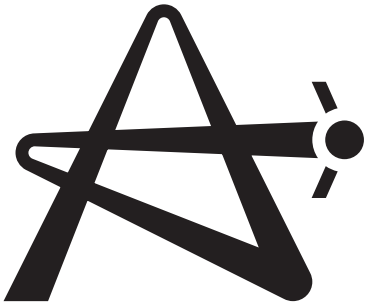
AECL
EACL

Atomic Energy of Canada Limited
2014 Annual Financial Report

A Global Partner in Nuclear Innovation

AECL



Canadians and the world receive energy, health, environmental and economic benefits from nuclear science and technology, with confidence that nuclear safety and security are assured.

What's inside

AECL is leading the development of the next generation of Canada's nuclear technologies.

INNOVATIVE

AECL technologies are being harnessed to reduce the threat of nuclear proliferation.

SAFE

AECL is leading environmental remediation and restoration efforts across Canada.

CLEAN

HEALTHY

Isotopes produced by AECL are used in millions of medical treatments every year.

SKILLED

AECL is helping to develop the talented, world-class nuclear workforce of the future.

PROSPEROUS

AECL is partnering with Canadian businesses to stimulate private-sector innovation.

AECL ensures that the Canadian nuclear sector remains safe and productive with access to science and technology resources to address emergent technological challenges, and that Canada maintains a strong nuclear power sector.

NUCLEAR INDUSTRY CAPABILITY

AECL ensures that federal activities, regulations and policies related to nuclear or radiological issues are supported by the necessary expertise and facilities.

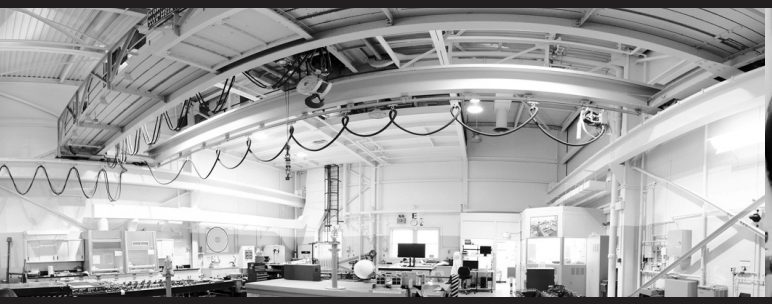
NUCLEAR SAFETY & SECURITY

AECL ensures the development of energy technologies that make a beneficial impact on Canada's use of clean energy.

CLEAN, SAFE ENERGY

AECL ensures that Canadians experience health benefits from nuclear science and technology.

HEALTH, ISOTOPES & RADIATION



NUCLEAR ENVIRONMENTAL STEWARDSHIP

AECL ensures that federal nuclear sites are clean and healthy environments.

NUCLEAR INNOVATION NETWORKS

AECL ensures that Canadian science and technology communities can advance their innovation agendas through access to federal nuclear innovation infrastructure and expertise.

MISSION-READY SCIENCE & TECHNOLOGY INFRASTRUCTURE

AECL ensures that its scientists and engineers, and its partner organizations have access to licensed facilities and services that enable nuclear innovation and production in a safe campus environment that is fully compliant with all legislation.

INTERNAL SERVICES

AECL provides the business and administrative support functions and infrastructure to enable the efficient and effective delivery of its output programs.

WHO WE ARE

For over 60 years, Atomic Energy of Canada Limited (AECL) has served the nation as Canada's premier nuclear science and technology organization. As the birthplace of the Canadian nuclear industry, AECL has spearheaded scientific advances that have enhanced the quality of life for Canadian citizens. From nuclear medicine that fights cancer to nuclear energy plants that power our homes, AECL technology has become part of our daily lives.

Today, AECL is the knowledge leader of the Canadian nuclear industry – a critical federal resource made up of world-class scientists, engineers, technologists and operational staff with state-of-the-art research and development facilities. As a tier one nuclear nation, Canada is involved in virtually every aspect of the nuclear industry, and AECL contributes to Canada's knowledge advantage in these areas, conducting pioneering nuclear science and technology research in order to benefit Canada.

and support in the development of capabilities to address nuclear safety and security.

As an enabler of business innovation and technology transfer, AECL has a strong record in driving commercial success across the Canadian nuclear sector. Canadian organizations inside and outside the nuclear industry have benefited from access to AECL facilities, expertise and technology. AECL continues to engage with the brightest minds across Canada to enable innovation and economic return for the industry.

AECL's skilled employees deliver all of these vitally important nuclear services and programs in order to fulfil a single Strategic Outcome: Canadians and the world receive energy, health, environmental and economic benefits from nuclear science and technology, with confidence that nuclear safety and security are assured.

AECL activities support Government of Canada priorities of a clean and healthy environment, healthy Canadians, a safe and secure Canada, and an innovative and knowledge-based economy.

In addition to performing the scientific and technical activities required by a federal science and technology organization, AECL provides significant value to Canadians as:

- An advisor to, and agent of, the Government of Canada for public policy purposes
- An enabler of business innovation and technology transfer
- A generator of highly-qualified people

Through this Value Proposition, AECL is relied upon by government for credible, objective information related to nuclear science and technology. AECL also serves the government in important matters of public policy, including the provision of medical isotopes, the management and disposition of legacy liabilities and historic wastes,

AECL activities are categorized into Programs that have been established to fulfil this Strategic Outcome. These programs are aligned with and support the Government of Canada's priorities for a clean and healthy environment, healthy Canadians, a safe and secure Canada, and an innovative and knowledge-based economy.

MESSAGE FROM THE CHAIR

AECL has a long and compelling history in nuclear innovation. As the birthplace of Canada's nuclear industry over six decades ago, AECL pioneered the use of nuclear science and technology to make Canada a stronger, healthier and more prosperous nation.

This fiscal year was no exception. AECL continues to develop the innovative technologies needed to drive our industry into the future.

2013–2014 was another period of strong progress on this path. AECL employees executed the Company's programs in order to realize a Strategic Outcome that offers significant benefits to our country, supporting Government of Canada priorities for a clean and healthy environment, healthy Canadians, a safe and secure Canada, and an innovative and knowledge-based economy.

This work enhances AECL's profile as an international leader in the development of peaceful and innovative applications

from nuclear science and technology. It also helps to ensure the success of the broader Canadian nuclear sector by delivering the vitally important products, services and expertise required for our industry to thrive.

This year, the Board of Directors worked hand-in-hand with AECL's management team to guide the Company as it set out to fulfil its customer commitments, strengthen its capabilities in business development and customer relationship management, improve its management systems and refine its business practices and processes. All of this work supports AECL's improvement agenda, fundamental to a safer, more efficient, accountable, and competitive organization.

It also supports AECL restructuring. The Board is fully committed to the successful completion of this process and worked closely with government officials to prepare AECL for this transition, which will culminate in the implementation of a Government-owned Contractor-operated (GoCo) management model to operate the AECL Nuclear Laboratories. Restructuring is of strategic importance to the future of the nuclear industry in Canada, and the Board believes that AECL's performance this year demonstrates that it is on the right track to be ready for this transition.

For example, this fiscal year AECL achieved significant increases in its commercial revenues and margins compared to the financial targets in its Corporate Plan. AECL achieved full cost recovery for most of this commercial work, consistent with restructuring objectives. AECL also exceeded its commitment to reduce its operating budget in line with Government of Canada fiscal restraint measures, by achieving ongoing, sustainable reductions.

Through enhanced focus on productivity and efficiency improvements and on growth in commercial revenue, AECL reduced its supplementary funding requirements from the Government of Canada this year relative to its Corporate Plan. This means lower costs to taxpayers, a core restructuring objective. AECL also made strategic cash management decisions – including the elimination of a number of liabilities – to ensure it has a well-positioned balance sheet to prepare for the new management model.

As with any undertaking of this magnitude, the process has been long and – at times – challenging. However, I am confident that restructuring will revitalize the Nuclear Laboratories.

As this journey proceeds, the Board will provide the necessary guidance and oversight to ensure that the Company continues to be ready for its new management model. AECL will sustain value through this process, and it will have the strategic direction it requires from the Board to ensure organizational accountability and, ultimately, success.

And we will do this with a strong new member of the Board of Directors. James Hall brings considerable experience with him to the Board and was a welcome addition to AECL. Unfortunately, we also said goodbye to two exceptional colleagues in Barbara Trenholm and John Luxat, who left the Board earlier this year. Both Barbara and John have made important contributions to AECL over the years, and we are thankful for their dedication to the success of this great organization.

Restructuring is of strategic importance to the future of the nuclear industry in Canada, and the Board believes that AECL's performance this year demonstrates that it is on the right track to be ready for this transition.

In addition to these accomplishments, AECL benefited from the Government of Canada's investment in the renewal of its infrastructure and nuclear science and technology facilities.

These achievements are the realization of a renewed vision for AECL – one that will ensure Canadians are well-served by a cost-effective, world-class nuclear science and technology organization. Overall, restructuring is proceeding in an efficient manner with frequent engagement, effective governance and independent advice to address the potential risks, challenges and opportunities that this transition presents.

Once restructuring is concluded, the GoCo operated Nuclear Laboratories will focus on three key missions that support Government of Canada priorities: AECL will address legacy liabilities accumulated during 60 years of nuclear research and development at its sites; ensure that its nuclear capabilities and knowledge continue to support the Government of Canada in fulfilling its core roles and responsibilities; and provide access to facilities and resources on a commercial basis to address industry's need for in-depth nuclear science expertise.

As we turn our attention to the future, the Board of Directors has approved AECL's 2014–2015 Corporate Plan, offering AECL employees a clear understanding of their responsibilities in the coming fiscal year. The challenge – and the opportunity – in front of AECL is to realize this plan and the ambitious vision that restructuring represents. I believe AECL employees and the management team are fully prepared to meet this challenge head on and build a stronger, smarter company that will bolster our industry for years to come.

I would like to extend my thanks and appreciation to my colleagues on the Board of Directors, the AECL management team, and all of the employees for their contributions in what was clearly another challenging and successful fiscal year. Your commitment to excellence, and your contributions during an important time of transition for AECL, will help to ensure our future success.

Peter Currie
Chair of the Board

MESSAGE FROM THE PRESIDENT

This is an important time in the evolution of AECL.

For over 60 years, AECL has been Canada's premier nuclear science and technology organization, developing innovative technologies that have helped shape the identity of this great country. In many ways, these achievements have impacted the day-to-day lives of Canadians in profound ways, from the electricity that powers our homes and the medicine we use to fight cancer, to the technology that keeps our borders safe.

Today, we are the knowledge leader of the Canadian nuclear industry. We help to ensure nuclear power reactors are safe, reliable and efficient. We advance the understanding of nuclear medicine. We spearhead nuclear environmental science. We pioneer non-proliferation technology. And, we contribute to the development of Canada's next generation of nuclear reactors.

The world has changed over the years. But, I am pleased to report that AECL has adapted to that change.

In recent years, AECL established a new Strategic Outcome and we've aligned our activities to this core organizational objective in order to better support Government of Canada priorities. We have also given the Government of Canada our full support as it introduces a new management model for AECL that will position the conditions for the entire Canadian nuclear industry to succeed.

These efforts continue to bear fruit. Working closely with the AECL Board of Directors, our management team used the 2013–2014 Corporate Plan to ensure strong results across all of AECL's programs this fiscal year. Thanks to the commitment of this team, and the hard work of our employees, we successfully delivered against our plan, on budget and on schedule, while meeting the obligations of our customers and stakeholders.

In doing so, we also realized a number of accomplishments that align with the Government of Canada's long-term vision for AECL. As noted by Peter Currie, this year our commercial revenues and margins have grown significantly, and we have implemented efficiency and productivity

improvements while reducing our operating costs. These results represent years of commitment and planning, and illustrate the progress we've made to be "transition ready" for restructuring.

This progress included the completion of the second phase of the Nuclear Legacy Liabilities Program (NLLP), in which AECL accomplished 93 per cent of milestones two per cent under budget. This success reflects important achievements in the program, which was established by the Government of Canada to manage its nuclear legacy liabilities, and raises the bar on the technical and financial performance in this key program, an important objective of restructuring.

AECL also established a new Business Development Framework (BDF) to drive business growth and to ensure a smooth transition to the new management model. This framework enables AECL to forge new links with the marketplace, positions the corporation as customer-centric, and establishes the infrastructure to become more effective in our customer service. Without a doubt, this framework will fundamentally enhance the way AECL pursues new business opportunities.

On the topic of new business, AECL signed an agreement with BTG to provide irradiation services to the UK-based healthcare company to produce its powerful liver cancer therapy, TheraSphere®. This agreement is an important collaboration that expands third-party use of the NRU reactor's tremendous irradiation capacity, and is aligned with AECL's objectives to stimulate business innovation and deliver services to third-parties on a commercial basis.

AECL continued to support the Canadian nuclear power sector this year. AECL successfully patented its Composite Angle Profiling Tool, an innovative new tool designed for the detection of pipe wall thinning in CANDU reactors. AECL also completed several large-scale experiments on behalf of Candu Energy Inc. to support the analysis of its latest reactor design, the Enhanced CANDU-6 (EC6) reactor. This work is critical in building a stronger nuclear power sector in Canada through the development of state-of-the-art reactor technologies.

Finally, the revitalization of the infrastructure at the Chalk River Laboratories site continues. The Government of Canada's investment into the renewal of the infrastructure and nuclear science and technology facilities at the Chalk River site is critical to the future of AECL. This year, we executed an $82 million capital program to within 93 per cent of budget. This program included the renovation and construction of AECL's brand new Hydrogen Isotope Technology Laboratory, as well as approval to proceed with the construction of AECL's new high-performance research laboratory complex. This work ensures we have the cutting-edge facilities we require in order to deliver on our programs.

These accomplishments are a sample of the extensive work completed by AECL this fiscal year – work that offers meaningful benefits for our industry, academic and government partners, and to Canadian citizens. In addition to these activities, we continue to foster a culture of continuous improvement at AECL, ensuring that nuclear safety remains our overriding priority as we continue our transition to the new GoCo management model.

Thanks to the commitment of this team, and the hard work of our employees, we successfully delivered against our plan, on budget and on schedule, while meeting the obligations of our customers and stakeholders.

I would like to acknowledge the AECL Board of Directors, management team and our employees for their hard work and dedication this fiscal year. Your quiet commitment to excellence is reflected in AECL's numerous accomplishments and Canadians should all take pride in this work. The Government of Canada also deserves our recognition, as it continues to provide AECL with the financial resources needed to make our goals a reality.

Change is inevitable, and every organization must face it. A company can embrace that change, or shy away from it. I'm pleased to say that AECL has chosen the former. We continue to adapt to the world around us, and in doing so, we will make the most of this important time in our history.

Robert Walker
President & Chief Executive Officer

AECL signed an agreement this year to develop technologies for tritium-powered batteries.

INNOVATIVE

AECL successfully completed the installation of a new prototype border inspection system.

SAFE

AECL completed Phase 2 of the Nuclear Legacy Liabilities Program on schedule and under budget.

CLEAN

HEALTHY

AECL isotopes were used in 4.5 million medical diagnostics and 14 million medical treatments this year.

SKILLED

AECL hosted experts from around the world at the 12th International Neutron Scattering Summer School.

PROSPEROUS

AECL signed an agreement that leverages NRU to produce a powerful liver cancer therapy.

THE YEAR IN REVIEW

BUILDING A WORLD-CLASS AECL FOR THE FUTURE

In May 2009, the Government of Canada concluded that restructuring AECL was necessary to position the company to better compete in the global marketplace, reduce taxpayer financial exposure and create better conditions for the Canadian nuclear industry to succeed. The Government of Canada subsequently launched a two-phase restructuring process, and in Phase 1, successfully concluded the sale of AECL's CANDU Reactor Division to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin, in October 2011.

In February 2013, the Government of Canada announced that Phase 2 of restructuring would include a collaborative procurement process with the private sector for the management and operation of the AECL Nuclear Laboratories. The Government will implement a GoCo model at AECL, as is done in other jurisdictions.

In June 2013, in support of this procurement, Natural Resources Canada and Public Works and Government Services Canada (PWGSC) welcomed approximately 100 participants representing 40 companies to an Industry Day in Ottawa to provide prospective bidders with detailed information on the restructuring process. This was followed by the issuance of a Request for Information in July 2013. Later this fiscal year, in March 2014, a Request for Response Evaluation (RFRE) was posted on PWGSC's website, initiating the qualification stage for potential bidders.

AECL restructuring will ensure that Canadians are well served by a cost-effective, world-class science and technology organization focused on meaningful results that benefit Canada.

Recognizing the expertise and unique facilities at AECL, the Government of Canada is taking these restructuring steps to put in place the conditions for Canada's nuclear industry to succeed in the future, while reducing cost and risk for Canadian taxpayers over time.

Under the new management model, AECL will focus on three key objectives:

- Managing Canada's radioactive waste and decommissioning responsibilities accumulated during the more than 60 years of nuclear research and development at AECL sites.
- Ensuring that Canada's world-class nuclear science and technology capabilities and knowledge continue to support the federal government in its nuclear roles and responsibilities – from health protection and public safety to security and environmental protection.
- Providing access to industry to address its need for in-depth nuclear science and technology expertise. This will include ongoing access to the Nuclear Laboratories, at fair market rates, for owners and operators of CANDU reactors as well as the broader nuclear supply chain in Canada.

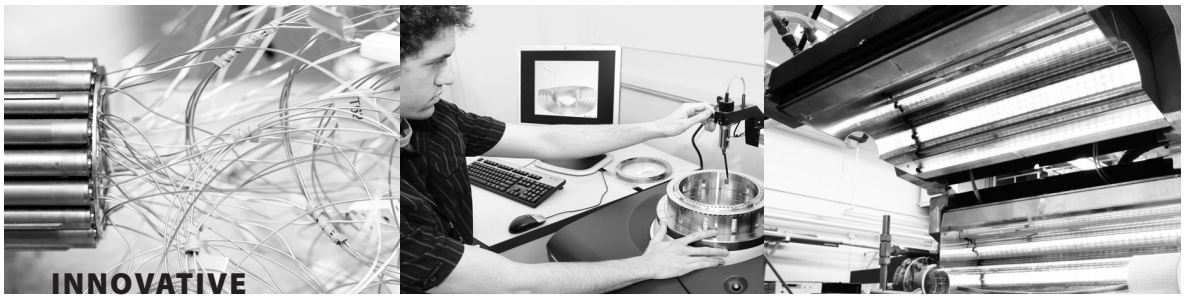
Overall, AECL restructuring will ensure that Canadians are well-served by a cost-effective, world-class science and technology organization focused on meaningful results that benefit Canada.

Embracing Health & Safety

Ensuring the health and safety of employees, the public and the environment in the delivery of AECL programs is crucial to the organization's success. This fiscal year, AECL continued to operate in a culture of continuous improvement, working to enhance and strengthen its health, safety, security and environmental (HSSE) programs and practices.

This year, AECL issued a Nuclear Safety Policy that aligns with industry best practices and clearly defines the company's expectations and behaviours for nuclear safety, which is AECL's overriding priority. AECL also launched a company-wide set of performance expectations known as the "Rules to Live By." These expectations represent a renewed commitment by the AECL management team to bring a higher level of focus to some of the most critical safety-related activities at AECL sites.

To improve employee awareness of workplace injuries, AECL initiated weekly review meetings of injury and illness events that took place over the course of the year. The results of these meetings are regularly communicated to AECL employees to quickly address unsafe work behaviours and to improve injury prevention. As part of this initiative, injury statistics are also analyzed to ensure that adverse trends are properly managed across the organization.



Also this year, AECL continued to enhance its emergency response capabilities and practices. AECL revised and submitted its Strategic Emergency Management Plan to Public Safety Canada (PSC) in order to better align its emergency planning with federal criteria. AECL received a "strong" rating from PSC, successfully meeting all 44 criteria for its updated plan, and demonstrating the strength of its emergency response planning.

Overall, AECL continues to fulfil its regulatory commitments and to operate with due regard for its health, safety and emergency preparedness responsibilities.

NUCLEAR INDUSTRY CAPABILITY

Ensures that the Canadian nuclear sector remains safe and productive with access to science and technology resources to address emergent technological challenges, and that Canada maintains a strong nuclear power sector.

PROGRAM RESULTS

Nuclear Industry Capability

Nuclear Industry Capability provides the Canadian nuclear industry with access to the AECL experts, facilities and technologies they require to seize domestic and global opportunities. This program ensures a strong connection between AECL and the nuclear industry, enabling business innovation and technology transfer.

This year, AECL completed extensive testing for the CANDU Owners Group (COG) as part of the Fuel Channel Life Management Project to improve understanding of the service life of fuel channels, a key component in CANDU reactors. The results of these tests will improve COG's understanding of fuel channel behaviour near end-of-life conditions and also help to inform utility decisions around refurbishment.

AECL also completed several large-scale experiments for Candu Energy Inc. to support the severe accident analysis of its latest reactor design – the Enhanced CANDU-6 reactor (EC6). This work validated important safety features of the reactor design and is part of the ongoing research and development services AECL provides to Candu Energy Inc.

With respect to business innovation, AECL successfully patented its Composite Angle Profiling Tool (CAPT), which was developed to detect pipe wall thinning in areas in CANDU reactors with severe access limitation. The inspection technology supports the safe operation of CANDU stations and provides operators with valuable information for plant life management. CAPT was also used this year to inspect the feeder pipes of a CANDU station for the first time, representing the successful introduction of this innovative AECL technology to the Canadian nuclear industry.

Nuclear Safety & Security

As the centre of federal expertise on nuclear and radiological issues, AECL maintains the security of several federal nuclear sites, develops technology that is used to assure Canada's nuclear safety and security, and provides emergency response capabilities and advice to government departments and international nuclear bodies. All of this work is carried out through Nuclear Safety & Security.

AECL successfully completed the installation of its prototype cargo inspection system at the Chalk River site this year. The innovative new technology uses naturally occurring cosmic rays to detect contraband nuclear materials hidden inside shipping containers. AECL will continue to refine the technology with its government, academic and industry partners to improve detection of illicit nuclear material, prevent the proliferation of nuclear weapons and enhance border security in Canada.

NUCLEAR SAFETY & SECURITY

Ensures that federal activities, regulations and policies related to nuclear or radiological issues are supported by the necessary expertise and facilities.

AECL continued to strengthen its emergency response capabilities this year. A site-wide stay-in exercise was conducted at AECL's Chalk River site that included participation from COG's Fire Protection Working Group as formal observers. AECL's Fire & Emergency Services also conducted a drill to assess the effectiveness of NRU's Qualified Emergency Water Supply response measures. Both exercises allowed AECL to evaluate its emergency response capabilities against industry best practices, enhancing Canada's abilities to ensure nuclear safety.

The beta release of a Graphical Animation Package, known as GRAPE, was completed and delivered to AECL and the CNSC this year for testing and evaluation. GRAPE will allow the CNSC to use its Severe Accident Analysis tool to visualize the effects of emergency measures, such as the addition of water to steam generators, to better understand the consequences of a postulated accident scenario. Once complete, the new software will improve the response of the CNSC's Emergency Operations Centre.

Clean, Safe Energy

Clean, Safe Energy builds upon existing investments in nuclear energy technologies required to ensure that nuclear-related energy systems are safe. This is achieved by developing the systems, materials and infrastructures required for the next generation of nuclear reactors, the application of hydrogen technologies for energy production and industrial applications, and to ensure that Canadians benefit from developments in fusion energy and small reactor technologies.

AECL continued to fulfil Canada's commitments to the Generation IV International Forum (GIF) this year. GIF is a cooperative international endeavour to establish the feasibility and performance capabilities of next-generation nuclear energy systems. As part of this work, AECL continued the conceptual development for a small reactor version of its Super-Critical Water Reactor (SCWR) and submitted patent applications for the SCWR concept. Through this work, AECL is contributing to the design of Canada's next generation of nuclear reactors.

CLEAN, SAFE ENERGY

Ensures the development of energy technologies that make a beneficial impact on Canada's use of clean energy.

In support of the development of public policy, AECL signed a Memorandum of Understanding with the CNSC to assist in establishing a regulatory position for small reactor remote monitoring and control through satellite communication technologies. AECL has completed and issued its initial findings report to the CNSC and will participate in a Canadian Standards Association (CSA) Committee on Cyber Security for Nuclear Power Plants and Reactors Facilities.

AECL also signed an agreement with an industrial partner to develop technologies for tritium-powered batteries that generate greater power outputs than are currently available. AECL's unique facilities for handling and manufacturing components containing large concentrations of tritium are critical to the development of this promising new technology, which is expected to have applications across numerous industries.

Health, Isotopes & Radiation

The work carried out through Health, Isotopes & Radiation provides a reliable supply of medical isotopes to Canada and the international community for diagnostic applications and cancer treatments. It also focuses on increasing our knowledge of the effects of radiation to humans, which includes the evolving techniques and expertise required for ensuring a safe working environment at nuclear installations.

Leveraging the significant investment made by the Government of Canada to ensure isotope supply reliability, AECL continued to support the Canadian and global health community through the provision of the important diagnostic isotope, molybdenum-99 (Mo-99). Utilizing the NRU reactor's large multi-purpose core, AECL also responded to an increased demand for Mo-99 due to other reactors being out of service, which represented a 200 per cent increase in production for NRU. Overall, isotopes produced by AECL enabled the delivery of approximately 4.5 million medical diagnostics and an estimated 14 million medical treatments for patients in Canada and around the world this year. This work supports the health and well-being of Canadian citizens, and the fight against cancer and heart disease.

HEALTH, ISOTOPES & RADIATION

Ensures that Canadians experience health benefits from nuclear science and technology.

AECL signed a new agreement with BTG that leverages facilities within the NRU reactor to produce BTG's powerful liver cancer therapy, TheraSphere®. This agreement is aligned with AECL's objectives to stimulate business innovation and deliver services to third-parties on a commercial basis.

AECL also completed one of its HEU repatriation projects as part of its obligations under the Global Threat Reduction Initiative. The project was completed on schedule and under budget with no safety or radiological events. This work supports AECL's responsibilities to manage its isotope radioactive waste obligations related to isotope production, as well as Canada's non-proliferation commitments.

Nuclear Environmental Stewardship

Through Nuclear Environmental Stewardship, AECL supports the Government of Canada by ensuring federal nuclear sites are clean and healthy environments, and by providing technologies, expertise and facilities to support the safe storage and long-term management of radioactive waste in Canada.

This year, AECL completed the $450 million Phase 2 of the Nuclear Legacy Liabilities Program (NLLP) with a 93 per cent achievement rate of the committed milestones 2 per cent under budget. This success reflects significant improvements in several areas of the program, such as the mitigation of environmental impacts from site facilities and groundwater contamination resulting from historical practice, and reduction in liabilities through infrastructure decommissioning activities. Specific achievements included CNSC approval for the operation of AECL's Fuel Packaging and Storage facility for the safe management of historical experimental reactor fuel and completion of important modeling to support the assessment of options for the long-term management of Ottawa River sediment adjacent to the Chalk River site.

NUCLEAR ENVIRONMENTAL STEWARDSHIP

Ensures that federal nuclear sites are clean and healthy environments.

AECL completed activities necessary for compliance with recently updated CSA standards for effluent and environmental monitoring, including changes in monitoring locations and updates to procedures and reporting. Compliance with these standards is required by the CNSC. AECL also updated its Environmental Risk Assessment (ERA) for the Chalk River site in accordance with new CSA Standards, which provides a base-line review of environmental risks from ongoing operations.

Finally, an AECL environmental scientist participated in a follow-up mission conducted by the International Atomic Energy Agency (IAEA) concerning the remediation of large contaminated areas near the Fukushima Daiichi power station. As the sole Canadian participant, the AECL representative joined a 16-person team of international experts and IAEA staff and made important recommendations to the Japanese government on irrigation water management to prevent recontamination of decontaminated agricultural lands.

Nuclear Innovation Networks

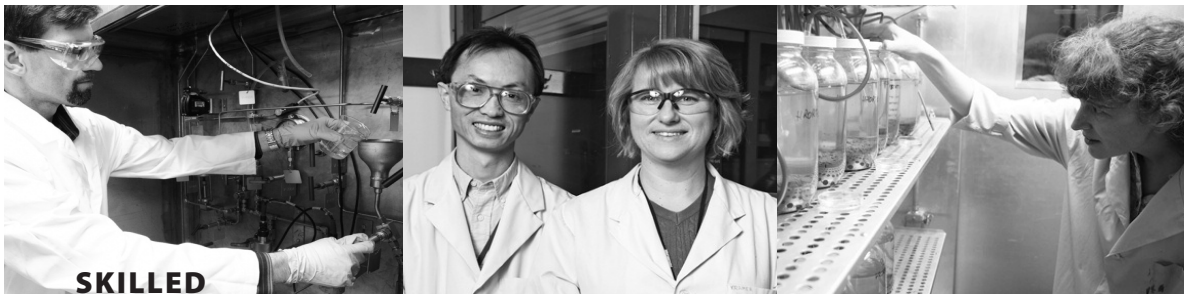
AECL maintains a suite of critical national science facilities that support the diverse innovation needs of Canada's nuclear and radiation science and technology community. Nuclear Innovation Networks connects AECL capabilities to this community to enable them to pursue their scientific goals, including clean energy, cancer research and nuclear security.

This year, AECL's external Call for Proposals resulted in ten new collaborations with external organizations. These partnerships advance AECL's science and technology priorities, using AECL's world-class facilities and expertise, and promote third-party engagement with academia, government laboratories and industry. This initiative represents an important opportunity for AECL to grow collaborations with the broader industry and to develop private sector innovation.

NUCLEAR INNOVATION NETWORKS

Ensures that Canadian science and technology communities can advance their innovation agendas through access to federal nuclear innovation infrastructure and expertise.

To support the development of highly qualified people, AECL partnered with the Canadian Institute for Neutron Scattering (CINS) and the Canadian Neutron Beam Centre (CNBC) to deliver the 12th International Neutron Scattering Summer School at the Chalk River Laboratories. Graduate students and post-doctoral researchers from around the world attended the annual event, which showcased neutron scattering techniques by international experts using instrumentation at the NRU reactor.



Mission-Ready Science & Technology Infrastructure

Scientists and engineers from AECL and partner organizations need access to licensed facilities and services to enable nuclear innovation. Mission-Ready Science & Technology Infrastructure invests in AECL people, plant and processes to achieve safe, reliable and efficient availability of its science and technology infrastructure, while assuring the health and safety of employees, the community and the environment.

This year, AECL executed an $82 million capital program to revitalize infrastructure at its Chalk River site. This work included the renovation and construction of AECL's new Hydrogen Isotope Technology Laboratory and approval to move forward with the construction of AECL's new high-performance research laboratory complex. A number of infrastructure projects were also advanced this year to improve the safety and reliability of key services, including domestic water, natural gas and Class IV power. These improvements are critical to maintaining and enhancing the overall operational and R&D capabilities of AECL's major site.

Also this year, AECL's planned 30-day extended NRU maintenance outage was successfully completed on schedule, without incident and with a 93 per cent scope completion. The outage included many large, complex maintenance activities as well as in-vessel inspections. Planned outages are required in order to perform necessary assessments and maintenance activities on NRU, and ensure that the reactor is readily available in support of AECL's science and technology programs. Overall, the NRU reactor operated safely and compliantly in support of AECL's programs this year, with demonstrated improvements in operating performance.

MISSION-READY SCIENCE & TECHNOLOGY INFRASTRUCTURE

Ensures that scientists and engineers from AECL and its partner organizations have access to licensed facilities and services that enable nuclear innovation and production in a safe campus environment that is fully compliant with all legislation for conducting nuclear-related activities.

Finally, in the spirit of continuous improvement, AECL continues to conserve energy through technology and process improvements. Thanks to the establishment of a recent project to reduce energy costs at the Chalk River Laboratories site, AECL optimized energy consumption by 4.6 per cent this year, minimizing its energy costs despite the colder weather conditions.

Internal Services

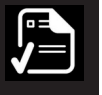
In order to deliver on its strategic outcome, AECL requires a variety of business and administrative support functions and infrastructure. Internal Services consists of these services, which enables the efficient and effective conduct of day-to-day business and compliance with applicable policies, regulations and legislation.

This year, AECL established its new Business Development Framework (BDF) to drive business growth and to prepare for a smooth transition to the new GoCo management model, while establishing the infrastructure to improve AECL's customer relationship management. The BDF will fundamentally enhance the way AECL pursues new business opportunities and aligns with the company's restructuring objectives to drive revenue growth and position AECL for long-term success.

AECL released its new management system manual and supporting documentation this year. The new manual forms the basis from which the restructured AECL will be managed. AECL's management system is comprised of the integrated set of policies, standards, procedures and responsibilities through which AECL is governed and enables the effective and efficient management of the company.

AECL also officially launched its new website, *www.aecl.ca*. Built using the latest in social media, multimedia and mobile technologies, the new online platform features up-to-date information on Canada's premier nuclear science and technology organization, enhancing AECL's public engagement capabilities and offering visitors insight into AECL facilities, expertise and technologies, and nuclear science and technology programs.

Finally, AECL reached a settlement agreement with Nordion that resolves all outstanding legal matters related to the production and distribution of molybdenum-99 (Mo-99) to the global health community. The settlement aligns with the Government of Canada's strategy and international policy commitments to ensure the security of supply of medical isotopes.



INTERNAL SERVICES

Provides the business and administrative support functions and infrastructure to enable the efficient and effective delivery of AECL's output programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) has been reviewed by AECL's Audit Committee and approved by AECL's Board of Directors. It provides comments on the performance of the Corporation for the year ended March 31, 2014 and should be read in conjunction with the consolidated financial statements and accompanying notes included in this Annual Report.

The Government of Canada completed the first phase of the restructuring of AECL with the sale of AECL's Commercial Operations business to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin, on October 2, 2011.

As announced by the Minister of Natural Resources in February 2013, the Government of Canada is now implementing the second phase of the restructuring of AECL, focused on the Nuclear Laboratories. A process is currently underway to procure the services of a private-sector contractor to manage and operate AECL's Nuclear Laboratories under a Government-owned, Contractor-operated (GoCo) model. Under this model, activities at the Nuclear Laboratories will be focused on managing Canada's radioactive waste and decommissioning responsibilities, performing science and technology activities to meet core federal obligations, and supporting Canada's nuclear industry through access to world-class facilities and expertise on a commercial basis. The overall objective is to reduce risks and costs to Canadian taxpayers with time, while putting in place the conditions for Canada's nuclear industry to succeed. Natural Resources Canada (NRCan), in collaboration with Public Works and Government Services Canada (PWGSC), is leading the restructuring on behalf of the Minister of Natural Resources.

In March 2014, a Request for Response Evaluation (RFRE) was issued to invite interested bidders to pre-qualify for the procurement process based on a set of financial, technical and security requirements. This pre-qualification process will ensure that interested bidders that advance in the procurement process have the necessary skills and experience to manage facilities as complex as those of the AECL Nuclear Laboratories. Interested bidders who qualify through the RFRE process and meet mandatory national security requirements will be able to submit a bid as part of the Request for Proposal (RFP) stage.

Throughout the process, the Government of Canada is receiving expert and independent third-party nuclear, financial and legal advice. The competitive procurement process for the GoCo contractor is following government policies and best practices in engagement, oversight, transparency, and due diligence. AECL management is supporting the process, which is expected to conclude in 2015.

This MD&A contains forward-looking statements with respect to AECL based on assumptions that management considers reasonable as at June 27, 2014, when the Corporation's Board of Directors approved this document. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause future results to differ materially from current expectations. We caution the reader that the assumptions regarding future events, many of which are difficult to predict, may ultimately require revision.

ORGANIZATION

AECL is an agent Crown corporation reporting to Parliament through the Minister of Natural Resources.

Management evaluates its financial results through two distinct business entities: Nuclear Laboratories and Commercial Operations (Discontinued Operations). Each entity is responsible for achieving its business goals as established in AECL's Corporate Plan.

Nuclear Laboratories

Nuclear Laboratories is principally centred at the Chalk River Laboratories and is Canada's largest federal laboratory. As of March 31, 2014, Nuclear Laboratories employed over 3,250 full-time employees. Of those, almost 500 were employed in other locations, including the Whiteshell Laboratories in Manitoba.

Nuclear Laboratories is a strategic element in Canada's national science and technology infrastructure and national innovation system. As Canada's premier nuclear science and technology organization, AECL provides crucial policy, program and innovation support to the Government of Canada, the Canadian nuclear industry and to Canadian academia through the Nuclear Laboratories.

Activities within the Nuclear Laboratories are aligned with the federal science and technology strategy, *Mobilizing Science and Technology to Canada's Advantage*. Through alignment with this strategy, Nuclear Laboratories makes a significant contribution to four of the Government of Canada's Outcome Areas: an innovative and knowledge-based economy, a clean and healthy environment, healthy Canadians, and a safe and secure Canada.

AECL's Value Proposition has three key aspects, all of which have a national impact:

- As an advisor to, and agent of, the Government of Canada for public policy purposes
- As an enabler of business innovation and technology transfer
- As a generator of highly qualified people

This Value Proposition informs the manner in which AECL drives quality and excellence in the delivery of its mandate.

Advisor to, and agent of, the Government of Canada for Public Policy Purposes

The Nuclear Laboratories is relied upon for the provision of unbiased information related to nuclear science and technology, providing advice in support of the Government of Canada in its various capacities as policy maker, regulator, operator, performer, customer and partner for science and technology in the public good.

In this manner, the Nuclear Laboratories is an agent of the Government of Canada in several matters of public policy, including:

- The provision of medical isotopes to Canadians. As one of the world's largest producers of radionuclides, the National Research Universal (NRU) reactor is a multi-purpose research reactor that is Canada's premier facility for nuclear power and materials research. The NRU reactor produces a range of radioisotopes that are used for medical imaging, cancer diagnostics and therapy.
- The management and disposition of liabilities associated with legacy and historic wastes resulting from past development of nuclear technology and nuclear energy in Canada.
- The provision of key expertise to support the development of policies, practices and national capabilities to address nuclear safety and security, including strengthening of non-proliferation and counter-terrorism regimes.
- Research and testing to support CNSC understanding of nuclear safety issues and the development and application of nuclear safety and regulatory standards.

Enabler of Business Innovation and Technology Transfer

The Nuclear Laboratories has a strong record of positioning the Canadian nuclear industry, including its full value chain, for success domestically and internationally. Going forward, the Nuclear Laboratories will continue to engage with the best and brightest innovators and entrepreneurs from around the world, keeping home-grown talent in Canada and stimulating innovation throughout the industry. Greater engagement with businesses will also result in greater revenues to offset the requirement for federal funding.

As a service provider to Candu Energy Inc. and the wider Canadian nuclear industry, the Nuclear Laboratories plays a crucial role in assisting its partners to maintain and enhance the performance of the CANDU fleet, to develop new technologies for a broad range of nuclear power and non-power applications, and to advance the next generation of reactors, fuels and energy solutions.

Generator of Highly Qualified People

With its capability for knowledge generation, innovation and discovery, the Nuclear Laboratories supports an extensive network of stakeholders, clients and partners.

The Nuclear Laboratories provides access to the unique environment required to develop the advanced nuclear workforce for a knowledge-based economy. Generations of Canadians along the nuclear science and technology value chain have benefited from access to the organization's laboratories, facilities and highly-trained staff. An examination of the human capital resident in both the Canadian nuclear science and technology community reveals that many have had a deep and enduring connection to the company.

As a result of the Nuclear Laboratories operations, Canada's next generation of nuclear scientists, engineers, operators and entrepreneurs are being trained. The Nuclear Laboratories will continue to support the development of highly qualified people for the public sector.

Program Alignment Architecture

All activities undertaken by the Nuclear Laboratories are categorized by program and framed within the AECL Program Alignment Architecture.

Activities at the Nuclear Laboratories are principally supported by the Government of Canada. Revenue is also generated from the sale of products and services, including medical isotopes, research contracts for the CANDU Owners Group (COG), commercial work for Candu Energy Inc. and commercial waste management services for various organizations, including hospitals and universities. This Nuclear Laboratories commercial activity contributed $125 million to revenues during the fiscal year.

Expenditures are managed to specific targets based on committed funding levels and commercial revenues. Funding is largely derived from federal appropriations and is used to support operations and infrastructure initiatives.

Commercial Operations (Discontinued Operations)

As of March 31, 2014, Commercial Operations (Discontinued Operations) employed 20 people, operating under the Wrap-Up Office in Oakville, Ontario. This team is responsible for addressing all liabilities related to the Commercial Operations business retained by the Government of Canada and AECL at the date of the October 2, 2011 divestiture. This includes the disposition of AECL's life extension project liabilities.

KEY SUCCESS DRIVERS AND CAPABILITIES TO DELIVER RESULTS

Safety

AECL reinforces a culture that protects the safety of its employees, the public and the environment to ensure healthy Canadians and a safe and secure nation, in alignment with Government of Canada priorities. Program initiatives also ensure that the expectations and requirements of AECL's key stakeholders, including governments, the CNSC, customers and the public are met. During 2013–2014, safety continued to be a major priority in maintaining a healthy workforce and an effective business environment.

At fiscal year-end, the number of Recordable Lost Time Injuries was comparable to 2012–2013, however the severity of these injuries declined. These events continue to be primarily attributable to improper lifting techniques leading to minor back strains, with a noticeable decline in the number associated with slips and trips during the winter months. AECL's actions taken to address the slips and trips issue through improvements to site maintenance, employee awareness, safety procedures, training and AECL's Return to Work program have proven to be successful.

Significant focus was placed on AECL's health, safety, security and environment (HSSE) program this year. Initiatives included the implementation of an enhanced Nuclear Safety Policy, development of an integrated improvement strategy to address security infrastructure and culture, the creation of an initial framework for a comprehensive Contractor Management Program, establishment of performance metrics to monitor cyber security and improvements to AECL's emergency response capabilities.

Customer Commitment

AECL recognizes that customer satisfaction is critical to its success as Canada's premier nuclear science and technology organization. This year, AECL continued its transition towards a customer-centric company through the launch of a number of bold initiatives. To strengthen its capabilities in commercial marketing, business development and customer relationship management, AECL established a new Business Development Framework (BDF). The BDF includes a customer management model that will spur growth in the customer base domestically and internationally, improve relationships with clients, and provide a more thorough understanding of the competitive landscape.

AECL is also taking aggressive action to expand the breadth of capabilities, products and services that it offers. In recent years, AECL has established ten Centres of Excellence (COE), which are capability areas that make AECL unique in the nuclear industry. The new BDF leverages the COE and ensures that AECL exploits its existing products and services in order to develop innovative new offerings. In this manner, AECL's capabilities have been realigned to unlock new value for the organization, including potential business opportunities in non-nuclear industries. Overall, this work ensures that AECL is listening and responding to its customers, continues to drive innovation in its product and service offerings, and engages non-traditional industries to expand its presence into new markets.

Research and Development

The success of the Canadian nuclear industry is founded on AECL's broad research and development capabilities. AECL generates substantial intellectual capital and maintains a significant research and development infrastructure through its Nuclear Laboratories, which is utilized by the majority of AECL Programs.

This year, AECL continued to focus research and development to advance its science and technology priorities in the areas of nuclear safety, nuclear security and non-proliferation, environmental and health impacts, and sustainable technologies for the future. Research and development activities continued to enhance science and technology to demonstrate and mitigate the risk of nuclear operations on environment and human health, to enhance the safety and performance of the existing CANDU fleet, and to advance the knowledge base for informing regulations and standards.

Research and development also involved initiatives to develop new energy generation technologies based on nuclear science and technology, advance the next generation of reactors and fuels with the goal of exceeding international standards for proliferation resistance and operating efficiencies, and develop technologies to aid in national and international nuclear counter-terrorism and safeguards efforts.

AECL provides support to meet Canada's international nuclear policy commitments, including participation in the International Atomic Energy Agency and the Generation IV International Forum. AECL's research and development capability also contributes to the advancement of science in Canada through its support of the academic community and the broader nuclear industry. This fiscal year, AECL participated in 236 science and technology collaborations with Canadian and international government bodies, academic institutions and private sector organizations.

These initiatives drive innovation and technology advancement and contribute to the training of highly qualified personnel for the future, in both nuclear and non-nuclear sectors. This reflects an evolving focus on research and development in the Canadian nuclear community, where leadership and the integration of expertise from universities and other organizations is central to the development of nuclear technology for the benefit of all Canadians.

Supply Chain

AECL's ability to execute programs as the Government of Canada's premier nuclear science and technology organization is dependent on growing a strong supply chain. AECL is supported by more than 170 Canadian member-companies of the Organization of CANDU Industries, as well as a broad community of suppliers, which executed approximately one third of AECL's program in 2013–2014. AECL also supports existing suppliers in expanding their service provision and new suppliers in attaining nuclear qualifications, ensuring that AECL suppliers realize competitive advantage through the execution of AECL contracts.

Government of Canada Support

AECL receives Government of Canada support for its activities through the approval of AECL's Corporate Plan by the Governor in Council. AECL's 2013–2014 Corporate Plan was approved by the Government of Canada in May 2013. Last year, Parliamentary appropriations in the amount of $385 million was received from the Government of Canada to support AECL's activities.

Government of Canada funding supported AECL business requirements throughout the year. The funding helped AECL's Nuclear Laboratories to fulfil its Program objectives. The funding also helped AECL to address the Commercial Operations liabilities retained at date of sale during the 2011–2012 fiscal year.

Government of Canada funding in 2013–2014 contributed to:

- Operational requirements related to the Nuclear Laboratories site.
- The nuclear research and development program, Chalk River Laboratories infrastructure renewal and ongoing operations (base operations and Isotope Supply Reliability Program).
- The Nuclear Legacy Liabilities Program.
- Costs relating to Commercial Operations (Discontinued Operations) life extension projects for which AECL retains contractual responsibility.

Skilled Human Resources

AECL fosters a culture which embraces continuous learning and performance improvement for the organization and for each individual. It also strives for management excellence and a work environment that will attract, retain, develop and motivate employees to meet AECL commitments and contribute to improvement.

Building a best-of-class work environment which aspires to the vision of a global partner in nuclear innovation requires the harmonization of the demands of safety, execution and innovation. AECL improvement initiatives recognize the dual performance imperatives of a strong nuclear safety culture and delivering the AECL Value Proposition as a stand-alone federal science and technology organization.

Fostering positive relationships between management and unions is also a key success driver for delivery and improvement. AECL has a complex labour relations environment with 17 collective agreements covering 73 per cent of the AECL workforce. AECL conducts a range of formal dialogue forums with union and non-union representatives, encourages an open door approach to labour and employee relations, enables employee engagement in improvement initiatives, and a company-wide focus on keeping its unions informed.

Training, self-assessment, corrective actions and benchmarking are used to stimulate learning. Curriculums are developed for annual required training, facility-specific training, job-specific training, and individual development offerings. In addition to classroom training, e-learning courses are used strategically to deliver skills on demand to individuals and provide company-wide compliance training.

This fiscal year, AECL realized important achievements in key areas that help to maximize the potential of its workforce, including training oversight, a new performance leadership development program, and human resource planning for the entire AECL workforce.

OPERATING REVIEW

Nuclear Laboratories

Program Activities

- Program 1.1 – Nuclear Industry Capability
- Program 1.2 – Nuclear Safety & Security
- Program 1.3 – Clean, Safe Energy
- Program 1.4 – Health, Isotopes & Radiation
- Program 1.5 – Nuclear Environmental Stewardship
- Program 1.6 – Nuclear Innovation Networks
- Program 1.7 – Mission-Ready S&T Infrastructure
- Program 1.8 – Internal Services

2013–2014 Goals

AECL's President and CEO set the following direction:

- **Respect Nuclear Safety:** As owner and operator of Canada's most complex nuclear facilities, nuclear safety will be our overriding priority.
- **Live Within Our Means:** AECL will deliver on its commitments within reference levels established in the previous year's (2012–2013 to 2016–2017) Corporate Plan and will achieve the planned reductions that contribute to AECL's goal to abide by the spirit and intent of the Government's Deficit Reduction Action Plan.
- **Sustain Value:** AECL will maintain strategic capabilities (people and facilities), shareholder relationships and standards of operation related to HSSE so as to preserve the value of AECL as the company transitions through restructuring.
- **Be Ready for Transition:** AECL and its people will be prepared to undergo a smooth transition through restructuring, while continuing to focus on Government of Canada priorities.
- **Adjust Customer-Supplier Arrangements:** Over the five year planning period, AECL relationships with its government and third-party customers will adjust to reflect restructuring direction.

2013–2014 Priorities and Deliverables

1. Deliver AECL Commitments within the Program Alignment Architecture.
2. Advance the long-term viability of the Nuclear Laboratories by delivering the following Strategic Initiatives:
   A. **Improve Focus on Nuclear Safety** – Nuclear Safety is a collective responsibility. This strategic initiative has been introduced to give the appropriate corporate attention to the highest priority item identified in the CEO Direction from the AECL Corporate Plan, that is, respect nuclear safety as our overriding priority.
   B. **Enhance Productivity** – Enhance Productivity is a strategic initiative to execute sustainable productivity enhancements, institutionalized through the achievement of the corporate Value Proposition, and translated into real business results. Executing productivity enhancements will support improved achievement of our Value Proposition and align to management expectations.
   C. **Stimulate Business Innovation** – Stimulating business innovation is a priority in the Government of Canada's Economic Action Plan 2012. The AECL Corporate Plan 2013–2014 to 2017–2018 identifies enabling business innovation and technology transfer as one of three key elements of AECL's Value Proposition and seeks to grow third-party revenues and margins over its five year period.
   D. **Improve Multi-Year Management of Infrastructure Investments** – Create, maintain and strategically invest in a robust suite of CRL assets that are fit for service, fit for purpose and efficiently and effectively support current site missions and those anticipated at the point of restructuring and beyond. This strategic initiative will support the restructuring of AECL by focusing on aging infrastructure that poses the greatest HSSE, nuclear safety and operational risks, while maintaining AECL's capability for future business activities.
   E. **Progress Implementation of AECL Restructuring** – The objective of this strategic initiative is to provide support and advice to NRCan, AECL's shareholder, in its lead role to complete Phase 2 Restructuring of the Nuclear Laboratories. In doing so, the aim of this initiative is to ensure that AECL is appropriately positioned to realize a successful restructuring.
   F. **Strengthen the Management System Framework** – The intent of this initiative is to formalize and further institutionalize AECL's six management areas and associated enabling elements. This is envisioned to be a two-year project, with substantial completion by the end of 2013–2014.

($ millions)	Actual Results **2013–14**	2012–13
	$	$
REVENUE AND FUNDING		
Revenue	**130**	96
Parliamentary appropriations	**288**	292
Cost recoveries from third parties and other	**22**	32
Decommissioning and waste management funding	**171**	133
Total revenue and funding	**611**	553
Gross margin	**58**	36
Operating expenses	**310**	413
Financial expenses	**210**	144
Net income (loss) before Revaluation gain (loss) on decommissioning and waste management provision and other	**26**	(57)

Revenue

In 2013–2014, Nuclear Laboratories revenue increased to $130 million (2012–2013: $96 million). Revenue included isotope sales, commercial technology sales, nuclear waste management and research and development activities performed for COG. This improvement can be attributed primarily to a $21 million increase in isotope sales, as well as increases in work performed under contract for Candu Energy Inc. and COG.

In providing research and development support to COG, Nuclear Laboratories contributes to fulfilling its mandate to maintain the CANDU safety, licensing and design basis for Canadian utilities. Revenues from these activities increased to $35 million in 2013–2014 from $31 million in 2012–2013.

Parliamentary Appropriations

The Corporation recognized $288 million of Parliamentary appropriations in 2013–2014. This amount was consistent with the prior year where $292 million was recognized.

Cost Recoveries from Third Parties and Other

Nuclear Laboratories manages historic wastes through the Low-Level Radioactive Waste Management Office (LLRWMO) and Port Hope Area Initiative (PHAI) Management Office on a cost recovery basis for NRCan. The activities help to ensure sound environmental stewardship for Canada and represent the majority of AECL's cost recoveries. NRCan provided $21 million in funding in 2013–2014 to support both program offices' initiatives. Additionally, $1 million in cost recovery funding was received in 2013–2014 to support the Generation IV reactor research and development program.

Decommissioning and Waste Management Funding

Nuclear Laboratories received funding for the Nuclear Legacy Liabilities Program (NLLP), a Government of Canada-funded initiative to address radioactive waste and decommissioning liabilities associated with AECL sites.

Funding recognized during 2013–2014 was $171 million, compared to $133 million the previous year. The related expenditures reduced the decommissioning and waste management provision. This variance in funding from 2012–13 is reflective of the increased environmental remediation and decommissioning activities performed in 2013–2014, with the largest increase being $13 million for activities related to the repatriation of highly enriched uranium (HEU).

Gross Margin

Gross margin increased by $22 million in 2013–2014 to $58 million. This increase stems primarily from the increased isotopes revenue described above. Additionally, the margin derived from the sale of certain products was greater than those generated in the prior year as a result of new agreements with these customers.

Operating Expenses

Nuclear Laboratories reported operating expenses were $310 million in 2013–2014 compared to $413 million in 2012–2013. The reported variance is largely due to the inclusion of a greater portion of the site operating costs appropriately assigned to AECL's decommissioning liability as a result of the liability re-estimate undertaken in 2012–2013. Also contributing to the variance were one-time expenses incurred in 2012–2013, resulting from the elimination of the voluntary termination compensation in that year, costs related to contracted legal expertise to defend disputes adjudicated in 2012–2013 and provisions stemming from legal disputes.

Financial Expenses

Financial expenses primarily consist of the unwinding of the discount on the Decommissioning and waste management provision (accretion expense). The 2013–14 accretion expense of $210 million was $66 million greater than that in 2012–13 due to the higher Decommissioning and waste management provision reported following the re-estimate undertaken in the fourth quarter of 2012–2013.

Net Income (Loss) before Revaluation Gain (Loss) on Decommissioning and Waste Management Provision and Other

Nuclear Laboratories reported a net income before Revaluation gain (loss) on Decommissioning and waste management provision and other of $26 million in 2013–2014 compared to a $57 million net loss in 2012–2013. This decrease in net loss was the result of the increases in gross margins and decreases in operating expenses which were partially offset by the increase in financial expenses, as discussed above.

Revaluation Gain (Loss) on Decommissioning and Waste Management Provision and Other

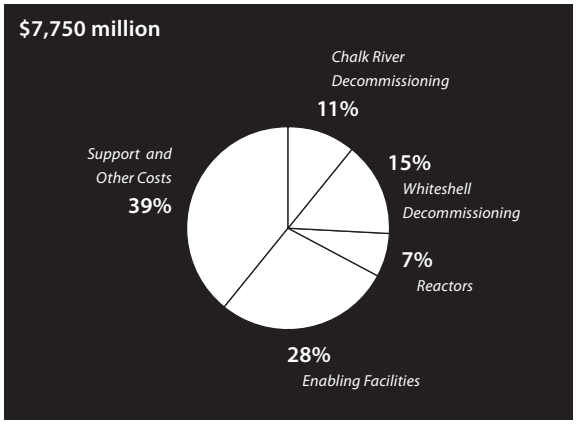
The reported gain on Revaluation of Decommissioning and waste management provision and other was $231 million in 2013–2014 compared to a loss of $2,282 million in the previous year. The gain in the current year includes the effect of a change in the discount rate from the previous period.

Under International Financial Reporting Standards (IFRS), the reported Decommissioning and waste management provision is re-valued on each reporting date on a discounted or net present value basis using the discount rate in effect at the end of the period. When the discount rate decreases, the liability increases. Conversely, when the discount rate increases, the liability decreases. In both cases, the change in liability impacts the company's reported net income or net loss, but is non-cash in nature and does not impact AECL's funding requirements of the reporting year.

The March 31, 2014 rate was 2.96%, an increase of 0.46% from the previous year resulting in an $830 million revaluation gain in the year.

The above noted gain was partially offset by a $565 million increase in the reported liability arising from a revision to a key assumption underlying the attribution of site operating and support costs included in the decommissioning liability estimate. Previously, it was assumed that there would be an operating reactor on the Chalk River site throughout the decommissioning plan period. As a result of restructuring related discussions with its Shareholder around the future of the NRU reactor and the possibility and timing of a replacement reactor, Management has decided to adopt a more relevant position and assume no replacement reactor as the reference assumption. This change in assumption results in the allocation of a greater portion of site operating costs at AECL's Chalk River Laboratories to AECL's decommissioning and waste management mission.

Decommissioning Liability 2013–2014



Outlook

AECL will continue to fulfil its customer and stakeholder commitments as outlined in its Corporate Plan.

2014–2015 Priorities and Deliverables

AECL's intention is to continue on its course of improvement and deliver on its Value Proposition as the corporation transitions through restructuring according to the following Board and Shareholder endorsed direction:

- **Respect Nuclear Safety:** As owner and operator of Canada's most complex nuclear installation, nuclear safety will be the overriding priority.
- **Deliver on Commitments:** Commitments to customers, regulators, and the Shareholder will be met or exceeded.
- **Be Ready for Transition:** AECL and its people will be ready for a smooth transition through restructuring, sustaining the value of the organization, and meeting Government of Canada priorities.

AECL has identified four areas for strategic improvement as priorities in the context of preparing the company to transition through restructuring successfully. AECL has already made progress in these areas and will continue to do so over the planning period:

- Pursue excellence in nuclear safety
- Deliver increased customer value and cost savings
- Grow revenues and margins through customer engagement and business innovation
- Deliver on our commitments to AECL restructuring

Guided by AECL's S&T Priorities, AECL will also continue to develop its capabilities through its ten COEs by strategically developing and maintaining its core science and technology expertise, ensuring the availability of mission-ready science and technology facilities, protecting and exploiting existing Intellectual Property (IP) to commercialize technologies, and developing third-party capabilities through collaborations and the AECL supply chain.

Commercial Operations (Discontinued Operations)

2013–2014 Goals

The goals set out for Commercial Operations through the Wrap-Up Office reflect those that will effectively discharge the retained liabilities associated with AECL's former commercial division, sold in the 2012 fiscal year.

- Effectively manage the subcontract agreement with Candu Energy Inc. for the completion of remaining life extension project liabilities.
- Discharge outstanding claims and litigation relating to Commercial Operations work pre-closing.
- Effectively manage the financial support for the reactor technology (EC6) development.

2013–2014 Priorities

- Complete life extension projects.
- Discharge outstanding claims and litigation relating to Commercial Operations work pre-closing.
- Complete the financial support for the EC6 development activities.

Financial Review

	Actual Results	
($ millions)	**2013–14**	2012–13
	$	$
Total revenue	**36**	97
Parliamentary appropriations	**34**	213
Gross margin	**4**	76
Operating expenses	**102**	41
Net (loss) income from discontinued operations	**(65)**	246

MD+A

Revenue

In 2013–2014, revenue from reactor life extension projects decreased to $36 million from $97 million in 2012–2013. AECL continued to earn revenue from certain life extension projects retained by AECL as at the date of the sale of the Commercial Operations business to Candu Energy Inc. Revenue recorded in 2013–2014 relates to recognition of contract revenue with customers resulting from the close out of the various life extension projects.

Parliamentary Appropriations

The Corporation recognized $34 million of Parliamentary appropriations in 2013–2014 compared to $213 million in 2012–2013. This variance is mostly related to costs incurred in the prior year to complete the life extension projects. Also contributing to the variance is a reduction in support provided to Candu Energy Inc. to support the completion of the EC6 development program.

Gross Margin

Gross margin of $4 million in 2013–2014 reflects the revenue recorded in the year, as described above, net of costs associated with the close out of the life extension projects.

Operating Expenses

Operating expenses increased to $102 million from $41 million in 2012–2013. Operating costs include the use of third-party service providers to support legal disputes, costs to support the completion of the Enhanced CANDU Reactor development program and costs to address the retained liabilities resulting from the sale of the Commercial Operations business in 2011–2012. The variances in the year-over-year results are mostly attributable to an increase in costs to address the retained liabilities as well an increase in the volume of work performed by these service providers.

Outlook

AECL's Wrap-Up Office will continue to effectively address the Commercial Operations (Discontinued Operations) liabilities to their completion and manage AECL's positive relationship with subcontractor Candu Energy Inc. and AECL's customers.

Government of Canada Support

Commercial Operations (Discontinued Operations) will continue to require Government of Canada funding in 2014–2015 to support the management of retained life extension project liabilities and to assert AECL's rights and to defend its position with respect to existing and potential claims for each of these projects.

2014–2015 Priorities and Deliverables

The Wrap-Up Office will focus on the following priorities and deliverables in 2014–2015:

- Manage the subcontracts with Candu Energy Inc. to complete obligations related to the existing life extension projects.
- Perform commercial and legal work required to assert AECL's rights and to defend its position with respect to claims and litigation relating to AECL's Commercial Operations (Discontinued Operations) activities.

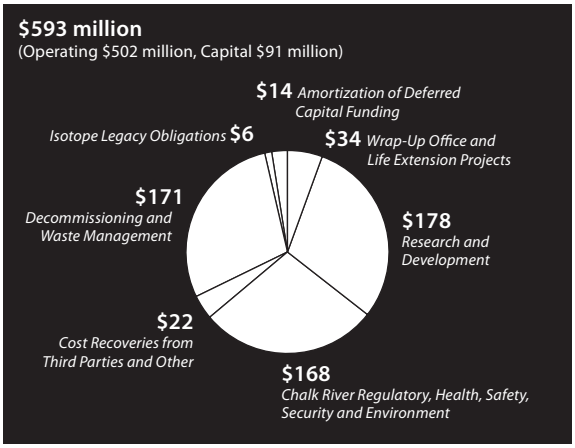
Funding

Total funding recognized in 2013–2014 for operating and capital activities was $593 million (2012–2013: $730 million). This decrease in funding was primarily due to reduced funding required by the Wrap-Up Office due the completion of life extension projects in the 2012–13 fiscal year, as previously discussed.

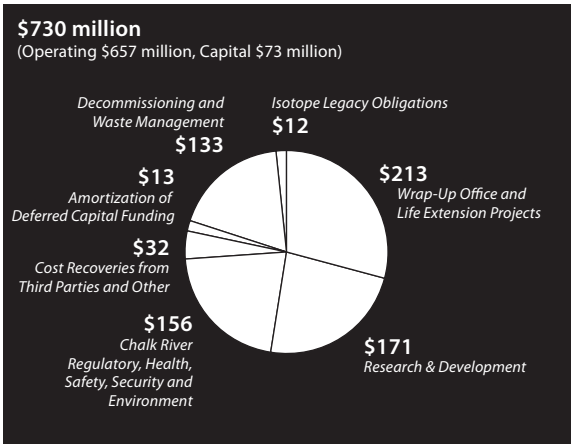
The 2013–2014 funding included:

- $34 million to support the Wrap-Up Office and Commercial Operations (Discontinued Operations) including life extension projects, EC6 development and operating and restructuring costs.
- $178 million for research and development and ongoing Chalk River site operations.
- $168 million to address regulatory, health, safety, security and environmental needs. The funding supported infrastructure renewal and the Isotope Supply Reliability Program initiatives at AECL's Chalk River site.
- $171 million for Decommissioning and waste management expenditures incurred to reduce the liability.
- Funding of $6 million for isotope legacy obligations (the discontinued Dedicated Isotope Facilities) to meet contractual obligations and defend contractual rights.
- Cost recoveries from third-parties and other funding totalled $22 million. Cost recoveries include support for activities under the LLRWMO and PHAI Management Office, reported under Nuclear Laboratories.
- Amortization of deferred capital funding of $14 million related to Government of Canada-funded infrastructure, mainly at Chalk River.

Funding 2013–2014



Funding 2012–2013



2013–2014 Results Compared to Corporate Plan

($ millions)	**2014 Actual**	2014 Corporate Plan
	$	$
REVENUE		
Nuclear Laboratories	**130**	91
Commercial Operations (Discontinued Operations)	**36**	—
GROSS MARGIN		
Nuclear Laboratories	**58**	41
Commercial Operations (Discontinued Operations)	**4**	—
PARLIAMENTARY APPROPRIATIONS AND FUNDING		
Nuclear Laboratories	**481**	490
Commercial Operations (Discontinued Operations)	**34**	67
NET INCOME (LOSS) BY BUSINESS ENTITY BEFORE REVALUATION GAIN (LOSS) ON DECOMMISSIONING AND WASTE MANAGEMENT PROVISION AND OTHER		
Nuclear Laboratories	**26**	(5)
Commercial Operations (Discontinued Operations)	**(65)**	29

Nuclear Laboratories reported a net income before Revaluation gain (loss) on decommissioning and waste management provision and other of $26 million compared to a planned net loss of $5 million. This variance is mostly related to increased revenue that generated greater than expected gross margins, and lower than planned operating expenses.

Commercial Operations (Discontinued Operations) reported a net loss of $65 million compared to a planned gain of $29 million. This variance is primarily the result of greater than planned costs to address the retained liabilities of this business prior to its sale in October, 2011. This negative variance was partially offset by a greater than planned gross margin recognized in the year resulting from the close out of the life extension projects.

MD+A

CONSOLIDATED CASH FLOW AND WORKING CAPITAL

Sources and Uses of Cash

	Actual Results	
($ millions)	**2013–14**	2012–13
	$	$
Cash from operating activities	**92**	46
Cash used in investing activities	**(78)**	(46)
CASH		
Increase	**14**	0
Balance at beginning of year	**35**	35
Balance at end of year	**49**	35

Overall, AECL's 2013–2014 year end closing cash position increased by $14 million to $49 million from the previous year's balance of $35 million.

Operating Activities

Operating activities resulted in a net cash inflow of $92 million compared to a net inflow of $46 million in 2012–2013. This variance is mainly due to decreased cash paid to suppliers and increased cash received from customers that are partially offset by decreased cash received from Parliamentary appropriations.

Investing Activities

Investing activities involved a net outlay of $78 million in 2013–2014 compared to $46 million in the prior year. This increase in spending results from spending to renew capital infrastructure at the Chalk River Laboratories. The outflows in 2012–2013 are net of cash receipts of $3 million relating to the sale of non-current assets and $6 million relating to the sale of AECL's Commercial Operations.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, AECL enters into the following off-balance sheet arrangements:

Bank Guarantees and Standby Letters of Credit

These instruments are used in connection with performance guarantees on major contracts. The guarantees generally relate to project and product performance and advance payments. In addition, AECL guarantees that certain projects will be completed within a specified time, and if the Corporation does not fulfil its obligations, it will assume responsibility for liquidated damages. The aggregate amount of AECL's potential exposure as at March 2014 was $98 million (2012–2013: $98 million) relates to liquidated damages ($60 million) and guarantees ($38 million) . Management has assessed the impact of liquidated damages penalties on the active life extension projects and incorporated it in the calculation of liabilities in the financial statements.

Indemnification Arrangements

These arrangements are part of the standard contractual terms to counterparties in transactions such as service agreements, sale and purchase contracts. These indemnification agreements may require AECL to compensate the counterparties for costs incurred as a result of certain events. The nature of these indemnification agreements prevents AECL from making a reasonable estimate of the likely maximum amount to be paid out by the Corporation.

MANAGEMENT OF RISKS AND UNCERTAINTIES

AECL recognizes risk management as an integral part of sound strategic planning and corporate governance. Drivers that have the potential to create risks to AECL's progress have been identified and mitigating actions have been put in place.

Changes to Federal and Provincial Priorities

The external political and policy environments in Canada significantly impact AECL. The corporation is directly affected by federal and provincial policies and decision-making in the areas of nuclear energy and science and technology. Some risks to AECL are as follows:

- The Government of Ontario has announced a long-term energy plan that will see the refurbishment of its existing nuclear fleet, while deferring potential new-build beyond the time horizon of the plan. AECL will take steps to support an innovative domestic nuclear supply chain for this refurbishment investment, while attempting to access other international nuclear markets.
- Saskatchewan has shown increased interest in growing provincial capability across the spectrum of small modular reactor (SMR) technology, with the possible deployment of nuclear power generation. If the province announces a decision to pursue an SMR project, it would be creating a one-off capability that will require new strategies to support new nuclear technology, safety, regulation and waste management.

  AECL will bring its extensive and varied nuclear technology management, reactor safety, regulatory support, nuclear waste management expertise and advice to the Government of Saskatchewan, and enable consistency, for example, with the federal framework for nuclear waste management policy.

Changes to Regulator and Social Licences

Events such as the earthquake and tsunami that affected the Fukushima Daiichi nuclear plant and the decision to repatriate HEU have an effect on AECL's formal licensing regime under the CNSC as well as the social licence environment with the Canadian public, respectively. The events at Fukushima in March 2011 highlighted the need for all nuclear facilities to assess their capability to

withstand and respond to credible external events, such as earthquakes, and, where necessary, to make improvements to their facilities and emergency response capabilities.

AECL has conducted external event assessments, and has started to implement projects to address Beyond Design Basis Events for the NRU reactor and the Chalk River site. AECL has also begun to strengthen the documentation for severe accident management and to improve emergency response capabilities for such events.

AECL has a program underway to repatriate HEU to the U.S. by 2018.

Retained Liability Claims

As a result of past third-party relationships, AECL faces potential liability claims that could present a significant financial risk to the organization.

AECL is working to ensure that it is prepared to represent the continued interest of the organization in the face of these claims.

Uncertainty in the Isotope Business

As AECL approaches the planned end of molybdenum-99 (Mo-99) production in 2016, volumes and pricing within the Mo-99 market are becoming increasingly difficult to forecast. Key aspects of this risk driver include: increasing volume of Mo-99 supply from other international producers such as Australia, South Africa and Russia; possible changes in demand from AECL's client due to broader supply chain impacts; and, linked to the above, the impact on demand due to incentives offered by the U.S. to move away from HEU-based products. These incentives came into effect in January 2013. The end of the Mo-99 mission also presents risks with retention of highly qualified staff, addressed under the People Management risk category below.

AECL is mandated to provide Mo-99 production capability through 2016. To mitigate risks, AECL will continue to optimize internal processes to deliver Mo-99 at lower volumes, and build resilience to fluctuations in revenues by improving efficiencies and increasing workforce flexibility. Additionally, AECL will focus on opportunities for new business growth. With the resolution of the litigation with Nordion, AECL has greater ability to seek new isotope customers.

Restructuring Implementation Challenges

There are a number of steps related to the restructuring that relate to AECL's re-organization, for example, the establishment of a subsidiary, the Site Operating Company, which will become the operator of the Nuclear Laboratories. Any delays in implementing this re-organization could have impacts on the overall restructuring schedule. AECL is working closely with NRCan to enable a smooth transition and ensure that the necessary steps are taken to contribute to the overall restructuring schedule and implementation.

Revenue and Margin Sustainment and Growth

While AECL's projections for revenues and margins are stable in the first two years of the Corporate Plan, through stretch financial revenue targets AECL will continue to seek opportunities for further growth. The end of a heavy water leasing arrangement will occur in the coming five years, which presents an additional risk to the sustainment and growth of margins as the heavy water business is a significant source of margins currently.

AECL has two Strategic Initiatives in the current Corporate Plan that specifically address this risk that deliver increased customer value and cost savings, and grow revenues and margins through customer engagement and business innovation. The establishment of a Business Development Framework (BDF) is a key activity to mitigate this risk area.

People Management

Employee attraction, retention and engagement, along with the reshaping of AECL's workforce through attrition and redeployment, are key people-management challenges expected during Phase 2 of AECL Restructuring. These risks fall within, and are amplified by, the larger set of situational risks and other workforce change-management challenges, including meeting AECL's goal to abide by the spirit and intent of the Deficit Reduction Action Plan in its 2012–2013 to 2016–2017 Corporate Plan, the end of Mo-99 isotope production in 2016, and pending decisions on the future operation of NRU.

Workforce planning and talent-management strategies are targeted to ensure that AECL is sufficiently positioned to deal with these people management risks. Plans to mitigate these risks include the identification of critical positions, key employee retention, succession and knowledge management.

Changes in Waste and Decommissioning Liabilities Management

AECL is the agent of the Government of Canada for the disposition of legacy and historic radiological wastes. Multi-year plans have been developed, and are now being implemented to address and ultimately provide permanent disposition of these wastes.

Radioactive wastes are a focus of concern for many Canadians. Canada has a robust regulatory framework under which the waste programs are approved and overseen. However, this regulatory framework also considers the concerns of citizens; by consequence, there is risk that AECL may not obtain regulatory approval of plans, resulting in added costs and schedule delays.

AECL is taking proactive measures to engage and consult with local communities regarding waste programs and to support regulatory review.

Health, Safety, Security and Environment – Known and Emergent Risks

All programs at AECL are executed with due regard for HSSE and with nuclear safety as the overriding priority. HSSE-related issues are wide-ranging and include nuclear and industrial safety, environmental protection, infrastructure management, regulatory compliance, training and leadership, human performance and cyber security.

Active tracking of HSSE indicators provides a measurement of how well systemic risks are being mitigated. To monitor these indicators effectively and efficiently, AECL has an integrated and robust oversight framework. This framework will ensure that AECL proactively plans, tracks and reports all HSSE-related activities, and makes adjustments as needed by new and emergent risks. All HSSE-related activities will be integrated through projects within all programs and monitored to ensure AECL is meeting all regulatory and legal requirements. Any adjustments or changes to these activities will be prioritized and implemented as necessary.

ACCOUNTING POLICY CHANGES

Standards and Interpretations Issued to be Adopted at a Later Date

Certain standards and amendments to the existing standards have been issued by the International Accounting Standards Board and have been assessed as having a possible effect on the Corporation in the future.

The Corporation is currently evaluating the impact of adopting these standards and amendments on its financial statements and intends to adopt these standards when they become effective, as described in Note 4(t) of the Consolidated Financial Statements.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The Corporation's consolidated financial statements include estimates, assumptions and judgments made by management that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Asset Impairment

AECL reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Estimated undiscounted future cash flows reflect management's best estimates and changes in those estimates could materially affect the carrying amount of the long-lived assets. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

Heavy Water Inventory

Heavy water inventory is recorded as a long-term asset as the lead-time required in relation to future reactor sales exceeds one year.

Parliamentary Appropriations

Parliamentary appropriations that are not in the nature of contributed capital are recorded as funding in the year for which they are appropriated, except as follows:

- Appropriations restricted by legislation and related to expenses of future periods are deferred and recognized as funding in the period in which the related expenses are incurred.
- Appropriations used for operating activities are recognized as funding in the income statement as costs are incurred.
- Appropriations used for the purchase of property, plant and equipment are deferred and amortized on the same basis as the related asset. The balance of deferred capital funding, as at March 2014, amounted to $303 million compared to $239 million in the previous year.

Commencing in 1996–1997, and pursuant to a 10-year arrangement with the Treasury Board for funding decommissioning activities, AECL retains the net proceeds from the sale or lease of Government of Canada-funded heavy water inventory. This funding arrangement, however, expired on April 1, 2006, and an amount equivalent to the proceeds has been recorded as a provision on AECL's balance sheet.

Decommissioning and Waste Management

Decommissioning and waste costs are recorded as a long-term liability. The liability is recorded based on the discounted value of the estimated future decommissioning and waste management expenditures to the extent that they can be reasonably estimated. The discounting of the expected future cash flows is at a rate that reflects current market assessments of the time value of money. The provision is reviewed quarterly to reflect actual expenditures incurred and changes in management's estimate of the future costs and timing thereof.

In the current fiscal year, AECL reviewed a key assumption underlying the decommissioning and waste management liability cost estimate. As described previously, Management has decided to assume no replacement reactor for the NRU as the reference assumption, as described in Note 14 of the Consolidated Financial Statements.

MANAGEMENT'S RESPONSIBILITY

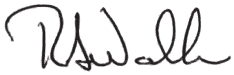
The consolidated financial statements, all other information presented in this Annual Report and the financial reporting process are the responsibility of management. These statements have been prepared in accordance with International Financial Reporting Standards and include estimates based on the experience and judgment of management. Where alternate accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

The Corporation and its subsidiaries maintain books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively.

These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with Part X of the *Financial Administration Act* (FAA) and its regulations, as well as the *Canada Business Corporations Act*, the articles, and the by-laws and policies of the Corporation and its subsidiaries. The Corporation has met all reporting requirements established by the FAA, including submission of a Corporate Plan, an operating budget, a capital budget and this Annual Report. The Corporation's internal auditor has the responsibility of assessing the management systems and practices of the Corporation and its subsidiaries. AECL's independent auditor conducts an audit of the consolidated financial statements of the Corporation and report on their audit to the Minister of Natural Resources.

The Board of Directors is responsible for ensuring that management fulfils its responsibility. To accomplish this, the Board has two standing committees: Audit and Human Resources & Governance. The Audit Committee, composed of independent directors, has a mandate for overseeing the independent auditor, directing the internal audit function and assessing the adequacy of AECL's business systems, practices and financial reporting. The Audit Committee meets with management, the internal auditor and independent auditor on a regular basis to discuss significant issues and findings, in accordance with their mandate.

The independent auditor and internal auditor have unrestricted access to the Audit Committee, with or without management's presence. The Audit Committee reviews the consolidated financial statements and the Management's Discussion and Analysis report with both management and the independent auditor before they are approved by the Board of Directors and submitted to the Minister of Natural Resources. The Chair of the Audit Committee signs the audited financial statements.



Robert Walker
President and Chief Executive Officer

June 27, 2014

Steven Halpenny
Chief Financial Officer

June 27, 2014

INDEPENDENT AUDITOR'S REPORT

Auditor General of Canada
Vérificateur général du Canada

To the Minister of Natural Resources

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Atomic Energy of Canada Limited, which comprise the consolidated balance sheet as at 31 March 2014, and the consolidated statement of comprehensive income (loss), consolidated statement of changes in shareholder's deficit and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atomic Energy of Canada Limited as at 31 March 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Atomic Energy of Canada Limited and its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of Atomic Energy of Canada Limited and its wholly-owned subsidiaries.

Clyde M. MacLellan, FCPA, FCA
Assistant Auditor General
for the Auditor General of Canada

27 June 2014
Ottawa, Canada

CONSOLIDATED BALANCE SHEETS

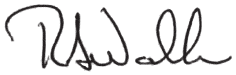
As at March 31

(thousands of Canadian dollars)	Notes	**2014**	2013
		$	$
ASSETS			
Current			
Cash		**49,179**	35,461
Trade and other receivables	5,26	**188,713**	330,143
Current portion of long-term receivables	7	**23,886**	22,566
Inventory	6	**25,835**	26,150
		287,613	414,320
Long-term receivables	7	**80,913**	105,031
Investments held in trust	8	**44,116**	42,477
Heavy water inventory	6	**304,910**	290,107
Property, plant and equipment	9,26	**335,789**	286,371
Intangible assets	10	**8,892**	1,511
		1,062,233	1,139,817
LIABILITIES			
Current			
Trade and other payables	11,26	**108,010**	141,281
Customer advances and obligations	12,26	**13,690**	167,774
Provisions	13,26	**151,873**	74,409
Current portion of decommissioning and waste management provision	14	**214,500**	205,000
Restructuring provision	26	**3,472**	3,873
		491,545	592,337
Decommissioning and waste management provision	14	**7,535,142**	7,765,040
Deferred capital funding	15	**302,997**	238,860
Deferred decommissioning and waste management funding	18	**196,009**	171,508
Employee benefits	16	**29,058**	27,975
		8,554,751	8,795,720
SHAREHOLDER'S DEFICIT			
Share capital	25	**15,000**	15,000
Contributed capital	18	**235,628**	264,071
Deficit		**(7,743,146)**	(7,934,974)
		(7,492,518)	(7,655,903)
		1,062,233	1,139,817

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board:

Gregory Josey, Director



Robert Walker, Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

(thousands of Canadian dollars)	Notes	**2014**	2013 restated (Note 27)
		$	$
NUCLEAR LABORATORIES			
Revenue	19	**129,977**	96,047
Cost of sales		**72,460**	60,515
Gross margin		**57,517**	35,532
Funding	20	**193,742**	164,845
Operating expenses		**310,034**	413,463
Operating loss		**(58,775)**	(213,086)
Financial income	22	**7,187**	8,436
Financial expenses	22	**209,987**	144,273
Net loss before Parliamentary appropriations and Revaluation gain (loss) on decommissioning and waste management provision and other		**(261,575)**	(348,923)
Parliamentary appropriations	20	**287,624**	292,397
Net income (loss) before Revaluation gain (loss) on decommissioning and waste management provision and other		**26,049**	(56,526)
Revaluation gain (loss) on decommissioning and waste management provision and other	14	**230,626**	(2,282,376)
Net income (loss) from continuing operations before discontinued operations		**256,675**	(2,338,902)
DISCONTINUED OPERATIONS (NOTE 26)			
Impairment of non-current assets	9	**—**	(4,702)
Operating (loss) income from discontinued operations	26	**(98,590)**	35,132
Gain on sale of non-current assets	26	**—**	2,472
(Loss) income from discontinued operations before Parliamentary appropriations		**(98,590)**	32,902
Parliamentary appropriations from discontinued operations	20	**33,700**	212,902
Net (loss) income from discontinued operations		**(64,890)**	245,804
Net income (loss)		**191,785**	(2,093,098)
OTHER COMPREHENSIVE INCOME (LOSS) ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS:			
Other employee benefit plan actuarial gain (loss)		**43**	(981)
Other comprehensive income (loss)		**43**	(981)
Total comprehensive income (loss)		**191,828**	(2,094,079)

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT

For the year ended March 31

(thousands of Canadian dollars)	Notes	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
		$	$	$	$
Balance at March 31, 2012		**15,000**	**291,867**	**(5,840,895)**	**(5,534,028)**
Net loss attributable to Shareholder for the year		—	—	(2,093,098)	(2,093,098)
Other comprehensive loss		—	—	(981)	(981)
Total comprehensive loss		—	—	(2,094,079)	(2,094,079)
Transfer to deferred decommissioning and waste management funding	18	—	(24,501)	—	(24,501)
Transfer to repayable contributions	18	—	(3,295)	—	(3,295)
Balance at March 31, 2013		**15,000**	**264,071**	**(7,934,974)**	**(7,655,903)**
Net income attributable to Shareholder for the year		—	—	191,785	191,785
Other comprehensive income		—	—	43	43
Total comprehensive income		—	—	191,828	191,828
Transfer to deferred decommissioning and waste management funding	18	—	(24,501)	—	(24,501)
Transfer to repayable contributions	18	—	(3,942)	—	(3,942)
Balance at March 31, 2014		**15,000**	**235,628**	**(7,743,146)**	**(7,492,518)**

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended March 31

(thousands of Canadian dollars)	**2014**	2013
	$	$
OPERATING ACTIVITIES		
Cash receipts from customers	**198,819**	104,455
Cash receipts from Parliamentary appropriations	**385,463**	551,845
Cash receipts for decommissioning and waste management activities	**177,432**	134,436
Cash paid to suppliers and employees	**(498,734)**	(605,246)
Cash paid for decommissioning activities	**(171,466)**	(132,610)
Payment of proceeds on disposal of discontinued operations to Shareholder	**—**	(7,734)
Interest received on investments (net)	**463**	603
Interest and bank charges paid	**(39)**	(43)
Cash from operating activities	**91,938**	45,706
Thereof from discontinued operations	**1,619**	(3,446)
INVESTING ACTIVITIES		
Proceeds on disposal of discontinued operations	**—**	6,134
Proceeds on sale of non-current assets	**—**	3,250
Acquisition of property, plant and equipment and intangible assets	**(78,220)**	(55,068)
Cash used in investing activities	**(78,220)**	(45,684)
Thereof from discontinued operations	**—**	9,384
CASH		
Increase	**13,718**	22
Balance at beginning of the year	**35,461**	35,439
Balance at end of the year	**49,179**	35,461

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2014

1. THE CORPORATION

Atomic Energy of Canada Limited (AECL or the Corporation) was incorporated in 1952 under the provisions of the *Canada Corporations Act* (and continued in 1977 under the provisions of the *Canada Business Corporations Act*), pursuant to the authority and powers of the Minister of Natural Resources under the *Nuclear Energy Act*.

The Corporation is a Schedule III Part I Crown corporation under the *Financial Administration Act* and an agent of Her Majesty in Right of Canada. As a result, AECL's liabilities are ultimately liabilities of Her Majesty in Right of Canada. The Corporation receives funding from the Government of Canada and is exempt from income taxes in Canada.

AECL conducts its business through the Nuclear Laboratories and the Wrap-Up Office, which manages the retained liabilities associated with AECL's Commercial Operations (Discontinued Operations) sold on October 2, 2011. These organizations aid in resource allocation decisions and assess operational and financial performance. Nuclear Laboratories includes the management of the Decommissioning and Waste Management liability on behalf of the Government of Canada. AECL is domiciled in Canada and its address is Chalk River Laboratories, Chalk River, Ontario, K0J 1J0.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 27, 2014.

2. RESTRUCTURING AND CORPORATE PLAN

The Government of Canada completed the first phase of its restructuring plan for AECL in 2011–2012 with the sale of the Corporation's Commercial Operations business to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin. The restructuring of AECL has resulted in the presentation of its Commercial Operations as discontinued operations (Note 26).

In February 2012, the Government of Canada formally launched the second phase of its AECL restructuring plan in relation to the Nuclear Laboratories. The Government of Canada's restructuring initiative is focusing on the long-term mandate, governance and management structure of the Nuclear Laboratories. Natural Resources Canada is leading the restructuring on behalf of the Minister of Natural Resources.

In February 2013, the Government of Canada announced its intention to contract with the private sector for the management of AECL based on a Government owned, Contractor operated model, known as a GoCo. Under this model, AECL's activities will be focused on managing its radioactive waste and decommissioning responsibilities, performing science and technology activities to meet federal core obligations and supporting Canada's nuclear industry on a commercial basis.

In March 2014, Public Works and Government Services Canada issued a Request for Response Evaluation (RFRE). The RFRE begins with a qualification stage for potential bidders. It requires interested parties to demonstrate their financial, technical and security qualifications relative to a set of pre-established criteria that set the minimum requirements. The qualification process will ensure that the contractor ultimately selected will have the necessary depth, skills, experience and understanding to be successful in meeting the objectives of the restructuring process. Those parties that meet the criteria will be considered as qualified and have the right to participate in dialogue with the federal government on the draft scope and terms and conditions for the future Request for Proposal (RFP) stage.

The Corporation submitted its 2014–2015 to 2018–2019 Corporate Plan to the Government of Canada prior to fiscal year-end. On May 29, 2014, subsequent to year-end, Governor in Council approval was obtained for the 2014–2015 period. The Corporate Plan is aligned with the restructuring direction provided by the Shareholder and these consolidated financial statements have been prepared without making any assumptions as to the final outcomes of the second phase of the restructuring. As such, they do not contemplate any changes to AECL's existing activities.

3. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board using accounting policies described herein.

b) Basis of Measurement

The Corporation's consolidated financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments, which are measured at fair value, and Employee benefits and the Decommissioning and waste management provision, which are measured based on the discounted value of expected future cashflows.

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except where otherwise indicated.

c) Critical Accounting Estimates, Assumptions and Judgments

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies.

The Corporation's consolidated financial statements include estimates, assumptions and judgments made by management that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

The following are significant management judgments in applying the accounting policies of the Corporation that have the most significant effect on the consolidated financial statements.

i. Impairment of Property, Plant and Equipment and Intangible Assets

A cash-generating unit (CGU) is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from the Corporation's other assets or group of assets. For the purposes of testing impairment of long-lived assets, Management has determined that there is one CGU for Nuclear Laboratories (Notes 4(h), 9 and 10).

ii. Research and Development

Management monitors the progress of internal research and development projects in order to determine if the projects are in the research or development phases. In addition to detailed analysis of these costs, management judgment is required in order to determine if and when the requirements for capitalization of development costs are met.

Assumptions and estimation uncertainties that have the most significant effect on the amounts reported in the consolidated financial statements are discussed below.

iii. Decommissioning and Waste Management Provision

The Decommissioning and waste management provision is recorded based on the discounted value of the estimated future decommissioning and waste management expenditures to the extent that they can be reasonably estimated. Estimated future decommissioning and waste management costs require that assumptions be made about the regulatory environment, health and safety considerations, the desired end state, technology to be employed and activities that extend well into the future.

Significant assumptions determine the valuation, such as timing of major decommissioning and remediation project expenditures, regulatory requirements, volumes of waste, interest rate, inflation factors, the impact of technological advances and the health, safety, security and environmental protection objectives that are in accordance with Canadian Nuclear Safety Commission (CNSC) regulations.

Changes to these assumptions, as well as changes to the timing of the expenditures or the technology employed, or changes in the standards and regulations governing the decommissioning of nuclear facilities could result in material changes to the Decommissioning and waste management provision (Note 14). Also, changes to the discount rate used to estimate the liability can have a material impact on the reported financial results.

iv. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment, and intangible assets are reviewed for impairment and estimated useful life whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If indicators show that the carrying amount of an asset is less than its recoverable amount, then a formal estimation of the asset's recoverable amount is performed. For intangible assets with an indefinite useful life, this assessment is performed at each reporting date.

An asset's recoverable amount is based on an estimate of the higher of fair value less costs to sell and value-in-use, which, in turn, is determined using discounted future cash flows. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is estimated for the CGU to which the asset belongs. The accounting estimate related to asset impairment is susceptible to change from period to period because it requires management to make assumptions about future events and the impact of recognizing an impairment could have a material impact on the Corporation's consolidated financial statements (Notes 4(h), 9, 10).

v. Heavy Water Inventory

Heavy water inventory is recorded at the lower of weighted average cost and net realizable value. Net realizable value includes the estimated cost of detritiation and upgrading of inventory and is based on Management's best estimate of future events and, accordingly, actual net realizable value could differ from these estimates (Note 6).

vi. Employee Benefits

The cost of non-pension employee benefits earned by employees is determined using the Projected Unit Credit method prorated on length of service and Management's best estimate of salary escalation, retirement ages of employees and expected employee departure date. The Corporation takes advice from independent actuaries regarding the appropriateness of the assumptions. Changes in the assumptions used may have a significant impact on the Corporation's consolidated financial statements (Note 16).

vii. Provisions and Contingencies

The Corporation is exposed to contingent losses in the ordinary course of business. Prediction of the outcome of contingencies, determination of whether accrual or disclosure in the consolidated financial statements is required and estimation of potential financial effects are matters for judgment. In determining a reliable estimate of an obligation, Management makes assumptions about the amount and likelihood of outflows, timing of outflows and discount rates.

Factors affecting these assumptions include the nature of the provision, the existence of a claim amount, the opinion or views of legal counsel and other advisers, and any decision of Management as to how AECL intends to handle the obligation. The actual amount and timing of outflows may deviate from the assumptions, and the difference might materially affect future consolidated financial statements, with an adverse impact upon the consolidated results of operation, financial position and liquidity (Notes 13, 17(c) and (d)).

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. In the 2013–2014 fiscal year, the corporation changed certain accounting policies and reclassified certain prior year amounts which had an impact on the comparative financial figures presented in these consolidated financial statements. These changes are described in Note 27.

a) Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Corporation. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies of the Corporation.

These consolidated financial statements include the accounts of the Corporation's wholly-owned subsidiaries, AECL Technologies Inc., incorporated in the state of Delaware, U.S.A. in 1988, AECL Technologies B.V., incorporated in the Netherlands in 1995, and its interest in AECL's Nuclear Fuel Waste Act Trust Fund ("Trust Fund'), a structured entity (Note 4(d)). All inter-company transactions have been eliminated upon consolidation.

ii. Structured Entity

A structured entity (SE) is created to accomplish a narrow and well-defined objective, often with legal arrangements that impose strict limits on the decision-making powers of the SE's managers. The sponsor of an SE controls the SE when it is exposed, or has rights, to variable returns from its involvement with the SE and has the ability to affect those returns through its power over the SE, even though it may own little or none of the SE's equity.

The Corporation has examined its business arrangements and has concluded that there is no significant interest in SEs with the exception of the Trust Fund, which has been consolidated.

b) Foreign Currency Translation

Transactions denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities, not denominated in the functional currency of the Corporation, outstanding at the balance sheet date are adjusted to reflect the exchange rate in effect at that date. Exchange gains and losses arising from the translation of foreign currencies are included in the Consolidated Statements of Comprehensive Income (Loss).

c) Financial Instruments

Recognition and Measurement

The following table presents the classification of AECL's financial instruments into various categories:

Category	Financial Instruments
Financial assets and financial liabilities at fair value through profit or loss	• Investments held in trust
Loans and receivables	• Cash • Trade and other receivables • Long-term receivables
Held-to-maturity	• None
Available-for-sale financial assets	• None
Other financial liabilities	• Trade and other payables • Customer advances and obligations

Financial instruments are recognized initially at fair value. Financial instruments classified as loans and receivables are subsequently measured at amortized cost using the effective interest method.

Financial assets and financial liabilities at fair value through profit or loss are initially and subsequently recorded at fair value at the Balance Sheet date based on similar instruments with quoted market prices. Gains and losses arising from changes in fair value are recognized as Financial income or Financial expenses in Comprehensive Income (Loss) for the period in which they occur. Transaction costs for financial assets and financial liabilities at fair value through profit or loss are expensed as incurred. The investments held in trust are designated as assets at fair value through profit or loss, as the Fund Manager is permitted to trade within the approved investment guidelines to generate adequate returns.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and do not qualify as trading assets.

Other financial liabilities are initially recognized at fair value and are subsequently carried at amortized cost using the effective interest method.

Impairment

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence of impairment can include default or delinquency by a debtor, indications that a debtor will enter bankruptcy, etc. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and the loss event has had a negative effect on estimated future cash flows of the asset which are reliably measurable.

The Corporation assesses all individually significant receivables for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. An impairment loss is recognized immediately in the Consolidated Statements of Comprehensive Income (Loss) when there is objective evidence of impairment. With a recovery in value, impairment losses on financial assets are reversed through the Consolidated Statements of Comprehensive Income (Loss).

d) Investments Held in Trust – Trust Fund

The Trust Fund is an SE established pursuant to the *Nuclear Fuel Waste Act* to finance the implementation of an approach for the long-term management of nuclear fuel waste. While the Corporation does not have any direct or indirect shareholdings in this entity, AECL Management has determined that the Corporation, in substance, controls the Trust Fund as:

- The Corporation has the power to direct the investing activities of the Trust Fund.
- The Corporation recognizes the change in fair value of the Trust Fund in its Consolidated Statement of Comprehensive Income (Loss) and thus is exposed to variable returns from its involvement with the Trust Fund.
- The Corporation has the power to develop and maintain the investment policy and is responsible to set the risk of the investments as well as the minimum and maximum ranges of asset mix, which affects the Corporation's returns on the Trust Fund.

Long-term investments held in trust are measured at fair value. Interest earned is included in Financial income in the Consolidated Statements of Comprehensive Income (Loss).

e) Inventory

Heavy water, spare parts and store supplies and reactor fuel are measured at the lower of weighted average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Where cost exceeds net realizable value, a write-down is recorded. When the circumstances that previously caused inventory to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed circumstances, the amount of the original write-down is reversed. Reactor fuel inventory costs include an allocation of overhead.

f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Costs comprise expenditures that are directly attributable to the acquisition of the asset, including costs incurred to bring the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Major parts of property, plant and equipment that have different useful lives are accounted for as separate items or components of property, plant and equipment.

The cost of major overhauls, inspections and replacement parts of an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within these costs will flow to the Corporation, and the cost can be measured reliably. Upon the replacement of parts of existing property, plant and equipment, the carrying amount of the replaced part is derecognized. Decommissioning and waste management costs are included as part of the related assets. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Consolidated Statements of Comprehensive Income (Loss) as incurred.

Construction in progress is not depreciated until the constructed asset is ready for use. When complete, the constructed asset is transferred to the appropriate category of property, plant and equipment and depreciated at the rate applicable to that category.

Depreciation is calculated over the depreciable amount of an item of property, plant and equipment, which is the item's cost, less its residual value. Depreciation is provided on a straight-line basis over the estimated useful life of the asset, and on a usage basis for certain machinery and equipment used in commercial projects, as follows:

Land improvements	10 to 20 years
Buildings and reactors	20 to 40 years
Machinery and equipment	3 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g) Intangible Assets and Research and Development Activities

Expenditures on research activities are expensed as incurred.

Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation has or intends to have sufficient resources to complete development and to use or sell the asset.

The expenditures capitalized include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development costs incurred to discharge long-term waste management and decommissioning obligations for which specific provisions have already been made are charged against the related provision.

Other intangible assets that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated over the cost of the asset, less its residual value. Amortization is provided on a straight-line basis over the estimated useful life of the asset, from the date it is available for use, as follows:

Software costs	3 years

h) Impairment of Property, Plant and Equipment and Intangible Assets

The carrying values of non-financial assets with finite lives, such as property, plant and equipment and intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable. For intangible assets with indefinite lives and intangibles not yet available for use, a calculation of recoverable amount is performed at each reporting date and whenever events or changes in circumstances indicate that the carrying amounts may not be fully recoverable.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Trade and Other Receivables, Customer Advances and Obligations

Certain construction contracts may have revenue recognized in excess of billings (unbilled revenues) and other construction contracts may have billings in excess of revenue recognized (customer advances and obligations). Unbilled revenues are recorded as an asset and included in Trade and other receivables. Billings collected in excess of revenue recognized on contracts and advances for which the related work has not started are recognized as Customer advances in accordance with the Corporation's revenue recognition policy.

j) Decommissioning and Waste Management Provision

AECL provides for its obligation to decommission nuclear facilities and to manage nuclear waste in order to satisfy regulatory requirements. The best estimate of the obligation is recognized in the period in which a reliable estimate can be determined and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision takes into account current technological, environmental and regulatory requirements and is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the provision. The estimated future cash forecasts are adjusted for inflation using a rate that is derived on the basis of Consensus forecasts and Bank of Canada historical and target inflation rates.

As the provision is recorded based on a discounted value of the projected future cash flows, it is increased quarterly to reflect the passage of time by removing one quarter's discount. The unwinding of the discount is charged to Financial expenses in the Consolidated Statements of Comprehensive Income (Loss).

The provision is reduced by actual expenditures incurred. The cost estimate is subject to periodic review and any material changes in the estimated amount or timing of the underlying future cash flows are recorded as an adjustment to the provision. Upon settlement of the liability, a gain or loss will be recorded. The provision includes future construction costs associated with certain enabling facilities, such as disposal facilities for nuclear waste.

Decommissioning costs of new assets are added to the carrying amount and depreciated over the related assets' useful lives. The effect of subsequent changes in estimating an obligation for which the provision was recognized as part of the cost of the asset is adjusted against the asset.

k) Provisions and Contingent Liabilities

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a financial expense.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the consideration required to settle the obligation.

In those cases in which the possible outflow of economic resources as a result of present obligations is considered improbable or the amount of the obligation cannot be measured reliably, no liability is recognized.

l) Pension Plan

Substantially all of the employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost.

Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

m) Employee Benefits

The Corporation provides employee benefits such as voluntary termination compensation benefits and other benefits, including continuation of benefits coverage for employees on long-term disability, post-retirement life insurance, health and dental benefits during long-term disability and self-insured workers' compensation.

The Corporation reimburses Human Resources and Social Development Canada for workers' compensation claims in accordance with the *Government Employees Compensation Act* for current payments billed by the provincial compensation boards.

i. Non-Pension Post-Employment Benefit Plans

The Corporation's net obligation with respect to its non-pension post-employment defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit Method prorated on service and Management's best estimate of salary escalation, retirement ages of employees, mortality and expected employee turnover.

The discount rate is based on the methodology recommended by the Canadian Institute of Actuaries. The Corporation recognizes any actuarial gains and losses arising from non-pension defined benefit plans immediately in Other comprehensive income (loss) in the period in which they arise, and reports them in Deficit.

ii. Other Long-Term Employee Benefits

The Corporation's net obligation with respect to other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. These benefits include self-insured workers' compensation benefits, health and dental care benefits during long-term disability and long-term service awards.

That benefit is discounted to determine its present value. The discount rate is based on the methodology recommended by the Canadian Institute of Actuaries. The calculation is performed using a combination of the Projected Unit Credit Method prorated on service and event-driven calculations for Workers' Compensation. Any actuarial gains and losses are recognized in the Consolidated Statements of Comprehensive Income (Loss) in the period in which they arise.

iii. Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and if the obligation can be estimated reliably.

n) Revenue Recognition

Revenue is derived from sales of the Corporation's services and products to clients. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and amounts collected for third parties, such as value added, excise and sales taxes.

Revenue is recognized when it can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to AECL. When there is uncertainty as to ultimate collection, revenue is recognized as cash is received.

When a single transaction requires the delivery of more than one product or service (multiple components), the revenue recognition criteria noted below are applied to the separately identifiable components. A component is considered to be separately identifiable if the product or service delivered has stand-alone value to that customer and the fair value associated with the product or service can be measured reliably. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole.

Long-Term Contracts related to Discontinued Operations

Contract revenue includes the initial amount agreed in the contract plus any variations in the contract value, claims and incentive payments, to the extent that they can be measured reliably and it is probable that they will be received. When adjustments in contract value or estimated costs will result in a change in revenue and these adjustments are probable and can be reliably measured, any changes from the prior estimates are reflected in the Consolidated Statements of Comprehensive Income (Loss) in the current period.

When the outcome of a long-term contract can be estimated reliably, revenue is recognized under the percentage-of-completion method using the ratio of costs incurred to total estimated costs as the measure of performance. This measure of progress is then applied to the related anticipated revenue, resulting in recognizing revenue proportionately with the stage of completion.

When the outcome of a long-term contract cannot be estimated reliably, revenue is recognized only to the extent that contract costs incurred are expected to be recoverable. When the uncertainties that prevented the outcome of a contract are subsequently resolved, then revenue is recognized under the percentage-of-completion method. Expected losses on long-term contracts are recognized in Comprehensive Income (Loss) when identified.

Penalties, including penalties for late delivery, are recorded as a reduction of total contract revenue in the period in which the determination is made. Amounts for claims against customers are recognized when they can be reliably measured and realization is probable.

Cost-Reimbursement Contracts

Revenue under cost-reimbursement contracts is recognized as reimbursable costs are incurred and includes an estimate of fees earned.

Other Service Contracts

When services are performed over a specified period of time, revenue is recognized on a straight-line basis unless there is evidence that some other method better represents the stage of completion. For waste management services, revenue is recognized based on the contractual arrangements specified in a contract for disposal with the customer.

Supply of Product

Revenue is recognized when the risks and rewards of ownership have been transferred to the customer, which generally coincides with the transfer of title. When goods require significant tailoring, modification or integration, the revenue is recognized using the percentage-of-completion method as described above.

Royalty Revenue

Revenue from licensing of intellectual property is recorded as revenue in accordance with the terms of the specific agreement. These arrangements entitle AECL to receive payment from the sale to the licensee of CANDU and CANDU-related technologies for future new build, life extension and other projects.

o) Parliamentary Appropriations

Parliamentary appropriations that are not in the nature of contributed capital are accounted for as Government of Canada grants and recognized as funding in the period in which they are appropriated or when entitlement is otherwise established by the end of an accounting period by Government authorization and meeting eligibility criteria. Appropriations related to expenses of future periods are deferred and recognized as funding in the period in which the related expenses are incurred.

Appropriations restricted by legislation and related to expenses of future periods are deferred and recognized as funding in the period in which the related expenses are incurred; and appropriations used for the depreciable property, plant and equipment or finite lived intangible assets are recorded as deferred capital funding and amortized on the same basis as the related assets.

From 1997 to 2006, and pursuant to the 10-year arrangement for funding decommissioning activities, the Corporation retained cash proceeds from the sale or lease of the portion of heavy water inventory that was funded by the Government of Canada. The cash received was transferred from contributed capital to deferred decommissioning and waste management funding and was then recorded as funding in Net income (loss) as the related expenditures were incurred. Proceeds from sales made during the 10-year arrangement that are received after April 1, 2006 are transferred from Contributed capital to Deferred decommissioning and waste management funding.

p) Other Funding

Amounts received from other government entities for execution of work performed on service contract agreements and invoiced in a manner similar to other commercial customers are classified as Other funding.

q) Cost Recovery from Third Parties

AECL operates the Low-Level Radioactive Waste Management Office and Port Hope Area Initiative Management Office through Nuclear Laboratories on a cost-recovery arrangement with Natural Resources Canada. Costs recovered under these arrangements are recorded as cost recovery from third parties and are recognized as the related expenses are incurred and included as Funding in Comprehensive Income (Loss).

r) Financial Income and Financial Expense

Financial income is comprised of interest income on funds invested and long-term receivables. Interest income is recognized in Comprehensive Income (Loss) as it accrues using the effective interest method.

Financial expenses relate to the unwinding of the discount on provisions.

s) Adoption of New and Revised International Financial Reporting Standards

The following new pronouncements issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee effective January 1, 2013 were adopted by the Corporation on April 1, 2013. These new standards and amendments affected related disclosures in these consolidated financial statements as follows:

- Amendments to IAS 1, Presentation of Financial Statements, require entities to group items within other comprehensive income that may be reclassified to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The Corporation has applied this standard retrospectively, effective April 1, 2013. The Corporation has amended its Consolidated Statements of Comprehensive Income (Loss) related to this requirement.
- Amendments to IAS 19, Employee Benefits, to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. The Corporation had not used the corridor method in previous periods and therefore, there was no impact on the consolidated financial statements but has enhanced its Employee Benefits disclosures in Note 16(b). The Corporation has applied this standard retrospectively, effective April 1, 2013.
- IFRS 10, Consolidated Financial Statements, ("IFRS 10"). IFRS 10 replaces International Accounting Standard (IAS) 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, and establishes principles for identifying when an entity controls other entities. The Corporation has amended the disclosure for its SE related to this requirement. The Corporation has applied this standard retrospectively, effective April 1, 2013.
- IFRS 12, Disclosure of Interests in Other Entities, ("IFRS 12"). IFRS 12 establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles. The Corporation has amended the disclosure for its SE related to this requirement. The Corporation has applied this standard retrospectively, effective April 1, 2013.

The following new pronouncements issued by the IASB or the IFRS Interpretations Committee effective January 1, 2013 were adopted prospectively by the Corporation on April 1, 2013. Their adoption did not have a significant impact on the consolidated financial statements:

- IFRS 13, Fair Value Measurement, ("IFRS 13") provides a single source of fair value measurement, when fair value is required or permitted by IFRS. The impact to the Corporation's disclosure of fair values is included in Financial Instruments and Financial Risk Management (Note 24). IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires enhanced disclosures about fair value measurements.
- Amendments to IFRS 7, Financial Instruments: Disclosures (Offsetting), the amendments to this standard require an entity to disclose information about rights of set-off and related arrangements (for example, certain collateral agreements). The disclosures would provide financial statement users with information to evaluate the effect of netting arrangements on the corporation's financial position.

- IFRS 11, Joint Arrangements, ("IFRS 11"). IFRS 11 replaces IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities. The definitions in accounting for joint arrangement has been reduced to two categories: joint operations and joint ventures. Equity accounting is also mandatory for investments in joint ventures.

t) Standards and Interpretations Issued to be Adopted at a Later Date

The following standards and amendments to the existing standards have been issued by the IASB and have been assessed as having a possible effect on the Corporation in the future:

- IFRS 9, Financial Instruments, uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. These amendments are effective for annual reporting periods beginning on or after January 1, 2018. However, earlier adoption is permitted. The Corporation continues to evaluate the potential impact of IFRS 9 on the consolidated financial statements.
- Amendments to IAS 36, Impairment of Assets to provide additional disclosure on the measurement of the recoverable amount of impaired assets, particularly if that amount is based on the fair value less costs of disposal. These amendments are effective for annual reporting periods beginning on or after January 1, 2014, on a retrospective basis.
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities, which establishes disclosure requirements that are intended to help clarify for consolidated financial statement users the effect or potential effect of offsetting arrangements on the corporation's financial position. These amendments are effective for annual reporting periods beginning on or after January 1, 2014, on a retrospective basis.
- IFRIC 21, Levies, provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is uncertain. This interpretation is effective for annual periods beginning on or after January 1, 2014. The Corporation continues to evaluate the potential impact of IFRIC 21 on its consolidated financial statements.

AECL intends to adopt these standards when they become effective. The Corporation is currently evaluating the impact of adopting these standards and amendments on its consolidated financial statements.

5. TRADE AND OTHER RECEIVABLES

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Trade receivables	**108,890**	250,986
Less: allowance for doubtful accounts	**(841)**	(317)
Net trade receivables	**108,049**	250,669
Other receivables:		
Unbilled revenue	**24,328**	32,064
Prepaid expenses	**5,434**	11,733
Consumption taxes receivable	**18,336**	6,773
Other receivables	**32,566**	28,904
	188,713	330,143

Other receivables include insurance proceeds receivable for the Point Lepreau life extension project and advances on life extension projects.

The aging of gross trade receivables at each reporting date was as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Current	**26,394**	12,672
1 to 3 months	**2,692**	12,810
3 to 6 months	**354**	742
6 to 12 months	**582**	9,365
More than 12 months	**78,868**	215,397
	108,890	250,986

The Corporation is exposed to normal credit risk with respect to its Trade and other receivables and maintains allowances for specific potential credit losses. The allowance for doubtful accounts represents Management's estimate of the expected credit losses to be incurred and is based on past experience with similar receivables and economic conditions. Should actual credit losses differ from Management's current estimates, future earnings will be affected. AECL is working to collect its outstanding trade receivables in accordance with the terms of the sales contracts.

The Corporation's exposure to credit risks related to Trade and other receivables, including unbilled revenue, is disclosed in Note 24.

The change in allowance for doubtful accounts was as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Balance at beginning of year	**(317)**	—
Charges	**(533)**	(317)
Reversals	**9**	—
Balance at end of year	**(841)**	(317)

6. INVENTORY

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Consignment inventory	**210**	210
Raw materials	**1,625**	1,429
Work in progress	**7,685**	6,810
Finished products	**2,735**	4,174
Reactor fuel	**12,255**	12,623
Spare parts and store supplies	**13,580**	13,527
Inventory	**25,835**	26,150
Heavy water inventory	**304,910**	290,107

The cost of inventory for reactor fuel and spare parts and store supplies recognized as an expense and included in Cost of sales and Operating expenses was $26.4 million (2013 – $26.0 million). The total amount of inventory written down in 2014 was $1.6 million (2013 – $0.4 million).

In addition to internal consumption of heavy water at the Chalk River Laboratories, the cost of inventory for heavy water recognized as an expense and included in Cost of sales was $0.7 million (2013 – $nil). The total amount of heavy water written down in 2014 was $nil (2013 – $0.1 million).

AECL had no reversals of write-downs and no inventory pledged as security for liabilities.

7. LONG-TERM RECEIVABLES

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Contract receivables from customers in respect of the financing of products and services, maturing through 2019 at fixed repayment amounts	**104,799**	127,597
Current portion	**(23,886)**	(22,566)
	80,913	105,031

The contract receivables primarily relate to heavy water sales in prior years. The amount is repayable to the Corporation based on a fixed repayment schedule through 2019. The implicit interest rate in the receivable is 5.77% per annum. Required repayment amounts are recorded as operating activities on the Consolidated Cash Flow Statements and are due as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Less than one year	**23,886**	22,566
Between one and five years	**80,913**	96,644
More than five years	**—**	8,387
	104,799	127,597

8. INVESTMENTS HELD IN TRUST

The *Nuclear Fuel Waste Act* requires Canadian nuclear utilities to form a waste management organization, the Nuclear Waste Management Organization (NWMO), to provide recommendations to the Government of Canada on the long-term management of nuclear fuel waste and to implement the approach selected. The legislation also requires that each nuclear fuel waste owner establish a trust fund to finance implementation of the approach.

Each individual trust fund is held in order to meet the requirements of the Act and only the NWMO may withdraw monies from it in accordance with the provisions of the Act, Section II. As required by the Act, AECL's initial deposit to its Trust Fund was $10 million on November 25, 2002. Subsequent annual deposits of approximately $2 million have been made as required, and will continue until the full lifecycle costs of managing the nuclear fuel waste over the long term are set aside.

The Trust Fund, managed by CIBC on behalf of AECL, invests in fixed income instruments, with various maturities. The fund has been consolidated and the investments held by the fund are recorded as a long-term asset and measured at fair value through profit or loss. Interest earned from the fund offsets financial expense related to the Decommissioning and waste management provision (Notes 14 and 22). Quoted market values of the instruments are estimated at $44.1 million as at March 31, 2014 (March 31, 2013 – $42.5 million). Interest earned on trust assets accrues to the Trust Fund. Interest earned on these instruments is fixed, whereas the fair values of the instruments vary according to the prevailing market rate of interest. These investments are comprised of the following:

(thousands of Canadian dollars)	Maturities	March 31 2014	Yield	March 31 2013	Yield
		$		$	
Cash equivalents*	Not applicable	**1,606**	**0.0%**	1,424	0.0%
Canadian government bonds**	June 2014 – June 2023	**29,612**	**2.3%**	29,848	3.4%
Corporate bonds	March 2015 – January 2017	**12,898**	**3.0%**	11,205	2.9%
		44,116		42,477	

**Cash equivalents consist mainly of short-term money market instruments with original maturities less than 90 days.*

***Canadian government bonds include federal, provincial and municipal bonds.*

9. PROPERTY, PLANT AND EQUIPMENT

2014

(thousands of Canadian dollars)	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
	$	$	$	$	$
Commercial Operations (Discontinued Operations)					
Cost at March 31, 2013	—	362	4,091	571	5,024
Transfers	—	(362)	(4,091)	(571)	(5,024)
Cost at March 31, 2014	—	—	—	—	—
Depreciation at March 31, 2013	—	362	4,091	571	5,024
Transfers	—	(362)	(4,091)	(571)	(5,024)
Depreciation at March 31, 2014	—	—	—	—	—
Net carrying amount at March 31, 2013	—	—	—	—	—
Net carrying amount at March 31, 2014	**—**	**—**	**—**	**—**	**—**
Nuclear Laboratories					
Cost at March 31, 2013	**90,010**	**52,430**	**252,937**	**383,446**	**778,823**
Additions and transfers	79,274	7,438	6,262	9,524	102,498
Disposals and transfers	(26,304)	—	(431)	(3,233)	(29,968)
Impairment	(2,170)	—	—	—	(2,170)
Other changes	—	—	(2,342)	—	(2,342)
Cost at March 31, 2014	**140,810**	**59,868**	**256,426**	**389,737**	**846,841**
Depreciation at March 31, 2013	**—**	**33,575**	**175,052**	**283,825**	**492,452**
Increase in depreciation	—	1,920	3,353	12,809	18,082
Disposals	—	—	(311)	(3,225)	(3,536)
Transfers	—	363	3,120	571	4,054
Depreciation at March 31, 2014	**—**	**35,858**	**181,214**	**293,980**	**511,052**
Net carrying amount at March 31, 2013	**90,010**	**18,855**	**77,885**	**99,621**	**286,371**
Net carrying amount at March 31, 2014	**140,810**	**24,010**	**75,212**	**95,757**	**335,789**
Total at March 31, 2013	**90,010**	**18,855**	**77,885**	**99,621**	**286,371**
Total at March 31, 2014	**140,810**	**24,010**	**75,212**	**95,757**	**335,789**

2013

(thousands of Canadian dollars)	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
	$	$	$	$	$
Commercial Operations (Discontinued Operations)					
Cost at March 31, 2012	—	398	9,422	2,438	12,258
Disposals and transfers (Note 26)	—	(36)	(5,331)	(1,867)	(7,234)
Cost at March 31, 2013	—	362	4,091	571	5,024
Depreciation at March 31, 2012	—	40	5,528	1,432	7,000
Impairment	—	336	3,881	485	4,702
Disposals (Note 26)	—	(14)	(5,318)	(1,346)	(6,678)
Depreciation at March 31, 2013	—	362	4,091	571	5,024
Net carrying amount at March 31, 2012	—	358	3,894	1,006	5,258
Net carrying amount at March 31, 2013	—	—	—	—	—
Nuclear Laboratories					
Cost at March 31, 2012	69,319	50,320	260,483	350,335	730,457
Additions and transfers	59,484	2,110	1,577	35,359	98,530
Disposals and transfers	(38,793)	—	(155)	(2,248)	(41,196)
Other changes	—	—	(8,968)	—	(8,968)
Cost at March 31, 2013	90,010	52,430	252,937	383,446	778,823
Depreciation at March 31, 2012	—	31,679	168,147	272,612	472,438
Increase in depreciation	—	1,896	7,041	12,565	21,502
Disposals	—	—	(136)	(1,352)	(1,488)
Depreciation at March 31, 2013	—	33,575	175,052	283,825	492,452
Net carrying amount at March 31, 2012	69,319	18,641	92,336	77,723	258,019
Net carrying amount at March 31, 2013	90,010	18,855	77,885	99,621	286,371
Total at March 31, 2012	69,319	18,999	96,230	78,729	263,277
Total at March 31, 2013	90,010	18,855	77,885	99,621	286,371

Depreciation of property, plant and equipment for the year ended March 31, 2014 was $18.1 million (2013 – $21.5 million).

Impairment charges of $2.2 million were recorded in 2014 which relate to cancellation of an intended project for which costs had been capitalized and included in Construction in Progress. In 2013, Impairment charges of $4.7 million were recorded and are included in Operating expenses of Discontinued operations (Note 26).

10. INTANGIBLE ASSETS

Software

(thousands of Canadian dollars)	March 31 **2014**	2013
	$	$
Cost – Beginning of period	**2,369**	2,104
Additions	**7,844**	265
Cost – End of period	**10,213**	2,369
Amortization – Beginning of period	**858**	411
Increase in amortization	**463**	447
Amortization – End of period	**1,321**	858
Net carrying amount – Beginning of period	**1,511**	1,693
Net carrying amount – End of period	**8,892**	1,511

The Amortization of Intangible assets is recognized in Operating expenses in the Consolidated Statements of Comprehensive Income (Loss).

Total Research and Development costs for the current year were $346.9 million (2013 – $353.6 million), of which none (2013 – Nil) met the criteria for capitalization. Under Nuclear Laboratories, CANDU technology research and development costs were $74.9 million (2013 – $77 million) and facilities, nuclear operations and support costs were $272 million (2013 – $276.6 million).

11. TRADE AND OTHER PAYABLES

(thousands of Canadian dollars)	March 31 **2014**	2013
	$	$
Trade payables	**13,789**	19,529
Other payables and accrued expenses	**42,237**	62,574
Accrued payroll liabilities	**28,239**	31,812
Current portion of employee benefits (Note 16)	**4,297**	12,232
Amounts due to related parties	**18,075**	14,132
Amounts due to Shareholder	**1,373**	1,002
	108,010	141,281

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value due to their short-term nature.

The Amounts due to Shareholder represent Royalty revenues. The Amounts due to related parties represent cash proceeds from the sales of heavy water (Note 18).

12. CUSTOMER ADVANCES AND OBLIGATIONS

(thousands of Canadian dollars)	March 31 **2014**	2013
	$	$
Customer advances and unearned revenue	**13,690**	167,774

Customer advances are comprised of billings collected in excess of revenue recognized and advances for which the related work has not started.

13. PROVISIONS

(thousands of Canadian dollars)

	Contract Loss Provision	Other	Total
	$	**$**	**$**
Balance at March 31, 2012	**99,639**	**21,861**	**121,500**
Additions	—	23,984	23,984
Utilized in year	(14,269)	(2,994)	(17,263)
Reduction from remeasurement	(53,812)	—	(53,812)
Balance at March 31, 2013	**31,558**	**42,851**	**74,409**
Additions	4,000	110,181	114,181
Utilized in year	(2,650)	(15,104)	(17,754)
Reduction from remeasurement	(17,313)	(1,650)	(18,963)
Balance at March 31, 2014	**15,595**	**136,278**	**151,873**

Completion of certain life extension projects and near completion of other projects have resulted in a decrease of $16 million (2013 – $68.1 million) in contract loss provision. It is expected that these expenditures will be incurred within one to two years following the reporting period.

Other provisions include exposure to claims related to life extension projects as well as warranties, lawsuits and legal claims, disputes with suppliers and an onerous lease. It is expected that these expenditures will be incurred within two to three years following the reporting period.

14. DECOMMISSIONING AND WASTE MANAGEMENT PROVISION

AECL has an obligation to decommission its nuclear facilities and other assets in order to satisfy CNSC and other applicable regulations. These facilities include prototype reactors, heavy water plants, nuclear research and development, waste management and other facilities. Due to the variety of facilities, the decommissioning process may differ in each case. In some situations, decommissioning activities are carried out in stages, with intervals of several decades between them, to allow radioactivity to decay before moving on to the next stage. These activities include surveillance and monitoring, decontamination, demolition and the management of the associated waste. A significant portion of the liabilities relate to obligations that existed prior to the creation of AECL in 1952.

The decommissioning plan follows a hierarchy of activities to achieve:

- A controlled and controllable state for all redundant nuclear facilities that removes short-term risks.
- A sustainable, stable and safe state of the facilities under surveillance.
- Cost-optimized completion of actions to achieve a final end state that is an accepted completion of the decommissioning process as required by the regulator.

The Government requires AECL to account for waste, decommissioning or site restoration liabilities resulting from AECL's ongoing operations after April 1, 2006. As of March 31, 2014, $109.2 million (March 31, 2013 – $108.8 million) is included in the Decommissioning and waste management provision at the end of the period.

In 2013–2014, AECL reviewed and revised a key assumption underlying the decommissioning and waste management liability cost estimate. The presence of an operating reactor affects the attribution of indirect site operating and support costs included in the liability estimate. Previously, it was assumed that there would be an operating reactor on the Chalk River site throughout most of the decommissioning plan period. As a result of more recent restructuring related discussions with its Shareholder around the future of the NRU reactor and the possibility and timing of a replacement reactor, Management has decided to adopt a more relevant position and assume no replacement reactor, as the reference assumption. This change in assumption increases the indirect cost attribution included in the cost estimate and increased the reported liability by $565.2 million. In accordance with IAS 8, the Corporation has treated the financial impact as a change in estimate. The change in estimate is recorded as a Revaluation loss on decommissioning and waste management in the Consolidated Statements of Comprehensive Income (Loss).

The Decommissioning and waste management provision is as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Carrying amount – Beginning of period	**7,765,040**	5,543,030
Carrying amount – Beginning of period, current portion	**205,000**	135,500
Liabilities settled	**(212,908)**	(135,342)
Unwinding of discount	**210,151**	145,952
Effect of change in discount rate	**(829,768)**	227,508
Revision in estimate and timing of expenditures	**600,812**	2,053,235
Revision in estimate and timing of expenditures affecting Property, plant and equipment	**(2,342)**	(10,781)
Waste, decommissioning and site restoration costs from ongoing operations	**13,657**	10,938
Carrying amount – End of period	**7,749,642**	7,970,040
Less current portion	**(214,500)**	(205,000)
	7,535,142	7,765,040

The undiscounted future expenditures for the plan projects comprising the liability are $10,695.6 million (March 31, 2013 – $9,984.8 million) in current dollars. The provision is re-valued at the current discount rate in effect at each balance sheet date.

The provision as at March 31, 2014 was discounted using a rate of 2.96%. The balance as at March 31, 2013 was discounted using a rate of 2.50%.

The effect of a change in the discount rate on the provision is recognized in Revaluation of gain (loss) on decommissioning and waste management provision and other in the Consolidated Statements of Comprehensive Income (Loss). The total gain for the year was $829.8 million (2013 – $227.5 million charge).

Key assumptions used in determining the provision:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
Discount period	**150 years**	151 years
Discount rate	**2.96%**	2.50%
Inflation rate	**1.70%**	1.70%

The provision is highly sensitive to the interest rate used to discount the future expenditures. The following table outlines the sensitivity of a 1% change in the discount rate used to estimate the provision.

	March 31	
(millions of Canadian dollars)	**2014**	2013
	$	$
1% increase	**(1,527)**	(1,673)
1% decrease	**2,211**	2,464

15. DEFERRED CAPITAL FUNDING

Deferred capital funding was provided to the Corporation through appropriations from its Shareholder (Notes 20, 23) as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Deferred capital funding, opening balance	**238,860**	192,314
Capital funding received during the year	**77,784**	59,483
Amortization of deferred capital funding	**(13,647)**	(12,937)
Deferred capital funding, closing balance	**302,997**	238,860

16. EMPLOYEE BENEFITS

a) Pension Plan

As described in Note 4(l), the Corporation's employees participate in the Public Service Pension Plan. Contributions are made to three accounts: Public Service Superannuation Account, Public Service Pension Fund account, and the Retirement Compensation Arrangement account.

Total contributions made on account of current service are as follows:

Contributions to the Plan

For the year ended	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Payments by employees	**20,694**	18,669
Payments by employer	**34,420**	33,976

The Corporation's rate of contribution to the Public Service Superannuation Account (PSSA) equals the employee contributions and the Corporation's contributions to the Public Service Pension Fund account is a 1.45 multiple of the employee contributions (March 31, 2013 – 1.64). The Corporation's contribution to the Retirement Compensation Arrangement account for calendar year 2014 is a multiple of 7.59 of the employee contributions (calendar year 2013 – 8.0). The multiple is subject to change based on revaluation by the Public Service Pension Plan ("Plan") administration.

Substantially all of the employees of the Corporation are covered by the Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general employer contribution rate effective during the year was 13.0% of employee salaries (2013 – 13.3%). Total contributions of $34.4 million (2013 –$34.0 million) were recognized as an expense in the year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of two per cent of pensionable service, times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

b) Employee Benefits

The Corporation provides certain voluntary termination compensation (VTC) and other post-employment benefits as described in Note 4(m). The defined benefit obligation is not funded, as funding is provided when benefits are paid. Accordingly, there are no plan assets and the defined plan deficit is equal to the defined benefit obligation.

The VTC is payable in instances of future voluntary resignations and retirements. Consistent with Government of Canada expectations of federal agencies or Crown corporations, AECL began eliminating this benefit throughout fiscal 2012–2013.

As the elimination of the VTC was agreed upon and implemented, employees eligible for payment of the accrued benefits are offered three options with respect to the timing of the payments: receive the entire payment immediately; receive the entire payment at the time of termination of employment; or a combination of the first two options. These options impact the reported net present value of the Employee benefits liability. As a result, a settlement loss of $5.9 million was recorded in the 2013 fiscal year to reflect the impact of employees that chose or were expected to choose the immediate payment option.

The VTC included in the 2014 Employee benefits liability is $15.8 million (2013 – $21.9 million). This balance includes the amounts for employees who have chosen to defer payment to the time of the termination of their employment, have not chosen an option as affected employees have up to six months to decide on their payment option and those whose bargaining units have not negotiated or ratified agreements to eliminate the VTC as of March 31, 2014.

The measurement date of the Employee benefits liability is March 31, 2014, and the latest actuarial valuation of these benefits was performed at that date. The weighted average duration of the defined benefit obligation at the end of the reporting period is 6.9 years (2013 – 7.0 years).

The following summarizes the activity in the post-employment and other long-term benefit plans:

For the year ended	**March 31**	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Employee benefits liability, beginning of year	**27,975**	53,860
Employee benefits liability, beginning of year – current	**12,232**	6,153
Current service cost	**1,319**	1,840
Interest on Employee benefits liability	**1,308**	1,559
Benefits paid	**(8,563)**	(30,853)
Settlement loss**	**—**	5,913
Actuarial (gains) losses arising from changes in demographic assumptions	**(497)**	350
Actuarial (gains) losses arising from changes in financial assumptions	**(458)**	2,112
Actuarial losses (gains) arising from experience	**39**	(727)
Employee benefits liability, end of year	**33,355**	40,207
Current portion, Employee benefits liability*	**(4,297)**	(12,232)
Employee benefits liability	**29,058**	27,975

**The current portion of the Employee benefits liability is included in Trade and other payables (Note 11).*

***The settlement loss relates to the impact of the elimination of the VTC benefit.*

The following summarizes expenses arising from the Corporation's post-employment and other long-term benefit plans in the Consolidated Statements of Comprehensive Income (Loss) and in the Corporation's Consolidated Balance Sheets:

For the year ended		**March 31**
(thousands of Canadian dollars)	**2014**	2013
	$	$
Net benefit plan cost		
Current service cost	**1,319**	1,840
Interest cost	**1,308**	1,559
Remeasurements	**(873)**	754
Settlement loss	**—**	5,913
Annual benefit plan expense	**1,754**	10,066

The Annual benefit plan expense relating to Nuclear Laboratories employees is recognized in Cost of sales and Operating expenses in the Consolidated Statements of Comprehensive Income (Loss). The Annual benefit plan expense relating to Commercial Operations employees is recognized in Cost of sales and Operating expenses in Discontinued Operations (Note 26).

The significant actuarial assumptions adopted in measuring the Corporation's Employee benefits are summarized as follows:

Actuarial assumptions

	March 31	
	2014	2013
Discount rate	**3.80%**	3.50%
Rate of increase in salaries	**2.75%**	3.50%
Health care cost trend	**5.00%**	5.00%

For the 2014 fiscal year, the mortality rates are those used by the Office of the Superintendent of Financial Institutions for the March 31, 2011 valuation of benefits provided under the PSSA. The disabled mortality rates are those used for the valuation of the benefit liabilities of the schedule 1 insurance fund of the WSIB of Ontario as of December 31, 2010. For the 2013 fiscal year, the mortality rates are those used by the Office of the Superintendent of Financial Institutions for the March 31, 2005 valuation of benefits provided under the PSSA. The disabled mortality rates are those used for the valuation of the benefit liabilities of the schedule 1 insurance fund of the WSIB of Ontario as of December 31, 2008.

The Employee benefits liability and costs are subject to measurement uncertainty due to the use of actuarial assumptions, above. The impact of these factors on the remeasurement of the Employee benefits liability can be significant and volatile at times.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The following sensitivity analyses have been determined based on possible changes to these assumptions occurring at the end of the reporting period. The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in a change in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

(millions of Canadian dollars)	March 31 **2014**
	$
1% increase in discount rate (4.8%)	**31,011**
1% decrease in discount rate (2.8%)	**35,359**
1% increase in rate of increase of salaries (3.75%)	**33,902**
1% decrease in rate of increase of salaries (1.75%)	**32,264**
Post-retirement mortality rates at 90% of mortality rates used	**33,567**
Post-retirement mortality rates at 110% of mortality rates used	**32,582**

A 1% increase or decrease in the Health care cost trend will not have a material impact on the Employee benefits.

17. COMMITMENTS, CONTINGENCIES AND OBLIGATIONS

a) Operating Leases and Other Commitments

Non-cancellable operating lease rentals and other commitments are payable as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Less than one year	**3,911**	5,603
Between one and five years	**7,456**	8,724
More than five years	**423**	2,917
	11,790	17,244

The Corporation leases office space under operating leases with various expiration dates. The leases contain an escalation clause providing for additional rent. During the year ended March 31, 2014, an amount of $4.6 million (2013 – $3.7 million) was recognized as an expense in Comprehensive Income (Loss) in respect of operating leases.

The total of future sublease payments to be received is $3.7 million.

b) Operating and Capital Commitments

As at March 31, 2014, the Corporation has contractual arrangements with third party suppliers, including contracts that allow for termination with penalties, approximating $178.1 million. Included in this amount are contracts related to the purchase of Property, plant and equipment and Intangible assets of approximately $41.5 million.

c) Performance Guarantees and Liquidated Damages

It is industry practice to use letters of credit, surety bonds and other performance guarantees on major contracts. Such guarantees may include guarantees that a project will be completed or that a project or particular equipment will meet defined performance criteria. Liquidated damages are provided for in contracts and provide for compensation to be paid upon a specific breach of that contract (e.g. late performance).

In the normal course of business, AECL also guarantees that certain projects will be completed within a specified time and may bear responsibility for liquidated damages should obligations not be met.

The aggregate amount of the Corporation's potential exposure under the performance guarantees is estimated to be approximately $38 million (2013 – $38 million). Liquidated damages penalties are estimated at $60 million at March 31, 2014 (2013 – $60 million) and have been expensed previously in the consolidated financial statements in Discontinued Operations. As described in Note 4(n), on an ongoing basis, management reviews the progress on long-term projects (such as life extension projects, Note 13) to determine if liquidated damages penalties will be incurred. When it is probable that these penalties will be incurred and they are measurable, liquidated damages penalties are included in the revised calculation of revenue and/or contract loss provisions on those projects.

d) Lawsuits and Legal Claims

On August 3rd, 2012, Bruce Power A L.P. (BALP) and AECL exchanged Statements which commenced arbitration proceedings in connection with the refurbishment of units 1 and 2 of the Bruce A generating station. The parties exchanged Answers on April 1, 2013, and Replies on June 21, 2013. BALP filed a supplementary Statement on June 18, 2013. As described in Subsequent Event Note 28, AECL and BALP settled the arbitration subsequent to year-end. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that the arbitration and resultant settlement is confidential. At March 31, 2014 Trade and Other Receivables included amounts owing from Bruce Power, which are greater than twelve months (Note 5) and which were dispositioned as part of the settlement.

In addition to the matter described above, the Corporation is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all of the proceedings and claims against the Corporation is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Corporation and after consultation with outside legal counsel, Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Corporation.

e) EC6 Development

During the year ended March 31, 2012, AECL entered into a contract with Candu Energy Inc. to provide, from the Government of Canada, up to $75 million to support the completion of the EC6 development program. As at March 31, 2014, $73 million of this amount (2013 – $50 million) has been expensed and $73 million (2013 – $49 million) has been paid by AECL. Additionally, under certain conditions outlined in the contract with Candu Energy Inc., AECL may be responsible for reimbursing Candu Energy Inc. for certain other costs.

18. CONTRIBUTED CAPITAL AND DEFERRED DECOMMISSIONING AND WASTE MANAGEMENT FUNDING

Included in contributed capital is approximately $53 million (March 31, 2013 – $82 million) related to Parliamentary appropriations received for the production of heavy water inventory. Up to and including 1995–1996, the Corporation was required to repay the Government, by way of a dividend, the cash proceeds from the sale of Government-funded heavy water.

From 1997 to 2006, a Decision by the Treasury Board directed the Corporation to hold the proceeds from the sale or lease of Government-funded heavy water in a segregated fund for use in decommissioning activities for the 10-year period following the Decision. As Government-funded heavy water was sold or leased, the cash proceeds were transferred from Contributed capital to Deferred decommissioning and waste management funding, which was used to fund ongoing decommissioning activities.

An annual amount equivalent to the proceeds from sales made during the 10-year arrangement received after April 1, 2006 (Notes 7 and 4(o)) is transferred from contributed capital to deferred decommissioning and waste management funding. However, the funds are not required to be segregated for use in decommissioning activities. Other cash proceeds from heavy water sales are recorded as amounts due to related parties and are presented in Trade and other payables (Note 11) on the Corporation's Consolidated Balance Sheets.

19. REVENUE

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Services	**70,205**	66,144
Sales of goods	**54,660**	27,198
Royalties	**5,112**	2,705
	129,977	96,047

20. FUNDING

a) Parliamentary Appropriations

AECL segregates its Parliamentary appropriations, which included Statutory Funding, to ensure funds are spent in a manner consistent with the basis for which they were approved. Approved Main Estimates include amounts for Facilities and Nuclear Operations and Research and Development. Approved Supplementary Estimates are in support of the operation and maintenance of the Chalk River Laboratories and are used as an augmentation to the Main Estimates. Statutory Funding was received for expenditures associated with the divestiture of the Commercial business.

During the year, Parliamentary appropriations were recognized as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Parliamentary appropriations – Nuclear Laboratories, operating		
Nuclear Laboratories, operating	**273,977**	279,460
Amortization of deferred capital funding	**13,647**	12,937
Parliamentary appropriations – Nuclear Laboratories, operating	**287,624**	292,397
Parliamentary appropriations – Discontinued Operations, operating	**33,700**	212,902
Parliamentary appropriations – capital		
Capital infrastructure refurbishment project funding	**77,784**	59,483
Total Parliamentary appropriations	**399,108**	564,782

In 2013–2014, the Corporation received $385 million and recognized a sum of $399 million (2012–2013: $552 million received and $565 million recognized). The differences between received and recognized Parliamentary appropriations relate to the amortization of deferred capital funding. Capital funding is received as funds are required but is recognized simultaneously with the depreciation of the related asset in AECL's Consolidated Financial Statements (Notes 4(o) and 15).

During the year, the Corporation received the above funding to support planned activities. This funding was used in the following manner:

- Research and related infrastructure funding to support base operating expenses for AECL's Chalk River Laboratories.
- Nuclear Laboratories regulatory, health, safety, security and environment initiatives funding was allocated to the revitalization of AECL's Chalk River Laboratories and the maintenance of NRU reactor isotope production.
- Life extension projects and Wrap-Up Office funding was used to bridge the shortfall in the various projects due to re-estimates in project completion costs and toward workforce transition costs related to the divestiture of the Commercial Operations business.
- Development funding was used for research and development activities relating to the EC6 reactor.

b) Other Funding

During the year, Other funding was recognized as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Operating funding		
Cost recoveries from third parties and other	**22,499**	32,160
Decommissioning and waste management	**171,243**	132,685
	193,742	164,845

21. ADDITIONAL INFORMATION BY TYPE OF EXPENSE

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Payroll expenses	**329,920**	327,494
General and administrative expenses	**26,616**	26,134
Site and program operating costs	**373,173**	320,690

The above costs represent actual costs to the Corporation in the year relating to the operation of the Nuclear Laboratories, including decommissioning and waste management activities, and Wrap-Up Office (Discontinued Operations). Certain components of the costs (2013–2014 : $212,841 million ; 2012–2013 : $135,342 million) have been utilized to settle Decommissioning and waste management liabilities (Note 14) and, as such, are not included in the Consolidated Statements of Comprehensive Income (Loss). Payroll expenses include salaries and related legislated contributions. The expenses relating to Nuclear Laboratories are recognized in Cost of sales and Operating expenses in the Consolidated Statements of Comprehensive Income (Loss). The expenses relating to Commercial Operations are recognized in Cost of sales and Operating expenses in Discontinued Operations (Note 26).

22. FINANCIAL INCOME AND EXPENSES

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Financial income		
Interest on long-term receivables	**6,724**	7,833
Interest on investments and other	**463**	603
	7,187	8,436
Financial expenses		
Interest on long-term payables	**—**	79
Unwinding of Decommissioning and waste management provision net of trust fund income	**209,987**	144,194
	209,987	144,273

23. RELATED PARTY TRANSACTIONS

Transactions between the Corporation and its subsidiaries have been eliminated on consolidation and have not been disclosed in this note.

The Corporation is controlled by the Government, which owns 100% of the Corporation's shares. The Government, the Plan and government-controlled entities are the primary related parties with which the Corporation transacts.

In addition to the transactions disclosed in Notes 9, 10, 11, 13, 14, 15, 16, 18, 20, and 26 the Corporation had the following transactions with the Government:

- Program billings to Natural Resources Canada for historic low-level radioactive waste management and decommissioning activities which are included in Note 20(b).
- In the normal course of business, the Corporation also enters into various transactions with the Government, its agencies and other Crown corporations.

AECL also has transactions with its key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, including the Corporation's directors and executive officers. The table below summarizes the amounts paid or payable to the key management personnel on a comparative basis.

Remuneration of Key Management Personnel

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Salaries and other short-term benefits	**3,540**	3,480
Termination benefits	**83**	—
Post-employment benefits	**1,185**	1,575
	4,808	5,055

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial assets and liabilities

Financial assets and financial liabilities in the Consolidated Balance Sheets were as follows:

(thousands of Canadian dollars)	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
	$	**$**	**$**	**$**
March 31, 2014				
Cash	**—**	**49,179**	**—**	**49,179**
Investments held in trust	**44,116**	**—**	**—**	**44,116**
Trade and other receivables	**—**	**188,713**	**—**	**188,713**
Long-term receivables	**—**	**104,799**	**—**	**104,799**
Trade and other payables	**—**	**—**	**(108,010)**	**(108,010)**
Customer advances and obligations	**—**	**—**	**(13,690)**	**(13,690)**
Total	**44,116**	**342,691**	**(121,700)**	**265,107**

(thousands of Canadian dollars)	Assets at fair value through profit or loss	Loans and receivables	Other financial liabilities	Total
	$	$	$	$
March 31, 2013				
Cash	—	35,461	—	35,461
Investments held in trust	42,477	—	—	42,477
Trade and other receivables	—	330,143	—	330,143
Long-term receivables	—	127,597	—	127,597
Trade and other payables	—	—	(141,281)	(141,281)
Customer advances and obligations	—	—	(167,774)	(167,774)
Total	42,477	493,201	(309,055)	226,623

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of all financial assets and financial liabilities approximates fair value as at March 31, 2014 and March 31, 2013, with the exception of Long-term receivables. The fair value of the long-term portion of the long-term receivables is $83 million (March 31, 2013 – $110 million) and is estimated by calculating a discounted cash flow using the long-term interest rate in effect at the end of the reporting period. The long-term interest rate is based on the Government of Canada's long-term benchmark bond yields adjusted for market and credit risk.

Fair value hierarchy

The following table analyzes financial instruments measured at fair value, by valuation method. The Corporation uses the following hierarchy to classify fair value measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of levels 1, 2, and 3. For the reporting periods ended March 31, 2014 and March 31, 2013, there were no transfers between levels.

	March 31, 2014				March 31, 2013			
(thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$	**$**	**$**	**$**	$	$	$	$
Assets measured at fair value								
Investments held in trust – Cash equivalents	**1,606**	**—**	**—**	**1,606**	1,424	—	—	1,424
Investments held in trust – Bonds	**—**	**42,510**	**—**	**42,510**	—	41,053	—	41,053
Long-term receivables	**—**	**83,000**	**—**	**83,000**	—	110,000	—	110,000
Total assets	**1,606**	**125,510**	**—**	**127,116**	1,424	151,053	—	152,477

There are no financial liabilities measured at fair value.

a) Credit Risk

Credit risk is the risk that one party to the financial instrument may not meet its obligations under the terms of the financial instrument. The Corporation's financial assets exposed to credit risk are Cash, Investments held in trust, Trade and other receivables, and Long-term receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets as disclosed in the tables above. The maximum exposure to credit risk is $386.8 million (March 31, 2013 – $535.7 million).

As of March 31, 2014, all instruments are rated as R1 Low or higher by the Dominion Bond Rating Service and as A1 or higher by Standard and Poor's.

The objective of managing counterparty credit risk is to prevent losses in financial assets. AECL's exposure is reduced by:

- Monitoring at the appropriate levels of management.
- Applying a conservative investment strategy.

Trade Receivables

Exposure to credit risk from Trade receivables is low due to AECL's specific customer base within a government-regulated industry. The potential for credit losses is further mitigated by evaluating customer creditworthiness before credit is extended. The carrying amount of Trade receivables is measured by tracking invoices on an individual basis and any allowance for doubtful accounts is on an invoice-by-invoice basis, with a review and approval process.

Two customers (March 31, 2013 – three), each representing greater than 5% (March 31, 2013 – 5%) of the total accounts receivable, comprise an aggregate 85% (March 31, 2013 – 96%) of total accounts receivable. No significant amounts are due in foreign currency.

b) Liquidity Risk

This represents the risk that the Corporation will not have sufficient funds to meet its liabilities, commitments and obligations when due. A major risk facing the Corporation is related to securing a sustainable source of funds to safely maintain its nuclear capabilities. The Corporation's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. As a Schedule III Part I Crown corporation, AECL is restricted from borrowing funds to meet its obligations. The Corporation is dependent on funding from its Shareholder to meet its obligations.

AECL manages liquidity risk by:

- Cross-functional participation in project and business reviews.
- Frequent communication with its Shareholder to manage ongoing cash requirements and secure appropriate funding.
- Maintaining a portfolio of highly liquid investments or instruments readily convertible into liquidity with high-quality counterparties.

In 2014, AECL's liquidity risk management objectives were unchanged from those in 2013. However, additional funding was required from the Government to meet obligations. As of March 31, 2014, the Corporation was holding cash of $49.2 million (March 31, 2013 – $35.5 million). Accounts payable and accrued liabilities of $108.0 million (March 31, 2013 – $141.3 million) (Note 11) are due within the year.

The Corporation's funding plan is part of the Corporate Plan, and is reviewed and approved annually by the Board of Directors and the Government. AECL relies on funding from the Government to continue operations and meet future obligations.

c) Market Risk

i. Currency Risk

The Corporation's consolidated financial statements are presented in Canadian dollars, but a portion of its business is conducted in other currencies, with the exposure to foreign currency transactions primarily related to the U.S. dollar. The objective of the Corporation's foreign exchange risk management activities is to minimize transaction exposure and the resulting volatility of the Corporation's earnings and commitments.

As of March 31, 2014 and March 31, 2013, had the exchange rate (CAN$/US$) been 5% higher or lower, the impact on Comprehensive Income (Loss) for the year would have been insignificant.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The objective of the Corporation's interest rate management activities is to minimize the volatility of the Corporation's earnings and expenses. The Corporation's exposure to interest risk is limited to changes in interest rates associated with its investments in bonds and discount rates associated with the Decommissioning and waste management provision. Changes in the discount rate are based on a credit adjusted risk-free rate that is sensitive to interest rate fluctuations (see Sensitivity Analysis in Note 14).

d) Regulatory Risk

The Corporation operates in a highly regulated business environment. Changes in government policy may have an adverse impact on the Corporation's financial position. The Corporation's objective in managing regulatory risk is to actively monitor and implement changes on a timely basis to enable operations. In 2014, AECL's regulatory risk management objectives were unchanged from those in 2013.

25. CAPITAL MANAGEMENT

The authorized share capital of the Corporation is comprised of 75,000 common shares with no par value. As at March 31, 2014 and March 31 2013, 54,000 shares were issued for $15,000,000.

As a Schedule III Part I Crown corporation under the *Financial Administration Act*, Her Majesty in Right of Canada owns the shares of the Corporation. Any procurement or disposition of shares can only be undertaken after Parliamentary authorization. Further, AECL's liabilities are ultimately liabilities of Her Majesty in Right of Canada.

AECL's ability to obtain additional capital, either through equity or debt, is pursuant to the provisions of the Financial Administration Act. Historically, no long-term debt was put in place. Additional capital arose in the form of Government contributions. At year end, the Corporation had no plans to seek additional capital in the next 12 months.

The Corporation's objective in managing capital is to provide sufficient liquidity to support its financial obligations and its operating and strategic plans, as well as to safeguard its ability to continue as a going concern. This is managed through periodic funding received from the Government, the volume of cash from operations and the portfolio of highly liquid investments or instruments readily convertible into cash with high-quality counterparties. In 2014, AECL's capital management objectives were unchanged from those in 2013.

Capital for the reporting periods is summarized as follows:

	March 31	
(thousands of Canadian dollars)	**2014**	2013
	$	$
Shareholder's deficit	**(7,492,518)**	(7,655,903)
Deferred capital funding	**302,997**	238,860
Deferred decommissioning and waste management funding	**196,009**	171,508
Decommissioning and waste management provisions	**7,749,642**	7,970,040
	756,130	724,505

Given the limited amount of capital available from these sources, the Corporation relies principally on operating and capital funding provided by the Shareholder, which is requested in the Corporation's Corporate Plan.

26. DISCONTINUED OPERATIONS

On October 2, 2011, the Government of Canada sold AECL's Commercial Operations to Candu Energy Inc., a wholly owned subsidiary of SNC-Lavalin at which point Candu Energy Inc. assumed full ownership and day-to-day operational control over the Commercial Operations.

The sale involved certain AECL-owned assets to Candu Energy Inc. and an exchange of undertakings among the three parties (AECL, SNC-Lavalin and the Government of Canada). A suite of agreements executed at the close of the transaction covers such matters as intellectual property and the provision of inter-company services between AECL and Candu Energy Inc. It also includes sub-contracting agreements relating to the existing life extension projects, whereby Candu Energy Inc. will complete the contracts as a sub-contractor to AECL, which retains contractual responsibility.

Under the terms of the sales agreement, AECL is entitled to receive royalty payments resulting from new build and life extension projects contracted by Candu Energy Inc. post-close. These royalty payments are received on behalf of the Government of Canada and are remitted to the Receiver General. As such, they are included in operating expenses in the Consolidated Statements of Comprehensive Income (Loss). The Intellectual Property Licence Agreement from which royalty income will be generated has a 15-year term and became effective on October 2, 2011.

Also as part of the agreement, the Government of Canada, through AECL, began providing Candu Energy Inc. with up to $75 million in support toward the completion of the Enhanced CANDU Reactor development program (Note 17(e)).

A restructuring provision was recorded for $36.5 million of which $33 million has been paid as of March 31, 2014 (2013 – $32.6 million) and $3.5 million of the provision remains to complete the process (2013 – $3.9 million). The restructuring provision consists mainly of estimated termination benefits for affected employees.

The entire Commercial Operations are considered a discontinued operation. Income and cash flows for the discontinued operations are reported separately in these consolidated financial statements in accordance with IFRS 5.

In the prior fiscal year, the land and building in Mississauga, Ontario used as AECL's corporate headquarters prior to the sale of the Commercial Operations were sold resulting in a Gain on sale of non-current assets of $2.5 million.

Following the Québec government's decision to permanently shut down the Gentilly-2 nuclear reactor in Québec, utility owner Hydro-Québec terminated its contract with AECL to extend the life of the Gentilly-2 reactor. As a result, AECL recorded an impairment charge of $4.7 million related to non-current assets associated with this contract in the prior fiscal year.

Results of Discontinued Operations

(thousands of Canadian dollars)	**2014**	2013
	$	$
Revenue – Life extension projects	**35,774**	96,691
Cost of sales	**32,082**	20,244
Gross margin	**3,692**	76,447
Operating expenses	**102,282**	41,315
Operating income (loss) from discontinued operations	**(98,590)**	35,132

There were no construction contracts in progress as at March 31, 2014.

The following balances included in the Consolidated Balance Sheets relate to ongoing projects and restructuring costs included in Discontinued Operations:

(thousands of Canadian dollars)	**2014**	2013
	$	$
Assets		
Trade and other receivables	**121,848**	263,811
Liabilities		
Trade and other payables	**11,365**	19,220
Customer advances and obligations	**11,301**	165,230
Provisions	**150,023**	57,909
Restructuring provision	**3,472**	3,873

27. CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATION

In the current fiscal year, the Corporation voluntarily changed its accounting policy relating to the disclosure of Parliamentary appropriations in its Consolidated Statements of Comprehensive Income (Loss) in accordance with IAS 8. As a result, the 2013 Parliamentary appropriations recognized in income of $492 million have been allocated and disclosed separately in the Nuclear Laboratories and Discontinued Operations sections of the Consolidated Statements of Comprehensive Income (Loss). This change in policy has been made in order to better reflect the use of the funds received.

In addition, the Corporation changed its policy relating to revenue billed to one of its customers and the related costs to better reflect the substance of its transactions. As a result both Revenue and Cost of sales have been increased by $9.3 million.

The Corporation has reclassified certain figures in the Nuclear Laboratories section of the Consolidated Statements of Comprehensive Income (Loss) in accordance with IAS 1. In this instance the Corporation has grouped the Funding of $133 million and Financial expenses of $144 million related to Decommissioning and waste management with those reported under Nuclear Laboratories. These reclassifications have been made to provide a clearer presentation of the Corporation's operational results. For both Funding and Financial expenses, the details of these grouped amounts remain available in Notes 20(b) and 22 of AECL's consolidated financial statements, respectively.

The Corporation has also reclassified the Amortization of deferred capital funding to conform to the consolidated financial statement presentation adopted in the 2013–2014 fiscal year. In the 2013 comparative figures, the $13 million of Amortization of deferred capital funding, has been reclassified from Funding to Parliamentary appropriations in the Nuclear Laboratories section of the Consolidated Statements of Comprehensive Income (Loss) in order to better reflect the nature of this item.

Additionally, the Corporation has reclassified costs relating to royalties earned amounting to $2.7 million from Operating expenses to Cost of Sales to conform to the consolidated financial statement presentation adopted in the 2013–2014 fiscal year. This reclassification will better reflect the nature of these expenses.

These changes did not have a material impact on the Total Comprehensive Income (Loss) and did not have any impact on the Consolidated Balance Sheets. The result of the change in policy and reclassifications on the March 31, 2013 comparative figures in the Consolidated Statements of Comprehensive Income (Loss) is as follows:

		March 31	
(thousands of Canadian dollars)	2013	adjustments	**2013 Restated**
	$	$	**$**
Revenue	86,781	9,266 [3]	**96,047**
Cost of sales	48,819	11,696 [3,4]	**60,515**
Gross margin	37,962	(2,430)	**35,532**
Funding – Nuclear Laboratories			
Cost recoveries from third parties and other	32,160	132,685 [1]	**164,845**
Amortization of deferred capital funding	12,937	(12,937)[2]	**—**
Funding – Nuclear Laboratories	45,097	119,748	**164,845**
Funding – Decommissioning and Waste Management	132,685	(132,685)[1]	**—**
Total Funding	177,782	(12,937)	**164,845**
Operating Expenses	415,893	(2,430)[4]	**413,463**
Financial Expenses – Nuclear Laboratories	79	144,194 [5]	**144,273**
Financial Expenses – Decommissioning and Waste Management	144,194	(144,194)[5]	**—**
Total Financial Expenses	144,273	—	**144,273**
Parliamentary appropriations	492,362	(492,362)[6]	**—**
Parliamentary appropriations – Nuclear Laboratories			
Amortization of deferred capital funding	—	12,937 [2]	**12,937**
Parliamentary appropriations – Nuclear Laboratories	—	279,460 [6]	**279,460**
Parliamentary appropriations – Nuclear Laboratories	492,362	(199,965)	**292,397**
Parliamentary appropriations – Discontinued Operations	—	212,902 [6]	**212,902**
Total Parliamentary appropriations	492,362	12,937	**505,299**
Net Loss from continuing operations	(2,618,362)[7]	279,460	**(2,338,902)**[8]
Net Income from Discontinued Operations	32,902 [7]	212,902	**245,804** [8]
Other comprehensive loss	(981)	—	**(981)**
Total Comprehensive Income (Loss)	(2,094,079)	—	**(2,094,079)**

(1) Reclassification from Decommissioning and Waste Management Funding to Funding

(2) Reclassification from Funding to Parliamentary appropriations

(3) Adjustment to Revenue and Cost of sales

(4) Reclassification from Operating expenses to Cost of sales

(5) Reclassification from Decommissioning and Waste Management Financial Expenses to Financial Expenses

(6) Allocation of Parliamentary appropriations to Nuclear Laboratories and Discontinued Operations

(7) Before Parliamentary appropriations

(8) Including Parliamentary appropriations

28. SUBSEQUENT EVENT

On May 21, 2014, AECL and Bruce Power A L.P. (BALP) agreed to settle their dispute and end the arbitration proceedings in connection with the refurbishment of units 1 and 2 of the Bruce A generating station, as described in Note 17(d). The settlement agreement is confidential but it includes the standard mutual full and final releases and waiver of any and all claims. The impact has been provided for in AECL's consolidated financial statements.

BOARD OF DIRECTORS

Peter Currie

Appointed Chair of the Board, October 2011
Atomic Energy of Canada Limited

Current directorships include VIXS Systems Inc., Intelius Inc. and Director of Kemptville District Hospital. Former Executive Vice-President and Chief Financial Officer of Nortel Networks Corporation; Vice-Chairman and Chief Financial Officer for the Royal Bank of Canada and Executive Vice-President and Chief Financial Officer at North American Life Assurance Company. Former member of the Board of Governors and Executive Committee of York University and of the Board of York University Development Corp. Former Board Chair of Symcor Inc. and Director of Toronto East General Hospital, C.D. Howe Institute, Affinion Group Inc., Quinte Healthcare Inc., Arise Technologies Corp. and Canadian Tire Corporation Limited. Named Canada's CFO of the Year in 2003 by PricewaterhouseCoopers, Financial Executives International Canada and The Caldwell Partners International. Holds a bachelor Degree of Economics and an MBA from York University. Appointed to AECL Board in October 2008.

Committees: Member, Audit (ex-officio, April 2013 – March 2014) and Human Resources & Governance (ex-officio, April 2013 – March 2014)

Dr. Robert Walker

Appointed President & Chief Executive Officer, October 2011
Atomic Energy of Canada Limited

Current Chair of the Board of the MEOPAR Network of Centres of Excellence. Former Senior Vice-President, Nuclear Laboratories, AECL; Assistant Deputy Minister of Science and Technology, Department of National Defence; and Chief Executive Officer of Defence Research and Development Canada and Chair of the NATO Research and Technology Board. Holds a physics degree from Acadia University, and a Master of Engineering (engineering physics), a PhD (electrical engineering) and an honorary Doctor of Science degree from McMaster University. A graduate of the National Defence College and a Fellow of the Canadian Academy of Engineering. Appointed to AECL Board in October 2011.

Committees: Member, Audit (ex-officio, April 2013 – March 2014) and Human Resources & Governance (ex-officio, April 2013 – March 2014)

Dr. Claude Lajeunesse

President Emeritus, Ryerson University

Current Board Chair of the Green Aviation Research & Development Network and Board member of the Canada Science and Technology Museums Corporation Foundation. Former President and CEO of the Aerospace Industries Association of Canada and the Association of Universities and Colleges of Canada; President and Vice-Chancellor of Concordia University in Montreal and Ryerson University in Toronto; Board member of TD Insurance, SOFINOV (Caisse de dépôt et placement du Québec) and of the Toronto East General Hospital. Holds a PhD in nuclear engineering from Rensselaer Polytechnic Institute in New York. Appointed to AECL Board in March 2005.

Committees: Chair, Human Resources & Governance (April 2013 – March 2014)

Gregory Josey

Principal, FORTEN Performance Consulting Inc.

Former Vice-President, Finance, and Chief Financial Officer at McNeil Consumer Healthcare, Johnson & Johnson Inc., and Johnson & Johnson – Merck Consumer Pharmaceuticals; Officer and Director of Johnson & Johnson Inc. Canada; Chair of Johnson & Johnson Canadian CFO Council and member of the Ontario CNIB Advisory Board. Holds an H.B.B.A. from Wilfred Laurier University and is a Certified Management Accountant. Appointed to AECL Board in March 2013.

Committees: Chair, Audit (August 2013 – March 2014)

Serge Dupont

Deputy Minister, Natural Resources Canada

Former Associate Deputy Minister; Deputy Minister of Intergovernmental Affairs (Privy Council Office) and Special Adviser to the Minister of Natural Resources on Nuclear Energy Policy. Occupied senior positions in Finance Canada, including Assistant Deputy Minister, Financial Sector Policy, and Director General (Analysis), Tax Policy. Holds a B.Sc. from the University of Ottawa, an M.A.Sc from the University of Waterloo in Management Sciences and an international diploma in public administration from École nationale d'administration in Paris. Serves on Board of Directors of the Public Policy Forum. Appointed to AECL Board in March 2013.

James Hall

President & Chief Executive Officer, James Hall Advisors Inc.

Current directorships include Indigo Books & Music Inc., Immunovaccine Inc. and Adventus Intellectual Property Inc. Sole trustee of an Omers Trust. Vice-President of Callidus Capital Corporation. President of James Hall Advisors Inc. Formerly Chairman and Chief Executive Officer of Journal Register Company, Senior Vice-President and Chief Investment Officer of Working Ventures Canadian Fund Inc. and Senior Vice-President of Lloyds Bank of Canada. A Chartered Professional Accountant (CPA, CA), Mr. Hall holds an HBA from the Richard Ivey School of Business at Western University. Appointed to AECL Board in August 2013.

Committees: Member, Audit (August 2013 – March 2014) and Human Resources & Governance (August 2013 – March 2014)

OFFICERS

As of March 31, 2014

Peter Currie
Chair of the Board

Robert Walker
President & Chief Executive Officer

Lynne Campbell
Vice-President, Human Resources

Steven Halpenny
Vice-President, Finance & Chief Financial Officer

William Kupferschmidt
Vice-President, Research & Development

Randy Lesco
Vice-President, Operations & Chief Nuclear Officer

Jon Lundy
Vice-President, Chief Legal Officer

Carl Marcotte
Vice-President, Business Development & Commercial Ventures

Joan Miller
Vice-President, Decommissioning & Waste Management

Yvonne Penning
Vice-President, General Counsel, Wrap Up Office

CORPORATE GOVERNANCE

The corporate governance structure of AECL is similar to that of other corporations incorporated pursuant to the Canada Business Corporations Act with the following important exceptions:

i. AECL is an agent and a parent Crown corporation and is subject to the provisions of Part X of the Financial Administration Act ("FAA") of Canada;
ii. The sole Shareholder of AECL is the Government of Canada as represented by the Minister of Natural Resources; and,
iii. AECL's Directors, the Board Chair and the President and Chief Executive Officer are appointed by the Government of Canada by Order-in-Council.

In 2013–2014, the Board provided direction, input and evaluation of AECL's strategic plans; implemented a revised delegated approval framework; authorized revisions to the Program Alignment Architecture; and, approved all major contracts and initiatives. Throughout the fiscal year, a major focus for the Board and its Audit and Human Resources and Governance committees was the provision of effective internal governance over the second phase of the restructuring of AECL which is concentrated on the Nuclear Laboratories. Through its two committees, the Board exercised oversight on all material matters, and provided appropriate levels of oversight over business risk and other related risks.

AECL's corporate governance framework reflects best practices as outlined in the Treasury Board of Canada Secretariat's Corporate Governance Guidelines for Crown corporations. The Board of Directors recognizes that effective governance requires continuous improvement of corporate processes and practices necessary to ensure a high level of accountability to stakeholders.

In 2013–2014, AECL continued to implement and strengthen its governance activities to enhance stronger accountability, transparency and confidence throughout the organization. In particular, the Board undertook the following initiatives during the year:

- Provided significant due diligence, advice and perspectives as the Government of Canada continued with the second phase of the restructuring of AECL;
- Exercised an enhanced oversight role with respect to matters related to HSSE;
- Provided appropriate oversight as AECL's Wrap-Up Office dealt with the resolution of legal liabilities that had been retained by AECL as part of the transaction by which the Commercial Operations division divestiture was implemented;
- Provided appropriate oversight over the management of corporate and business risks;
- Provided input to NRCan on the second phase of the restructuring of AECL; and
- Continued to provide regular reporting to the Minister of Natural Resources with respect to the Board's fulfilment of its governance role and accountabilities.

The Board

The Board is currently comprised of six members, five of whom were independent from the company in the sense that they were not management, nor did they have any interest, business or other relationship with the company. The sixth member of the Board was the Chief Executive Officer of AECL.

AECL's business affairs are governed by the Board of Directors, which provides key stewardship functions as set out in the Board Charter. These responsibilities include oversight for financial management, the identification of principal risks, approval of the strategic direction of the organization, examination of the corporation's public policy objectives, as well as meeting its overall legal requirements.

The following table sets forth the record of attendance for Board and Committee meetings for each of the Directors over the past fiscal year. The compensation of the Board complies with the Remuneration Guidelines for part-time Governor in Council Appointees. As President and CEO of AECL, Robert Walker was considered a non-independent Director and as a result, did not receive compensation as a Director.

The Board regularly assesses its effectiveness and functioning through an assessment process using independent external expertise. The Board has also created Director standards that set out the skills and criteria required to be an effective member of the Board of Directors. These criteria are aligned with the Corporate Governance Guidelines for Crown corporations issued by the Privy Council Office, and an orientation process is in place to familiarize new Directors with the standards. The Board has approved a number of governance policies and procedures to assist it in fulfilling its role and responsibilities.

Director Attendance At Board & Committee Meetings, 2013–2014

Director	**Audit** (6 meetings)	**Human Resources & Governance** (6 meetings)	**Board of Directors** (10 meetings)
P. Currie	6/6	6/6	10/10
R. Walker	6/6	6/6	10/10
C. Lajeunesse	N/A	6/6	10/10
J. Luxat[1]	N/A	3/4	4/4
B. Trenholm[2]	3/3	N/A	3/3
S. Dupont	N/A	N/A	7/10
G. Josey	6/6	N/A	10/10
J. Hall[3]	3/3	3/3	7/7

1 Term expired on August 26, 2013

2 Term expired on August 1, 2013

3 Appointed to the Board on August 1, 2013

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(unaudited)

(millions of dollars)	**2014**	2013*	2012*	2011*	2010*
	$	$	$	$	$
Nuclear Laboratories					
Revenue	**130**	96	76	52	33
Funding	**194**	165	155	140	122
Interest revenue	**7**	8	10	11	11
Net loss before Parliamentary appropriations and Revaluation gain (loss) on decommissioning and waste management and other	**(262)**	(349)	(334)	(355)	(362)
Revaluation gain (loss) on decommissioning and waste management liability and other	**231**	(2,282)	(1,368)	(484)	72
Net income (loss) from continuing operations	**257**	(2,339)	(1,408)	(505)	36
Commercial Operations (Discontinued Operations)					
Revenue	**36**	97	278	446	428
Operating (loss) income from discontinued operations	**(99)**	35	(96)	(247)	(116)
Impairment of long-lived assets	**—**	(5)	(9)	(205)	—
Gain on sale of non-current assets	**—**	2	—	—	—
Restructuring charge	**—**	—	(31)	—	—
Net income (loss) from discontinued operations	**(65)**	246	254	201	(116)
Parliamentary Appropriations					
Operating and capital	**399**	565	729	800	827
Recognition of deferred development funding	**—**	—	—	205	—

Financial Position	**2014**	**2013***	2012*	2011*	2010*
Cash, cash equivalents and short-term investments	**49**	35	35	19	48
Heavy water inventory	**305**	290	291	291	292
Capital expenditures	**78**	55	45	39	50
Property, plant and equipment	**336**	286	263	239	231
Decommissioning and waste management provision	**7,750**	7,970	5,679	4,255	3,085
Long-term payables (excludes current portion)	**—**	—	—	6	18
Other					
Number of full-time employees	**3,291**	3,285	3,214	4,830	4,957

**Certain amounts have been reclassified to conform to the 2014 Financial Statement presentation. The amounts reflected for 2010 are reported under previous Canadian GAAP.*

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