepted due to the physical programme and project uncertainties and the fact that the estimates beyond the next few years are intrinsically less certain. Uncertainty and the potential for consequential cost increase will continue as the plan is further developed in the future and as a result PP14 should be considered as a firm plan only for the relatively short term and a set of planning assumptions beyond that.

Future cost and estimating uncertainty

Compliance with Accounting Standards requires the NDA to disclose the discounted cost of the decommissioning mission as a single point number in the Statement of Financial Position – the 'Nuclear Provision'. To understand what this represents, it is important to understand both the source of that single number and the inherent uncertainty in it, and to consider it as part of a range of potential outcomes.

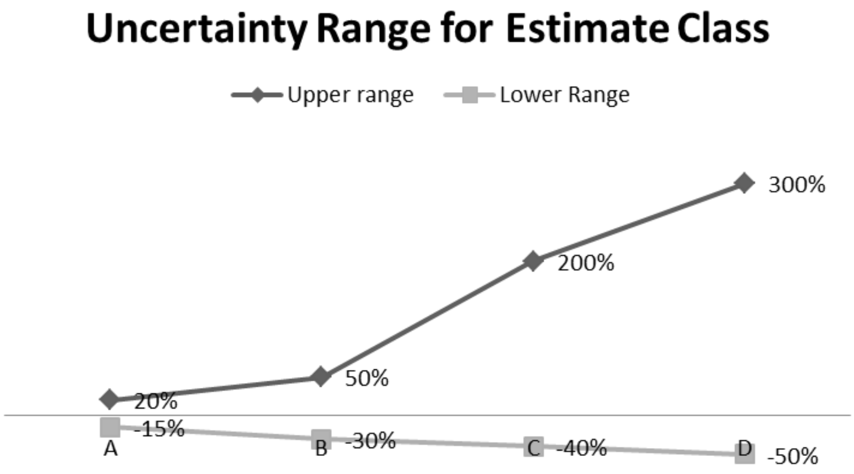
The following graph shows the undiscounted Annual Expenditure profile for future years (excluding NDA administrative and other non-programme costs).



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

The NDA management's best estimate of the future costs of the estate over the next 100+ years based on accepted plans from the SLCs and other estimates on an undiscounted basis is £110 billion. This figure is predicated on dealing with an assumed inventory of materials with varied radiological characteristics, and using the extant strategy for retrieval and disposal of the resulting materials over several decades. Each of these elements (quantity, method and time to treat) is uncertain in their own right, and the cost of developing the necessary technology and plants to deal with these activities is necessarily also uncertain. The quality of the forecast becomes less certain as time goes out. Consideration also has to be given as to what standards of clean up may be generally acceptable in the future in respect of the final planned end state for the sites.

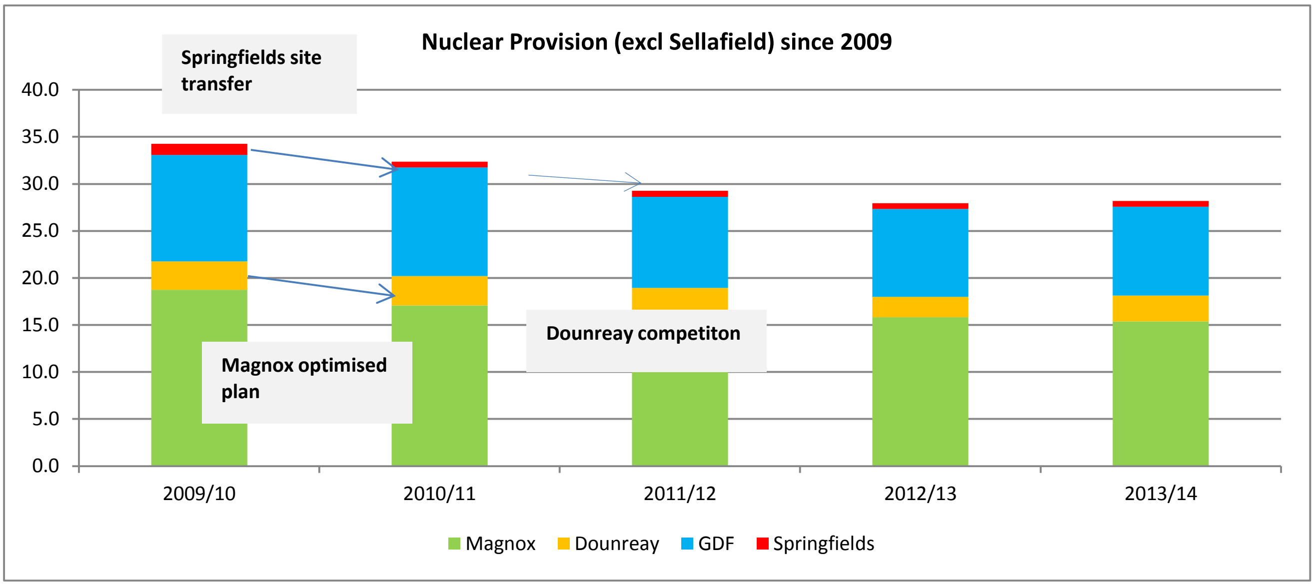
Estimates are classified according to the level of certainty, with ranges applied to reflect this. The NDA estate uses four different classes of estimate (A to D) with A having most certainty, and D the least certainty in line with the principles of the HMT Green Book. So for Class D estimates, the credible range of outcome could be +300%, -50% to the central case as shown in the graph below. Inevitably as much of the expenditure of the NDA is not scheduled to start until many years in to the future, using as yet unknown technologies, then the estimates will tend towards class D.



Notwithstanding this uncertainty, the NDA continues to work with the SLCs, scrutinising their long-term plans and benchmarking them against best practice for project and programme costs and schedules and to ensuring that these plans are coherent and consistent with agreed strategies.

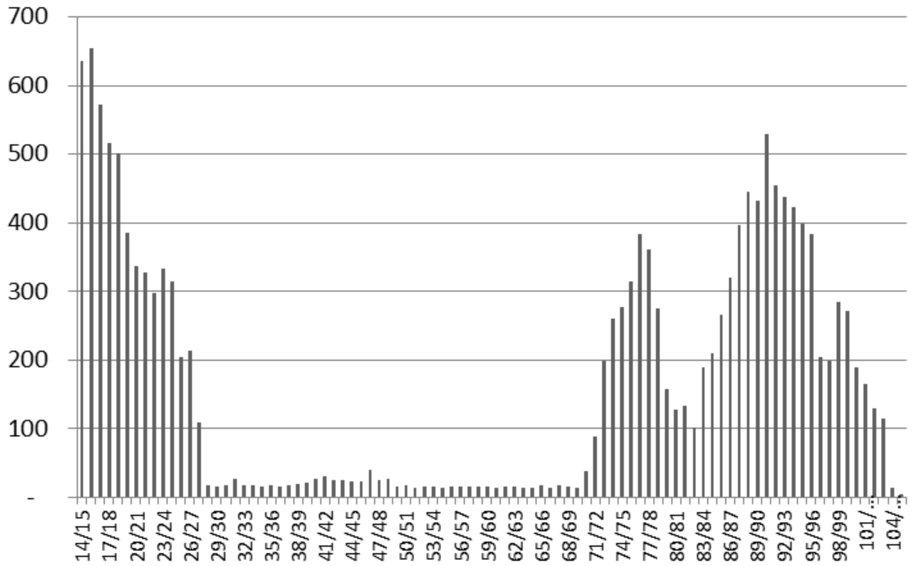
Estate excluding Sellafield (£31.2 billion (undiscounted) cost to complete)

Competition for the ownership and management of the SLCs is central in the NDA strategy for delivering decommissioning. The maturity of scope in the non-Sellafield SLC plans has enabled NDA to drive value for money for the taxpayer, through the transition from cost reimbursable to target cost contract structures. Over time this has led to stabilisation and ultimately reduction in the projected cost of decommissioning. This is expected to reduce further next year once the Magnox/RSRL competition benefit is reflected.



The total estimated lifetime cost of decommissioning the Magnox estate is £15.4 billion and is supported by the agreed MODP. This plan reduced the estimated cost by over £1.3 billion, and following on from the competition process, the preferred bidder for the Magnox sites will be expected to develop the baseline programme and to identify opportunities and translate them into further savings in excess of £1.5 billion. The new contract is being let on a target cost basis, reflecting the increased certainty over the scope of short-term activity (the next 14 years) necessary to get the sites into their long-term Care and Maintenance states. Scrutiny of the proposed plans will take place over the coming year and changes will be reflected into the cost estimates by March 2015. Delivery of the changes will be put into action following share transfer in September 2014.

Nonetheless, considerable uncertainty will still remain in the ultimate cost of the programme of work to return the Magnox sites to the currently planned final end state envisaged in the NDA strategy. The profile of the work necessary is shown in the following graph with the right hand side expenditure relating to Final Site Clearance:



The recently competed contract period covers costs in the first period of time (to 2027) by which time all of the sites are planned to be in an interim state. A long period of Care and Maintenance follows through to 2070, when work starts on dismantling of the reactor at Berkeley as part of final site clearance. Work across the remainder of the fleet then continues through until the final site, Wylfa, is completed in 2106. The cost of the final site clearance activity over a 36 year period is currently estimated at £9 billion – more than half of the estimated final total cost.

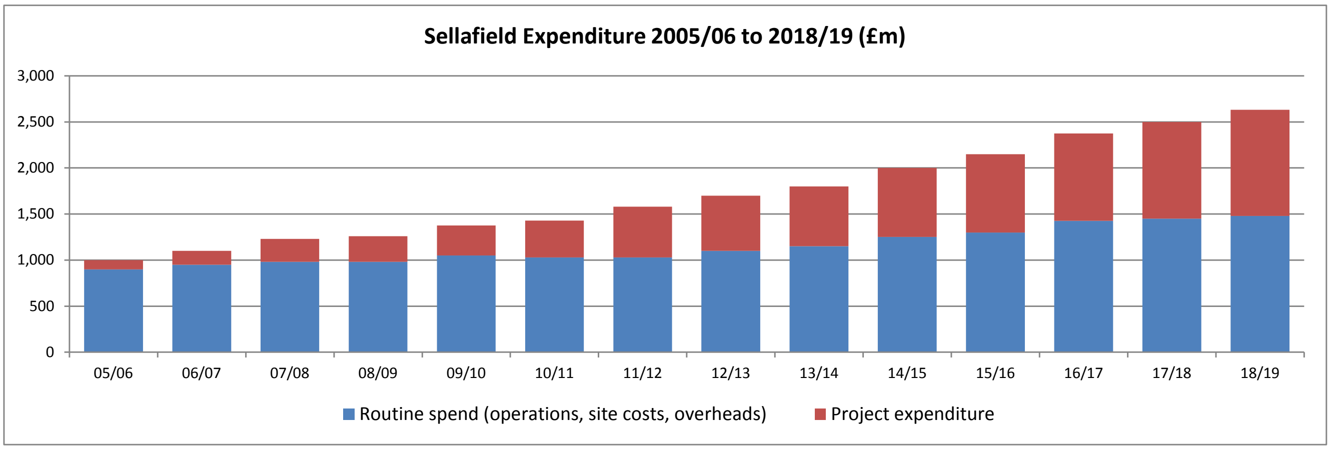
Inevitably, over the course of the 50+ year Care and Maintenance period, there will be changes in the technology available to deliver the final decommissioning, and also changes in what is generally acceptable in terms of the techniques used and working practices to deliver the work. For example, consider that, over a same time period, what was considered a biologically inert insulating material and widely used in construction of the existing facilities has become the asbestos hazard that is contributing significantly to the cost of the near term work in putting the sites into Care and Maintenance. Also acceptable radiation doses for workers are now considerably lower than previous norms. The forward cost profiles are predicated on the sites being cleared based on a risk assessment of the radioactive and non-radioactive land contamination of the sites, and on their eventual planned use. Clearly the ultimate end state will require agreement with key stakeholders at the time, the majority of whom may not yet have been born.

The graph clearly illustrates the low annual cost of the interim Care and Maintenance period. The sensitivity analysis discussed later show the impact of applying the Class D ranges. Changing the timing of the final site clearance by a decade would have very little overall effect on the total cost on an undiscounted basis, in contrast to the discounted figures discussed later in this section.

Sellafield (£79.1 billion (undiscounted) cost to complete)

At Sellafield the Performance Plan 2014 has been submitted by Sellafield but is still being scrutinised by NDA so whilst the provision has increased due to known project costs it is anticipated that the provision will increase significantly next year once the impact of the Performance Plan 2014 is known. This is not a surprise to the NDA and whilst in many ways it is disappointing it is to be expected due to the nature of the projects at Sellafield.

The scrutiny brought to bear by NDA will drive improved performance but in the short to medium-term it is likely that cost and schedule will continue to be significant issues on the more complex projects. It is worth noting that the nature of the work at Sellafield has changed in recent years, with a higher proportion of the expenditure relating to major projects – a trend that will continue for at least the next five years as shown in the graph.



The nuclear provision shown in the accounts uses a single point estimate of the costs in the future but is intrinsically uncertain due to the timescales, technology and societal needs. These drivers and uncertainties will lead to the provision increasing in the future, particularly at Sellafield where the drivers are most extreme.

Sensitivity of estimated future costs

NDA has reviewed the methodologies used in the calculation of the ranges of the nuclear provision and has recognised that removal of optimism bias, application of the HMT Green Book estimating uncertainty principles and early sight of the Sellafield future costs means that it is appropriate to significantly increase the potential undiscounted range. The NDA has reviewed a number of scenarios with a range of possible outcomes, the estimated cost could have a potential range from £88 billion to £ 218 billion. The nuclear provision itself is on a discounted basis and represents a single point estimate within the range and is NDA management's judgement of future costs based on plans produced by the SLCs, accepted by the NDA and known changes in assumptions and facts.

It must be stressed that whilst the range, and consequently the provision, reflects the costs over a 100+ years the NDA and SLC Management attention is on controlling and driving down costs in the immediate, short and medium term i.e. 1, 5, and 20 years, whilst maintaining the strategic coherence over the longer term.

In considering sensitivities of the cost estimates, there is a clear divide in the order of magnitude of the sensitivity between sites which have relatively near term interim or final end states being achieved, and Sellafield, Magnox and GDF with activity over a significantly longer term. For example:

- if Sellafield costs to 2034 were to increase by 25%, the cost estimate would increase by £13 billion;
- if Sellafield costs post 2034 increase by 100%, the cost estimate would increase by £47 billion;
- if Sellafield major project costs post 2034 increase by 300% or reduce by 50%, this would result in changes of +£75 billion to -£12 billion;
- an increase in the Magnox final site clearance costs of 100% would equate to £9 billion;
- DSRL Interim End State date slips three years equates to +£0.5 billion and;
- if GDF costs post 2034 increase by 300% or reduce by 50% would equate to an increase of £28.7 billion or a reduction of £4.8 billion.

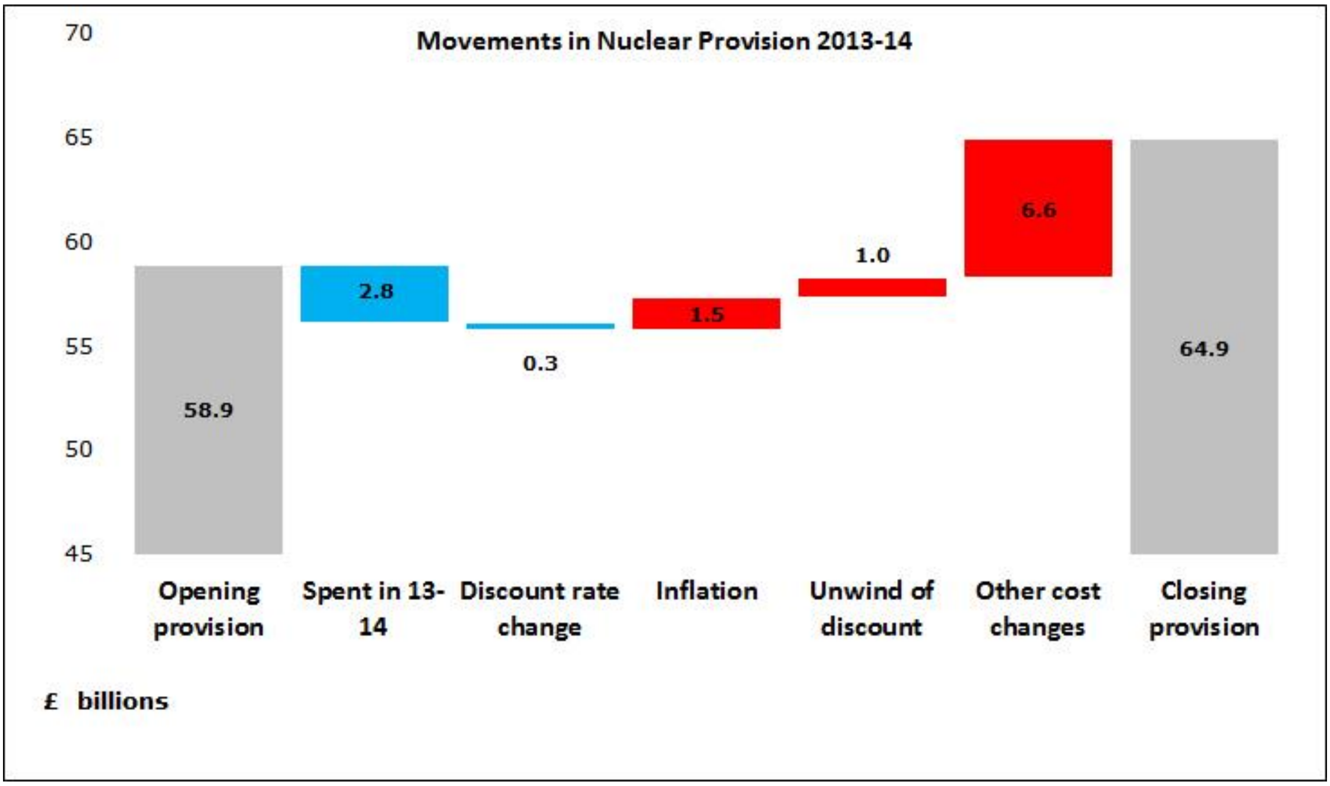
Whilst the legacy, and consequently the provision, is better characterised than previously it continues to be subject to ongoing risks that could impact on the costs of delivering the NDA mission, such as:

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

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

Change in provision over the year
Reductions in the provision estimate have arisen from:

- the impact of the changes in discount rates (as directed by HMG), which reduced the discounted value of the estimate by £0.3 billion and;
- the value of work completed during the financial year is released from the provision, thereby producing a reduction of £2.8 billion.



Increases to the provision have included:

- the increases from the unwinding of the existing discount £1.0 billion and inflation £1.5 billion which are applied to the provision every year and;
- increases in the Sellafield estimate, anticipating the potential increase in cost arising from the introduction of the new performance plan £5.4 billion and accounting changes which produce a movement from the contract loss provision to the nuclear provision £0.7 billion. The impact of the additional scope at Dounreay (£0.5 billion) accounts for the remainder of the provision increase.

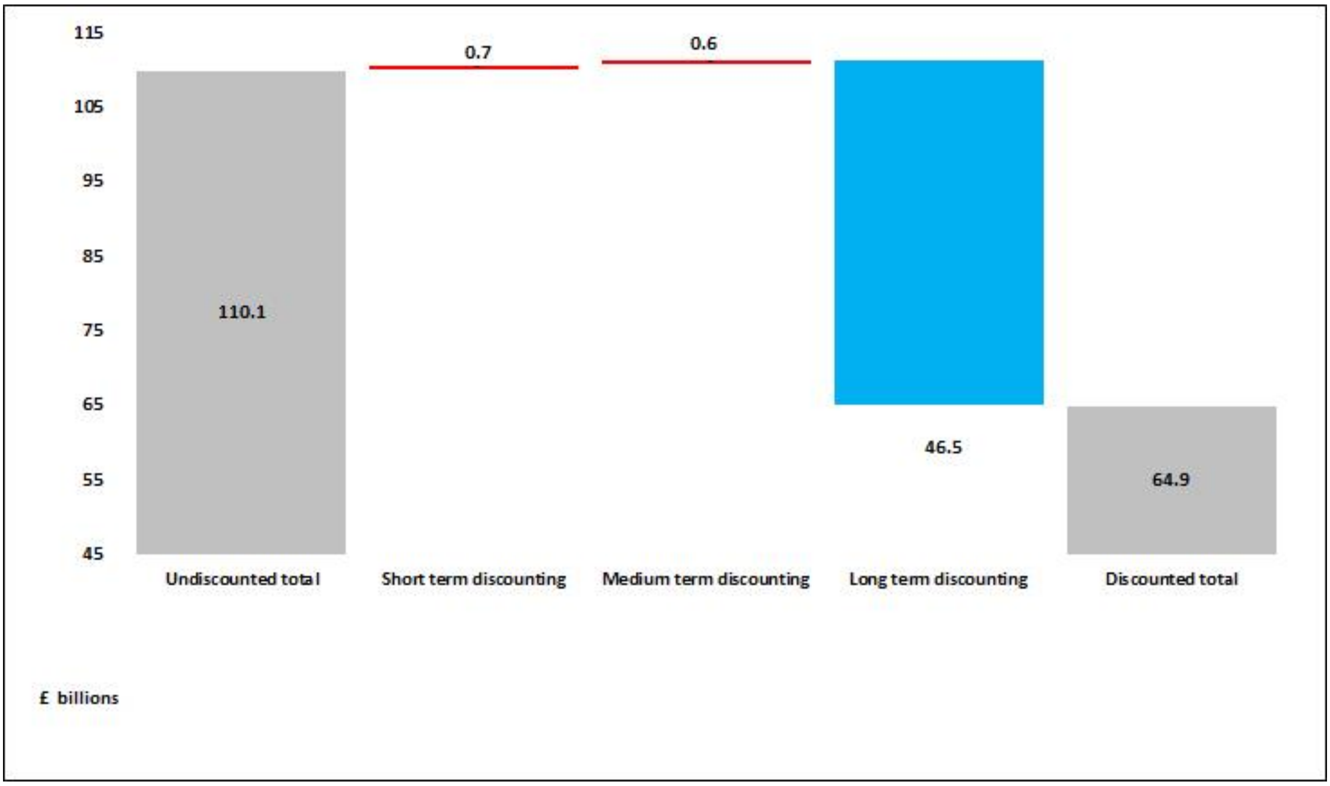
Attention should be paid to the impact of the change in discount rates, which applies to the provisions held by all government departments and bodies.

Until 2011/2012, provisions were calculated by discounting the current estimate of future expenditure (the 'undiscounted' total) by a uniform 2.2% per annum discount rate which meant that the discounted value was always lower than the undiscounted total. This effect was particularly noticeable in very long-term provisions such as those held by the NDA.

The recent changes to discount rates means that, while the above remains true for long-term expenditure (beyond ten years), expenditure planned for the first ten years is 'negatively discounted' meaning its discounted value is actually higher than its undiscounted total. This is because the rates are intended to represent the real term cost of government borrowing which at the present time, creates a negative rate because the interest payable on UK gilts is less than the rate of inflation – typically in the past the rate was higher than inflation which produced a 'positive' discount rate.

In 2012/2013 the implementation of this new methodology produced an increase in the provision of £3.8 billion. In 2013/2014 however, the rates became 'less negative', which produced a reduction in the estimate of £0.3 billion.

The undiscounted total of the nuclear provision was £110 billion at the end of 2013/2014. The first ten years' expenditure is now 'negatively discounted', while the long-term expenditure remains discounted in the traditional sense. This produces the overall discounted total as shown in the accounts of £64.9 billion.



A 0.5% change in discount rate over the life of the estimate would move the provision by approximately £6.5 billion.

HM Treasury has also indicated that the long-term (beyond ten years) discount rate may be changed in the future. Current indications are that this rate could be neutral, or even negative, either of which would result in further substantial increases in the nuclear provision (with the discounted value approximating to or exceeding the undiscounted value) if and when they are applied. The estimated increase in the provision value arising from the introduction of a zero long-term rate is approximately £50 billion.

Going concern

The accounts show a deficit on the Statement of Comprehensive Net Expenditure of £7,483 million for the year ended 31 March 2014 and net liabilities of £65,344 million on the Statement of Financial Position primarily attributable to the nuclear provision.

We note that likely reduction in the level of estimate income will result in an increased net funding requirement for the NDA, However, we acknowledge the support and understanding that DECC has given us and there is no reason to believe that DECC's sponsorship and parliamentary approval will not be forthcoming. On this basis it has been considered appropriate to prepare these financial statements on a going concern basis.

Total discounted Nuclear Provision by site and SLC

		Movements in provision - discounted							
	2012/13 discounted	***Unwind of discount***	***Discount rate change***	***Released in year***	***Inflation***	***Other cost change***	**Movement discounted**	**2013/14 discounted**	**2013/14 undiscounted**
Total discounted nuclear liabilities	**£m**	*£m*	*£m*	*£m*		*£m*	£m	**£m**	£m
Sizewell A	**(813)**	*(12)*	*4*	*77*	*(20)*	*1*	49	**(764)**	**(1,482)**
Bradwell	**(422)**	*(6)*	*2*	*136*	*(10)*	*(35)*	86	**(336)**	**(1,052)**
Berkeley	**(642)**	*(10)*	*3*	*58*	*(16)*	*(33)*	3	**(639)**	**(1,269)**
Dungeness A	**(595)**	*(9)*	*3*	*41*	*(15)*	*7*	28	**(567)**	**(1,342)**
Hinkley Point A	**(736)**	*(11)*	*4*	*50*	*(18)*	*5*	30	**(706)**	**(1,421)**
Hunterston A	**(685)**	*(10)*	*4*	*36*	*(17)*	*22*	35	**(650)**	**(1,301)**
Oldbury	**(975)**	*(15)*	*5*	*79*	*(24)*	*3*	48	**(927)**	**(1,656)**
Chapelcross	**(714)**	*(11)*	*4*	*63*	*(18)*	*(21)*	17	**(697)**	**(1,743)**
Trawsfynydd	**(594)**	*(9)*	*3*	*39*	*(15)*	*19*	37	**(557)**	**(1,208)**
Wylfa	**(882)**	*(13)*	*5*	*71*	*(22)*	*(28)*	12	**(870)**	**(1,736)**
Magnox central costs	**(1,132)**	*(17)*	*6*	*26*	*(28)*	*160*	147	**(985)**	**(1,162)**
Magnox Limited	**(8,190)**	***(123)***	***42***	***675***	***(203)***	***101***	**492**	**(7,698)**	**(15,372)**
Sellafield Limited	**(41,975)**	***(736)***	***228***	***1,745***	***(1,046)***	***(6,114)***	**(5,923)**	**(47,898)**	**(79,134)**
Dounreay Site Restoration Limited	**(2,111)**	***(40)***	***22***	***171***	***(53)***	***(514)***	**(414)**	**(2,526)**	**(2,760)**
Research Site Restoration Limited	**(1,180)**	***(17)***	***11***	***77***	***(29)***	***(66)***	**(24)**	**(1,204)**	**(1,256)**
LLW Repository Limited	**(274)**	***(5)***	***1***	***8***	***(7)***	***(89)***	**(92)**	**(366)**	**(601)**
INS Contracts	**(20)**	***0***	***0***	***0***	***(1)***	***1***	**0**	**(20)**	**(21)**
Springfields	**(355)**	***(1)***	***0***	***51***	***(9)***	***(22)***	**19**	**(336)**	**(597)**
Capenhurst	**(724)**	***(14)***	***4***	***24***	***(18)***	***(5)***	**(9)**	**(733)**	**(1,001)**
Geological Disposal Facility	**(3,938)**	***(112)***	***14***	***25***	***(99)***	***33***	**(139)**	**(4,077)**	**(9,455)**
Authority	**(58,768)**	***(1,048)***	***322***	***2,776***	***(1,465)***	***(6,675)***	***(6,090)***	**(64,858)**	**(110,196)**
NDA group companies	**(90)**	*0*	*0*	*0*	*0*	***4***	4	**(86)**	**(86)**
NDA Group	**(58,858)**	***(1,048)***	***322***	***2,776***	***(1,465)***	***(6,671)***	***(6,086)***	**(64,944)**	**(110,282)**

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

David Batters
Chief Financial Officer
5 June 2014

John Clarke
Chief Executive Officer
5 June 2014

Case Studies

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

Priority Programmes and Major Projects

Across the NDA estate hundreds of projects, of varying value and importance, are under way at any one time. Given the complexity and interdependency of some of these projects, they are grouped together into distinct programmes. The most significant of these, in terms of cost value or significance, are identified as Priority Programmes and Major Projects.

As a response to the relevant recommendations in the report by the Public Accounts Committee (PAC), the NDA has revised the web format used to report on these Programmes and Projects, highlighting targets and indicating progress achieved on a quarterly basis.

It looks at the original six Priority Programmes: four at Sellafield, one for the Magnox sites and one for Dounreay and now also includes the National Low Level Waste Programme.

Goals have been established for each programme and project, and appropriate targets are highlighted in the three year Business Plan.

PROGRAMME: Pile Fuel Storage Pond (PFSP)

Removing contaminated redundant equipment

The Pile Fuel Storage Pond (PFSP) is one of four high hazard facilities at Sellafield prioritised for clean-up by the NDA.

The 100 metre long open-air fuel storage pond was constructed in the late 1940s to cool fuel taken from the original Windscale Pile reactors prior to reprocessing. It remains the largest open air nuclear fuel pond in the world.

During 2013/2014 a major milestone in the decommissioning of the pond was achieved when the volume of contaminated metal waste retrieved from the pond passed the 100 tonne mark.

All of this retrieved metal has been cleaned up and sent for disposal at the Low Level Waste Repository, near Sellafield.

In total, 750 tonnes of metal will be retrieved from the pond. Among the 100 tonnes of material already removed were the pond's last remaining decanner, weighing over one tonne, and two tall masts, similar in height to a two-storey house. These masts were lifted in one piece from the pond and size reduced in-situ before being cleaned up and sent for disposal.

Thirty waste and transport flasks have also been retrieved – eight of which weighed more than two tonnes each. Alongside the retrieval of metal items from the pond, work continues to remove fuel and sludge from the facility before the pond is dewatered, which is due to commence towards the end of this decade.

Collaboration with Chapelcross to use redundant fuel skips from the former reactor site was agreed during 2013/2014 which will lead to savings of around £1 million. Forty two skips have been saved from being broken up in order to be used for shipping waste out of the pond, rather than buying new skips for the job.

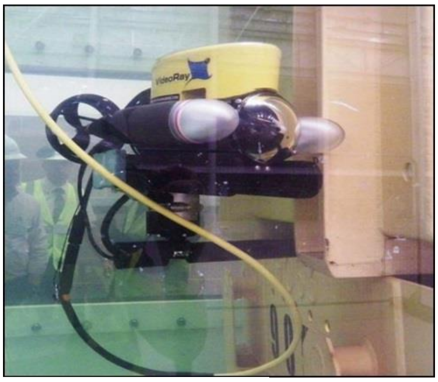
PFSP waste manager Chris Mounsey said: "At Sellafield, we're working to recover 750 tonnes of radioactive metal wastes from the PFSP and need Magnox skips to firstly store and then to move the waste out of our historic fuel storage pond to downstream treatment plants.

"In the past, we've ordered in brand new skips which were expensive at almost £14,000 each. But by identifying Chapelcross as having redundant skips we have been able to achieve a win-win solution on a shorter timescale and at significantly reduced cost".

The NDA has asked Sellafield Ltd to find similar collaborations and cost savings across the decommissioning programme.

In addition to the achievements in the past year, the programme is forecasting better performance in the retrieval of sludge from the pond, beating the previous planned date by around two years.

PROGRAMME: First Generation Magnox Storage Pond (FGMSP)



ROV technology in use

The FGMSP remains one of the most complex challenges in the Sellafield decommissioning programme.

Constructed in the 1960s to store spent fuel from Magnox stations across the UK, the pond has accumulated large quantities of waste material including sludge from corroded fuel cladding, fuel fragments, skips and debris.

It sits in a highly congested area of the site and is surrounded by buildings which originated in the earliest days of nuclear operations on the site, limiting the opportunity for new infrastructure, heavy lifting and temporary facilities.

Activities during the 2013/2014 financial year have centred on preparing for the commencement of fuel retrievals from the pond in 2015/2016. As is always the case in such challenging environments there have been setbacks as well as progress. Some of the key progress includes:

In order to safely retrieve fuel from the 7 metre deep pond, it must first be sorted and consolidated. With no human access allowed, this highly intricate work must be done remotely using mini submarines, known as Remotely Operated Vehicles (ROVs) with robotic arm attachments to sort fuel rods in containers and pick up loose fuel rods from the bottom of the pond and put into containers. Trials designed to demonstrate the capability to achieve this continued in 2013/2014. Project Manager Phil Toomey said: “The ROV trials have demonstrated that we can successfully sort, segregate and consolidate fuel between containers and from the floor to containers.

“We’ve moved more than 4,500kg of fuel rods using ROV technology, and some 50kg of spent fuel has been recovered from the pond floor and placed into containers ready for export.”

Further development work is on-going with suppliers James Fisher Nuclear, Rovtech Systems Ltd, Hydrolec and VideoRay to extend the ROV capability to support decommissioning at Sellafield.

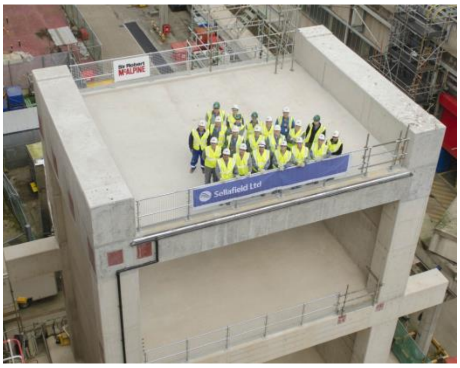
The current plan is that fuel exported from FGMSP will be sent for interim storage at Sellafield’s Fuel Handling Plant (FHP). In order to clear enough space in FHP for these arrivals, some 200 skips will need to be moved out of the facility.

During 2013/2014 a trial was launched to decontaminate a highly contaminated fuel skip in FHP and size-reduce it by cutting it underwater using plasma arc technology in order to clear this required space. The trial was carried out in conjunction with the decommissioning team at Hinkley Point A.

Project Manager Phil Hayward said: “The highly contaminated skip was first cut up at Sellafield and the painted surface partially decontaminated as part of an earlier trial. It was then shipped to Hinkley Point A for more extensive trials as part of a collaborative effort across the NDA estate. They will strip its paint coating and its metal surface will be milled on a large milling machine to remove sub-surface contamination.”

Early indications from the recently submitted performance plan update are indicating that the schedule for commencement of retrieval of sludge, fuel and waste have slipped and cost has increased on the programme. Whilst work is being undertaken to deliver improvements to this plan position, there is still significant uncertainty in the behaviour of wastes, availability and performance of bespoke treatment facilities, and suitability of products for disposal, which mean that we should expect further challenge to the planning assumptions that underpin the programme going forward and hence further changes to cost and schedule. We expect greater clarity on this position later in 2014/2015.

PROGRAMME: Magnox Swarf Storage Silos (MSSS)



The seismic restraint tower

MSSS presents perhaps the greatest decommissioning challenge in the NDA estate. The combination of an aging building and a varied and uncertain radioactive inventory together with the construction constraints common to all projects on the densely packed historic part of the Sellafield site, presents unique challenges. The inventory from this facility will eventually be processed through complex waste treatment plants, the design of which is still being developed

Built in the 1960s to store swarf cladding taken from Magnox fuel during decanning operations, this facility originally comprised six vertical wet silos but was extended on three occasions and by 1983 contained 22 silos.

Work to decommission MSSS is currently focused on two main areas – the construction of three machines to empty the silos, known as Silo Emptying Plant (SEP) machines, which will be placed on top of the main structure strengthening the building itself in order to support these 400 tonne machines.

During 2013/2014 work was completed on the main machine build for SEP 1, meaning both the SEP 1 and SEP 2 machine builds are now complete. The SEP machines will operate on a rail system removing wastes via a hydraulic grab through a tunnel on the top of the silos. Work will switch in 2014/2015 to preparations for testing and commissioning of the machines.

During 2013/2014, a seismic restraint tower was completed which will strengthen the building in order for it to support decommissioning activities.

The 15 metre high tower was built under challenging conditions, with space highly constrained and requiring the excavation of 400 tonnes of earth and spoil. The tower contains 100 tonnes of reinforcing steel and 500 cubic metres of concrete, and weighs more than 1,200 tonnes. It required the largest single pour of self-compacting concrete in the UK.

A major step forward in risk reduction at MSSS was achieved during 2013/2014 with the completion of the passive ventilation project. This new system ensures ‘walk away’ safety from the hydrogen hazard in the facility by providing passive ventilation to all 22 waste compartments in the event of a loss of power causing a failure of conventional ventilation.

The recently submitted performance plan indicates significant slippage and cost increase for the key enablers and facilities associated with the retrieval and treatment of waste in MSSS. This is driven primarily by a better, more informed view of estimating uncertainty inherent in these one off, high hazard programmes. The outcome of procurement for the Silo Direct Encapsulation Plant (SDP) and the Box Encapsulation Plant (BEP) will further influence this programme and we should expect a clearer assessment of the strategy, uncertainties, costs and schedules later in 2014/2015.

PROGRAMME: Pile Fuel Cladding Silo (PFCS)

The semi-goliath crane being installed

The PFCS, a dry silo opened in 1952 for the storage of radioactive fuel cladding, presents huge decommissioning challenges.

It comprises six 21 metre high silos of waste which is inerted with argon gas in order to prevent potentially flammable material from igniting. The presence of this argon gas prevents human access, meaning that operations must be conducted remotely.

The silo is located in a highly congested area of the Sellafield site with an extremely small footprint of land around it available for the construction of the complex engineering projects required to retrieve waste from the facility.

A new superstructure is under construction adjacent to the aging building which will house equipment to retrieve waste and containerise it prior to transfer to downstream plants for further treatment.

During 2013/2014 a design pause on the retrievals programme was initiated by Sellafield Ltd as a result of concerns over the long-term operability of some of the equipment being designed. A review concluded that a new rapid retrievals approach should be adopted which utilises more off-the-shelf technology rather than relying on bespoke technology. The NDA has endorsed this new approach.

The revised programme will see a weather-proof temporary structure deployed on the existing superstructure next to PFCS to house a containment module. This will lock onto the silo with a remotely operated hydraulic arm to retrieve waste for transfer to storage boxes.

The impact of the pause and the effect on the programme cost and schedule are currently being assessed.

PROGRAMME: Magnox Optimised Decommissioning Programme (MODP)

The Magnox Optimised Decommissioning Programme (MODP) continues to deliver progress and technological innovation, remaining on schedule to save well over £1.3 billion from the overall costs of achieving the passive Care and Maintenance (C&M) phase at all sites, and securing a 34-year reduction in the total timeframe.

With an additional £500 million saved following the introduction of a revised approach to managing the C&M period, the overall total savings have now risen to £1.8 billion. The 'hub' concept, now approved by the regulators, will see a small specialist team based in a single central location remotely monitoring each site to ensure they all remain safe and secure in the years ahead.

C&M will leave all sites with a residual handful of facilities, including waste stores and sealed-up reactors, known as Safestore, which will remain in situ while radioactivity levels decay naturally. Eventually, the 'hub' team will oversee the dismantling of these remaining facilities and the transfer of all radioactive ILW to a Geological Disposal Facility, followed by final site clearance.

Brian Burnett, the NDA's Head of Programme for Magnox and RSRL, said: "The 'lead and learn' principles embodied by the MODP have delivered greater progress and savings than were envisaged. This is a tremendous achievement and is testament to the commitment of the workforce, while the shared learning and collaborative approach will benefit the whole estate."

Some notable achievements of MODP, meanwhile, include the income generated by Wylfa Power Station on Anglesey. The last financial year saw excellent performance on Wylfa's electricity generation, producing revenue of £137 million compared to the anticipated figure of £87 million.

Wylfa, the UK's last operating Magnox reactor

Wylfa, opened in 1971, is the UK's last operating Magnox plant and was originally scheduled to close down in 2010 but was granted a number of extensions after reviews with the regulators. Most recently, Magnox Ltd has successfully demonstrated that all safety and maintenance conditions are in place to enable generating to continue for an additional period, which will now take its operational life to the end of 2015. The site's rigorous and comprehensive maintenance regime over many years, together with the recent Generation Extension Maximisation (GEM) project, has underpinned the five-year extension, which supports ongoing employment and work for local contractors as well as the revenue that helps to fund the NDA's mission.

Defuelling is progressing well across the Magnox fleet and remains in line with the Magnox Operating Programme (MOP). Following the completion of defuelling at Dungeness A and Chapelcross last year, the focus has moved to Sizewell A which is now well on track to complete defuelling by September 2014 and subsequently move to the next phase, when it will become a decommissioning site. Oldbury, too, is on plan to remove 50% of its fuel by September 2014.

C&M will be delivered at Bradwell and Trawsfynydd within the next couple of years, marking a tremendous milestone for decommissioning in the UK. Although the dates for each site have been adjusted by a number of months, the accelerated entry to C&M will save 11.5 years and five years respectively off the original pre-MODP dates.

At Trawsfynydd, the 200th drum of ILW has now been loaded into the site's purpose-built ILW store only 12 months after the transfer of drums started.

The estate's first Interim Storage Facility at Bradwell

Bradwell opened the estate's first Interim Storage Facility (ISF) which is being used to house the ductile cast-iron containers (DCICs) known as Yellow Boxes until the permanent GDF becomes available. A number of containers have already been filled with Intermediate Level Waste (ILW) and are being transferred to the ISF.

The site has also successfully dried its first ILW sludge in DCICs to less than 1% moisture levels, using FAVORIT technology, ready for long-term storage. Construction of Berkeley's purpose-built ISF was completed during the year. The first package of waste has now been emplaced in the ISF, which is the largest of its kind in the UK, with a footprint size of a football pitch.

Berkeley has also pioneered an innovative conditioning solution that applies heat, vacuum and refrigeration to remove moisture content from ILW, thus enabling cost-effective in-box drying and volume-reduction of waste for long-term storage in DCICs.

At Hunterston A, commissioning of the ILW store was completed, while a break-through was made into the active solid bunkers allowing material to be retrieved.

At Dungeness A, the accelerated clearance of the southside area has stepped up a gear with the removal of the two bridges linking the reactor buildings to the site's conventional plant. The removal of the bridges, which were essential to site operations during the station's 40 years of electricity generation, has now isolated the turbine hall and surrounding buildings ready for demolition. The southside clearance project will bring forward clearance of the area by 12 years and deliver long-term savings of £15 million. By 2018, the site will have entered its interim C&M period.

Chapelcross, meanwhile, which is due to enter interim C&M in 2017 has successfully completed bulk asbestos removal from two reactor buildings and removed more than 60 redundant fuel skips from one of the ponds, resulting in opportunities to recycle the skips for use by Sellafield.

PROGRAMME: Dounreay Optimised Decommissioning Programme (DODP)

New vaults have been constructed at the LLW facility at Dounreay

Work on the agreed scope of activities at the NDA's Caithness site is proceeding according to schedule and budget under the contract with Cavendish Dounreay Partnership, now two years into the scope of work.

Nigel Lowe, NDA Head of Programme at the site, said: "Dounreay has met all of its milestones to date while taking on additional work which was anticipated, but not specified at the time of the competition. As the detail of this new work is refined it will be progressively incorporated into the wider site decommissioning programme. The site continues to be a role model for the effective management of technically challenging decommissioning under a target cost contract, and is attracting high levels of interest from both UK and overseas visitors."

The addition of scope to the contract will provide more work for longer but will also result in an extension to the Interim End State date. NDA is working with HMG to minimise any impact on value for money arising from the changes.

One of the milestones of the past year is the completion of the first two vaults at the new Low Level Waste Facility that will take around 150,000 tonnes of demolition material and other waste, including paper, rags, tools, glass, concrete and clothing as the site moves towards closure. The vaults will also take waste from the neighbouring Vulcan military site.

The shallow engineered vaults are scheduled to begin accepting waste material in the summer of 2014. Each vault is around the size of a football pitch and 20 metres deep and, once filled and capped, will eventually be covered with earth and landscaped.

Meanwhile, work is proceeding apace on clean-up and demolition of Scotland's oldest reactor, the Materials Test Reactor. The facility, which opened in 1958 and closed in 1969, was served by a number of ancillary buildings, including a cooling circuit and towers, a fuel pond, post-irradiation examination (PIE) cells, workshops, laboratories, an active handling bay and administrative offices.

Many of these ancillary facilities have now disappeared, with a major milestone achieved last year with clean-up completed at the highly contaminated post-irradiation examination (PIE) cells, or cave. Final demolition of the reactor itself is scheduled for 2015.

PROGRAMME: National Low Level Waste Programme

The National LLW Programme leads the implementation of the UK Solid LLW Strategy on behalf of the NDA and in collaboration with a broad range of stakeholders. Its mission is to achieve a self-sustaining culture for optimised LLW management across the UK to avoid the need to incur cost of construction and operation of a second UK LLW Repository. The National LLW Programme is led by LLW Repository Ltd on behalf of NDA.

2013/2014 has seen significant achievement in the diversion of waste away from disposal at the Low Level Waste Repository (LLWR), facilitated by the National LLW Programme, with a total of 86% of LLW arising during the year diverted to alternative treatment/disposal (an increase of 13% on performance in 2012/2013). This strong waste diversion performance was supported by increases in the diversion of combustible waste (2,766m^3) and Very Low Level Waste (VLLW) (6,242m^3), and by the opening of new waste diversion routes by LLW generators both inside and outside the NDA estate. Maintaining a robust and flexible supply chain is a key contributor to the success of the National Programme and 2013/2014 has seen the introduction of a new entrant to the supply chain (the Veolia Ellesmere Port incineration facility).

Making and sustaining the transition of LLW management culture in the UK is the key theme for the programme and three new initiatives – the LLW Programme Board, the training framework and the Peer Review Programme - have been introduced to support this theme. The LLW Programme Board has been established to enhance executive-level oversight of the Programme, and four quarterly meetings have been held. The training framework has been developed to support up-skilling and knowledge development within the LLW sector and 2013/2014 has seen the development and deployment of the first training modules.

The Peer Review programme has been initiated to support the identification of good practices and areas for improvement associated with LLW management. The underpinning LLW management best practice model has also been produced and the first peer reviews undertaken with cross-estate involvement. These initiatives support the embedding of effective LLW management arrangements across the UK.

Critical Enablers

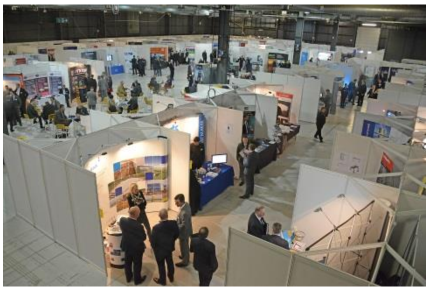
In support of on-the-ground delivery, a number of vital activities have been gathering pace over the last year. Activities such as supply chain initiatives, skills development and research and development (R&D) make a significant contribution to achieving the mission while producing benefits for the wider nuclear market.

Supply Chain

Measures to encourage a dynamic and healthy supply chain have been part of NDA's strategy since its establishment, with a growing emphasis in recent years on the SME community.

The most high-profile initiative has been the establishment of the annual NDA Estate Supply Chain Event which last year attracted more than 1,000 delegates and was opened by Baroness Verma. Now heading for a fourth year, the event is free to attend and has become a key fixture in the calendar for suppliers both large and small, providing opportunities for face-to-face networking and the development of contacts. This year 18% (£315 million) of the total spend by the NDA estate went to SME's. The NDA is confident of achieving and or exceeding its formal HMG target of 20% for 2014/2015 and in doing so help enable the wider HMG target of 25%. In achieving this target the NDA is working on creating a legacy for SME's beyond the current target.

The event also hosted the launch of the NDA estate's enhanced approach to procurement, the Shared Services Alliance (SSA) Strategy 2013-2016, which aims to build on the £70 million of savings already achieved over the previous three years and an additional £60 million in 2013/2014. The savings arose from greater use of collaborative procurement contracting to deliver maximum value from large-scale contracts while reducing the complexities of the processes and ensuring opportunities are more visible to suppliers. The revised strategy aims to increase this figure by improving the focus on contract management and exploring differing ways to achieve the same results.

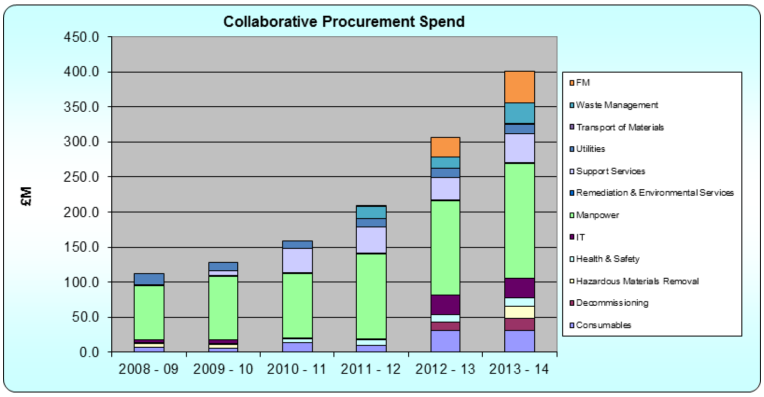


Over 1,000 attendees at the Supply Chain event held in Manchester

Around 23% of the estate's annual £1.7 billion supply chain spend is currently awarded via the collaborative route, replacing, where feasible, the previous approach of individual contracts by sites or SLCs. The programme has been increasing year on year since its inception in 2008. It now covers £2.3 billion worth of contracts with a total spend of £400 million in 2013/2014. The 2013-2016 strategy also focuses on creating closer links with the Crown Commercial Services (CCS) and potentially increasing the participation from other Public Sector clients.

The NDA is now working as a strategic partner with the Crown Commercial Services (CCS) to share its expertise in nuclear procurement. This involves exploring opportunities to develop generic contract templates that can be of benefit to other Government departments involved in procuring nuclear-related services, such as specialist nuclear consultancy services and health physics services.

The SSA members include all SLCs, as well as NDA subsidiaries RWM Ltd, INS and DRS, together with Westinghouse, which operates the Springfields site, and the National Nuclear Laboratory. The 2013-2016 strategy also focuses on creating closer links with the CCS and potentially increasing the participation from other Public Sector clients.



An additional focus for the strategy is a stronger drive to remove potential blockers to SMEs, which supports the NDA's and SLCs' targets and plans.

Ron Gorham, the NDA's Head of Supply Chain Optimisation and SME Champion, said "Half of our annual budget is spent, largely via the SLCs, with suppliers and these businesses are absolutely critical to the decommissioning mission. We need to secure as much value as possible from our contracting activities, looking to economies of scale wherever it is feasible, while taking measures to encourage a vibrant and dynamic supply chain.

"Our first SSA strategy brought together all the SLCs and has delivered a cultural change which has allowed us to buy common items at a more strategic level, and use SLC-specific experience for the benefit of the wider estate, so delivering cost and time savings. Over that period the SSA's portfolio has grown by over 200% and now covers some 60-plus commodities and services. Our new strategy builds upon the estate's considerable success and starts to move beyond simple aggregation into standardisation and other areas which have the potential to deliver much wider benefits."

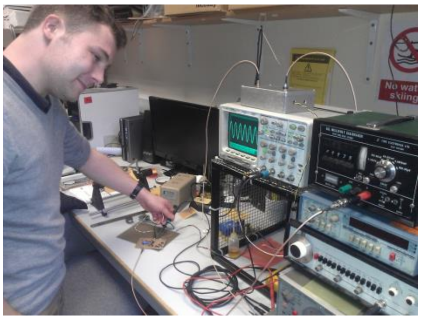
Research and Development

Targeted research underpins delivery solutions to the many challenges across the estate and, whilst the majority of work is delivered by the SLCs and their supply chain, the NDA has continued to directly fund its strategic R&D portfolio focussing on informing strategy, delivering innovation and developing and maintaining skills. Key this year has been to ensure our investments attract significant leveraging. Two examples of such investments are below.

NDA has continued its collaborative approach to delivering innovation, joining a range of other public bodies to invest £5 million of the £13 million required for new technologies covering new build, current operations and decommissioning.

The funds are being made available in 2014 through a collaboration between the UK innovation agency the Technology Strategy Board (TSB), NDA and the DECC as part of a drive to build a robust, sustainable UK supply chain through the development of innovative products and services for the nuclear sector. The initiative includes a theme focusing on decommissioning and waste, aligned with NDA’s mission.

Professor Melanie Brownridge, the NDA's Head of Research and Development, said: "This continues a collaborative drive initiated in 2012 that is already delivering significant innovative technological progress. We rely on a vibrant, dynamic supply chain and are pleased to invest in future capability."



A new system for remotely monitoring gamma rays

In 2012, £18 million was invested in nuclear R&D through a previous call from a partnership between the TSB, NDA, DECC and Engineering and Physical Sciences Research Council (EPSRC). The 35 projects, which received funding following a competitive submission process, are ongoing and involve a wide range of innovative UK SMEs, large businesses and research institutes. Early results are promising from the projects that align with decommissioning R&D needs including demonstration of unmanned aerial vehicles, novel polymers for waste encapsulation and techniques to accurately assess the depth of contamination in concrete.

To maintain and develop key technical skills, the NDA is also working with the National Nuclear Laboratory (NNL), Sellafield Ltd and the EPSRC to support a consortium of UK universities on 30 separate projects. The consortium is led by Leeds, and includes Birmingham, Bristol, Imperial, Lancaster, Loughborough, Manchester, Sheffield, Strathclyde and UCL.

This programme, with an overall value of £8-9 million, is underpinned by a £4.9 million grant from the EPSRC, and will be carried out under the name DISTINCTIVE - Decommissioning, Immobilisation and Storage solutions for Nuclear Waste Inventories, and follows an earlier successful programme known as DIAMOND. This grant will be supplemented by additional financial and in-kind support from NNL, NDA, Sellafield Ltd and the universities.

The work, now under way, will include technology development, building fundamental knowledge and developing the next generation of subject matter experts. Those working on the projects will include a mixture of PhDs and Post-Doctoral Research Assistants. Each project will have an industrial supervisor from either NNL or Sellafield Limited.

Skills

The Nuclear Resource Transition Framework, launched nationwide last year, continues to successfully build an informal network of information-sharing organisations with the aim of retaining and optimising vital skills across the whole UK nuclear industry. The Framework is led by the NDA, based on a scheme piloted by Magnox and EDF Energy.

Over the next 15 years, more than a third of the UK's nuclear workforce will reach retirement age, creating a major shortfall in skills just as expertise is needed for new build. Conversely, decommissioning sites will be well advanced on the journey to C&M, with reducing staff requirements. The acceleration of site programmes is already leading to the early release of resources.

The NDA works closely with a group that includes representatives from the DECC, Cogent, National Skills Academy for Nuclear, Office for Nuclear Regulation, EDF, Horizon, NuGen, Sellafield Ltd, Magnox Ltd and Springfields to develop plans for existing and future skills. Other partner organisations include EDF, AMEC, Jacobs, NNL, Rolls-Royce, Doosan and the trade unions.

Based on resource planning and informal networking, the Framework is a mechanism to share information, develop action plans, encourage UK-wide mobility and support increasing numbers of decommissioning workers in the transition to new employment. It aligns with existing socio-economic and transition programmes across the NDA estate.

The NDA is required by the Energy Act to support skills and to ensure the capabilities exist in the SLCs and the supply chain to complete the clean-up mission over the longer term.

The Framework is part of a series of skills initiatives that cover all professional levels from apprentices to graduates and post-graduates. The award-winning *nucleargraduates* has become one of the most highly rated training programmes in the UK since its launch by the NDA in 2008. Now administered by Energus, with support from 20 public and private-sector partners, almost all students who complete the two-year course successfully secure nuclear employment.

Apprentices are also an important focus for the NDA's People Strategy, encouraging young people to consider a career in the industry. Sellafield is the largest recruiter of apprentices, taking on 136 in 2013 while supporting a further 25 community apprentices, and is expecting to recruit a further 150 in 2014. Dounreay and Magnox support at least a further 60.

The £7m BEC Construction Skills Centre

Meanwhile, the NDA has invested more than £22 million in recent years in training and skills facilities. In Cumbria, these include Energus, the Dalton Cumbrian Facility, BEC Construction Skills Centre, the Energy Coast UTC and Summergrove Accommodation Facility. Further afield, the investment has been provided to the Energy Skills Centre in Bridgwater, Anglesey's Energy Centre and the Engineering Skills Centre in Thurso.

Socio Economics

Copeland Community Fund hitting £9 million

The NDA, Sellafield Ltd and LLWR Ltd, have continued their joint approach to socio economic activities in west Cumbria. NDA socio economic finances of approximately £2.5 million per annum are routed via Britain's Energy Coast (BEC), an economic regeneration company that brings together local authorities, the nuclear industry and the private sector to work together on projects that support economic growth. Excellent progress has been made and grants provided to support the construction of the Albion Square office complex in Whitehaven which will see 1,000 Sellafield Ltd workers relocate from site-based office accommodation to help regenerate Whitehaven town centre. Work to improve the Port of Workington and create a new Container Freight Handling facility has also been completed.

More than £1 million of support is targeted at the development of the local supply chain, including the creation of Innovus, a scheme designed to help innovative ideas move through the difficult stages of development to a commercial product.

At a community level, grants awarded by the Copeland Community Fund, which was established to recognise the role that the area plays in hosting the Low Level Waste Repository, have exceeded £9 million.

Looking to the future, West Cumbria has aspirations to be recognised as a Centre of Nuclear Excellence building on the expertise already in the area. This can provide a renewed focus for socio-economic support, particularly through BEC, and is endorsed by all partners and the Cumbria Local Enterprise partnership.

Around Dounreay the NDA continues to play a key role supporting projects in conjunction with the Caithness & North Sutherland Regeneration Partnership (CNSRP). During 2013/2014, the DSRL socio-economic plan was successfully delivered. The CNS fund, established as the community benefit fund associated with the Dounreay LLW facility, completed a successful first year of operation awarding grants to 29 sustainable development initiatives. In addition, the North Highland Regeneration Fund supported a number of existing and new local businesses through loan funding, helping to create and sustain jobs in Caithness and Sutherland.

At the Magnox sites, NDA funds are allocated via the Magnox socio-economic scheme, which has completed a second successful year of operation. So far, the £2.7 million awarded through the scheme in 2012/2013 and 2013/2014 has levered an estimated £19.6 million from external funding sources, providing opportunities to create 398 new jobs, 3,828 training opportunities, 20 apprenticeships and four new businesses.

The NDA remains a key partner organisation in the Anglesey Energy Island Programme and Snowdonia Enterprise Board. The opening in 2013 of new world-class mountain biking trails in Betws-y-Coed and Blaenau Ffestiniog is expected to increase visitor numbers to Gwynedd, while the decision to fund a 'Magnox Workshop' at Grwp Llandrillo Menai's new engineering and construction centre, which will open in Dolgellau in 2014/2015, will provide a significant skills boost to the area. In Kent, the Romney Marsh Partnership has made excellent progress in coordinating plans to mitigate the impact of decommissioning Dungeness A. Key projects initiated in 2012/2013 include the Marsh Million, a £1 million scheme jointly funded by the NDA and Kent County Council that offers loans to start-up and growing businesses in Romney Marsh, and the creation of new business incubation units in New Romney, which are set to open in 2014/2015. A new partnership has also been established to coordinate an effective response to the closure of Bradwell in 2016.

In Scotland, the CX (Beyond Chapelcross) project has continued to make excellent progress, providing loans and advice to new and growing businesses in Annandale and Eskdale. A key early success has been Eco-Genics Ltd, a dry ice blasting company, which won three awards at the 2013 Dumfries and Galloway Business Awards. In North Ayrshire, where Hunterston A is located, the NDA is supporting the Ardrossan Quayside Regeneration Project, which will open new retail and office space in the town of Ardrossan.

Directors and Executives

Non Executive Directors

Stephen Henwood CBE – Chairman

Stephen was appointed Chairman of the NDA on 1 March 2008 and was re-appointed in March 2014 for a further three years. A Chartered Management Accountant, his career has included senior financial and operational roles with Tate & Lyle plc and BAE Systems.

He left BAE Systems at the end of 2006 and has undertaken a number of Non-Executive appointments. He will have completed his term as Chair of the Board of the University of Cumbria in July 2014. In February 2014 Stephen was appointed Chair of the Aerospace Technology Institute (ATI).

He was made a Commander of the Order of the British Empire (CBE) in the New Year Honours list in 2013, in recognition of his services to the nuclear industry and charity.

Patrick Dixon

Patrick is the Senior Non Executive Director, Chair of the Safety and Security Committee and a member of the Audit and Risk Assurance Committee.

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

Janette Brown

Janette is the Chair of the Audit and Risk Assurance Committee.

Janette is a member of The Institute of Chartered Accountants of Scotland and currently works as a Managing Director at Santander Global Banking and Markets where she is Head of Financial Sponsors in the UK. Janette has more than 20 years' experience in banking, concentrating on providing strategic, financial and transaction advice for a wide range of clients. Janette qualified as a chartered accountant in Scotland before moving to London where she has worked since. Prior to her current role, Janette's focus in banking has been the industrials sector.

Tom Smith

Tom is a member of the Audit and Risk Assurance Committee.

Tom is Managing Director of FCP, a strategic consultant and adviser to the rail sector and was previously Chairman of the Association of Train Operating Companies. He has also worked, at Managing Director level, for the transport company the Go-Ahead Group plc and the M6 toll motorway operator Midland Expressway Limited, and held various senior positions with Trafalgar House plc.

An Oxford chemistry graduate, he started his career in the Diplomatic Service, serving in London, Hong Kong and Beijing, before moving into industry, where he quickly specialised in major infrastructure projects.

He is also a Non Executive Director of the Highways Agency.

Chris Fenton

Chris is the Chair of the Remuneration Committee.

Chris is Chief Executive of RSSB (Rail Safety and Standards Board). He has held senior executive positions in BSI and Amey, a major infrastructure services provider to the public sector. This followed an early international career in the chemicals sector. Over 15 years managing director experience is supported by functional leadership in commercial, finance, marketing and strategy, including complex public procurement.

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

Ken McCallum

Ken is a member of the Remuneration Committee.

Ken was appointed Non Executive Director to the NDA in March 2014. Ken was, until then, Shareholder Executive’s Director responsible for the governance of the NDA.

He joined Shareholder Executive in September 2012 to head the Information Economy Directorate.

Ken is a civil servant with experience in a range of roles, on subjects including international relations, cyber security and the London Olympics.

Executive Directors

John Clarke
Chief Executive Officer

John has held the position of CEO and Accounting Officer since April 2012, having joined the NDA Board in 2008 initially as Commercial Director and subsequently as Business Planning Director.

John has held a number of business leadership roles during his 30 years working in the nuclear sector including Sellafield Production Director for BNFL and Managing Director of International Nuclear Services Ltd.

John is a Fellow of the Institution of Chemical Engineers and of the Nuclear Institute.

David Batters
Chief Financial Officer and Rest of Estate Programme Director

David is the Chief Financial Officer (CFO) responsible for Finance Function (Finance, Risk, Insurance, Pensions) Business Planning and Internal Audit. Additionally he is the Executive responsible for RSRL, DSRL, LLWR and Magnox sites with respect to performance and contract management. He joined the NDA in October 2010 as CFO and from December 2011 to April 2012 he was the Accounting Officer and Acting Chief Executive Officer of the NDA.

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

Pete Lutwyche
Sellafield Programme Director

Pete joined the NDA in March 2014 from Jacobs, the US based engineering company, where he spent five years ultimately as Vice President of Jacob's UK North business.

Prior to that, he had over 22 years in the UK nuclear industry having held various senior positions within BNFL; including as Chairman of the UK's Low Level Waste Repository and Director of Nuclear Decommissioning and Major Projects at the Sellafield site.

Pete is a Fellow of the Association for Project Management and a member of the Institution of Chemical Engineers.

Adrian Simper
Strategy and Technology Director

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

He joined the nuclear industry in R&D at Sellafield. His subsequent career, all in the nuclear sector, has included strategic roles in R&D and technology; project delivery; commercial and finance both in the UK and the US. Adrian has a PhD in mathematics and is a Chartered Mathematician.

Adrian was appointed to the NDA Board in March 2014. He is also Chair of International Nuclear Services Ltd (INS) and of Radioactive Waste Management Ltd.

Directors

Jon Phillips
Communications & Stakeholder Relations Director

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

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

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

New director appointments made on 1 April 2014:

Rob Higgins
Business Services Director

Kenna Kintrea
Assurance Director

David Vineall
HR Director

Directors' Report

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

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

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

Accounts direction

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

Directors' interests

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

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

The directors who served on the Board during the year to 31 March 2014 and their responsibilities were:

Stephen Henwood	Chairman
Patrick Dixon	Senior Non Executive Director
Janette Brown	Non Executive Director
Murray Easton	Non Executive Director (Resigned 31 March 2014)
Chris Fenton	Non Executive Director
Ken McCallum	Non Executive Director (Appointed 1 March 2014)
Tom Smith	Non Executive Director
John Clarke	Chief Executive Officer
David Batters	Chief Financial Officer
Mark Lesinski	Chief Operating Officer – Delivery (resigned 31 December 2013)
Pete Lutwyche	Sellafield Programme Director (Appointed 3 March 2014)
Adrian Simper	Strategy and Technology Director (Appointed 1 March 2014)

External auditors

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

Disclosure of information to the NDA's external auditor

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

Employees and employment

The number of the NDA's permanent full-time equivalent employees at 1 April 2013 was 276 increasing to 284 by 31 March 2014, with an average of 280. (2012/2013 start 276, end 295, average 286). The total number of staff employed across the NDA Group averaged 1,007 during the same period (see note 6 to the accounts for more detail).

Pensions

All Authority employees are entitled to join the Principal Civil Service Pension Scheme (PCSPS). Employees within the Group participate in the Combined Nuclear Pension Plan (CNPP), the Merchant Navy Officers Pension Fund (MNOPF) and the Merchant Navy Ratings Pension Fund (MNRPF). Details of the schemes are given in note 29 to the accounts.

Equal opportunities

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

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

Learning and development

The NDA invests in development to ensure that all of its employees are in possession of the skills, knowledge and experience they need to perform their job effectively in order to deliver the NDA's business objectives. Development is delivered through a mix of on-the-job experiences, feedback and observation and formal training.

Staff Consultation Group

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

Better payment practice

The NDA supports the Better Payment Practice Code in its treatment of suppliers. The key principles are to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. During the year, the NDA has achieved a 96.28% success rate for payment of suppliers in accordance with terms (2012/2013 – 95.75%). The average number of payment days from invoice date was 21 days and for a valid invoice, (i.e. one entered on the accounting system) was 8 days. The proportion that is the aggregate amount owed to trade creditors at the year-end compared to the aggregate amount invoiced by suppliers expressed as a number of days is 10.85 days.

Charitable and political donations

During the year, the NDA made charitable donations of £Nil (2012/2013 – £Nil). No political donations or contributions were made (2012/2013 - £Nil).

Investment in socio economic developments

In accordance with its remit under the Energy Act 2004, during the year the NDA made socio-economic grants of £3.4 million (2012/2013 £17 million).

Research and development

During the year, the NDA directly funded expenditure of £5 million (2012/2013 £5 million) on research and development. In addition, the NDA funded research and development undertaken by our contractors.

Funding, counterparty and foreign exchange risk

Although an NDPB, the NDA is also responsible for certain commercial activities and is, therefore, subject to risks and uncertainties surrounding a commercial operation. Its electricity trading activity is subject to price variation risk and was managed by British Energy Trading Services Limited to hedge energy price exposure. The NDA's foreign exchange risk is managed by the site licensees to hedge foreign currency transactions. Details can be found in notes 2.7 and 23 of the accounts.

Overall, the information risk management picture in the NDA Estate is continuing to improve and this improvement is expected to be driven and maintained by the Information Governance Programme (IGP).

Quality and environmental performance

NDA successfully retained certification of ISO9001:2008 and ISO14001:2004 in August 2012 after the triennial audit carried out by Lloyds Register Quality Assurance (LRQA).

Summary of results for the period

The summary of the results for the year is as stated in the Financial and Strategic Overview.

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

The accounts show a Statement of Comprehensive Net Expenditure of £7,483 million for the year ended 31 March 2014, principally arising from changes in provisions and net liabilities of £65,344 million primarily attributable to the nuclear provision.

Events after the reporting period

- on 1 April 2014, the employees and operations of the Radioactive Waste Management Directorate (RWMD) transferred to a wholly owned subsidiary company of the NDA, Radioactive Waste Management Ltd and;
- on 1 May 2014 the NDA reached an agreement with Toshiba and its partner GDF Suez on the key commercial terms of an agreement in respect of the land at Moorside, Sellafield. This land is included in these accounts as an asset held for sale (see note 17).

Going concern

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

John Clarke
Chief Executive and Accounting Officer
5 June 2014

Governance Statement

Introduction
This statement is constructed in line with the guidance given in Managing Public Money, updated in July 2013. It summarises the structure of the NDA Board and the Executive and how these provide effective governance over the key activities undertaken during 2013/2014; the control and assurance frameworks in place to measure the effectiveness of delivery; and the findings of key audit and assurance reviews and associated improvement actions.

The Department of Energy and Climate Change (DECC) as the NDA sponsor department utilises the services of the Shareholder Executive (ShEx) to provide oversight and governance of the NDA. The formal agreement between NDA and DECC is set out in a Framework Document supported by a Memorandum of Understanding between DECC and ShEx.

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

The Board
The Board sets the strategic framework and direction within which the NDA operates. It is responsible for ensuring that high standards of corporate governance are observed at all times within the NDA. In particular, it is responsible for agreeing the plans against which overall performance and delivery by the Executive is monitored and measured. It also ensures the maintenance of an appropriate control framework through which it obtains assurances that risk is properly assessed and managed and appropriate internal controls are in force and complied with.

At the start of 2013/2014, the Board comprised six Non Executive Directors including the Non Executive Chairman, Stephen Henwood, and three Executive Directors: the Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO). Two Directors resigned during the year: Mark Lesinski, COO (effective 31 December 2013) and Murray Easton, Non Executive Director (effective 31 March 2014). The Chairman's appointment was extended during the year for a third three-year term which will conclude on 28 February 2017. An additional Non Executive Director, Ken McCallum, was appointed in March 2014, strengthening the Board's knowledge and expertise of Central Government operations. Patrick Dixon is the Senior Non Executive Director and Chris Fenton is the nominated Non Executive Director for the purposes of the Whistleblowing Policy. The Executive membership changed following the Chief Executive's restructuring of the wider Executive Team to reinforce the focus on priority activities and, from March 2014, comprised the CEO, CFO, the new role of Sellafield Performance Director and the Strategy and Technology Director.

The Board generally meets formally on a bi-monthly basis with the meeting agenda closely aligned to corporate activities and driven principally by the annual planning and performance management cycles. The Board met outside of this cycle on a number of occasions to review performance on the Sellafield site and to review the options for, and make its decision on, the way forward following completion of the initial five year term of the contract with the PBO, NMP.

The Board approves the NDA's Schedule of Delegated Authority (SoDA) under which day-to-day business management of the NDA is delegated to the Chief Executive Officer who, in turn, discharges his responsibilities through the wider Executive Team. The Board is supported by Audit and Risk Assurance, Remuneration and Safety & Security Committees which are comprised wholly of Non Executive Board members and to which the Board has delegated specific responsibilities. The NDA Chairman has an open invitation to attend all three Committees and attends for items of particular interest.

The Chairman
The Chairman is accountable to the Secretary of State and to the Scottish Ministers, where appropriate, for the delivery of the NDA's obligations under the Energy Act (2004) and for the Authority's activities and performance

in implementing its Strategy and Annual Business Plan. The Shareholder Executive, acting on behalf of the DECC Secretary of State, issues annual objectives to the Chairman for the NDA to deliver and provide the formal governance interface between the NDA and Government.

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

The Chairman has regular meetings with DECC Ministers, the Permanent Secretary and senior Shareholder Executive and DECC officials which augment the interface between NDA senior management and officials. During the year, the Chairman also presented on NDA activities and performance to the DECC Executive Committee. The Chairman meets regularly with Scottish Ministers and Scottish Government representatives given their role in the approval of NDA strategic and planning decisions as well as their interest in the performance of the Scottish sites and the impact of Scottish and Westminster policies on decisions affecting the sites.

The Audit and Risk Assurance Committee
The Audit and Risk Assurance Committee supports the Board in its responsibilities for issues of risk, control and governance. It reviews the comprehensiveness of assurance mechanisms in place within the NDA; and reviews the reliability and integrity of those assurances. Key activities during 2013/2014 included:

- continued review of the organisation's assurance framework approach and the developing assurance map; assessment of their value as an executive management tool to identify high risk activities and ensure actions to mitigate and manage those risks were in place, including providing the rationale behind the Internal Audit plan and other assurance activities such as business cases to support requests for funding through the sanction process;
- review of the effectiveness of risk management processes within NDA and across its estate including specific consideration of the Sellafield Ltd approach to risk management and the implications of this for the reliance that could be placed on performance reporting data provided to the NDA and on data to inform the NDAs judgement on the acceptability of proposed plans for the site;
- ensuring that the accounting practices deployed by the NDA are in line with DECC and HM Treasury guidance and oversight; and making sure that these translate into an easily understood and transparent Annual Report & Accounts; and
- oversight of the information risk management control framework and associated improvement plans.

The Committee typically meets five times a year. Membership during 2013/2014 was:

- Janette Brown (Chair)
- Patrick Dixon
- Chris Fenton (until December 2013)
- Tom Smith (from December 2013)

Regular attendees at Committee meetings include the NDA Chairman, Chief Executive Officer and Accounting Officer, Chief Financial Officer, the Heads of Internal Audit, Risk and Financial Operations, and representatives from the sponsor department (DECC), ShEx and the National Audit Office (NAO). The recently appointed Assurance Director will also attend future meetings.

The Remuneration Committee
The Remuneration Committee advises the Board on the remuneration and terms of service for the Chief Executive Officer and the Executive Team; monitors their performance in delivering the annual objectives agreed by the Board; and assesses the NDA's arrangements for succession planning and talent management.

The Committee typically meets four times a year. Membership during 2013/2014 was:

- Chris Fenton (Chairman)
- Murray Easton

Ken McCallum has been appointed to the Committee with effect from 1 April 2014, replacing Murray Easton. The NDA Chairman, Chief Executive Officer and Accounting Officer, and the Director of Human Resources are regular attendees at Committee meetings, except for discussion of issues relevant to their own remuneration.

Safety and Security Committee
The Safety and Security Committee supports the Board in discharging its responsibilities in respect of issues of health, safety (including both nuclear and occupational safety) and environment in the NDA estate and nuclear safeguards and security matters. Issues addressed by the Committee during 2013/2014 included reviewing the estate-wide safety risk management, reviewing safety performance with particular focus on assessment of specific incidents and the SLC response to these, and overall trend analysis. The Committee also provides oversight of security across the estate.

The Safety and Security Committee membership during 2013/2014 was:
- Patrick Dixon (Chairman)
- Murray Easton

Chris Fenton has been appointed to the Committee with effect from 1 April 2014, replacing Murray Easton.

Regular attendees are the NDA Chairman, Chief Executive Officer and Accounting Officer and NDA Director NSSSE. The recently appointed Assurance Director will also attend future meetings.

The Accounting Officer and Chief Executive Officer
The NDA Chief Executive Officer is responsible for the leadership and operational management of the NDA. The responsibilities of the Accounting Officer are set out in a letter from the DECC Permanent Secretary, the Accounting Officer Memorandum, and the Framework Document. 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. The Accounting Officer meets regularly with the DECC Permanent Secretary in his capacity as DECC Accounting Officer, and also has a schedule of regular meetings with ShEx, DECC and with Scottish Government representatives.

Executive Team
Following the decisions by the COO and the HR Director to leave the organisation during the second half of 2013/2014, the Chief Executive undertook a review of the Executive Team which took account of stakeholder views including those of the Board and of Government. Reflecting the organisation's risk profile and its mission critical priorities, a revised Executive team structure was put in place which included three new roles: a dedicated Sellafield Programme Director solely focussed on the site with accountability for the full suite of contract deliverables by the Sellafield PBO and SLC; an Assurance Director to provide additional strength to NDA capability across the breadth of assurance activities the NDA undertakes including risk, safety, security and environmental performance; and a Business Services Director accountable for supply chain initiatives, NDA procurement, IT, Legal and Property. The CFO remains accountable for the finance function, internal audit and business planning and has taken formal responsibility for the NDA estate, excluding Sellafield. The Strategy and Technology Director has taken on accountability for NDA PBO competitions; otherwise the role remains unchanged. Recruitment for new and replacement team members was complete with all in post for the start of 2014/2015.

The Executive Team is accountable for implementing the strategy and plans approved by the Board. It articulates the NDA's requirements to the PBOs and SLCs that manage and run the 17 sites under contract to the NDA and reviews their performance against those requirements. The Executive Team lead on the five core processes essential to successful delivery of the NDA mission:
- strategy (long-term scenario planning, options development)
- planning (corporate planning, securing and allocating funds, operational planning)
- contracting (incentivisation principles and process)
- sanctioning (sanctioning of major programmes / projects / procurements, post investment appraisal), and
- performance (monitoring, assurance, reporting)

The Executive reviews estate-wide performance monthly, reporting to the Board and to Government on this and on its interventions to address deviations from the plan. Quarterly Business Reviews are held with each of the SLC Executive Teams with participation from the respective PBO. Separate meetings are held with the PBO Executive which addresses the more strategic intentions of the Parent Body Agreement. Performance against plan is a standing Board agenda item. Bi-annual reviews are held with each of the NDA subsidiary companies and this is to be extended to include Springfields and Capenhurst. Monthly Governance Meetings are held with ShEx, and Quarterly Governance Meetings are held with broader Government representation (ShEx, Scottish Government, HM Treasury and DECC) to report on performance, including targets set by Government, and on strategic matters. NDA is included within the scope of the DECC Executive Committee for consideration of high-risk, high expenditure proposals and as required on to the Treasury Approval Panel.

The Executive Team, with Board support, continues to provide technical advice to HM Government to inform its policy and strategy development relating to the nuclear industry. During the year this included advice on plutonium disposition and funded decommissioning plans for Hinkley C.

Board Attendance Record

	Board 10	**Audit 5**	**RemCo 4**	**Safety & Security 4**
S Henwood	9	*(5)*	*(4)*	*(4)*
P Dixon	10	5		4
J Brown	9	5		
M Easton	7		4	4
C Fenton	10	3/3	4	
K McCallum	1/1			
T Smith	8	2/2		
J Clarke	10	*(5)*	*(4)*	*(3)*
D Batters	10	*(5)*		*(1)*
M Lesinski	8/8			*(3)*
P Lutwyche	1/1			
A Simper	1/1			

() in attendance at meeting – not a member

Performance of the Board and its Committees

An external effectiveness assessment of the Board and Committees was carried out by Independent Audit Limited which reported early in 2013. The Senior Non Executive Director took forward work during 2013/2014 to assess the extent to which the findings of the assessment had been addressed. This subsequently lead to a review with the Board of observations made about specific areas (including priorities and process, strategy, HR and culture) to identify if and where further focus was required. Overall it concluded that the Board is operating at the correct level in accordance with the remit set by the Energy Act 2004, with the focus on the priority issues for the organisation. Attention is being paid to ensure the right level of detail on operational performance is provided to the Board and in particular on major programme and project reporting with identification of clear outcomes and appropriate metrics. There has been a thorough review of the sanction process which has included scrutiny by the Audit Committee and improvements are now being seen from the introduction of a revised gated process and greater clarity of business cases. Discussions have been held outside of formal Board meetings on a range of HR-related topics including succession planning and broader culture-related issues which have proved valuable. These will continue to be arranged on an ad hoc basis to ensure there is adequate awareness and understanding. The Board will ensure there is adequate time allocated in the annual agenda for broader strategic thinking around enduring risks and issues, and also for lessons learned.

Separately, the NDA Chairman assesses the performance of each Board member annually and this is reported to the Shareholder Executive. For Non Executive Directors this covers generic issues about the quality of the contribution to the Board as well as the input on specific areas for which the member was appointed. For the Executive Members, objectives (both corporate and personal) are proposed and approved by the Remuneration Committee. Performance against both the corporate and personal targets is assessed by the Remuneration Committee against written submissions from the Chief Executive Officer/Accounting Officer and an independent internal audit report of corporate objective achievement.

The Board's focus is to ensure the NDA maintains and enhances its position as an intelligent client with particular attention on the longer-term strategic direction. This is translated into plans and targets approved by the Board against which in-year performance by the NDA, the PBOs and the SLCs is measured.

The 17 year PBO contract awarded to NMP for the operation of the Sellafield site came to the end of its first five-year term on 31 March 2014. The options for the site at the end of that term were a priority matter for the Board's consideration during the year and the subject of detailed discussion throughout the year. In its decision to continue the contract with NMP into a further term, the Board acknowledged the complexities and challenges of the site, concluding that the continuation was the right decision to provide NMP further time to bring about the required improvements in capability and performance. The Board has worked closely with the Executive Team to assess and develop an appropriate set of controls to measure and monitor PBO and SLC performance during the second contract term with the focus on achieving the goal of safe, effective and value for money decommissioning at Sellafield. Performance at the site will remain under the Board's close scrutiny. The Public Accounts Committee has indicated that they intend to review progress at the site in the near future.

The Board has given particular scrutiny during the year to the performance of major programmes and projects at the Sellafield site and the approach to programme and project management and reporting. In its capacity as sanction authority, the Board has approved expenditure for a number of strategic investments across the estate.

The Board maintained close oversight of the competition process for the new Magnox/RSRL Parent Body Organisation. That process has been subject to extensive internal and external review, including by Internal Audit and by the Major Projects Authority, from the perspective of both robustness and compliance. The preferred bidder for the competition was announced on 31 March 2014.

Approach to risk

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

The NDA's capacity to handle risk is influenced and supported by its governance structure that supports the decommissioning and commercial operations undertaken under contract by site licensees. Throughout this contractual relationship, we seek assurance of high risk management standards across our estate. Risk management is an embedded feature of the monthly reporting cycle and reviews and, through the development of the assurance map, the Executive are able to take a holistic view by considering both the risk profile and the assurance measures around specific activities on the estate. Risk management is also a standard agenda item of the Quarterly Business Reviews between the NDA Executive and the various SLC and PBO Executives.

Risk reviews are conducted at a number of levels within the NDA with upwards escalation as appropriate. Regular reviews are undertaken by the NDA Executive and by the NDA Board with the NDA Audit and Risk Assurance Committee keeping the approach to risk under scrutiny. Specific risks flow across to DECC and are included in their risk assessments and reported to their Audit and Risk Assurance Committee and, where appropriate, the DECC Board. Work is being taken forward to develop and define the NDA's risk appetite which will help to further focus where effort and resources should be applied.

The principal business risks are:

- SLCs do not deliver expected schedule, performance and cost improvements
- performance of the ageing operational plants adversely affects commercial revenue and delivery of the mission, and
- unplanned events may result in the NDA having insufficient funding to meet its planned programme of work

System of Internal Control

The Accounting Officer has the responsibility for maintaining a sound System of Internal Control and reviewing its effectiveness in supporting the achievement of the NDA's policies, aims and objectives, while safeguarding the public funds and departmental assets for which he is personally responsible, in accordance with the responsibilities outlined in Managing Public Money. The Accounting Officer is supported and informed by the NDA Internal Audit function, external auditors (the NAO) and other assurance functions both within the NDA and across the estate.

The System of Internal Control has been in place in the NDA for the period commencing 1 April 2013 up to the date of approval of the Annual Report and Accounts, in accordance with Treasury guidance. It is designed to manage risk to a reasonable level while ensuring compliance with mandated rules and regulations. As it is not feasible to eliminate all risk of failure in the achievement of policies, aims and objectives, the system can therefore only provide reasonable and not absolute assurance of effectiveness. The NDA Executive Team has responsibility for the development and maintenance of the Internal Control Framework as it applies to their functional responsibilities. The Board and the Audit and Risk Assurance Committee provide oversight and challenge to the system of internal control and ensure plans to address weaknesses to the system are in place.

The NDA System of Internal Control is subject to continual review and assessment. In addition to the controls operated by the NDA, significant reliance is placed on the controls and assurances operated across the estate by the NDA subsidiaries and the SLCs. The NDA provides an Internal Audit service to its subsidiaries while each SLC makes provision for an Internal Audit service that supports its individual business model and risk profile.

NDA has in place a Quality Assurance framework for the classification, specification, development and assurance of all business critical models. Following the issues identified with one specific RWMD model, the Board commissioned a thorough review, carried out with an independent organisation, to ensure that the necessary controls were in place to identify critical models, and to ensure that any such models complied with best practice in both their development and use. The resulting report acknowledged that, whilst considerable work had already been completed in implementing the MacPherson recommendations for control of critical models, further work would be required over the coming year.

During the year, the NAO conducted a follow up review to the previous year's Value for Money Review "Managing Risk at Sellafield". The follow up review was titled "Nuclear Decommissioning Authority: Assurance of Reported Savings at Sellafield", and found that the Authority's systems for oversight and monitoring provided moderate assurance of reported overall savings on the Sellafield site. It also reported the Parent Body Organisation's performance against its efficiency target during its contract term. NDA's action plan, approved by ShEx and DECC, was set out in a Treasury minute published in April 2014.

The Accounting Officer has concluded that the System of Internal Control is generally sound and appropriate to meet the Authority's objectives and there is an adequate and effective control environment across the NDA estate.

During 2013/2014 the NDA Executive has taken steps to develop further its assurance framework by fully adopting the assurance map as an executive management tool to help in its decision making processes. The assurance map is designed to ensure alignment between the NDA's obligations, the risk it faces in delivering those obligations and the variety of assurances in place to help mitigate the risks. In addition, the framework helps in ensuring NDA's resources are aligned to priorities and higher risk activities. The assurance map has been developed in line with HM Treasury guidance and utilises the principles of the three lines of defence model with suitable adjustments to reflect the nature of the business. This model and approach, as part of the core assurance framework, has been the subject of ongoing scrutiny and interrogation by the Audit Committee. The assurance map is a significant component of the NDA' s assurance framework and will strengthen the existing System of Internal Control and will provide additional assurance to the Executive and the Board in ensuring attention is focused appropriately and decision making is appropriately underpinned and supported.

Internal audit

The NDA internal audit function consists of a small in-house team that works closely with the NDA Executive in developing and delivering the internal audit work programme. The core team is augmented by an outsourced delivery team, currently provided by Baker Tilly. The internal audit mandate is to look across management systems as a whole and to develop and deliver a robust internal audit plan that reviews high-risk activities and assesses the effectiveness of the internal controls both within the NDA and across its estate. A regular update on Internal Audit issues is provided to the Audit and Risk Assurance Committee.

The NDA internal audit function not only has oversight of the assurance work carried out within other functions of the NDA but also has a strong working relationship with the SLC Internal Audit functions which gives it access to the SLC audit personnel and their Audit Committee members along with full oversight of audit plans and resulting audit reports. A number of audits are undertaken by joint NDA/SLC audit teams or, for estate-wide topics, on a collaborative basis with audits being conducted by the SLC in line with a standard approach as set by the NDA. These arrangements allow the NDA internal audit function to evaluate the impact of any audit findings on the overall estate-wide system of internal control which in turn assists the Accounting Officer in his overall assessment. Internal Audit reports on the progress on delivering audit plans, audit findings and agreed actions to the Executive and to the Audit Committee on a regular basis.

The internal work programme for 2013/2014 covered a broad range of operational risks with a balance between activities concerning the NDA only and activities involving expenditure across its full estate.

A significant focus during this year was around estate-wide activities, examples being the Executive expenses review covering the NDA, its subsidiaries and all SLCs; the Spend Recovery Audit (SRA) which looked at the strength of the control environment for purchases and invoices; and a number of subject specific reviews in support of the overall Information Assurance Maturity Model. The SRA demonstrated that a very strong control environment is in operation across the entire estate with only very minor improvements being required. The Expenses review showed a more variable picture with reasonably strong controls within the NDA, its subsidiary organisations and the majority of the SLCs but with a number of weaknesses identified in the Sellafield Ltd controls, mainly associated with the segregation between claims from Sellafield SLC staff and those from the PBO. Immediate action was taken by both the PBO and the SLC to rectify any failings.

The Audit Plan provided for a number of Sellafield-specific focused reviews some of which were undertaken on a joint basis such as the review of the reachback process which resulted in a report being produced by Sellafield Internal Audit for the attention of the Sellafield Executive and a separate report produced by NDA Internal Audit giving the NDA perspective. Significant improvements to the reachback process are currently being implemented and these will be reflected in the contract arrangements for the second term.

During the year, NDA Internal Audit has provided ongoing support and guidance to the NDA Sellafield Performance Plan 14 project team to help ensure the appropriate project controls and working methodology are being applied in NDA’s scrutiny of the data supplied by Sellafield Ltd. This work has been reported to the Executive and will continue into 2014/2015 until the project concludes.

On a similar basis, NDA Internal Audit has been providing ongoing support and independent assurance on the strength of the processes developed by the Magnox/RSRL PBO Competition team. Internal Audit has provided an independent report detailing its assessment of the discipline and rigour of their use in support of the overall competition governance process. This has been supplemented by work carried out by Burgess Salmon.

The majority of the 25 reviews undertaken during the year (96%) showed that the process and controls could be categorised as either reasonable or good. One review was classified as ‘red’ with significant concerns and highlighted the need for improvements in the area of Sellafield Executive Expenses. All agreed improvements are monitored from implementation through to completion by the internal audit function.

Both the Spend Recovery audit and the work in support of the Information Assurance Maturity Model were conducted in support of central government driven initiatives.

Across the estate four internal audit reports were rated as ‘red’, signifying major weakness in the process under review. This represents a small percentage (7%) against audits undertaken. Action plans were agreed for all weaknesses and these plans are either complete or being progressed.

NDA information risk management
In accordance with the published Information Governance strategy NDA is implementing an Information Governance Programme (IGP) to maximise business value from the NDA knowledge and information assets in a compliant and secure manner. This will improve information risk standards and practices across the NDA estate, whilst at the same time aiming to reduce baseline costs and increase our ability to share, collaborate and communicate efficiently, effectively and securely. The IGP has been designated as an NDA National

Programme and consolidates a number of discrete projects, workstreams, Government mandated obligations and initiatives into a coherent and co-ordinated cross-estate programme that aims to:

- underpin NDA's leadership, governance and, where appropriate, auditability and accountability;
- improve the estate's Information Governance culture and associated practices, with a focus on maximising business value;
- develop a unified estate-wide approach to information risk management reporting and the application of relevant standards and practices;
- develop and implement an estate-wide Information and Communication Technology vision;
- put in place an effective knowledge management plan and estate-wide policy (the NDA Knowledge Management Roadmap);
- control the implementation and ongoing management of the estate's long-term Records Management requirements (the National Nuclear Archive) through engagement with all stakeholders, specifically the regulatory community and;
- establish an NDA Information Risk Appetite against which to measure the acceptability of information risk.

An estate-wide forum of senior NDA, NDA subsidiary and SLC staff members responsible for key aspects of IGP delivery (Information Governance Officers), chaired by the NDA Senior Information Risk Owner (SIRO), has been constituted to assist the IGP Programme Manager with the implementation of programme initiatives. Good progress is being made in this area with a number of sub-groups emerging that engage the wider community including Regulators and other critical stakeholders. The degree of progress delivered will be measured by a number of reports and audits, chief amongst them being the annual Cabinet Office-led Information Assurance Maturity Model (IAMM) assessment, to which all members of the NDA estate contribute. Targets for achievement have been discussed with DECC and agreed for the next three years.

Overall, the information risk management picture in the NDA estate is continuing to improve and this improvement is expected to be driven and maintained by the IGP.

Stephen Henwood
NDA Chairman
5 June 2014

John Clarke
Chief Executive Officer and Accounting Officer
5 June 2014

Remuneration Report

Executive remuneration summary

- NDA's model of procuring global private sector expertise to deliver decommissioning requires a highly professional Executive skilled in commercial, financial and technical expertise
- The Committee seeks to balance the need to attract, incentivise and retain an Executive in a competitive international market from a limited talent pool with the need to provide value for money
- This year has seen those policies put to the test and refined in light of experience
- Salaries continue to be benchmarked across private and public sector roles

Role of Committee
The Remuneration Committee's primary role is to provide confidence to stakeholders that through its remuneration policy the NDA is able to attract, incentivise and retain Executives who have the skills and experience to achieve the organisation's goals effectively and that in so doing it is providing value for money for the taxpayer.

The Committee sets appropriate policies and takes decisions in line with those policies unless any specific exceptions are justified. Further information can be found within the Governance section on page 36.

Economic and market context
Executive rewards should rightly acknowledge the high level of experience and professional expertise required to address the demanding challenge of nuclear decommissioning in the UK while also seeking to provide value to the taxpayer in an economic climate that necessitates restraint in all sectors.

Whether it is to drive performance at Sellafield, secure a new PBO for Magnox/RSRL or to oversee the contract to bring Dounreay to its interim end state, the NDA needs leaders with the experience, commercial judgement and delivery focus to secure the best value from major contracts that bring in private-sector expertise from across the world.

This requires a combination of commercial skills, specialised technical expertise and management experience, a highly sought after blend of qualities that inevitably commands a premium in a competitive global economy. The increasingly competitive market for such talent is exacerbated in the light of growing demands, not only in the international nuclear sector (be it new build or decommissioning), but also for major infrastructure projects and oil and gas installations in the North Sea.

The departure of the Chief Operating Officer, Mark Lesinski, who returned to the USA to take up a senior role in Rolls Royce illustrates the nature of the international market we are operating and competing in.

The Committee routinely seeks independent advice on pay and, in reaching its conclusions, assesses both the public and private sectors to set a level of reward that ensures NDA can confidently drive forward the improved performance needed across our estate.

Although it is not the specific remit of this Committee to approve executive salaries within the SLCs, some benchmarking work was commissioned this year. The purpose was to give reassurance that SLC salary levels were in line with comparable industry norms. This work confirmed that NDA are paying around median salaries.

Committee membership
Membership comprises two independent Non Executive Directors. Last year the role was undertaken by Chris Fenton and Murray Easton, with Chris Fenton as the Chairman. Following the resignation of Murray Easton, Ken McCallum will join the committee in 2014/2015.

A minimum of four meetings are held annually and are also attended by the Chairman, Chief Executive and HR Director for topics where there is no conflict of interest.

Remuneration Policy
The remuneration of the Chief Executive and Executive Directors comprises base pay, an annual performance-related payment and a Long-Term Incentive Plan (LTIP), pension and other benefits.

Salaries
In setting salaries this year the Committee noted pay increases across the private sector and the demands on public spend. It also took into consideration that pay across the NDA and wider public sector had been, for the second consecutive year, set at 1% this year. It concluded that the salaries of the Board Executive Directors would be increased by 1%.

The Committee recognises the need to build and strengthen talent within the NDA at all levels. Further benchmarking will be completed in 2014/2015 to ensure the salaries and overall reward packages remain appropriate to attract and retain talent.

Performance-related pay
Executive awards are linked to the achievement of personal and corporate objectives, both aligned to the NDA's Corporate Plan. Objectives are approved at the beginning of the financial year by the Board.

In 2012/2013, the Committee introduced a new 'modifier' process which is designed to focus on the behaviours, approach and overall quality of delivery of the Executive Team and their impact on the NDA mission. The confidential and independent assessment by the Non Executive Directors can modify the performance related pay by a factor of 0.7 – 1.1 based upon performance against a range of criteria. The assessment for 2013/2014 concluded that the Executive Team met expectations and the modifier factor was set at 1.00.

Around half of Corporate Targets for 2013/2014 were achieved, reflecting the performance outlined elsewhere in the annual report. This outcome was subject to internal audit review, endorsement by the Internal Audit Director of DECC and acceptance by the Audit Committee of the NDA. The Remuneration Committee reviewed this outcome in the context of the NDA's performance.

Long Term Incentive Plan (LTIP)
The LTIP represents an additional award equal to up to 50% of the annual performance-related payment earned during the previous year. The LTIP will operate with rolling annual awards with a new payment figure calculated at the start of each three-year period.

The Committee commissioned a review of the effectiveness of the LTIP in March 2012. The results of this review have now been implemented with the scheme more focussed on medium-term outcomes based on three-year targets from the NDA's Operating Plan. The new scheme rules and targets were approved by the Committee, and are now in place for LTIP plans from 2013/2014.

The Committee continues to endorse and review the approach to remuneration of senior executives as vital to attracting and retaining high quality personnel to lead the NDA team in delivering its challenging mission.

Other benefits
Benefits are listed in the Directors Emoluments table with appropriate footnotes.

For the CEO this included the provision of a taxable allowance of £48,000 per annum, equivalent to £2,200 per month after tax, to enable the CEO to rent an apartment in London. This is driven by the role requiring significant time in London to successfully lead the business and fully engage with all stakeholders.

Other major Remuneration Committee decisions in 2013/2014:
1. the awards for the LTIP plan to vest in 2016 were agreed;
2. the vesting of the awards granted in 2010 were agreed;
3. on the basis of performance this year, the modifier factor was endorsed by the Committee at a multiple of 1.00;
4. Mark Lesinski resigned with effect from 31 December 2013 with his departure being brought forward at the request of the CEO to manage a smooth transition with the Sellafield contract. It was agreed therefore by the Remuneration Committee that he was a 'good leaver' for the purposes of annual performance related payment and an element of LTIP and;

5. the remuneration packages for an external candidate, Pete Lutwyche to join the NDA Board and Executive team as Sellafield Programme Director was approved. The recruitment process provided further evidence of the market conditions necessary to attract a sufficiently experienced candidate.

Non Executive Directors
Non Executive Directors are appointed by the Secretary of State for DECC in conjunction with Scottish Ministers following consultation with the NDA Chair and in line with Codes of Practice issued by the Commission of Public Appointments.

- Ken McCallum was appointed for a three-year term with effect from 1 March 2014
- Murray Easton resigned following a two-year term with effect from 31 March 2014

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

Following an offer made by the Chairman in March 2011, which saw his fee reduced by £10,000 (5%), followed by a further £10,000 in 2012 and a further reduction of £10,000 from 1 March 2013, the revised Chairman's fee has remained static for 2013/2014.

Non Executive Directors are entitled to fees of £25,000 per annum. The Chairman of the Audit and Risk Assurance, Remuneration and Safety and Security Committees receive supplementary fees of £7,500 for the performance of those roles (reduced from £10,000 in 2010/2011).

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

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

Service Details of Executive Directors

	Date Employment Commenced	Notice Period
John Clarke	1 June 2008	12 months
David Batters	18 October 2010	6 months
Pete Lutwyche	3 March 2014	6 months
Adrian Simper	1 March 2014	6 months
Mark Lesinski	1 November 2010	Resigned 31 December 2013

Service Details of Non Executive Directors

	Date Term Commenced	Duration of current term
Stephen Henwood	1 March 2008	1 March 2014 – 28 February 2017
Janette Brown	5 March 2009	5 March 2013 – 4 March 2016
Patrick Dixon	5 March 2009	5 March 2013 – 4 March 2016
Chris Fenton	1 March 2012	1 March 2012 – 28 February 2015
Tom Smith	5 March 2013	5 March 2013 – 4 March 2016
Ken McCallum	1 March 2014	1 March 2014 – 28 February 2017
Murray Easton	1 March 2012	Resigned 31 March 2014

Directors' Emoluments 2013/2014

This information has been audited:

	2013/2014 Salaries £	2013/2014 Additional benefits £	2013/2014 Performance Related Payment £	2013/2014 LTIP payments made £	2013/2014 Pension benefits £	2013/2014 Total emoluments £	2012/2013 Salaries £	2012/2013 Car and other benefits £	2012/2013 Performance Related Payment £	2012/2013 LTIP payments made £	2012/2013 Pension benefits £	2012/2013 Total emoluments £
Stephen Henwood	170,000	-				170,000	179,167	-				179,167
Murray Easton (i)	25,000	-				25,000	25,000	-				25,000
Chris Fenton (ii)	32,500	-				32,500	25,545	-				25,545
Alistair Wivell (iii)	-	-				-	30,141	-				30,141
Janette Brown (iv)	32,500	-				32,500	32,500	-				32,500
Patrick Dixon (v)	32,500	-				32,500	32,500	-				32,500
Tom Smith	25,000	-				25,000	1,815	-				1,815
Ken McCallum (vi)	0	-				0	-	-				-
John Clarke (vii)	267,650	60,000	78,957	36,852	104,362	547,821	264,778	28,000	83,003	38,074	106,178	520,033
David Batters (viii), (ix)	210,850	42,000	50,636	34,259	72,857	410,602	206,651	49,871	47,153	-	74,185	377,860
Mark Lesinski (x), (xi)	140,137	31,889	29,000	32,676	52,685	286,387	185,000	52,083	44,563	-	74,185	355,831
Pete Lutwyche (xii), (xiii)	17,540	935	3,683	-	6,839	28,997	-	-	-	-	-	-
Adrian Simper (xiv), (xv)	13,750	1,000	3,246	2,428	1,407	21,831	-	-	-	-	-	-

Notes

(i) Resigned with effect from 31 March 2014
(ii) Includes additional fees of £7,500 for the role of Chair of the Remuneration Committee (£545 in 2012/2013)
(iii) Retired 4 March 2013
(iv) Includes additional fees of £7,500 for the role of Chair of the Audit Committee (£7,500 in 2012/2013)
(v) Includes additional fees of £7,500 for the role of Chair of the Safety and Security Committee (£7,500 in 2012/2013)
(vi) Appointed 1 March 2014. Ken McCallum does not receive any additional remuneration for his services to the Board.
(vii) Additional benefits were a London renting allowance of £48,000 (payable from 1 December 2012) and a car allowance of £12,000
(viii) Additional benefits received were a flat rate relocation allowance of £30,000 receivable until 31 March 2014 and a car allowance of £12,000
(ix) The remuneration package for David Batters was reviewed and agreed following a reorganisation and increased scope of his role as CFO and Programme Director
(x) Resigned with effect from 31 December 2013 (annual salary £186,850, pro-rated)
(xi) Additional benefits received were a relocation allowance of £22,889 and a car allowance of £9,000
(xii) Appointed 3 March 2014 (annual salary £225,000 pro-rated)
(xiii) Additional benefits were a car allowance of £935
(xiv) A member of the Executive Team until 28 February 2014; appointed as an Executive Director on 1 March 2014 (annual salary £165,000 agreed by Remuneration Committee in June 2014 and retrospectively applied; only March salary as Executive Director disclosed)
(xv) Additional benefits received were a car allowance of £1,000

Civil service pensions
Pension benefits are provided through the Civil Service Pension Arrangements. From 30 July 2007, civil servants may be in one of four defined schemes: either a 'final salary' scheme (Classic, Premium or Classic Plus); or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are currently increased annually in line with the Pensions Increase Legislation.

Employee contributions are set at the rate shown in the table below:

	Classic Scheme	**Premium, Classic plus and Nuvos**
Annual Pensionable Earnings (full-time equivalent basis)	2014 contributions	2014 contributions
Up to £15,000	1.50	3.50
£15,001-£21,000	2.70	4.70
£21,000-£30,000	3.88	5.88
£30,001-£50,000	4.67	6.67
£50,001-£60,000	5.46	7.46
Over £60,000	6.25	8.25

Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium.

In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members' earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set up by the Finance Act 2004.

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

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

Executive Directors' pensions

This information has been audited:

	Real Increase in Pension during the year 2013/2014 £000's	Real Increase in Lump Sum during the year 2013/2014 £000's	Accrued Pension at 31 March 2014 £000's	CETV at 31 March 2013 £000's	CETV at 31 March 2014 £000's	Real Increase in CETV Funded by Employer £000's
David Batters	2.5 - 5	n/a	15 - 20	115	170	34
John Clarke	5 - 7.5	n/a	30 - 35	308	411	64
Pete Lutwyche	0 - 2.5	n/a	0 - 5	0	5	4
Adrian Simper	0 - 2.5	n/a	50 - 55	636	691	8
Mark Lesinski	2.5 - 5	n/a	10 - 15	154	210	36

Notes:

The actuarial factors used to calculate CETVs were changed in 2013/2014. The CETVs at 31/3/13 and 31/3/14 have both been calculated using the new factors, for consistency. The CETV at 31/3/13 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Ratio between Median earnings of organisations workforce and highest paid director

	2013/2014 Salaries and Benefits £'s	2013/2014 Bonus £'s	2013/2014 LTIP £'s	2013/2014 TOTAL £'s		2012/2013 Salaries and Benefits £'s	2012/2013 Bonus £'s	2012/2013 LTIP £'s	2012/2013 TOTAL £'s
Highest Director	327,650	78,957	36,852	443,459		292,778	83,003	38,074	413,855
Median	53,384	9,452	-	62,835		54,073	9,293	-	63,367
Ratio	7.1:1					6.5:1			
This table shows the ratio of the highest earning Director against that of the employee at the median in earnings. The data includes base pay, allowances and performance related payments as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. This follows a recommendation made in the Hutton report and continues to ensure that the NDA Remuneration Report takes account of best practice in its production.									

Chris Fenton
Chairman of the Remuneration Committee
5 June 2014

John Clarke
Accounting Officer and Chief Executive Officer
5 June 2014

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

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

In preparing the accounts the NDA is required to:

- observe the Accounts Direction issued by the Secretary of State (with approval of HM Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards have been followed, as set out in the *Government Financial Reporting Manual,* and disclose and explain any material departures in the accounts, and;

- prepare the accounts on a going concern basis.

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

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

Health, Safety, Security and Environment (HSSE) Report

SLCs

Health, Safety, Security, Environment and Quality (HSSSEQ) is one of our critical enablers and the objective as expressed in the NDA Strategy is:

To reduce the inherent health, safety, security and environmental risks associated with the nuclear legacy and encourage high standards in operational health, safety, security, safeguards, environmental and quality performance.

The NDA has a duty to assure the safe and secure management of nuclear materials, operations and sites across the UK, encouraging high standards while focusing on reducing the risks in a timely and cost-effective manner. The SLCs carry out this duty on our behalf.

We target our assurance work to satisfy ourselves of the robustness of SLCs' processes, holding them to account for performance while also ensuring that controls are embedded throughout their organisations.

Nuclear Safety and INES 1 events

Number of INES events by SLC	2013/ 2014	2012/ 2013
Magnox	2	1
RSRL	0	0
DSRL	2	0
LLWR	0	0
Sellafield	4	4
Total	**8**	**5**

The International Atomic Energy Agency's (IAEA) International Nuclear and Radiological Event Scale (INES) is used for promptly and consistently communicating to the public the safety significance of events associated with sources of radiation. In 2013/2014 there were 8 events that were classed at the lowest level (Level 1 – Anomaly) of the seven band scale. Although this is a slight increase on last year there is a significant downward trend in INES events since 2005. Several of the events were updated from below the scale to Level 1 after investigation due to wider procedural and safety culture issues involved and to aid in the learning from experience process.

Conventional Safety and RIDDOR

Safety Injuries by SLC	total injuries rate[1] 2013/2014	2013/2014 RIDDOR events	2013/2014 (> 3 day LTA)	Total	2012/2013 RIDDOR events	2012/2013 (> 3 day LTA)	Total
Magnox	0	1	0	1	11[2]	0	11
RSRL	127	0	1	1	1	0	1
DSRL	143	3	0	3	2	3	5
LLWR	0	0	0	0	0	0	0
Sellafield	56	9	3	12	18	1	19
Total	**14**	**13**	**4**	**17**	**32**	**4**	**36**
Weighted average injuries rate	**52**						

[1] - total injuries rate is the number of fatal, non-fatal and over-7-day injuries per 100,000 employees.
[2] – corrected value from previously published – *source HSE 2013* http://www.hse.gov.uk/statistics/overall/hssh1213.pdf

The total number of conventional safety events reported by SLCs to NDA for the year 2013/2014 was 17, down from 36 in 2012/2013. By RIDDOR category this includes 1 Major Injury, 11 Lost Time Accidents (LTAs greater than seven days), 1 reportable Dangerous Occurrence and no cases of work-related disease.

A measure for conventional safety performance is the rate of injuries or cases of ill health per 100,000 employees. The averaged rate for the SLCs in 2013/2014 was 52 per 100,000 employees. This is a significant decrease on the value of 128 for the previous financial year and continues the safety improvement from previous years. As a comparison, the latest HSE statistics showed an average UK incident rate of 312 incidents per 100,000 employees[3].

When safety events occur (both injury and near miss) investigations are conducted and appropriate actions taken in response. The SLCs put in place improvements and awareness campaigns to help reduce these events. Slips, trips, falls and strains still cause the majority of LTAs and in general are not severe injuries.

Several of the SLCs won national safety awards at a corporate and site level, showing continued high-level safety performance. This year, as well as winning the Royal Society for the Prevention of Accidents (RoSPA's) engineering construction sector for the third year running, Magnox also won the Sir George Earle Trophy – the pinnacle of RoSPA's award scheme. Dounreay Site Restoration Limited (DSRL) has been awarded a Distinction in the British Safety Council's International Safety Award. Sellafield Limited received nine RoSPA Gold awards.

Sickness absence

Sickness absence rates (days per employee per year)	2013/ 2014	2012/ 2013
Magnox	4.85	5.43
RSRL	7.64	9.01
DSRL	7.44	7.87
LLWR	7.60	7.80
Sellafield	8.60	8.60
Weighted average	**7.64**	**7.78**

The weighted average SLC sickness rate of 7.64 days per year per employee, including cases of long-term sickness absence, decreased from 7.78 in 2012/2013. This is in contrast to the national average sickness absence rate of 7.6 days lost per year per employee which has increased from the value reported last year [3].
[3] - *source CIPD 2013*

Protection of the environment

Number of Environmental non compliances by SLC	2013/ 2014	2012/ 2013
Magnox	5	4
RSRL	2	0
DSRL	18	7
LLWR	0	7[4]
Sellafield	24	21
Total	**49**	**35**

[4] *- corrected value*

The number of environmental non-compliances has increased compared to 2012/2013. Most of these non-compliances are minor or administrative in nature with no significant effect on the environment. The few events of potential consequence have been thoroughly investigated with appropriate corrective actions taken.

There has been a significant increase in non-compliances at Dounreay site. These relate mostly to late reporting of information to the Scottish Environment Protection Agency (SEPA) and minor breaches of non-radiological permit limits due to cleaning chemicals and rain water run-off. DSRL has instigated a programme of improvements in administrative arrangements and environmental awareness for staff.

Nuclear Security
Ensuring that the NDA estate is secure is of paramount importance to confirming nuclear safety and meeting UK strategic goals for security. As a critical enabler Security, as part of HSSSEQ, provides the NDA lead for nuclear security assurance across the estate:

This year, working with other stakeholders and especially the Regulator, our focus has been to support, assure and enable major enhancements to our sites with a focus on Sellafield, Dounreay, Harwell and the LLWR.

The NDA estate has undergone an assessment against the Cabinet Office information assurance maturity model (IAMM). This is the second year that NDA with ONR (CNS) have carried out this assessment in conjunction with the SLCs and it showed a general level of compliance. The process has overall been successful and it is proposed to continue these annual assessments in order to provide assurance and continual improvement.

Nuclear Safeguards
Accounting for our civil holdings of nuclear materials (‘Safeguards’) is key to the Government’s non-proliferation commitments. NDA maintains oversight of SLC safeguards performance and during the year has supported Euratom and ONR Safeguards visits to Sellafield and Dounreay. Euratom Safeguards Directorate (‘Euratom’) is part of the EU’s arrangements to ensure that nuclear materials are not diverted from their intended peaceful uses.

At Sellafield Euratom was generally satisfied with progress being made against inventory verification and with Sellafield Limited’s commitments to improve support for their on-site laboratory. A number of systemic issues were also acknowledged which Sellafield Limited is working to address.

At Dounreay safeguards performance was satisfactory with no negative observations. Euratom was also generally satisfied with updates on consolidation and waste management including plans for shaft and silo retrievals.

Magnox & RSRL competition
Proposed HSSSEQ arrangements of the bidders taking part in Magnox Ltd and Research Sites Restoration Ltd competition were assessed to ensure they met the standards required by NDA. Regulatory dialogue also took place.

Regulatory matters
The SLCs continue to engage with the nuclear regulators on operational, decommissioning and strategic issues. These include the acceleration of projects and ways of more effective working.

After previously pleading guilty Sellafield Limited was fined £700,000 and ordered to pay £72,635 in costs at Carlisle Crown Court In June 2013. The offences related to a failure to correctly dispose of low level radioactive waste in April 2010. This fine was paid by the SLC and costs are treated as disallowable under the contract and therefore borne by the SLC and not the NDA.

During 2013/2014, ONR served 3 Improvement Notices on Sellafield Limited:
- to correct systematic faults with quality management and oversight of the Evaporator D project
- to provide engineered protective systems in accordance with relevant good practice on the flask maintenance gamma gate
- to ensure that people were not exposed to legionella bacteria or, if not possible, that exposure is adequately controlled.

All these Notices have been closed out.

NDA

Health and safety performance
As well as our obligations as owners of nuclear sites, we are directly responsible for the health and safety of our own employees.

The NDA had no RIDDOR reportable events in the year. There were 25 health and safety incidents recorded internally throughout the year which included one Lost Time Accident (LTA) caused by a road traffic collision. This was in addition to a number of near misses, minor injuries and damage which occurred at NDA offices or whilst employees were travelling on business. Appropriate actions were taken in response to these incidents.

The average sickness absence of our employees was 5.1 working days absence per employee for 2013/2014, below the national average of 7.6 days and an increase from 2.9 absence days in 2012/2013.

Driving on company business
Driving on NDA business continues to be one of the most significant risks to our employees. Our mileage driven this year was 815,794 a decrease of approximately 14,000 miles compared to the previous year.

A Driver Safety programme including Driver Training, Speed Awareness and Winter Driving campaigns has been delivered this year.

Health and Wellbeing
The NDA is committed to ensuring that the risk of work related stress is effectively managed and controlled. A series of Stress Awareness workshops have taken place this year.

As part of our continued commitment to the health and wellbeing of employees, health and wellbeing awareness campaigns were delivered to our staff which included winter health and back care.

The NDA also provides a confidential Employee Assistance Programme (EAP), which is intended to help employees deal with personal problems that might adversely impact their health, wellbeing or work performance.

Consultation with employees
The NDA Health, Safety & Environment Committee met three times in the year to discuss matters that may affect the health, safety and wellbeing of staff.

Security
The NDA IT network retained its accreditation last year and annual tests were completed to schedule and to the Regulators satisfaction. In addition, the NDA's IT network is fully compliant with the requirements of the Public Services Network (PSN) and NDA will be connecting to the PSN in the coming financial year.

The CPNI security culture survey (Secure2) was completed and the results showed that the NDA surpassed benchmark in all 6 categories of the survey.

There were no major or serious security incidents of note.

Environmental Performance and Sustainability
The NDA operates an Environmental Management System to ensure that we operate within our stated environmental policy, associated objectives and targets, and have processes for monitoring and controlling our environmental impacts. Objectives and targets are set to maintain continual improvement in environmental performance across the organisation and to raise awareness of environmental issues.

A summary report explaining NDA's contribution to sustainability performance under the Greening Government Commitments (GGC) and our own environmental management system is provided below with a more detailed report available on our website.

The NDA subsidiaries and wider nuclear estate are outside this reporting boundary, and have been exempted from the reporting requirements by the Sustainable Development in Government Exemption Panel.

Summary of performance

Area	2013/2014	Overall performance since 2009/2010	GGC target
UK based GHG emissions	**10% reduction**	**34% reduction**	**on track**
Total GHG emissions	**15% reduction**	**42% reduction**	**on track**
Office waste	**Less than 1% increase**	**37% reduction**	**on track**
Office water	**7% reduction**	**11% reduction**	**on track**
Office paper	**10% reduction**	**50% reduction**	**Achieved 2011/12**
Domestic air travel (flights)	**30% reduction**	**60% reduction**	**on track**

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

I have audited the financial statements of the Nuclear Decommissioning Authority for the year ended 31 March 2014 under the Energy Act 2004. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure and the Group and Authority Statements of: Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

Opinion on financial statements
In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Nuclear Decommissioning Authority's affairs as at 31 March 2014 and of the group's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Energy Act 2004 and Secretary of State directions issued thereunder.

Emphasis of Matter – Nuclear Provisions
Without qualifying my opinion, I draw attention to the disclosures made in notes 3 and 27 to the financial statements concerning the uncertainties inherent in the nuclear decommissioning provision. As set out in these notes, given the very long timescales involved and the complexity of the plants and materials being handled, a considerable degree of uncertainty remains over the value of the liability for decommissioning nuclear sites designated by the Secretary of State. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Authority.

Opinion on other matters
In my opinion:

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

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

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

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

Amyas C E Morse
Comptroller and Auditor General

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

11 June 2014

Annual Accounts

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

	Note	2014 £m	2013 £m
Continuing operations			
Expenditure			
Authority administration expenditure	5	42	39
Programme expenditure	7	867	934
Adjustments to provisions	8	7,415	7,106
Depreciation and impairment	9	115	101
		8,439	8,180
Income	4	(936)	(824)
Net expenditure		7,503	7,356
Interest receivable	4	(9)	(16)
Interest payable	4	2	1
Net expenditure after interest for the year		7,496	7,341
Other comprehensive (income) / expenditure:			
Net (gain) / loss on revaluation of property, plant and equipment	12	-	2
Gain on disposal of asset held for sale	17	-	(5)
Actuarial (gain) / loss on defined benefit pension schemes	29	(13)	10
Total comprehensive net expenditure for the year		7,483	7,348

The related notes numbered 2 to 36 form part of these financial statements. Authority refers to the balances within the NDA itself, with NDA Group balances incorporating the Authority and its subsidiaries. Details of subsidiaries are given in note 14.

Consolidated Statement of Financial Position

as at 31 March 2014

	Note	2014 £m	2013 £m
Non-current assets			
Property, plant and equipment	12	894	967
Recoverable contract costs	15	2,547	2,004
Finance lease receivables	22	43	42
Trade and other receivables	23	45	41
Defined benefit pension scheme surplus	29	2	-
		3,531	3,054
Current assets			
Assets classified as held for sale	17	51	51
Inventories	18	103	119
Other investments	21	338	296
Finance lease receivables	22	1	1
Trade and other receivables	23	352	387
Cash and cash equivalents	24	171	268
		1,016	1,122
Total assets		4,547	4,176
Current liabilities			
Derivative financial liabilities	19	-	(1)
Finance lease payables	25	(1)	(1)
Trade and other payables	26	(1,455)	(1,434)
Nuclear provisions	27	(2,588)	(2,687)
Other provisions	28	(211)	(178)
		(4,255)	(4,301)
Total assets less current liabilities		292	(125)
Non-current liabilities			
Finance lease payables	25	-	(1)
Trade and other payables	26	(2,025)	(1,939)
Nuclear provisions	27	(62,356)	(56,171)
Other provisions	28	(1,255)	(1,845)
Defined benefit pension scheme deficits	29	-	(11)
		(65,636)	(59,967)
Net liabilities		(65,344)	(60,092)
Taxpayers' equity			
Revaluation reserve		70	70
General reserve		(65,416)	(60,162)
Total taxpayers' equity		(65,346)	(60,092)
Non-controlling interests	30	2	-
Total equity		(65,344)	(60,092)

The financial statements on pages 58 to 105 were approved by the Board on 5 June 2014 and were signed on its behalf by:

John Clarke, Chief Executive and Accounting Officer, **5 June 2014**

The related notes numbered 2 to 36 form part of these financial statements. Authority refers to the balances within the NDA itself, with NDA Group balances incorporating the Authority and its subsidiaries. Details of subsidiaries are given in note 14.

Authority Statement of Financial Position

as at 31 March 2014

	Note	2014 £m	2013 £m
Non-current assets			
Property, plant and equipment	12	531	615
Investments in subsidiaries	14	226	226
Recoverable contract costs	15	2,547	2,004
Finance lease receivables	22	43	42
Trade and other receivables	23	45	41
		3,392	2,928
Current assets			
Assets classified as held for sale	17	51	51
Inventories	18	91	102
Finance lease receivables	22	1	1
Trade and other receivables	23	580	645
Cash and cash equivalents	24	139	192
		862	991
Total assets		4,254	3,919
Current liabilities			
Derivative financial liabilities	19	-	(1)
Trade and other payables	26	(1,425)	(1,408)
Nuclear provisions	27	(2,588)	(2,685)
Other provisions	28	(210)	(176)
		(4,223)	(4,270)
Total assets less current liabilities		31	(351)
Non-current liabilities			
Trade and other payables	26	(2,010)	(1,932)
Nuclear provisions	27	(62,269)	(56,083)
Other provisions	28	(1,228)	(1,816)
Defined benefit pension scheme deficit	29	-	(10)
		(65,507)	(59,841)
Net liabilities		(65,476)	(60,192)
Taxpayers' equity			
Revaluation reserve		50	50
General reserve		(65,526)	(60,242)
Total taxpayers' equity		(65,476)	(60,192)

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John Clarke
Chief Executive and Accounting Officer
5 June 2014

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Statement of Cash Flows

for the year ended 31 March 2014

		NDA Group		Authority	
		2014	**2013**	**2014**	**2013**
	Note	**£m**	**£m**	**£m**	**£m**
Cash flows from operating activities					
Net expenditure for the year		(7,496)	(7,341)	(7,523)	(7,358)
Adjustments for:					
Interest receivable	4	(9)	(16)	(2)	(3)
Interest payable	4	2	1	-	-
Depreciation of property, plant and equipment	12	114	97	97	91
Impairment of property, plant and equipment	12	1	4	1	-
(Increase)/decrease in recoverable contract costs		(543)	(584)	(543)	(584)
(Increase) / decrease in inventories		16	(24)	11	(23)
(Increase) / decrease in receivables		27	(87)	61	(91)
Increase / (decrease) in payables		104	156	95	166
Increase / (decrease) in nuclear provisions		6,090	5,942	6,089	5,941
Increase / (decrease) in other provisions		(555)	(78)	(554)	(80)
Net cash (outflow) from operating activities		(2,249)	(1,930)	(2,268)	(1,941)
Cash flows from investing activities					
Interest receivable	4	9	16	2	3
Interest payable	4	(2)	(1)	-	-
Proceeds on disposal of property, plant and equipment	12	2	-	1	-
Proceeds on disposal of investments	21	-	-	-	17
Purchases of property, plant and equipment	12	(44)	(37)	(17)	(29)
Loan to subsidiary	33	-	-	-	(20)
Purchase of investments	21	(42)	9	-	-
Net cash (outflow) from investing activities		(77)	(13)	(14)	(29)
Cash flow from financing activities					
Grants from parent department		3,314	3,157	3,314	3,157
Surrender of receipts to Consolidated Fund		(1,085)	(1,085)	(1,085)	(1,085)
Net cash inflow from financing activities		2,229	2,072	2,229	2,072
Net increase / (decrease) in cash and cash equivalents		(97)	129	(53)	102
Cash and cash equivalents at beginning of period	24	268	139	192	90
Cash and cash equivalents at end of period		171	268	139	192

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

NDA Group	Revaluation £m	General £m	Total £m
Balance at 31 March 2012	349	(55,165)	(54,816)
Changes in taxpayers' equity 2012/2013			
Gross grants from parent department	-	3,157	3,157
Surrender of receipts to Consolidated Fund (a)	-	(1,085)	(1,085)
Transfer between reserves	(279)	279	-
Net comprehensive expenditure	-	(7,348)	(7,348)
Balance at 31 March 2013	70	(60,162)	(60,092)
Changes in taxpayers' equity 2013/2014			
Prior year adjustment (b)	-	(2)	(2)
Restated balance at 31 March 2013	70	(60,164)	(60,094)
Gross grants from parent department	-	3,314	3,314
Surrender of receipts to Consolidated Fund (a)	-	(1,085)	(1,085)
Surplus arising on revaluation of PPE	2	-	2
Transfer between reserves	(2)	2	-
Net comprehensive expenditure	-	(7,483)	(7,483)
Balance at 31 March 2014	70	(65,416)	(65,346)

Authority	Revaluation £m	General £m	Total £m
Balance at 31 March 2012	329	(55,235)	(54,906)
Changes in taxpayers' equity 2012/2013			
Gross grants from parent department	-	3,157	3,157
Surrender of receipts to Consolidated Fund (a)	-	(1,085)	(1,085)
Transfer between reserves	(279)	279	-
Net comprehensive expenditure	-	(7,358)	(7,358)
Balance at 31 March 2013	50	(60,242)	(60,192)
Changes in taxpayers' equity 2013/2014			
Gross grants from parent department	-	3,314	3,314
Surrender of receipts to Consolidated Fund (a)	-	(1,085)	(1,085)
Net comprehensive expenditure	-	(7,513)	(7,513)
Balance at 31 March 2014	50	(65,526)	65,476

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

The general reserve is used to record the deficit or surplus arising from the Statement of Comprehensive Net Expenditure, and the deficit or surplus arising on the transfer of assets and liabilities to the NDA from other parts of the public sector.
The transfers between reserves relate to the realisation of surpluses on disposal of revalued assets.

(a) Surrender of receipts to Consolidated Fund of £1,085 million (2013: £1,085 million) included £5 million payable as at 31 March 2014 (2013: £71 million at 31 March 2013). This amount was included within current trade and other payables in the Statement of Financial Position of Group and Authority at 31 March 2014
(b) The £2 million debit prior year adjustment to the General Reserve is the net effect of the following adjustments: £2 million debit to PPE (see note 12), £2 million debit to Other Provisions (see note 28), £4 million credit to receivables and £2 million credit to non-controlling interests (see note 30)

Notes to the financial statements

for the year ended 31 March 2014

1. General information

The Nuclear Decommissioning Authority (NDA) is an executive Non Departmental Public Body (NDPB) that was established on 22 July 2004 under the Energy Act 2004 and is currently sponsored by the Department of Energy and Climate Change (DECC). Its headquarters are at Herdus House, Westlakes Science & Technology Park, Moor Row, Cumbria, CA24 3HU. The NDA was created with the primary objective of overseeing and monitoring the decommissioning and clean-up of the UK's civil nuclear legacy. The Financial and Strategic Overview on pages 7 to 17 provides further information on the NDA's operations.

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

2 Statement of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared under the accounts direction issued by the Secretary of State for the DECC in accordance with section 26 of the Energy Act 2004. The accounts direction requires compliance with the 2014 Government Financial Reporting Manual (FReM) and any other guidance issued by HM Treasury. The NDA has a specific direction in respect of the accounting for waste management assets on an historical cost basis. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NDA for the purpose of giving a true and fair view has been selected. The significant accounting policies adopted by the NDA are described below. They have been applied consistently in dealing with items that are considered material to the financial statements, unless otherwise stated.

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

The consolidated statement of financial position at 31 March 2014 shows net liabilities of £65 billion. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the NDA's other sources of income, may only be met by future grants in aid from the NDA's sponsoring department, DECC. Under the normal conventions applying to parliamentary control over income and expenditure, such grants in aid may not be issued in advance of need. Grants in aid for 2014/2015, taking into account the amounts required to meet the NDA's liabilities falling due in this year, has already been included in the DECC's estimates, which have been approved by Parliament. There is no reason to believe that DECC's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

2.2 Adoption of new and revised Standards

No new or revised Standards and Interpretations have been adopted in the current year.

2.3 Basis of consolidation

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

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

2.4 Income recognition

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

2.5 Contracts

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

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

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

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

2.6 Leasing

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

2.6 (a) The NDA Group as lessor

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

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

2.6 (b) The NDA Group as lessee

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

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

2.7 Foreign currencies

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

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

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

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

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

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

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

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

Further information on the Principal Civil Service Pension Scheme (PCSPS) can be found within the Remuneration Report on page 47.

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

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

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

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

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

VAT is accounted for in that amounts are shown net of VAT except:
(i) Irrecoverable VAT is charged to profit or loss, and included under the heading relevant to the type of expenditure
(ii) Irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset
The net amount due to, or from, HM Revenue & Customs in respect of VAT is included within payables or receivables respectively within the statement of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.16 (a) Financial Assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those assets classified as at fair value through profit or loss, which are initially measured at fair value (transaction costs are expensed in operating costs).
Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), held to maturity investments, available for sale financial assets or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group has not classified any financial assets as held to maturity investments or available for sale.

Financial assets at FVTPL
Financial assets are classified as at FVTPL where the financial asset is either held for trading (for example other investments) or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 ‘Financial Instruments: Recognition and Measurement’ permits the entire combined contract (asset or liability) to be designated as FVTPL. Financial assets at FVTPL are stated at fair value with any resultant gain or loss being recognised in profit or loss. Short term energy trading forward contracts are not revalued where the carrying amount is a reasonable approximation of fair value. The net gain or loss recognised in the statement of net expenditure incorporates any dividend or interest earned on the financial asset.

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

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

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

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

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

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

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

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

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if it has been incurred principally for the purpose of disposal in the near future or it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value with any resultant gain or loss being recognised in profit or loss. Short term energy trading forward contracts are not revalued where the carrying amount is a reasonable approximation of fair value. The net gain or loss recognised in the statement of net expenditure incorporates any interest paid on the financial liability.

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

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

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

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

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

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

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

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

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

The Nuclear Provision and recoverable balances are expressed at current price levels and discounted using the rates determined by HM Treasury. The rates applicable in the 2013/14 accounts are:

- **Short-term rate**: between 0 and up to and including 5 years, -1.90% per annum.
- **Medium-term rate**: after 5 and up to and including 10 years, -0.65% per annum
- **Long-term rate**: exceeding 10 years, +2.20% per annum.

In the 2012/2013 accounts, the equivalent rates were:

- **Short-term rate**: between 0 and up to and including 5 years, -1.80% per annum.
- **Medium-term rate**: after 5 and up to and including 10 years, -1.00% per annum
- **Long-term rate**: exceeding 10 years, +2.20% per annum.

Prior to the 2012/2013 accounts a single discount rate of +2.20% per annum was used in accordance with previous HM Treasury guidance.

Provision movement expenditure in the statement of comprehensive net expenditure includes the adjustments necessary to amortise one year's discount and restate the liabilities to current price levels. The movement also includes the adjustments arising from the change in discount rates from the previous basis to the new basis described above.

2.18 Grants from parent department
In accordance with the FReM the NDA prepares its financial statements showing grants received from DECC as credited to the general reserve, and as financing in the statement of cash flows. From April 2012 grants were received gross from DECC and receipts were surrendered separately. In previous years' Statements of Changes in Taxpayers' Equity and Cash Flow Statements the net grant is grossed up by the amount of receipts due for surrender to the Consolidated Fund, and the receipts surrendered shown separately.

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

revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the NDA's Accounting Policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the NDA's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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

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

Impairment of property, plant and equipment
Impairment is measured by comparing the carrying value of the asset or cash-generating unit with its recoverable amount. The NDA has therefore reviewed the asset base and all assets are reviewed for evidence of impairment. Given the ageing asset base this calculation has a degree of uncertainty within it. The carrying amount of property, plant and equipment at the reporting date was £897 million.

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

In preparing the estimate of the cost of decommissioning the designated sites, the NDA has focussed in particular on the first 20 years, which represents £41 billion out of the total £65 billion provision. For each of the sites the process commenced with the cost estimates and assumptions used to support the NDA submissions into the Government Spending Review, which concluded in October 2010. Individual plans were scrutinised and alternatives considered to obtain the best combination of activity to balance the requirements of affordability and scheduling, whilst making clear and demonstrable progress in tackling the hazards. The review process was scrutinised by the sponsoring Department, and included input from the Nuclear Regulators.

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

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

- potential changes in the NDA funding profile, requiring the tailoring of expenditure across the estate to ensure the right balance between addressing high risk, hazard and affordability; for example emanating from either economic conditions or changes in funding resulting from the next Government Spending Review;
- the length of time over which the necessary programme of work will be delivered – stretching out to 2137;

- interdependencies between programmes of work both within SLCs and across SLC boundaries. For example, a shortage of flasks for transport of spent fuel from the Magnox power stations to Sellafield could delay defueling and increase costs at Magnox, and also impact the production schedule and direct operations costs at Sellafield;
- a lack of detailed information on the design of the Legacy Ponds and Silos at Sellafield and the exact quantities and chemical composition of the historical wastes held in them, resulting in potential significant uncertainty in both the process and costs of dealing with these materials;
- uncertainty over future Government policy positions and potential regulatory changes and;
- possible technological advances which may occur which could impact the work to be undertaken to decommission and clean up the sites.

Government has indicated that the preferred policy for management of plutonium is for reuse. Any final decision is conditional on business case approval for reuse of the material. Following review of the likely costs of the preferred policy, and the credible alternatives of either storage and disposal in the near term or storage and disposal in the long-term, a prudent estimate of £2 billion (discounted) has been included within the Provision.

4. Operating segments

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

NDA Group 2014	Sellafield, reprocessing & transport £m	Magnox and electricity generation £m	Dounreay site restoration £m	Research sites restoration £m	Waste management £m	Springfields and Capenhurst £m	NDA Admin and other non-prog £m	Subsidiaries and Group adjustments £m	Total 2014 £m
Authority administration expenditure	-	-	-	-	-	-	42	-	42
Authority administration expenditure	-	-	-	-	-	-	42	-	42
Contractor costs less capitalised	1,812	668	179	76	33	67	31	(106)	2,760
Decommissioning costs charged to nuclear provision	(1,302)	(675)	(171)	(77)	(8)	(75)	(24)	-	(2,332)
Decommissioning costs charged to other provisions	(240)	-	-	-	-	-	-	-	(240)
Other non-cash items	149	-	-	-	-	-	-	-	149
Fee, R&D and other programme expenditure	247	88	-	-	-	-	81	114	530
Programme expenditure	666	81	8	(1)	25	(8)	88	8	867
Other expenditure (d)	96	1	-	-	-	-	2	16	115
Programme expenditure and other non-cash items	762	82	8	(1)	25	(8)	90	24	982
Nuclear Provision increase/(decrease)	6,772	246	586	36	99	64	165	-	7,968
Other provisions increase/(decrease)	(551)	-	-	-	-	-	(1)	(1)	(553)
Provisions increase/(decrease)	6,221	246	586	36	99	64	164	(1)	7,415
Income (a),(b),(c)	(710)	(164)	(2)	(1)	(5)	-	(9)	(45)	(936)
Interest payable	-	-	-	-	-	-	-	2	2
Interest receivable	(1)	-	-	-	-	-	(1)	(7)	(9)
Net expenditure/(income) from continuing operations for the year	6,272	164	592	34	119	56	286	(27)	7,496

(a) Sellafield, reprocessing and transport income is generated through spent fuel reprocessing, waste management, waste and product storage, and revenue from the transportation of spent fuel, waste and products.
Magnox income is primarily from electricity generation.
(b) Revenues from transactions with EDF amounted to more than 10 per cent of total revenues in the year, being £157 million for electricity generation activities and £417 million for reprocessing and the management of spent fuel and waste.
(c) The policy regarding the treatment of transactions between reportable segments is as given in note 33.
(d) Other expenditure includes a £1 million impairment charge relating to Magnox.

NDA Group 2013	Sellafield, reprocessing & transport £m	Magnox and electricity generation £m	Dounreay site restoration £m	Research sites restoration £m	Waste management £m	Springfields £m	NDA Admin and other non-programme £m	Subsidiaries and Group adjustments £m	Total 2013 £m
Authority administration expenditure	-	-	-	-	-	-	39	-	39
Authority administration expenditure	-	-	-	-	-	-	39	-	39
Contractor costs less capitalised	1,700	710	156	69	25	-	9	(86)	2,583
Decommissioning costs charged to nuclear provision	(1,187)	(625)	(167)	(67)	(11)	-	(59)	-	(2,116)
Other non-cash items	141	-	-	-	-	-	14	-	155
Fee, R&D and other programme expenditure	183	80	1	-	-	-	195	108	567
Programme expenditure	837	165	(10)	2	14	-	159	22	1,189
Other expenditure (e)	90	1	-	-	-	-	1	10	102
Programme expenditure and other non-cash items	927	166	(10)	2	14	-	160	32	1,291
Nuclear Provision increase/(decrease)	5,413	315	269	63	18	(50)	948	-	6,976
Other provisions increase/(decrease)	(125)	-	-	-	-	-	(3)	2	(126)
Provisions increase/(decrease)	5,288	315	269	63	18	(50)	945	2	6,850
Income (a),(b),(c)	(592)	(163)	(2)	(1)	(4)	-	(13)	(49)	(824)
Interest payable	1								1
Interest receivable	(2)	-	-	-	-	-	(2)	(12)	(16)
Net expenditure/(income) from continuing operations for the year (d)	5,622	318	257	64	28	(50)	1,129	(27)	7,341

(a) Sellafield, reprocessing and transport income is generated through spent fuel reprocessing, waste management, waste and product storage, and revenue from the transportation of spent fuel, waste and products.
Magnox income is primarily from electricity generation.
(b) Revenues from transactions with EDF amounted to more than 10 per cent of total revenues in the year, being £163 million
(c) The policy regarding the treatment of transactions between reportable segments is as given in note 33.
(d) The result of the Sellafield reprocessing & transport segment of £5,622 million includes £52 million in respect of the Capenhurst site which was disposed of in November 2012
(e) Other expenditure includes a £4 million net impairment charge relating to Sellafield (£1 million credit), Magnox (£1 million) and a subsidiary company (£4 million)

Geographical information

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

	2014 £m	2013 £m
United Kingdom	811	729
Germany	30	34
Japan	68	53
Other countries	27	8
Total income	936	824

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

5. Authority administration expenditure

Authority	2014 £m	2013 £m
Staff costs (see note 6)	22	22
Administration costs	19	16
Rentals under operating leases - other	1	1
Auditors' remuneration	-	-
	42	39

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

Auditors' remuneration represents fees payable to the NAO for the audit of the Authority and the NDA Group and amounted to £395,000 (2013: £475,000). No other remuneration has been paid to the NAO.

6. NDA Group staff costs

NDA Group 2014	Permanently employed staff £m	Others £m	Total 2014 £m
Wages and salaries	54	4	58
Social security costs	5	-	5
Pension costs (see note 29)	10	-	10
Total staff costs	69	4	73

NDA Group 2013	Permanently employed staff £m	Others £m	Total 2013 £m
Wages and salaries	50	2	52
Social security costs	5	-	5
Pension costs (see note 29)	8	-	8
Total staff costs	63	2	65

NDA Group staff costs comprise Authority staff costs of £22 million (2013: £22 million) - see note 5 - plus other staff costs of £51 million (2013: £43 million) included within programme expenditure in note 7. NDA Group staff costs include the cost of the exit packages referred to below.

The Group participates in various pension schemes, both defined contribution and defined benefit. Further details can be found in note 29.
Pension costs include only those items included within operating costs. Items reported elsewhere have been excluded.

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

NDA Group	Permanently employed staff No.	Others No.	Total 2014 No.	Total 2013 No.
Directly employed - Authority	202	14	216	207
Directly employed – RWMD and subsidiaries	779	12	791	728
Total	981	26	1,007	935

Four individuals left the NDA Group during the year (2013: none) and were in receipt of exit packages as set out below:

2014 Exit package cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost £
£10,000 - £24,999	0	1	1	24,060
£50,000 - £99,999	0	1	1	57,230
£150,000 - £199,999	0	1	1	185,881
£200,000 - £249,999	0	1	1	207,945
	0	4	4	475,116

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

7. Programme expenditure

NDA Group		2014 £m		2013 £m
Contractor costs		2,772		2,611
Less: Decommissioning costs charged to Nuclear Provision (see note 27)		(2,332)		(2,116)
Less: Costs charged to other provisions (see note 28)		(240)		(256)
Less: Contractor costs capitalised		(12)		(28)
Contractor costs relating to commercial activity		188		211
Revalorisation of advance payments (see note 26)	149		156	
Amortisation of recoverable contract costs (see note 15)	233		172	
M&O contractor fees	99		102	
Trading costs	66		57	
Skills & socio-economic development programme	3		17	
Rentals under operating leases - other	5		9	
Insurance	9		5	
Research and development costs	5		4	
Unrealised net (gains)/losses on financial assets/liabilities	-		(1)	
Dividend payable to minority interest	1		1	
Other costs	109		201	
Fee, R&D & other programme expenditure		679		723
Programme Expenditure		867		934

8. Adjustments to provisions

NDA Group	2014 £m	2013 £m
Movement in nuclear provisions:		
Provided for in the year (see note 27)	6,967	5,842
Unwinding of discount (see note 27)	1,001	1,134
	7,968	6,976
Movement in other provisions:		
Provided for / (released) in the year (see note 28)	(591)	77
Unwinding of discount (see note 28)	38	53
	(553)	130
Total provisions movement	7,415	7,106

9. Depreciation and impairment

NDA Group	2014 £m	2013 £m
Depreciation of property, plant and equipment (see note 12)	114	97
Impairment of property, plant and equipment (see note 12)	1	4
	115	101

10. Tax

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

NDA Group	2014 £m	2013 £m
Net expenditure before tax	7,496	7,341
Deficit on ordinary activities before tax at the UK standard rate of corporation tax of 23% (2013: 24%)	1,724	1,762
Effects of:		
Income and expenditure which is not taxable or tax deductible	(1,637)	(1,613)
Capital allowances for the year in excess of depreciation	85	80
Unutilised losses	(172)	(229)
Current tax charge for the year	-	-
Deferred tax release	-	-
Total tax charge/(credit)	-	-

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

11. Total comprehensive net expenditure attributable to the Authority

As a consolidated statement of comprehensive net expenditure is included in these financial statements, the Authority's individual statement of comprehensive net expenditure has not been included. The result for the financial year of the Authority was total comprehensive net expenditure of £7,513 million (2013: £7,358 million).

12. Property, plant and equipment

NDA Group 2014	Land £m	Buildings £m	IT Equipment £m	Fixtures & Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2013	19	2,400	7	27	5,140	45	214	7,852
Prior year adjustment	-	-	-	-	-	-	2	2
Restated 1 April 2013	19	2,400	7	27	5,140	45	216	7,854
Additions	-	1	-	-	1	-	42	44
Reclassifications	-	1	-	-	9	8	(22)	(4)
Disposals	-	(2)	-	(6)	(3)	(1)	-	(12)
Revaluations (b)		1	-	-	-	-	1	2
Impairments (c)	-	-	-	-	-	-	(1)	(1)
At 31 March 2014	**19**	**2,401**	**7**	**21**	**5,147**	**52**	**236**	**7,883**
Depreciation								
At 1 April 2013	-	(2,322)	(7)	(25)	(4,509)	(22)	-	(6,885)
Charged in year	-	(34)	-	(1)	(76)	(3)	-	(114)
Disposals	-	-	-	6	3	1	-	10
At 31 March 2014	**-**	**(2,356)**	**(7)**	**(20)**	**(4,582)**	**(24)**	**-**	**(6,989)**
Net book value at 31 March 2013	19	78	-	2	631	23	214	967
Net book value at 31 March 2014	**19**	**45**	**-**	**1**	**565**	**28**	**236**	**894**

The net book value of plant & equipment at 31 March 2014 (£565 million) includes £271 million relating to future decommissioning costs.

NDA Group 2013	Land £m	Buildings £m	IT Equipment £m	Fixtures & Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2012	19	2,402	7	27	5,101	46	210	7,812
Additions	-	-	-	-	-	-	37	37
Reclassifications	-	-	-	-	45	6	(28)	23
Disposals	-	-	-	-	(2)	(7)	-	(9)
Revaluations (b)	-	(2)	-	-	(4)	-	-	(6)
Impairments (c)	-	-	-	-	-	-	(5)	(5)
At 31 March 2013	**19**	**2,400**	**7**	**27**	**5,140**	**45**	**214**	**7,852**
Depreciation								
At 1 April 2012	-	(2,290)	(7)	(25)	(4,455)	(23)	-	(6,800)
Charged in year	-	(33)	-	-	(60)	(4)	-	(97)
Disposals	-	-	-	-	2	5	-	7
Revaluations (b)	-	-	-	-	4	-	-	4
Impairments (c)	-	1	-	-	-	-	-	1
At 31 March 2013	**-**	**(2,322)**	**(7)**	**(25)**	**(4,509)**	**(22)**	**-**	**(6,885)**
Net book value at 31 March 2012	19	112	-	2	646	23	210	1,012
Net book value at 31 Mar 2013	**19**	**78**	**-**	**2**	**631**	**23**	**214**	**967**

The net book value of plant & equipment at 31 March 2013 (£631 million) includes £285 million relating to future decommissioning costs.

Authority 2014	Land £m	Buildings £m	IT Equipment £m	Fixtures & Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2013	12	2,373	6	25	4,761	2	169	7,348
Additions	-	-	-	-	1	-	14	15
Reclassifications	-	-	-	-	13	-	(14)	(1)
Disposals	(1)	-	-	(6)	(3)	-	-	(10)
Impairments (c)	-	-	-	-	-	-	(1)	(1)
At 31 March 2014	**11**	**2,373**	**6**	**19**	**4,772**	**2**	**168**	**7,351**
Depreciation								
At 1 April 2013	-	(2,320)	(6)	(24)	(4,381)	(2)	-	(6,733)
Charged in year	-	(33)	-	-	(64)	-	-	(97)
Reclassifications	-	2	-	-	(1)	-	-	1
Disposals	-	-	-	6	3	-	-	9
At 31 March 2014	**-**	**(2,351)**	**(6)**	**(18)**	**(4,443)**	**(2)**	**-**	**(6,820)**
Net book value at 31 March 2013	12	53	-	1	380	-	169	615
Net book value at 31 March 2014	**11**	**22**	**-**	**1**	**329**	**-**	**168**	**531**

The net book value of plant & equipment at 31 March 2014 (£329 million) includes £181 million relating to future decommissioning costs.

Authority 2013	Land £m	Buildings £m	IT Equipment £m	Fixtures & Fittings £m	Plant & Equipment £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation								
At 1 April 2012	12	2,373	6	25	4,749	2	160	7,327
Additions	-	-	-	-	-	-	29	29
Reclassifications	-	-	-	-	16	-	(16)	-
Disposals	-	-	-	-	-	-	(1)	(1)
Revaluations (b)	-	-	-	-	(4)	-	-	(4)
Impairments (c)	-	-	-	-	-	-	(3)	(3)
At 31 March 2013	**12**	**2,373**	**6**	**25**	**4,761**	**2**	**169**	**7,348**
Depreciation								
At 1 April 2012	-	(2,287)	(6)	(24)	(4,330)	(2)	-	(6,649)
Charged in year	-	(34)	-	-	(57)	-	-	(91)
Revaluations	-	-	-	-	4	-	-	4
Impairments (c)	-	1	-	-	2	-	-	3
At 31 March 2013	**-**	**(2,320)**	**(6)**	**(24)**	**(4,381)**	**(2)**	**-**	**(6,733)**
Net book value at 31 March 2012	12	86	-	1	419	-	160	678
Net book value at 31 Mar 2013	**12**	**53**	**-**	**1**	**380**	**-**	**169**	**615**

The net book value of plant & equipment at 31 March 2013 (£380 million) includes £195 million relating to future decommissioning costs.

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

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

(b) Land and buildings located outside the nuclear licensed site boundaries, were revalued at 31 March 2014 on the basis of existing use value or market value, as appropriate, by external qualified valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) by Lambert Smith Hampton Chartered Surveyors. The majority of the monetary revaluation adjustment relates to land identified as having potential for alternative use and where there have been subsequent disposals of land assets

(c) The impairment charge to expenditure of £1 million (2013: £4 million) arose in connection with commercial assets at Sellafield and Magnox.

(d) The Group’s obligations under finance leases are secured by the lessor’s title to the leased assets. Assets held under finance leases and capitalised in transport equipment have a carrying amount of £ nil (2013: £2 million).

(e) Contracted capital commitments relating to those economic assets expected to be subsequently capitalised, were £13 million (2013: £4 million).

13. Intangible assets

Intangible assets had no economic value at 31 March 2014 and 31 March 2013.

14. Investments in subsidiaries

Authority	**£m**
Cost	
At 1 April 2013	229
Additions	-
At 31 March 2014	**229**
Impairment	
At 1 April 2013	(3)
Charge	-
At 31 March 2014	**(3)**
Net book value at 1 April 2013	226
Net book value at 31 March 2014	**226**

Details of the Authority's subsidiaries at 31 March 2014 are as follows:

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

* Ownership through International Nuclear Services Limited

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

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

NDA is a member of North Highland Regeneration Fund Limited, a company limited by guarantee registered in Scotland and contributing to socio-economic development in the North Highland region. NDA's liability is limited to £10.

NDA is a member of Britain's Energy Coast, a company limited by guarantee registered in the UK and contributes to the economic regeneration of west Cumbria.

15. Recoverable contract costs

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

Recoverable contract costs comprise costs which were incurred before the revenue recognition period of each contract and which are amortised each year in line with revenue ('Historic costs' below) and costs which form part of the nuclear provision, which are restated each year for unwinding of discount and other changes in estimate, and released as they occur in each year ('Future costs' below).

NDA Group and Authority	2014 £m	2013 £m
Recoverable contract costs relating to Nuclear Provisions:		
Gross recoverable contract costs	5,906	5,685
Less applicable payments received on account (see note 26)	(3,279)	(3,363)
Less associated contract loss provisions (see note 28)	(80)	(318)
	2,547	2,004

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

NDA Group and Authority	Historic costs £m	Future costs £m	2014 Total costs £m	Historic costs £m	Future costs £m	2013 Total costs £m
Balance as at 1 April	2,996	2,689	5,685	3,168	1,607	4,775
Increase in year (see note 27)	-	850	850	-	1,355	1,355
Unwind of discount (see note 27)	-	47	47	-	42	42
Amortisation (see note 7)	(233)	-	(233)	(172)	-	(172)
Release in year (see note 27)	-	(443)	(443)	-	(315)	(315)
Balance as at 31 March	2,763	3,143	5,906	2,996	2,689	5,685

16. Deferred taxation

Deferred tax liability not recognised

A deferred tax liability of £12 million (2013: £12 million) has not been recognised in respect of assets classified as held for sale as it has been offset by a deferred tax asset arising from accelerated capital allowances. The remaining unrecognised deferred tax asset arising from accelerated capital allowances is disclosed below.

Deferred tax assets not recognised

The following deferred tax assets have not been recognised as the NDA does not anticipate a taxable surplus arising in the foreseeable future:

NDA Group	2014 £m	2013 £m
Tax losses	698	697
Accelerated capital allowances	480	441
Intangibles	8	8
Short term timing differences	9	10
Deferred tax asset at UK standard rate of Corporation Tax for 2014 of 23% (2013: 24%).	1,195	1,156

The UK standard rate of Corporation Tax decreased from 23% to 21% on 1 April 2014. The NDA does not anticipate a taxable surplus arising in the foreseeable future and therefore no adjustments have been made to its deferred tax asset as at 31 March 2014 as a result of the future changes in the standard rate of Corporation Tax.

17. Assets classified as held for sale and discontinued operations

Assets classified as held for sale

On 29 October 2009, the NDA agreed an option for disposal of land at Sellafield for £51 million. This option has now been renegotiated (see note 36).

NDA Group and Authority	**£m**
At 1 April 2013	51
At 31 March 2014	**51**

18. Inventories

	NDA Group		**Authority**	
	2014 £m	**2013 £m**	**2014 £m**	**2013 £m**
Nuclear fuels	1	1	1	1
Raw materials and consumables	45	42	39	38
Work-in-progress	57	76	51	63
	103	119	91	102

19. Financial instruments by category

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

	Note	NDA Group 2014 £m	NDA Group 2013 £m	Authority 2014 £m	Authority 2013 £m
Financial assets					
Fair value through profit or loss (FVTPL):					
Other investments	*21*	338	296	-	-
Loans and receivables:					
Non-current finance lease receivable	*22*	43	42	43	42
Non-current other receivables (a)	*23*	9	11	9	11
Current trade and other receivables (b)	*23*	277	307	507	566
Current finance lease receivables	*22*	1	1	1	1
Cash and cash equivalents	*24*	171	268	139	192
		839	**925**	**699**	**812**

	Note	NDA Group 2014 £m	NDA Group 2013 £m	Authority 2014 £m	Authority 2013 £m
Financial liabilities					
Fair value through profit or loss (FVTPL):					
Derivative financial liabilities			(1)		(1)
Other financial liabilities:					
Current finance lease payables	*25*	(1)	(1)	-	-
Current trade and other payables (c)	*26*	(713)	(813)	(683)	(788)
Non-current finance lease payables	*25*	-	(1)	-	-
		(714)	**(816)**	**(683)**	**(789)**

a) Group and Authority figures for 2012/2013 have been re-stated to exclude non-current prepayments which were previously included in error
b) Prepayments and VAT are excluded as this analysis is required only for financial instruments
c) Payments received on account, deferred income, grants and, where applicable, other taxes and social security, are excluded as this analysis is required only for financial instruments

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

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

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

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

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

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

The NDA is required to place deposit deeds as collateral in respect of certain energy trading costs incurred. £2 million of such collateral is included within current trade and other receivables in both the Authority and Group Statement of Financial Position at 31 March 2014 (2013: £2 million). The risk of loss associated with these deposits is considered to be minimal.

In addition to this, two letters of credit are issued by a commercial bank on the NDA's behalf in favour of certain suppliers, with respect to energy trading costs. These do not give rise to a financial asset in the accounts of NDA Authority or Group.

20. Financial risk management

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

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

Separately the NDA has developed an extensive programme to embed risk management practices, covering both operational and financial risks, across all its functions and to provide contractual mechanisms to obtain assurance of good risk management practices from the SLCs.
The primary financial risks faced by the NDA are commodity price risk and credit risk. Market risk, comprising foreign currency risk, liquidity risk and interest rate risk, is not considered to be a significant risk for the NDA.

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible price movements and their impact on the commercial income and therefore ultimately on the funding requirements of the NDA.
The NDA aims to reduce commodity price risk by forward selling a proportion of forecast electricity production whilst minimising the risk of resultant loss from failing to meet production targets. The position is monitored on a monthly basis along with regular review of this forward selling strategy.
The primary risk is that electricity prices will move adversely affecting commercial income between the time that the NDA's funding requirements are set and the time when revenues are recognised, exposure to which cannot be effectively hedged.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the NDA. This risk is managed through the use of credit checking procedures for any new customers, and ongoing monitoring of the aging of receivables. The NDA has two types of contract, commodity contracts and supply and reprocessing contracts.

No sensitivity analysis has been performed in respect of any of the above risk areas, due to immateriality.

21. Other investments

	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Investments carried at fair value:				
Bank deposits	62	65	-	-
Other investments	276	231	-	-
	338	296	-	-

Other investments include funds held within Rutherford Indemnity Limited in order to allow it to provide insurance for assets across the NDA estate.

22. Finance lease receivables

	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Amounts receivable under finance leases:				
Not later than one year	2	2	2	2
Later than one year and not later than five years	6	6	6	6
Later than five years	178	179	178	179
	186	187	186	187
Less: unearned finance income	(142)	(144)	(142)	(144)
Present value of minimum lease payments receivable	44	43	44	43

	Present value of minimum lease payments			
	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Amounts receivable under finance leases:				
Not later than one year	2	1	2	1
Later than one year and not later than five years	4	3	4	3
Later than five years	38	39	38	39
Present value of minimum lease payments receivable	44	43	44	43

	Present value of minimum lease payments			
	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Of which:				
Non-current assets	43	42	43	42
Current assets	1	1	1	1
Present value of minimum lease payments receivable	44	43	44	43

The finance lease receivable relates to:

a) land and buildings of the Springfields Fuels operation which was disposed of to Westinghouse Electric UK Holdings Limited by way of a 150 year lease on 1 April 2010. The interest rate inherent in the lease was fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum; and

b) certain land and buildings of the Capenhurst site which were disposed of to Urenco UK Ltd on 29 November 2012 by way of a combination of freehold and leasehold sales. The interest rate inherent in the lease was fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 3.50% per annum.

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

The maximum exposure to credit risk of the finance lease receivable is the carrying amount. The finance lease receivable is not past due and not impaired, and no allowance is made for uncollectible minimum lease payments receivable.

23. Trade and other receivables

	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Non-current:				
Prepayments	36	30	36	30
Other receivables	9	11	9	11
	45	41	45	41
Current:				
Trade receivables	140	168	382	436
Less: allowance for doubtful debts	-	(3)	-	(3)
	140	165	382	433
Accrued income	124	122	117	121
Other receivables	13	20	8	12
	277	307	507	566
Prepayments	10	12	8	11
VAT	65	68	65	68
	352	387	580	645

Non-current other receivables relate to lump sum payments made under early retirement arrangements to individuals working for SLCs who have retired early, or who have accepted early retirement, before 31 March 2014. These payments are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

Credit risk

NDA sells the majority of the power generated to EDF Energy under the terms of a bi-lateral trading contract, with a small amount also being traded by EDF Energy on NDA's behalf and ultimately being sold to third party customers. The NDA's credit exposure position is reviewed monthly by the Electricity and Output Trading Committee (an NDA committee attended by representatives from EDF).

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

Included in the NDA Group's current trade receivables balance are receivables with a carrying amount of £9 million (2013: £8 million) which are past due at the reporting date for which the NDA has not recognised an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of current trade receivables:

	NDA Group		Authority	
	2014	**2013**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**
Neither impaired nor past due	131	156	124	427
Not impaired but past due in the following periods:				
within 30 days	4	8	2	6
31 to 60 days	4	1	3	-
61 to 90 days	1	-	-	-
Total	140	165	129	433

Movement in the allowance for doubtful debts:

	NDA Group		Authority	
	2014	**2013**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**
Balance at 1 April	3	3	3	3
Amounts recovered during the year	(3)	-	(3)	-
Balance at 31 March	-	3	-	3

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

24. Cash and cash equivalents

	NDA Group		Authority	
	2014	**2013**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**
Balance at 1 April	268	139	192	90
Net change in cash and cash equivalent balances	(97)	129	(53)	102
Balance at 31 March	171	268	139	192
The balances at 31 March were held at:				
Commercial banks	33	83	1	7
Government Banking Service	138	185	138	185
	171	268	139	192

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

25. Finance lease payables

	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Amounts payable under finance leases:				
Not later than one year	1	1	-	-
Later than one year and not later than five years	-	1	-	-
	1	2	-	-
Less: future finance costs	-	-	-	-
Present value of minimum lease payments payable	1	2	-	-

	Present value of minimum lease payments			
	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Amounts payable under finance leases:				
Not later than one year	1	1	-	-
Later than one year and not later than five years	-	1	-	-
Present value of minimum lease payments payable	1	2	-	-

	Present value of minimum lease payments			
	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Of which:				
Non-current liabilities	-	1	-	-
Current liabilities	1	1	-	-
Present value of minimum lease payments payable	1	2	-	-

The finance lease payables relate to the purchase of locomotives under leases expiring during 2014 and 2015. In each case the interest rate inherent in the lease is fixed at the contract date for all of the lease term and the average effective interest rate contracted approximates to 2% above bank base rate as at the inception of the lease. The finance lease payable balance is secured over the assets leased and is not past due.

26. Trade and other payables

	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Current:				
Trade payables	170	130	163	123
Receipts to surrender to the Consolidated Fund	5	71	5	71
Other payables	10	3	4	-
Accruals	528	609	511	594
	713	813	683	788
Other taxes and social security	2	10	-	8
Payments received on account	739	609	741	611
Deferred income	1	1	1	-
Grants	-	1	-	1
	1,455	1,434	1,425	1,408
Non-current:				
Payments received on account	2,017	1,939	2,010	1,932
Finance lease	-	1	-	-
Other payables	8	-	-	-
	2,025	1,940	2,010	1,932

	NDA Group		NDA Authority	
	2014	**2013**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**
Movements on gross payments received on account				
Balance at 1 April	5,911	5,499	5,906	5,492
Revalorisation (see note 7)	149	156	149	156
Cash received	686	736	686	736
Released to income	(711)	(480)	(711)	(478)
Balance at 31 March	6,035	5,911	6,030	5,906

	NDA Group		NDA Authority	
	2014	**2013**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**
Gross payments on account at 1 April	6,035	5,911	6,030	5,906
Deduction of recoverable contract costs (see note 15)	(3,279)	(3,363)	(3,279)	(3,363)
Net payments on account at 31 March	2,756	2,548	2,751	2,543
Of which:				
Current	739	609	741	611
Non-current	2,017	1,939	2,010	1,932
	2,756	2,548	2,751	2,543

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

27. Nuclear Provisions

	NDA Group		Authority	
	2014	**2013**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**
Balance at 1 April	58,858	52,893	58,768	52,827
Provided for in the year charged to Statement of Comprehensive Net Expenditure (see note 8)	6,967	5,842	6,966	5,841
Provided for in the year charged to recoverable contract costs (a) (see note 15)	850	1,355	850	1,355
Unwinding of discount charged to Statement of Comprehensive Net Expenditure (see note 8)	1,001	1,134	1,001	1,134
Unwinding of discount charged to recoverable contract costs (a) (see note 15)	47	42	47	42
Decommissioning costs utilised in the year (see note 7)	(2,332)	(2,116)	(2,332)	(2,116)
Recoverable contract costs released in year (see note 15)	(443)	(315)	(443)	(315)
Provision changes impacting property, plant and equipment (see note 12)	(4)	23	-	-
Total change in provision	6,086	5,965	6,089	5,941
Balance at 31 March	64,944	58,858	64,857	58,768
Of which:				
Current	2,588	2,687	2,588	2,685
Non-current	62,356	56,171	62,269	56,083
	64,944	58,858	64,857	58,768

(a) The NDA has commercial agreements in place under which a portion of the expenditure required to settle certain elements of the Nuclear Provision are recoverable from third parties. Changes in the future cost estimates of discharging the Nuclear Provision are therefore matched by a change in recoverable contract costs. In accordance with IAS 37, these recoverable amounts are not offset against the Nuclear Provision but are treated as a separate asset. The amount recoverable at 31 March 2014 (NDA Group and Authority) is £5,906 million (2013: £5,685 million) - see note 15.

The discount implicit in recognising nuclear provisions is unwound over the life of the provisions, with the impact of the amortisation of one years' discount shown in adjustments to provisions in the Statement of Comprehensive Net Expenditure. An increase of 0.5% in the discount rate would reduce the provision to £6.6 billion, whilst a decrease in discount rate of 0.5% would increase the provision to £6.5 billion.

Changes in the cost estimates of discharging the nuclear provision (representing increase or decrease in future decommissioning costs, less under or overspend of decommissioning delivered in year) are charged to the adjustments to provisions in the Statement of Comprehensive Net Expenditure. This charge includes the impact of restating liabilities from March 2013 values to current price levels. The overall increase in the provision was £6,086 million (2013: £5,965 million) of which the Authority estimates that £1,471 million related to changes in price levels (2013: £1,783 million).

The introduction of new discount rates (see page 70) in the current financial year produced a decrease of £321 million.

A total of £2,775 million (2013: £2,431 million) has been released from the Nuclear Provision in the year to 31 March, being the amount provided for that year as at 31 March 2013.

Changes in the estimated future cost of decommissioning, related to commercial property, plant and equipment, are offset by matching changes in the value of the IAS 37 property, plant and equipment asset. No increase was recognised in the year (2013: increase of £23 million).

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

NDA Group	Waste £m	Research £m	Sellafield £m	Fuel manufacturing and generation £m	Others £m	Total £m	2013 Total £m
Within 1 year	45	245	1,595	681	22	2,588	2,687
2 – 5 years	224	1,152	8,256	2,473	309	12,414	11,355
After 5 years	4,175	2,332	38,047	4,879	509	49,942	44,816
	4,444	3,729	47,898	8,033	840	64,944	58,858
Sensitivity							
Increase	8,200	345	28,500	1,830	40		
Reduction	(1,370)	(210)	(4,750)	(2,700)	(70)		

The NDA calculates its provision based on the management's best estimate of the future costs of the decommissioning programme, which is expected to take until 2137 to complete. The NDA also considers credible risks and opportunities which may increase or decrease the cost estimate, but which are deemed less probable than the best estimate. These are the basis of the sensitivities identified above, and the key sensitivities are as follows:

- waste activities cover the Low Level Waste Repository and the Geological Disposal facility. Construction of the latter facility is currently planned to allow receipt of waste from around 2040. Key sensitivity is around the cost of constructing and operating the repository, which range from a £1,370 billion reduction on the current estimate, to a £8,200 billion increase;
- activities on the sites primarily used for research (Dounreay, Harwell, Winfrith and Windscale) are concerned with final decommissioning of assets and site clearance. Sites will be cleared by 2064. Options are being explored to accelerate site clearance, which in the case of Dounreay

would reduce the provision by £210 million; a delay of three years past the latest anticipated Interim State date (2029) would increase the provision by £345 million;

- Sellafield represents activities associated with operation of the site, reprocessing and eventual decommissioning, and includes all site overheads. Principal sensitivities are around the cost of delivering the plan, particularly the costs of new construction, decommissioning and post operational clean out (POCO) work in the long-term (beyond the next twenty years). The potential costs range from a £4,750 million reduction against the current estimate, to a £28,500 million increase and;
- fuel manufacturing and generation (which for this purpose includes Magnox and Springfields) programme of work includes defueling the generating stations and preparing for interim Care and Maintenance (complete by 2030) followed by a final site clearance phase around 2070 to 2102. The overall provision value may reduce depending on the extent of cost savings achieved following the PBO competition with, for example, a 35% overall saving reducing the provision by £2,700 million. The main cost risk is in the final site clearance phase, which may increase costs by £1,830 million.

28. Other provisions

	NDA Group		Authority	
	2014 £m	**2013 £m**	**2014 £m**	**2013 £m**
Restructuring provision	82	95	81	94
Contract loss provision	1,345	1,886	1,345	1,886
Other provision	39	42	12	12
	1,466	2,023	1,438	1,992
Of which:				
Current	211	178	210	176
Non-current	1,255	1,845	1,228	1,816
	1,466	2,023	1,438	1,992

NDA Group	**Restructuring £m**	**Contract loss £m**	**Other £m**	**Total £m**
Balance at 1 April 2013	94	2,205	42	2,341
Prior year adjustment	-	-	(2)	(2)
Provided for in the year (see note 8)	(1)	(590)	-	(591)
Released in the year (see note 7)	(11)	(227)	(2)	(240)
Unwinding of discount (see note 8)	-	38	-	38
Balance at 31 March 2014	82	1,426	38	1,546
Amount deducted from recoverable contract costs (see note 15)	-	(80)	-	(80)
Net balance at 31 March 2014	82	1,346	38	1,466

Authority	**Restructuring £m**	**Contract loss £m**	**Other £m**	**Total £m**
Balance at 1 April 2013	94	2,204	12	2,310
Provided for in the year (see note 8)	(2)	(590)	-	(592)
Released in the year (see note 7)	(11)	(227)	-	(238)
Unwinding of discount (see note 8)	-	38	-	38
Balance at 31 March 2014	81	1,425	12	1,518
Amount deducted from recoverable contract costs (see note 15)	-	(80)	-	(80)
Net balance at 31 March 2014	81	1,345	12	1,438

Restructuring provisions have been recognised to cover continuing annual payments to be made under early retirement arrangements to individuals working for SLCs who retired early, or had accepted early retirement, before 31 March 2014. These payments continue at least until the date at which the individual would have reached normal retirement age. Lump sums paid to individuals on retirement are held as receivables, since they are refundable to the NDA from the appropriate pension scheme at or after the date on which the individual concerned would have reached normal retirement age.

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

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

29. Retirement benefit schemes

The NDA Group has a range of pension schemes including both defined contribution and defined benefit plans.

Defined contribution schemes

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

Direct Rail Services Limited (DRS) employees joining after 1 April 2008 participate in the GPS DRS section of the defined contribution structure of the Combined Nuclear Pension Plan (CNPP).

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

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

The total cost charged to expenditure of £6,751,000 (2013: £5,222,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. No contributions were outstanding at this or the previous year end.

Defined benefit schemes

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

GPS DRS section of the CNPP

DRS participates in the GPS DRS section of the CNPP. The CNPP is a defined benefit (final salary) funded pension scheme. The defined benefit structure was available to all DRS employees until 31 March 2008 when it was closed to new entrants.

Nirex section of the CNPP
The Nirex section of the CNPP is a defined benefit (final salary) funded pension scheme. The scheme was closed to new entrants on 1 April 2007 and has no active members.

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

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

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

Actuarial valuations for the various defined benefit schemes referred to above have been updated at 31 March 2014 by independent actuaries using assumptions that are consistent with the requirements of IAS 19 and the results of those calculations have been incorporated in the figures below. Investments have been valued for this purpose at fair value.

Risks associated with the Group's defined benefit schemes
The defined benefit schemes expose the Group to a number of risks such as:

Changes in bond yields
Pension liabilities are calculated using discount rates linked to bond yields which are subject to volatility. In order to mitigate this risk the schemes hold a proportion of their assets in bonds, which provide a hedge against falling bond yields.

Investment risk
Some asset classes such as equities, which are expected to provide higher returns over the long term, are subject to short term volatility and may lead to deficits if assets underperform the discount rate used to calculate future liabilities. The allocation to such assets is monitored to ensure it remains appropriate given the schemes' long-term objectives.

Inflation risk
Since most of the scheme liabilities are indexed in line with price inflation, higher than assumed levels of inflation will increase the liabilities. In order to mitigate this risk the schemes hold a proportion of their assets in index-linked bonds .

Longevity risk
Increases in life expectancy will result in an increase in liabilities. The scheme actuaries regularly review actual experience of the scheme membership against the actuarial assumptions underlying the valuation of the liabilities and carry out detailed analysis when setting appropriate scheme specific mortality assumptions.

Other risks
There are a number of other risks involved in sponsoring defined benefit schemes including operational risks and legislative risks. The scheme trustees regularly assess these risks as part of their ongoing governance process.

One particular legislative risk is in relation to the equalisation of Guaranteed Minimum Pensions (GMPs). The UK Government has announced its intention to gender-equalise these benefits in accordance with sex discrimination legislation, although it is not clear when and how this will be achieved. GMP equalisation would likely increase the liabilities of the defined benefit schemes, although at this stage it is not possible to quantify the potential impact of this change and, in line with most UK reporting entities, the Group has not made any allowance in this year's accounting liabilities.

NDA Group

Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	**2014 £m**	**2013 £m**
Benefit obligations	198	204
Fair value of scheme assets	(197)	(189)
Deficit / (surplus) in schemes	**1**	**15**
Receivable from third parties	(3)	(4)
Net deficit / (surplus) recognised in schemes	**(2)**	**11**

Statement of Comprehensive Net Expenditure

The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:	**2014 £m**	**2013 £m**
Current service cost	3	3
Net interest on net DB assets / liabilities	1	(1)
Net cost in SOCNE	4	**2**
Actuarial loss / (gain)	(14)	6
Receivable from third parties	**1**	4
Actuarial loss / (gain) recognised in OCE	**(13)**	**10**

Changes in the present value of the defined benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	**2014 £m**	**2013 £m**
Opening defined benefit obligation	204	174
Current service cost	3	3
Net interest on scheme liabilities	9	8
Employee contributions	1	1
Actuarial loss / (gain)	(15)	22
Benefits paid	(4)	(4)
Closing defined benefit obligation	**198**	**204**

Changes in the fair value of the scheme assets are as follows:

	2014 £m	2013 £m
Opening fair value of scheme assets	188	163
Interest income on scheme assets	8	9
Actuarial gain / (loss)	(1)	16
Employer contributions	5	3
Employee contributions	1	1
Benefits paid	(4)	(4)
Closing fair value of scheme assets	**197**	**188**

Estimated expected employer contributions over the next financial year are as follows:

	2014 £m	2013 £m
	4	4

The major categories of plan assets as a percentage of total scheme assets are as follows:

	2014 %	2013 %
Equities	50	49
Property	2	2
Fixed Interest Gilts	10	2
Index Linked Gilts	16	22
Corporate Bonds	18	21
Hedge funds	3	2
Cash	1	2
Total	100	100

Principal actuarial assumptions at the date of the SOFP (expressed in weighted averages):

	2014	2013
Discount rate	4.40%	4.25%
Future salary increases *	3.35% - 3.85%	3.40% - 3.90%
Rate of increase of pensions in payment	3.25% - 3.35%	3.40%
Rate of increase of pensions in deferment	2.35% - 3.35%	3.00%
Retail Price Inflation	3.35%	3.40%
Life expectancy for a male pensioner aged 65 (in years)	21.9	22.1
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	23.3	23.4

* For those schemes with members accruing benefits future salary increases for 2014 are assumed to be 3.35% for the next four years, 3.60% each of the following ten years, and then 3.85% thereafter.

Mortality assumption

2014	2013
S1NA Year of Birth tables with CMI 2013 projections subject to minimum improvements of 1%trend for males and females	S1NA Year of Birth tables with CMI 2011 projections subject to minimum improvements of 1%trend for males and 0.5% trend for females

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Experience adjustments on plan liabilities	4	4	2	(3)	3
Experience adjustments on plan assets	(1)	16	(1)	3	25

Authority

Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	2014 £m	2013 £m
Benefit obligations	102	108
Fair value of scheme assets	(102)	(98)
Deficit / (surplus) in schemes	**-**	**10**
Receivable from third parties	-	-
Net deficit / (surplus) recognised in schemes	**-**	**10**

Statement of Comprehensive Net Expenditure

The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:	2014 £m	2013 £m
Current service cost	-	-
Net interest on net DB assets / liabilities	-	(1)
Net cost in SOCNE	**-**	**(1)**
Receivable from third parties	-	-
Actuarial loss / (gain) recognised in OCE	**(10)**	**(6)**

Changes in the present value of the defined benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	2014 £m	2013 £m
Opening defined benefit obligation	108	91
Net interest on scheme liabilities	4	4
Actuarial loss / (gain)	(8)	15
Benefits paid	(2)	(2)
Closing defined benefit obligation	**102**	**108**

Changes in the fair value of the scheme assets are as follows:

	2014 £m	2013 £m
Opening fair value of scheme assets	98	86
Interest income on scheme assets	4	5
Actuarial gain / (loss)	2	9
Benefits paid	(2)	(2)
Closing fair value of scheme assets	**102**	**98**

Estimated expected employer contributions over the next financial year:
Estimated expected employer contributions over the next financial year are nil (2013: nil) as the Authority has no employees participating in any of these schemes.

The major categories of plan assets as a percentage of total scheme assets are as follows:

	2014 %	2013 %
Equities	65	64
Property	-	-
Fixed Interest Gilts	-	-
Index Linked Gilts	18	18
Corporate Bonds	17	18
Cash	-	-
Total	100	100

Principal actuarial assumptions at the date of the SOFP (expressed in weighted averages):

	2014	2013
Discount rate	4.40%	4.25%
Future salary increases	-	-
Rate of increase of pensions in payment	3.25% - 3.35%	3.35%
Rate of increase of pensions in deferment	2.35% - 3.35%	3.10%
Retail Price Inflation	3.35%	3.40%
Life expectancy for a male pensioner aged 65 (in years)	21.9	22.1
Life expectancy for a male non pensioner currently aged 45 from age 65 (in years)	23.3	23.4

Mortality assumption

2014	2013
S1NA Year of Birth tables with CMI 2013 projections subject to minimum improvements of 1%trend for males and females	S1NA Year of Birth tables with CMI 2011 projections subject to minimum improvements of 1%trend for males and 0.5% trend for females

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Experience adjustments on plan liabilities	2	-	(1)	(1)	1
Experience adjustments on plan assets	2	8	(1)	1	5

Sensitivity analysis

Change to	Change in assumption	Impact on DB obligation as at 31/03/14	Change in assumption	Impact on DB obligation as at 31/03/14
Discount rate	Increase by 0.5%	-10%	Decrease by 0.5%	11%
Rate of salary increase	Increase by 0.5%	1%	Decrease by 0.5%	-1%
Rate of price inflation	Increase by 0.5%	10%	Decrease by 0.5%	-9%
Rate of mortality	Increase by 1 year	2%		

30. Non-controlling interests

The non-controlling interests balance has arisen from the consolidation of the results of two non-wholly-owned subsidiaries, and represents the aggregate of the non-controlling interests' shares of the two subsidiaries net assets.

Group	2014 £m	2013 £m
At 1 April	-	-
Prior year adjustment	2	-
Restated balance at 1 April	2	-
Change in equity of non-controlling interests during year	-	-
At 31 March	**2**	**-**

31. Commitments under leases

31.1 (a) Operating leases - NDA as lessee

	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Minimum lease payments under operating leases recognised as an expense in the year	6	10	1	1

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

	NDA Group		Authority	
	2014 £m	2013 £m	2014 £m	2013 £m
Buildings and other:				
Not later than one year	12	7	1	1
Later than one year and not later than five years	38	31	4	3
Later than five years	12	8	8	2
	62	46	13	6

Operating lease payments represent rentals payable by the Group for some of its properties, vehicles, locomotives and office equipment. All properties are rented on commercial terms and include office buildings with leases expiring between 2013 and 2020, and leases for industrial facilities with expiry dates between 2021 and 2146.

31.1 (b) Operating leases - NDA as lessor
Property rental income earned during the year amounted to £6 million (2013: £5 million).
Total future minimum lease receivables under operating leases are given in the table below:

	NDA Group			Authority		
	2014 £m	2013 £m	2012 £m	2014 £m	2013 £m	2012 £m
Buildings:						
Not later than one year	5	5	5	2	2	2
Later than one year and not later than five years	4	2	5	2	-	2
Later than five years	15	7	12	2	1	8
	24	14	22	6	3	12

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

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

a. At 31 March 2014 the NDA held inventories of reprocessed Uranic material. These materials are currently held at nil value, due to uncertainty over their future use.
b. Whilst not the lead employer, the NDA is the lead organisation and has ultimate responsibility for certain nuclear industry pension schemes, including the Combined Nuclear Pension Plan, the Magnox section of the ESPS, and the GPS Pension Scheme. Provisions for known deficits are included within Nuclear Provisions (note 27). However, movements in financial markets may adversely impact the actuarial valuations of the schemes, resulting in an increase in scheme deficits and consequent increase in nuclear provision.

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

Other contingent liabilities

The NDA considers the likelihood of liabilities arising from two legal cases which are ongoing at the reporting date to be remote. Any liabilities that do result from these cases are expected to be immaterial to these accounts.

33. Related parties

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

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

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

During the year, the NDA made socio-economic contributions to the value of £4 million (2013: £2 million) to Britain's Energy Coast Cumbria, a company limited by guarantee which has two directors in common with the NDA. These transactions were conducted on an arm's length basis.

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

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

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

	Sales of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Direct Rail Services Ltd	(29)	(31)	-	-	8	8	(1)	(1)
International Nuclear Services Ltd	(15)	(8)	20	16	204	227	(201)	(203)
Nuclear Services France SAS	-	-	-	-	-	-	(1)	(1)
Nuclear Services Japan KK	(1)	(2)	-	-	-	-	-	-
NDA Properties Ltd	-	-	-	-	42	44	-	-
Pacific Nuclear Transport Ltd	(17)	(13)	2	2	201	202	-	-
Rutherford Indemnity Ltd	-	-	-	-	-	-	-	-
Rokkasho KK	-	-	-	-	-	-	-	-

Loans to related parties
Amounts owed by DRS includes a loan of £7 million which is interest bearing at a fixed percentage above Bank of England base rate. The loan is repayable in 2016.
Amounts owed by NDA Properties Limited includes a loan of £20 million which is interest bearing at a fixed rate, repayable in instalments over twenty five years.

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

Authority	2014 £'000	2013 £'000
Short-term employee benefits	2,313	2,057
Post-employment benefits	220	306
Other long-term benefits	430	467
	2,963	2,830

34. Intra-Government balances

NDA group - intra-government balances	Receivables: amounts falling due within one year £m	Receivables: amounts falling due after one year £m	Payables: amounts falling due within one year £m	Payables: amounts falling due after one year £m
Balances with other central government bodies	146	-	(7)	-
Balances with bodies external to government	206	45	(1,448)	(2,025)
At 31 March 2014	352	45	(1,455)	(2,025)
Balances with other central government bodies	120	-	(72)	-
Balances with bodies external to government	267	41	(1,362)	(1,939)
At 31 March 2013	387	41	(1,434)	(1,939)

35. Losses and special payments

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

Total losses during the year were £1,567 (2013: £838,722).

Type of loss	2014 Total £	2014 Number of cases	2013 Total £	2013 Number of cases
Cash losses	-	-	253	1
Stores losses	-	-	-	1
Losses of pay, allowances and superannuation	-	-	6,900	3
Fruitless payments	-	-	782,015	1
Constructive losses	-	-	-	-
Claims waived or abandoned	1,567	13	7,554	35
Book-keeping losses	-	-	-	1
Failure to make adequate charges	-	-	-	-
Exchange rate fluctuation losses	-	-	-	-
Special payments	-	-	42,000	1
Total	1,567		838,722	

There were no stores losses during the period.

The fruitless payment in 2013 relates to Transmission Network charges paid to National Grid in respect of Oldbury. Despite the fact that there was no generation at Oldbury during 2012/2013, the date of cessation of generation was not known enough in advance in order to give the required notice to National Grid, resulting in a full year's charge being incurred and paid.

There was one special payment during the 2013 which was compensation relating to the surrender of a tenancy, of £42,000.

A contract loss provision in respect of potentially onerous commercial contracts with foreign countries to reprocess fuel is included within other provisions (note 28) and is not included in the losses disclosed above

Type of special payment	2014 Total £	2014 Number of cases	2013 Total £	2013 Number of cases
Compensation payments	-	-	42,000	1
Extra-contractual	-	-	-	-
Total	-		42,000	

36. Events after the reporting period

- on 1 April 2014, the employees and operations of the Radioactive Waste Management Directorate (RWMD) transferred to a wholly owned subsidiary company of the NDA, Radioactive Waste Management Ltd and;
- on 1 May 2014 the NDA reached an agreement with Toshiba and its partner GDF Suez on the key commercial terms of an agreement in respect of the land at Moorside, Sellafield. This land is included in these accounts as an asset held for sale (see note 17).

NDA-Owned Subsidiary Reports

Radioactive Waste Management Limited

We have responsibility for planning and ultimately delivering geological disposal of higher activity wastes in accordance with Government policy. This includes ensuring such wastes generated throughout the UK are conditioned and packaged in a manner suitable for eventual disposal.

On 1 April 2014 we were established as a wholly-owned NDA subsidiary, and are now called Radioactive Waste Management Limited (RWM). As a legal entity in its own right, RWM will be able to apply for and hold the regulatory permits and licences required for the siting, construction and operation of a Geological Disposal Facility (GDF).

The transition from an NDA directorate to a wholly-owned subsidiary was a major undertaking delivered successfully by NDA and RWM. We will continue to work closely with NDA, our parent, to deliver the commitments in our business plan and will now have the greater operational accountability and corporate focus required by regulators and the UK Government to deliver government policy on higher activity waste.

We are currently supporting UK Government in its review of the GDF siting process and look forward to playing a leading role in the implementation of that process, working with a wide range of representative stakeholder organisations and, eventually, interested communities.

This approach will not apply in Scotland. The Scottish Government has published its own policy which states that: *"The long-term management of higher activity radioactive waste should be near-surface facilities. Facilities should be located as near to the site as where the waste is produced as possible."*

RWM is taking further steps to improve openness and transparency and to communicate more effectively with a wide range of both specialist and public audiences. We have, for example, improved access to our issues management process which allows stakeholders to raise questions and influence our technical programme.
The technical programme is well established and builds on our Research and Development programme first published in 2009. It identifies and addresses knowledge gaps and sets out our work programme to address them.

Other achievements during the year include;
- Restructuring our executive team, including the appointment of a Waste Management Director, to give greater emphasis on our waste packaging role with a particular focus on Sellafield.
- Regulators' endorsement of a three year organisational development plan.
- Joint underground research work as part of our membership of an underground research laboratory at Äspö, Sweden including the first secondment of a member of staff.
- Participation in other European technology programmes to share knowledge and identify opportunities for cost saving.
- Appointment of a Chief Geologist to enhance our geological capability in preparation for our role in a new siting process.

Whilst we have made significant progress during the year, we did identify a problem with a computer model used in our assessments of the cooling time required for spent nuclear fuel before geological disposal. This affected the estimated cooling time but has no impact on safety. We have now reviewed the model, revised the calculations, and notified stakeholders. DECC has thoroughly assessed the revised figures in relation to a number of previous policy decisions. This led to a written ministerial statement by the Secretary of State on 31 March, which concluded that the corrected figures had no substantive impact on policy or previous decisions.

We are taking this issue very seriously and progressing actions based on lessons we have learned. As part of this we have considered the 2013 Macpherson Review recommendations and during 2014/2015 will ensure that our management arrangements are compliant.

We are now looking forward to the challenges ahead including our important role in a new siting process for a geological disposal facility and working with waste producers to deliver waste packaging solutions.

Bruce McKirdy
Managing Director

Direct Rail Services Limited

Direct Rail Services Limited (DRS) was established in 1995 to provide a rail service for the transportation of nuclear material. As part of a broader portfolio including commercial freight, the key focus for DRS over the next three years is to grow profitably in all strategically identified markets, with particular focus on supplying safe, secure and reliable services to the nuclear transport market.

2013/2014 was another year of successful business development, growth and expansion of the organisation, whilst maintaining a strong focus on safety, security and reliable performance. This was evidenced by the company recently winning the industry award for being the UK's 'Best Performing Rail Freight Operator'.

Continued focus on customer needs has generated additional business for both existing and new clients. DRS has continued its technological leadership in the rail industry by introducing a new ground-breaking locomotive, which will deliver significant environmental savings and improved performance as well as introducing improved wagons solutions into both its nuclear and other business sectors. The company is also developing a revolutionary dual power locomotive to introduce further flexibility and develop into new market areas.

Key developments 2013/2014

- supported the Magnox Operating Programme by delivering spent fuel to Sellafield and also transporting spent fuel from the UK AGR stations to Sellafield.
- continued to supply a bespoke transport service to DSRL, RSRL and LLWR as well as providing key inputs into the logistics studies in support of Sellafield Ltd's inbound logistics solution and to New Build stakeholders.
- increased its service to Network Rail in respect of the national infrastructure programme. The five year contract provides Network Rail with a range of services including seasonal treatment, distribution centre network services, work site material delivery and bulk ballast delivery.
- provided Virgin Trains with a stand-by and rescue contract since December 2012, supporting passenger services on West Coast Main Line. Recently the business sector has expanded with further work to support Chiltern and First Great Western in delivering their franchise services.

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	2.6
NDA lost time accident rate (Days Away Case Rate)	1.73
RIDDOR major injury	1
RIDDOR lost time accident	4
RIDDOR dangerous occurrence	0
INES incidents	0
Environmental non-compliance	0

NB – numbers not included in totals in the H&S Section.

Neil McNicholas
Managing Director

International Nuclear Services Limited (INS)

International Nuclear Services Limited (INS) manages the NDA's large portfolio of contracts with UK and international utilities for nuclear fuel management services and nuclear transport services. INS operates Pacific Nuclear Transport Limited (PNTL) and is the world's leading shipper of nuclear materials.

The White House and the British Prime Minister, at the Nuclear Security Summit in March 2014, highlighted INS for its contribution to global programmes to secure nuclear materials. The transports from Belgium and Italy to the USA were possible thanks to support from INS's Japanese business partners to use the PNTL vessel Pacific Egret; and also the security escort provided by the specialist armed police force from the UK's Civil Nuclear Constabulary.

Specialist missions such as these contribute to the maintenance of essential skills required by the NDA to fulfil its long-term clean up mission, as well as demonstrating the UK's commitment to global nuclear security.

Key developments in 2013/2014 include:

- INS has completed transports of plutonium from the UK to Norway and fresh fuel from Spain to Sweden, as well as two high security shipments of plutonium and highly enriched uranium from Belgium and Italy to the USA in support of nuclear security programmes.
- On behalf of the NDA, INS negotiated a series of contracts with overseas utility customers to enable title exchanges of plutonium, removing the need for the physical shipment of this material.
- INS successfully started a further return of vitrified high level waste from the UK to Japan in February 2014, the largest such transport yet. The transport, carried out on the Pacific Grebe fulfils contractual and UK policy obligations to return wastes arising under the NDA's reprocessing contracts with utility customers.
- INS has signed contracts that develop its role in supporting various transport objectives across the NDA estate. Investment in research and development for the new INS3578 package and large format waste transport packages has continued. INS has also assumed the Transport and Logistics Strategic Authority role for the NDA and is supporting Radioactive Waste Management Ltd in identifying its potential transport options for moving waste to a GDF.
- INS now runs the parent body organisation contracts for the Springfields and Capenhurst sites.
- INS has signed a Memorandum of Understanding with China Nuclear Power Engineering to share expertise in the field of decommissioning and waste management.
- INS has worked closely with UK Trade and Investment to ensure that progress can be made, using INS's Tokyo office, to create tangible opportunities for British nuclear engineering in the developing Japanese decommissioning market.

INS & PNTL Safety and Environmental Performance

Issue	INS Number/Rate	PNTL Number/Rate
Total Recordable Incident Rate (INS & PNTL)	0.53	1.28
Days Away Case Rate	0	0.51
RIDDOR/MAIB major injury	0	1
RIDDOR/MAIB lost time accident	0	2
RIDDOR dangerous occurrence	0	0
MAIB Reportable marine incident (non-injurious)	0	0
INES incidents	0	0
Environmental non-compliance	0	0

Mark Jervis
Managing Director

NDA Properties Limited

NDA Properties Limited acts as a property management company for non-operational properties outside the nuclear licensed sites, in accordance with the NDA's Land and Property Management Strategy. It continues to optimise the use of properties where they are of value to the estate and has commenced both a programme of selective property development activity and disposal of surplus assets.

The company has continued the implementation of its strategy for each of the distinct asset groups within its portfolio.

Properties held for active use within the NDA estate have been managed in accordance with good practice, and work has continued on the development of Albion Square at Whitehaven within this category. Parallel work involves project planning for the refurbishment of Hinton House in Warrington and scoping the development of a National Nuclear Archive in Caithness.

The Albion Square development is an office development which, when completed, will house over 1,000 staff from Sellafield. This £25 million scheme is currently ahead of the scheduled October 2014 completion date. The commercial property development combines building 10,000 square metres of offices along with a car park refurbishment and highway works. The procurement of Morgan Sindall has seen about 35% of local supply chain labour being involved and the appointment of 4 apprenticeships. The building will achieve an Environmental (BREAM) Excellent rating and accord with the Government Building Information Management Level 2 (BIM) initiative, which will contribute to reducing ownership and operating costs over the life of the building.

Long leasehold property being held through to the termination of lease is being actively marketed, and the Daresbury Park property is now fully occupied, reducing the onerous lease provision.

Assets held which have no strategic requirement within the estate are subject to an ongoing programme of disposal, which has seen receipt of £1.2 million from disposal of five properties in year.

The former hostel at Summergrove, in west Cumbria, was leased to the Energy Coast Campus to assist with the socio-economic development of the area.

David Atkinson
Managing Director

Rutherford Indemnity Limited

Rutherford Indemnity Limited is a licensed insurance company, registered in Guernsey and regulated by the Guernsey Financial Services Commission. The company provides insurance cover for the NDA and its estate.

Transacting insurance
The company participates in a number of the NDA's insurance programmes, principally those providing protection against property, nuclear liability and general liability losses.

The company retains a prudent proportion of the risks underwritten where it makes financial sense to do so. The company sources reinsurance protection from organisations with approved security ratings for the more volatile risks. These arrangements transfer volatility from the NDA's budget and, by demonstrating a significant financial commitment to the insurance markets, enable the NDA to secure appropriate financial protection on competitive terms.

During the year, the company has continued to expand the number of insurance programmes underwritten, providing cost efficient financing of risk and reducing the NDA's reliance on external (re)insurance markets. The company continues to meet all of the regulatory solvency requirements and has sufficient capacity to continue to support the NDA by retaining additional risks where it makes commercial sense to do so.

The insurance strategy is not expected to change in the short-term. A key challenge for the company in the medium-term will be to ensure that it is properly placed to respond to any additional insurance requirements arising from the proposed changes to the Paris and Brussels Conventions on nuclear third party liability.

The company continues to work closely with the NDA to help reduce the costs of insurable risks, including provision of tailored risk management information and participating in the NDA's annual insurance workshop.

Investment management
The company aims to match its assets with its insurance liabilities. To this end, its investment objective is to target a rate of return of CPI +2% over a five year rolling period while minimising risk to capital. Returns on investments were positive at 2.8% for the year and at 8.3% since adopting this target in September 2012. The company remains on track to achieve its five year target.

Delivery of the investment objective by three different fund managers with distinct investment styles, whilst managing the funds against a common mandate has, as intended, reduced volatility through diversification of investment approach. During the year, the company has also increased its exposure to property as a long-term hedge against inflation.

The company continues to apply strict credit and ethical investment criteria and to ensure that investment performance and capital security are closely monitored.

Operational efficiency
The company scrutinises the services it purchases to ensure value for money. Management services were retendered during the year and a new contract awarded in July 2013 on improved commercial terms.

John Langlois OBE
Chairman

Introduction to the Site Licence Companies

The following pages give a brief report on each of the NDA's designated sites, grouped by the entity which holds the site operating licence.

The reports cover progress towards delivering key milestones and activities outlined in our 2013/2016 three year Business Plan and an overview of safety and environmental performance during 2013/2014.

How to read the SLC reports

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

Summary of health, safety, security and environmental performance

The reports on the SLCs provide an overview of the health, safety and environmental incidents reported during 2013/2014.

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

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

Key milestones and deliverables

Key milestones are agreed at the start of each financial year to enable the effective measurement of progress against objectives through agreed reporting procedures. The milestones and activities listed for each site are taken from the 2013/2016 NDA Business Plan and are colour coded to reflect the strategic themes to which the target belongs, consistent with the Business Plan.

- **Completed** – the key milestone or activity has been completed during the financial year (2013/2014)
- **On Schedule** – the key milestone or activity was due for completion after 31 March 2014 and as at that date was on track to be completed to schedule
- **Behind Schedule** – the key milestone or activity was due for completion before 31 March 2014 and as at that date there had been a delay to the schedule, and
- **Deferred** – activity deferred due to re-prioritisation and/or reallocation of funding

Other site information

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

Other abbreviations

SR	– Site Restoration
SF	– Spent Fuels
NM	– Nuclear Materials
IWM	– Integrated Waste Management
BO	– Business Optimisation
CE	– Critical Enablers

Sellafield Limited

Sellafield Limited is the SLC responsible for the operation of Sellafield, including Calder Hall and Windscale nuclear licensed sites. The site is led by Tony Price, Managing Director and is located in Seascale, Cumbria.

The PBO is Nuclear Management Partners Limited (NMP), a consortium comprising URS, AMEC and AREVA.

Tony Price – Managing Director

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.33
Days Away Case Rate	0.22
RIDDOR major injury	0
RIDDOR lost time accident	9
RIDDOR dangerous occurrence	0
INES incidents	4

Regulatory Matters

- Continued delivery against decommissioning milestones
- Continued delivery of Highly Active Liquor (HAL) stock reduction
- Continue to deliver the Magnox Operating Programme (MOP) to ensure the OSPAR discharge strategy is achieved
- Continue to deliver the suite of improvements necessary to ensure that the site is resilient to severe events
- Maintain an asset management regime that takes into account the impact of asset condition on meeting regulation and delivery of milestones

2013/2014 Business Plan Activities		
SR	**Pile Fuel Storage Pond** - complete the export of canned fuel from the pond floor - continue the transfer of metal fuel from the pond for storage - continue the removal of contaminated metal for treatment and storage - continue consolidation of sludge from within the pond *The strategy for this activity has been revised, therefore the target has been deferred*	Behind Schedule On Schedule On Schedule On Schedule
	Pile Fuel Cladding Silo Programme - completion of the access containment door installation - competition of the crane and strand lift installation *There has been a design pause in the PFCS area which has caused the targets to slip until the new approach has been agreed.*	Deferred Deferred
	First Generation Magnox Storage Pond - installation of the pipe-bridge over wall unit - continue fuel consolidation and commence pond floor clearance in preparation for installation of sludge recovery systems	Complete Behind Schedule
	Magnox Swarf Storage Silo - complete work testing a Silo Emptying Machine in preparation for delivery to site - continue to develop the downstream capability to receive and treat material from the facility	Behind Schedule Behind Schedule
	Decommissioning - decommissioning of the filter gallery from Windscale Chimney Pile 1 - continue to retrieve and treat, for long-term storage, legacy flocculent from the flocculent storage tank	On Schedule Behind Schedule
SF	Continue to reprocess Magnox Fuel in line with the MOP9	Behind Schedule
	Continue to receive AGR fuel from EDF Energy	On Schedule
	Continue to reprocess oxide fuel through THORP from EDF Energy and overseas customers	Behind Schedule
	Continue the removal of Multi-Element Bottles (MEBs) from THORP	On Schedule
	Continue to receive Dounreay Fast Reactor (DFR) breeder fuel from Dounreay	Behind Schedule
NM	Continue the safe and secure storage of plutonium in line with UK policy	On Schedule
	Develop the programme for the transfer of nuclear materials from Harwell to Sellafield	On Schedule
IWM	Continue to process HAL through the Waste Vitrification Plant	Behind Schedule
	Continue to repatriate overseas owned vitrified HAL to country of origin	Behind Schedule
	Continue to retrieve legacy Plutonium Contaminated Material (PCM)	On Schedule
	Continue to receive further module deliveries for the construction of Evaporator D	Complete
	Diversion of materials from LLWR in line with the LLW Strategy implementation and optimisation	On Schedule
CE	Continue the Sellafield infrastructure enhancement programme	Behind Schedule
	Continue the implementation and realisation of the benefits from the Integrated Change Programme (ICP)	Behind Schedule
	Continue to deliver NDA's support and overhead cost savings equivalent to a 25% reduction of the original cost base whilst maintaining safety and security of the nuclear site	On Schedule

Magnox Limited

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

The PBO of the company is Energy*Solutions* EU Ltd. Throughout 2013/2014 the sites were led by Neil Baldwin, Managing Director.

Neil Baldwin – Managing Director

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rat	0.25
Days Away Case Rate	0.02
RIDDOR major injury	0
RIDDOR lost time accident	0
RIDDOR dangerous occurrence	1
INES incidents	2

Regulatory Matters

- NDA and Regulatory permissioning in support of the Care and Maintenance entry definitions and arrangements

Magnox Support Office

Magnox Support Office is responsible for the management of the Magnox SLC and operation of the Magnox sites via the Executive management team.

2013/2014 Business Plan Activities		
SR	Continue to drive the 'lead and learn' principle throughout the Magnox sites	On Schedule
SF	Management of the Magnox Operating Programme (MOP) and co-ordination of Magnox fuel management activities with Sellafield and Dounreay	On Schedule
IWM	Delivery of the Magnox element of the estate-wide Low Level Waste management plan	On Schedule
BO	Continued electricity generation at Wylfa	On Schedule
	Support to NDA in property activities to reduce NDA decommissioning liability and achieve best value on asset disposal	On Schedule
CE	Provide support to the NDA in the competition for a PBO	Completed
	Implementation of a transition and restructuring plan which delivers 'lead and learn' principles through programmisation	Completed
	Continue to deliver the NDA's support and overhead cost savings equivalent to a 25% reduction of the original cost base whilst maintaining the safety and security of the sites	Completed
	Development of Interim State approaches and revised Care & Maintenance management arrangements	Completed
	Development of a project management capability through implementation of a continuous improvement plan	Completed

Berkeley, Gloucestershire

Regulatory Matters

- Regulatory permissioning in support of the Berkeley ILW management programme

2013/2014 Business Plan Activities		
IWM	Continue retrieval activities in the: a) active waste vaults b) caesium removal plant	Completed On Schedule
	Complete construction of ILW Interim Storage Facility	Completed

Bradwell, Essex

Regulatory Matters

- Regulatory concurrence to Care and Maintenance arrangements

2013/2014 Business Plan Activities		
SR	Continuation of ILW retrieval and storage activities	On Schedule
	Continuation of the retrieval of Fuel Element Debris (FED)	Behind Schedule
	Decommissioning and demolition activities in preparation for entry into Care and Maintenance	On Schedule

Chapelcross, Dumfries & Galloway

Regulatory Matters

- Site fuel free verification agreed with the Office for Nuclear Regulation

2013/2014 Business Plan Activities		
SR	Removal of bulk asbestos from the first and second reactor buildings	Completed

Dungeness A, Kent

Regulatory Matters
- Regulatory concurrence to Care and Maintenance arrangements

2013/2014 Business Plan Activities		
SR	Continue the enabling works for south area of the site clearance	Completed

Hinkley Point A, Somerset

Regulatory Matters
- Conducted the 10-yearly Periodic Safety Review

2013/2014 Business Plan Activities		
IWM	Completion of ILW programme settling tanks 1, 2 and 3 activities	Completed

Hunterston A, Ayshire

Regulatory Matters
- None

2013/2014 Business Plan Activities		
SR	Continuation of wet ILW retrievals, processing and storage activities *There has been a slippage in the inactive commissioning phase, resulting in a delay to the start of recovery of ILW.*	Behind Schedule
	Civil construction of solid ILW encapsulation facility	On Schedule

Oldbury, South Gloucestershire

Regulatory Matters
- Defuelling in line with the ONR requirements

2013/2014 Business Plan Activities		
SR	Preparations for decommissioning and hazard reduction	On Schedule
SF	Continue reactor defuelling in line with MOP9	On Schedule

Sizewell A, Suffolk

Regulatory Matters
- Defuelling in line with the ONR requirements

2013/2014 Business Plan Activities		
SR	Preparations for decommissioning and hazard reduction	On Schedule
SF	Continued defuelling in line with MOP9	On Schedule

Trawsfynydd, Gwynedd

Regulatory Matters

- Regulatory concurrence to Care and Maintenance arrangements

2013/2014 Business Plan Activities		
SR	Active waste vaults – continuation of the ILW solid retrievals and processing	On Schedule
	Complete bulk retrievals for the Main Sludge Vault (MSV) and Resin Vault 3 (RV3) *Delays encountered on preceding activities have resulted in the ILW Programme re-sequencing the retrieval campaigns.* *Forecast completion 2016. Resin Vault 3 Bulk Retrievals completed 2013*	Behind Schedule
	Commence retrievals and encapsulation of FED *Delays within the design phase, and civil enabling works have impacted on the commencement of the retrievals phase. Forecast commencement Autumn 2014*.	Behind Schedule
	Decommissioning and demolition activities in preparation for entry into Care and Maintenance *Delays on ILW and FED retrieval projects, impacting on follow on decommissioning and demolition projects.*	Behind Schedule

Wylfa, Anglesey

Regulatory Matters

- Submission to ONR of the10 yearly Periodic Safety Review

2013/2014 Business Plan Activities		
SF	Completion of secondary fuel route project for defuelling	Completed
BO	Continued electricity generation	On Schedule

Dounreay Site Restoration Limited

Dounreay Site Restoration Limited (DSRL) is the SLC responsible for the operation of the Dounreay site in Caithness, Scotland. The site is led by mark Rouse, Managing Director.

The current PBO is Cavendish Dounreay Partnership Limited (CDP), a consortium comprising Cavendish Nuclear Limited, CH2MHill and URS.

Mark Rouse – Managing Director

Regulatory Matters

- None

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.51
Days away case rate	0.27
RIDDOR major injury	1
RIDDOR lost time accident	2
RIDDOR dangerous occurrence	0
INES incidents	3

2013/2014 Key Activities		
SR	Demolition of the Dounreay Material Test Reactor complex	On Schedule
	Strategy for particle management agreed with stakeholders	Complete
SF	Progress milestones towards completion of out of reactor breeder fuel shipments to Sellafield	Complete
CE	Letter of Compliance (LoC) for Silo Intermediate Level Waste received	Complete
	All necessary regulator authorisation permits or licences for Low Level Waste Facility received from Regulators	Complete

Research Sites Restoration Limited

Research Sites Restoration Ltd (RSRL) is the SLC responsible for the operation of the Harwell and Winfrith sites. The current PBO of the company is UKAEA Limited which is owned by Babcock International Group Limited (BIG). Throughout 2013/2014 the sites were led by Tony Wratten, Managing Director.

Tony Wratten – Managing Director

Safety and Environmental Performance

Issue	Number
Total Recordable Incident Rate	0.41
Days Away Case Rate	0.41
RIDDOR major injury	0
RIDDOR lost time accident	0
RIDDOR dangerous occurrence	0
INES incidents	0

2013/2014 Business Plan Activities		
IWM	Delivery of the RSRL element of the estate-wide LLW Management Plan	Complete
CE	Provide support to the NDA in the competition for a new PBO	Complete
	Continue to deliver NDAs support and overhead cost savings equivalent to a 25% reduction of the original cost base whilst maintaining the safety and security of the sites	Complete

Harwell, Oxfordshire

Regulatory Matters
- None

2013/2014 Business Plan Activities		
SR	Care and Maintenance of redundant reactors and other facilities	Complete
	Decommissioning of redundant facilities	Complete
NM	Implementation of a programme for the transfer of nuclear materials to Sellafield	Complete
IWM	Recovery, processing and packaging of solid ILW	Complete

Winfrith, Dorset

Regulatory Matters
- None

2013/2014 Business Plan Activities		
SR	DRAGON Reactor – Commence second stage of decommissioning	Complete
	Continue preparations for an optimised approach to Winfrith Decommissioning	Complete
	Steam Generating Heavy Water Reactor (SGHWR) – Completion of the asbestos tie-down activities (ready to start removal of asbestos clad plant and equipment)	Complete
	SGHWR – Complete the decommissioning of the old effluent pipeline (sludge transfer and supernate return pipelines between SGHWR and External Active Sludge Tanks)	Complete

Low Level Waste Repository Limited

LLWR Ltd

Low Level Waste Repository (LLWR) Limited is the SLC responsible for the operation of the LLW repository near the village of Drigg in Cumbria and delivering the National Programme for lower activity radioactive waste on behalf of NDA. The Managing Director of the site is Dennis Thompson.

The PBO of the company is UK Nuclear Waste Management Limited (a consortium comprising URS, Studsvik, Areva and Serco).

Dennis Thompson – Managing Director

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

Regulatory Matters

- Demonstrate conduct of operations and maintenance improvements to ONR
- Support Environment Agency in the assessment of an Environmental Safety Case (ESC)
- Determination of the site optimisation and closure works planning application

2013/2014 Business Plan Activities		
SR	Ongoing site preparation for phased construction of final cap for trenches 1 to 7 and for Vault 8	On Schedule
	Ongoing decommissioning of PCM facilities	On Schedule
	Ongoing development of the ESC to support the Lifetime Plan	On Schedule
IWM	Continue segregated waste, treatment and disposal services in line with UK LLW Strategy	On Schedule
	Work with consigning SLCs to improve waste forecasts and the waste inventory	On Schedule
	Maintain the momentum of the Supply Chain investment in waste treatment arrangements	On Schedule
	Delivery of the National LLW Programme to optimise LLW Strategy Implementation	On Schedule
CE	Continue to deliver NDA's support and overhead cost savings equivalent to a 25% reduction of the original cost base whilst maintaining safety and security of the site	On Schedule

Springfields Fuels Ltd

Springfields Fuels Limited is responsible for the operation of the Springfields fuel manufacturing site.

Springfields is a nuclear fuel manufacturing site and is located near Preston in Lancashire. The site manufactures a range of fuel products for both UK and international customers and decommissions historic uranic residues and redundant facilities.

From April 2010, the NDA permanently transferred ownership of the company to Westinghouse Electric including the freedom to invest for the future under the terms of a new 150 year lease. SFL is contracted to provide decommissioning and clean-up services to the NDA to address historic liabilities prior to the sale.

2013/2014 Business Plan Activities		
SR	Continue to Post Operational Clean Out (POCO) and decommissioning of redundant areas	On Schedule
NM	Processing of historic residues to recover uranium for return to the nuclear fuel cycle	On Schedule

Capenhurst Nuclear Services Ltd

Capenhurst Nuclear Services Ltd is responsible for the operation of the Capenhurst site.

The Capenhurst site is located near Ellesmere Port in Cheshire, and was formerly home to a uranium enrichment plant and associated facilities that ceased operation in 1982. In November 2012 the site was transferred to URENCO, owners of the adjacent licensed site, and was amalgamated into a single nuclear licence paving the way for URENCO to invest in new facilities as required in order to meet future customer demand.

NDA and URENCO have also signed an agreement for the processing of Government-owned by-product/legacy material from uranium enrichment (known as ‘Tails’) through URENCO's Tails Management Facility.

2013/2014 Business Plan Activities		
SR	Recommence residue processing and HEX bottle washing as well as a small number of other decommissioning and remediation projects	On Schedule
	Start the year in limited operations post re-licensing with the aim of being fully operational by May 2013	Completed
	The main focus for the site will be to progress the Legacy Cylinder Facility (LCF) through the design stages. This facility is a necessary pre-requisite in the preparation of ‘tails’ for processing in the URENCO de-conversion facility. In addition, implementation of the Low Voltage Rationalisation project will be progressed.	On Schedule

Glossary

AGR	Advanced Gas-Cooled Reactors
ARAC	Annual Report and Accounts
BAA	British Airport Authority
BEC	Britain's Energy Coast
BEP	Box Encapsulation Plant
BIG	Babcock International Group
BNFL	British Nuclear Fuels Limited
C&AG	Comptroller and Auditor General
C&M	Care and Maintenance
CCS	Crown Commercial Services
CDP	Cavendish Dounreay Partnership
CEO	Chief Executive Officer
CETV	Cash Equivalent Transfer Value
CFO	Chief Financial Officer
CFP	Cavendish Fluor Partnerships
CNPP	Combined Nuclear Pension Plan
CNSRP	Caithness and North Sutherland Regeneration Partnership
CODA	Charge Over Deposit Accounts
COO	Chief Operating Officer
CoRWM	Committee on Radioactive Waste Management
DCF	Dalton Cumbrian Facility
DCIC	Ductile Cast Iron Containers
DECC	Department of Energy and Climate Change
DFR	Dounreay Fast Reactor
DRAGON	Name given to high temperature gas reactor at Winfrith
DRS	Direct Rail Services Limited
DSRL	Dounreay Site Restoration Limited
EA	Environment Agency
EAP	Employee Assistance Programme
EHSQ	Environment, Health, Safety and Quality
EIAD	Environmental Impact Assessment for Decommissioning
EPSRC	Engineering and Physical Sciences Research Council
ESC	Environmental Safety Case
FED	Fuel Element Debris

FGMSP	First Generation Magnox Storage Pond
FHP	Fuel Handling Plant
FReM	Government Financial Reporting Manual
FVTPL	Fair Value Through Profit or Loss
GDF	Geological Disposal Facility
GEM	Generation Extension Maximisation
GGC	Greening Government Commitments
GPS	Group Pension Scheme
HAL	Highly Active Liquor
HAW	Higher Activity Waste
HMG	Her Majesty's Government
HMT	Her Majesty's Treasury
HSSSEQ	Health, Safety, Security, Safeguards, Environment and Quality
IAEA	International Atomic Energy Agency
IAMM	Information Assurance Maturity Model
ICP	Integrated Change Programme
IEM	Internal Environment Management
IFRS	International Financial Reporting Standards
IGP	Information Governance Programme
ILW	Intermediate Level Waste
INES	International Nuclear and Radiological Event Scale
INS	International Nuclear Services
ISF	Interim Storage Facility
ISO	International Standards Organisation
LLW	Low Level Waste
LLWR	Low Level Waste Repository
LP&S	Legacy Ponds & Silos
LoC	Letter of Compliance
LRQA	Lloyds Registered Quality Assurance
LTA	Lost Time Accident
LTIP	Long-Term Incentive Plan

MEB	Multi-Element Bottles
MNOPF	Merchant Navy Officers Pension Fund
MNOPP	Merchant Navy Officers Pension Plan
MNRPF	Merchant Navy Ratings Pension Fund
MNRPP	Merchant Navy Ratings Pension Plan
MTR	Material Test Reactor
M&O	Management and Operation
MoD	Ministry of Defence
MODP	Magnox Optimised Decommissioning Programme
MOP	Magnox Operating Programme
MOX	Mixed Oxide
MRWS	Managing Radioactive Waste Safely
MSSS	Magnox Swarf Storage Silos
NAO	National Audit Office
NaK	Sodium Potassium
NDA	Nuclear Decommissioning Authority
NDPB	Non Departmental Public Body
NMP	Nuclear Management Partners
NNL	National Nuclear Laboratory
NSAN	National Skills Academy - Nuclear
ONR	Office for Nuclear Regulation
PAC	Public Accounts Committee
PBO	Parent Body Organisation
PCM	Plutonium Contaminated Material
PCSPS	Principal Civil Service Pension Scheme
PFR	Prototype Fast Reactor
PFSP	Pile Fuel Storage Pond
PIE	Post Irradiation Examination
PNTL	Pacific Nuclear Transport Limited
PNV	Ponds North Void
POCO	Post Operational Clean Out
PP14	Performance Plan 2014
PSN	Public Services Network
R&D	Research and Development
RDA	Rotary Deployment Arm

RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RoSPA	Royal Society for the Prevention of Accidents
ROV	Remotely Operated Vehicle
RSRL	Research Sites Restoration Limited
RV2	Residual Vault 2
RWMD	Radioactive Waste Management Directorate
SDP	Silo Direct Encapsulation Plant
SEP	Silo Emptying Plant (machine)
SEPA	Scottish Environment Protection Agency
SGHWR	Steam Generating Heavy Water Reactor
ShEx	Shareholder Executive
SIRO	Senior Information Risk Owner
SLC	Site Licence Company
SME	Small & Medium-sized Enterprises
SMP	Sellafield Mixed Oxide Plant
SOCR	Support and Overhead Cost Reduction
SODA	Schedule of Delegated Authority
SRA	Spend Recovery Audit
te	Tonnes Equivalent
THORP	Thermal Oxide Reprocessing Plant
teU	Tonnes Equivalent Uranium
TSB	Technology Strategy Board
TWh	Terra Watt hours
UKAEA	United Kingdom Atomic Energy Authority
UKNWM	UK Nuclear Waste Management
UKTI	UK Trade and Industry
VLLW	Very Low Level Waste

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