AECL
EACL

A NEW ERA IN CANADIAN SCIENCE & TECHNOLOGY

Atomic Energy of Canada Limited
2015 Annual Financial Report

INNOVATIVE

Developing the next generation of Canadian nuclear power reactors.

SAFE

Reducing the threat of nuclear proliferation through science and technology.

CLEAN

Leading environmental remediation and restoration efforts across Canada.

HEALTHY

Fighting cancer and heart disease through the production of medical isotopes.

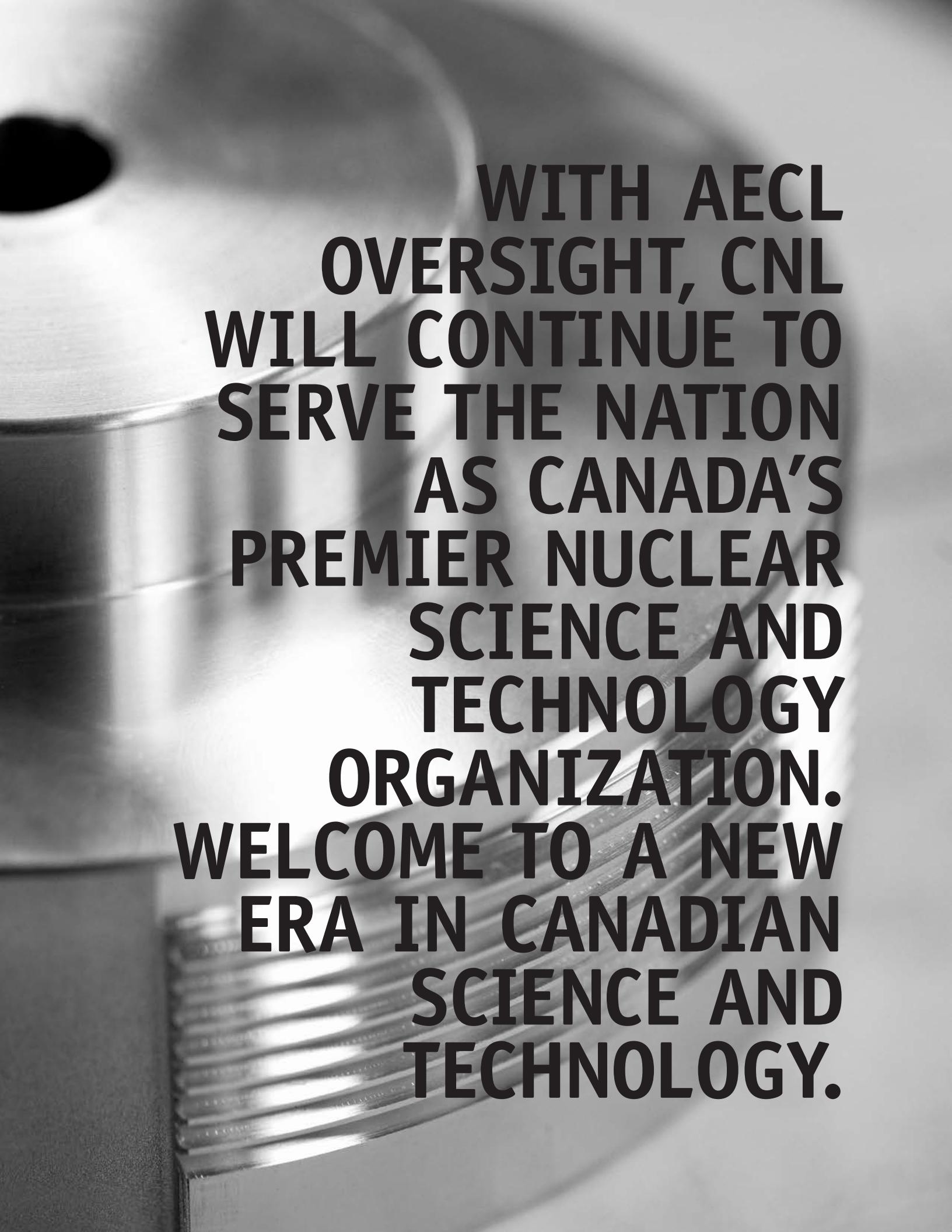
SKILLED

Developing the talented, world-class nuclear workforce of the future.

PROSPEROUS

Partnering with Canadian businesses to stimulate private-sector innovation.

What's inside



WITH AECL OVERSIGHT, CNL WILL CONTINUE TO SERVE THE NATION AS CANADA'S PREMIER NUCLEAR SCIENCE AND TECHNOLOGY ORGANIZATION. WELCOME TO A NEW ERA IN CANADIAN SCIENCE AND TECHNOLOGY.

WHO WE ARE

A NEW ERA

In 2013, the Government of Canada announced that a Government-owned, Contractor-operated (GoCo) management model would be implemented to operate the Nuclear Laboratories.

The GoCo model will bring private sector rigour and international best practices to CNL, to leverage its significant capabilities, while reducing cost and risk to Canadian taxpayers.

Canadian Nuclear Laboratories

Laboratoires Nucléaires Canadiens

INTRODUCING CNL

On November 3, 2014, AECL launched a wholly owned subsidiary named Canadian Nuclear Laboratories as part of AECL restructuring.

The expertise and capabilities associated with AECL are now being offered through CNL under the new business model.

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.

Over the years, AECL has repeatedly transformed itself to meet the needs of its customers around the world. This year marked another chapter in this remarkable history with the launch of Canadian Nuclear Laboratories (CNL), a wholly owned subsidiary of AECL. CNL was launched to enable the procurement of a private-sector contractor to manage and operate AECL's Nuclear Laboratories through a Government-owned, Contractor-operated (GoCo) management model.

The expertise and technology you have long associated with AECL will now be offered through CNL – a critical national resource made up of world-class scientists, engineers, technologists and operational staff that will utilize AECL's sites and facilities. A procurement process is underway that will culminate in an agreement for a private sector contractor to assume the shares of CNL.

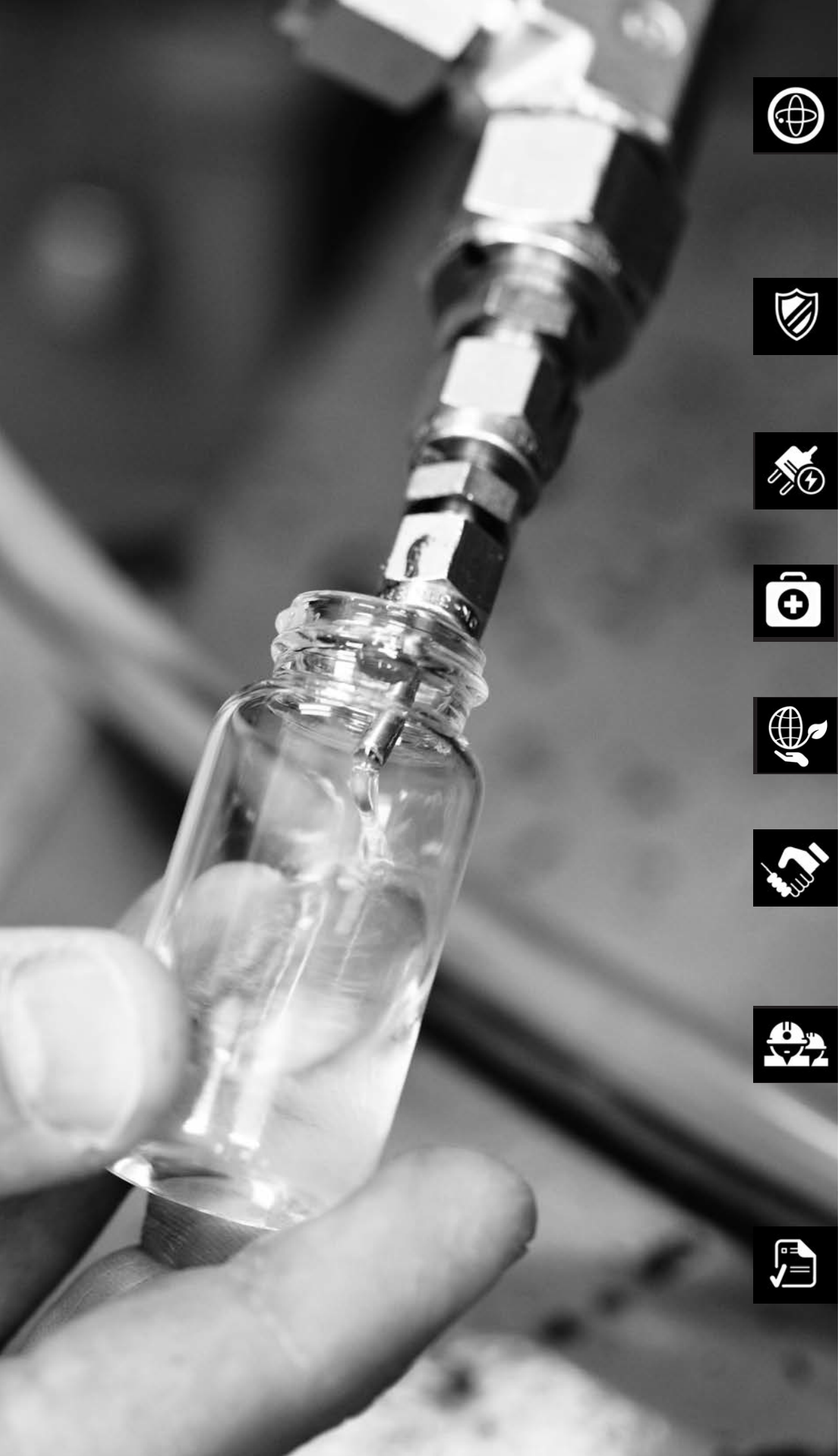
The launch of CNL represents a new beginning in the history of Canada's premier nuclear science and technology organization. It also ushers in a new era of nuclear science and technology here in Canada by realizing the Government of Canada's vision for a cost-effective and state-of-the-art national nuclear laboratory that supports federal priorities.

Once the GoCo management model is in place, CNL will deliver services to AECL in order to fulfil three key missions:

- **DECOMMISSIONING AND WASTE MANAGEMENT**
  CNL will safely and efficiently reduce the Government of Canada's nuclear liabilities at federal sites through innovative solutions to infrastructure decommissioning, site remediation and waste management.
- **SCIENCE AND TECHNOLOGY FOR GOVERNMENT**
  CNL will ensure that its nuclear science and technology capabilities and knowledge continue to support Government of Canada priorities.
- **SCIENCE AND TECHNOLOGY FOR INDUSTRY**
  CNL will provide industry with access to in-depth nuclear science and technology expertise on a commercial basis.

CNL activities are categorized into a series of programs that are aligned with these missions 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.

CNL's skilled employees deliver vitally important nuclear services to AECL to 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.



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.

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

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

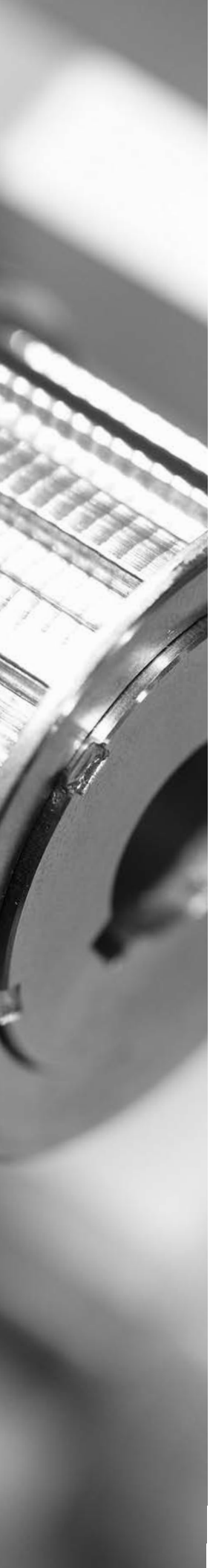
HEALTH, ISOTOPES & RADIATION
Ensures that Canadians experience health benefits from nuclear science and technology.

NUCLEAR ENVIRONMENTAL STEWARDSHIP
Ensures that federal nuclear sites are clean and healthy environments.

NUCLEAR INNOVATION NETWORKS
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
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.

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



MESSAGE FROM THE CHAIR

THE END OF THIS FISCAL YEAR marks the beginning of a new era in Canadian science and technology.

For over six decades, AECL has pursued scientific progress as Canada's premier nuclear science and technology organization. The nuclear research and development carried out over those sixty years has had a profound impact on the lives of Canadian citizens and helped build a stronger, more peaceful and prosperous nation.

With the launch of Canadian Nuclear Laboratories in November 2014, this important work will continue thanks to a renewed vision for the future of Canadian nuclear science and technology. CNL will carry AECL's torch forward and continue to develop the innovative technologies and undertake the ground-breaking research needed to lead our industry into the future.

This year was clearly a milestone year in the history of AECL. It was also a time of enormous change. I'm pleased to report that AECL's leadership team and employees most capably met the challenge, embracing restructuring responsibilities while delivering on our commitments in order to realize a Strategic Outcome that supports Government of Canada priorities for a clean and healthy environment, healthy Canadians, a safe and secure Canada, and an innovative and knowledge-based economy.

The Board of Directors worked directly with management in 2014–2015 to guide the company as it sought to establish CNL and transition the employees and day-to-day operations of AECL to the new subsidiary. In addition to this remarkable achievement, the Board worked to ensure both AECL and CNL fulfilled customer commitments in the interim, continued their journey towards more customer-centric operations, and improved management systems and business practices and process.

As we approach the end of restructuring and the implementation of the Government-owned, Contractor-operated (GoCo) management model to operate CNL, the Board is confident that both organizations are on a sound footing and fully prepared to embrace this new opportunity.

For example, this year AECL once again grew its commercial revenues, achieving full cost recovery for most of its commercial work, a key objective of restructuring. AECL improved its margins and continued to focus on productivity and efficiency improvements, realizing cost savings in its operations. AECL also remained committed to operating according to Government of Canada fiscal restraint measures, exercising financial prudence and responsibility in all its work.

And all this was accomplished with a view to the future. This year, AECL continued to execute its ambitious capital program with $81 million invested in the revitalization and renewal of its infrastructure at the Chalk River Laboratories. Construction activities are underway on a brand new laboratory complex, which will offer CNL employees a state-of-the-art inter-disciplinary facility to conduct cutting-edge nuclear research. Construction was also completed on a new world-class Hydrogen Isotopes Technology Laboratory. These capital investments will extend and enhance CNL's capabilities, contributing to a bright future for nuclear science and technology in Canada.

Collectively, these activities represent a renewed vision for Canadian nuclear science and technology – one that will ensure Canadians are well-served by a cost-effective, world-class nuclear science and technology organization.

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

The AECL Board of Directors will continue to provide guidance as we work toward this future, ensuring the company succeeds in its new role under the GoCo structure. With the contractor scheduled to be in place next year, AECL and CNL will continue to operate in an environment marked by change. More than ever before, we must ensure that both organizations have the strategic direction they require to adapt to these new roles, and the accountability that ensures we meet our customer objectives as we implement this new management model.

We are fulfilling this responsibility with a highly capable and engaged Board of Directors – one which underwent change of its own during the past year. Bob Hamilton is a welcome addition to our Board and brings decades of public-sector leadership to the restructuring of AECL. Unfortunately, we also said goodbye to Serge Dupont, who left the Board earlier this year. Serge made many significant and valuable contributions to the direction of AECL during an important period of transformation. We greatly appreciate his commitment to the future success of AECL and wish him well in his new endeavours.

As we turn our attention to the year ahead, AECL is poised to have one of the largest budgets in recent memory. Through CNL, it will deliver approximately 350 projects with a budget of over $750 million and almost 3,500 employees. And it will assume its new oversight role as CNL welcomes a private-sector contractor to manage and operate the organization.

This work is already underway. The Board has approved the AECL 2015–2016 Corporate Plan, ensuring the planning is in place to lead us into our new future. I am fully confident that the AECL Board of Directors and both AECL and CNL leadership, along with employees from both organizations, will work together and realize the new vision that we've worked so hard to bring to life these past few years.

I would like to extend my thanks and appreciation to my colleagues on the Board of Directors, the AECL management team, and all of our colleagues throughout the organization for their outstanding contributions during another successful year. We have made enormous progress towards a management model that will sustain nuclear science and technology in Canada for decades to come, and you have all played an important role in building this promising future.

Thank you.

Peter Currie
Chair of the Board

THE END OF THIS FISCAL YEAR MARKS THE BEGINNING OF A NEW ERA IN CANADIAN SCIENCE AND TECHNOLOGY

MESSAGE FROM THE PRESIDENT

SINCE 1952, WHEN AECL WAS ESTABLISHED over sixty years ago, the company has been continually challenged to evolve and adapt in order to thrive as a world-class nuclear science and technology organization and meet the needs of Canadian citizens and our numerous customers around the world.

The creation of Canadian Nuclear Laboratories is another chapter in this extraordinary history. With a renewed focus on Government of Canada priorities, substantial investment into our infrastructure and new state-of-the-art facilities, and a carefully planned transition towards private sector management and practices, we will continue to confront the complex challenges that Canada faces through the development of cutting-edge nuclear science and technology.

The world has changed. And we are changing with it.

With the launch of CNL complete, the selection of a private-sector contractor approaching, and preparations underway for AECL to adopt its new contract oversight role, our work to build a brighter future for Canadian nuclear science and technology is coming to fruition. CNL's corporate vision, strategic outcome and value proposition are established and aligned to fulfil three AECL missions that support national priorities, including nuclear innovation, environmental stewardship, public safety and security, and value-added research and development.

We made strong progress against these objectives this year. Working closely with the AECL Board of Directors, the management team was guided by our 2014–2015 Corporate Plan to ensure we continued on our journey towards improvement, while realizing strategic results across all of our programs. Thanks to the hard work of so many people at both AECL and CNL, we successfully delivered against our Corporate plan, on budget and on schedule, while meeting the obligations of our customers and stakeholders.

This success included the addition of 17 new commercial customers in 2014–2015 as we continue to grow and expand our presence as an international leader in nuclear products and services. I'm pleased to report that AECL also fulfilled 99 per cent of its deliverable to the CANDU Owners Group (COG) for the 2014–2015 R&D program, exceeding COG targets while earning revenues of over $23 million. Moving forward, CNL will continue to provide COG with this exceptional service, ensuring they have the valuable technical data they need to inform utility decisions on critical matters that include plant refurbishment and life extension.

CNL will also continue to develop the technologies needed to ensure Canada maintains a strong nuclear power sector. This year, AECL successfully completed development of its Modal Detection and Repositioning (MODAR) tool, which uses vibration technology to detect and reposition annulus spacers – a critical component used in CANDU reactors. The tooling system is now being deployed in a Canadian utility, which represents the introduction of another innovative AECL technology to support the Canadian nuclear industry.

With respect to decommissioning and waste management, AECL completed 94 per cent of its Nuclear Legacy Liabilities Project (NLLP) milestones, resulting in a significant reduction in environmental risk and liability for the lands and facilities under AECL's care. These milestones

represent important achievements in all areas of the program, which was established by the Government in 2006 to manage Canada's nuclear legacy liabilities.

This year we received direction on the future of NRU from the Government of Canada. CNL will operate NRU until March 31, 2018, subject to relicensing. At the conclusion of this period, the reactor will be placed into a state of storage with surveillance until decommissioning. Enabled by our people, the NRU reactor has served this country for over six decades and leaves behind an incredible legacy in Canadian nuclear science in technology. With the future of the reactor now clear, we will continue to work with our customers over the next three years to derive maximum value from NRU and to accelerate research and irradiation campaigns until the reactor is shut down in 2018.

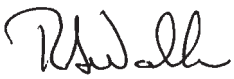
As noted by Peter Currie, AECL continued to execute its ambitious capital program this year. We began construction on a brand new laboratory complex, completed construction of our new world-class Hydrogen Laboratory, reached a final agreement to supply natural gas to our Chalk River site, and completed major improvements to increase the reliability of Class IV power. These capital investments will revitalize the Nuclear Laboratories and ensure CNL has the facilities and infrastructure it needs to carry out its new missions.

Finally, in support of the Government of Canada's plan to implement a GoCo management model at AECL, employees across the organization worked together in the planning, execution and implementation of a comprehensive, company-wide project that culminated in the launch of CNL. With the transition of AECL operations to CNL now complete, a major milestone has been reached in the Government of Canada's restructuring of AECL.

These are but a few of the accomplishments from this fiscal year – work that is vital to the nuclear industry and Canadians across the country. Looking forward, CNL will leverage its past success as a Crown corporation with a proud history of cutting-edge nuclear science and technology that spans over six decades. We have a promising new era before us, and I'm confident that CNL will build on AECL's rich history and continue to apply nuclear science and technology to the benefit of Canadians for many more decades to come.

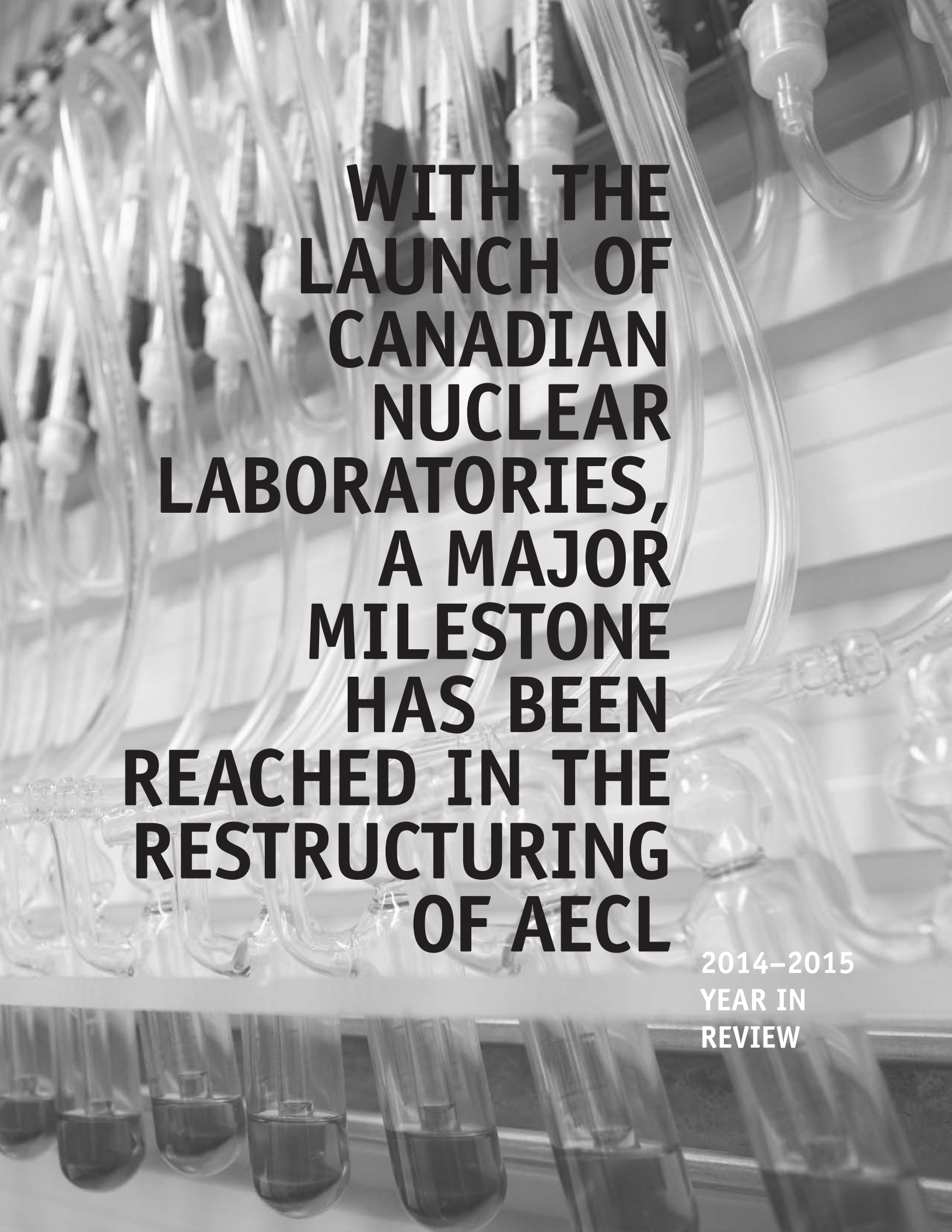
I would like to extend my thanks and appreciation to the AECL Board of Directors, management team and employees for their hard work and dedication this fiscal year. These efforts were critical to the success we realized during an enormously important period of transition. The Government of Canada also deserves our recognition and gratitude for the financial resources and support that made these accomplishments possible.

The world will continue to change. With the launch of CNL and the implementation of a GoCo management model, we have once again demonstrated that AECL is prepared to change with it. In doing so, we will continue to meet the needs of Canadians citizens, and drive Canadian nuclear science and technology into the future.



Robert Walker
President & Chief Executive Officer
(to March 31, 2015)

CNL WILL CONTINUE TO APPLY NUCLEAR SCIENCE AND TECHNOLOGY TO THE BENEFIT OF CANADIANS FOR DECADES TO COME



WITH THE LAUNCH OF CANADIAN NUCLEAR LABORATORIES, A MAJOR MILESTONE HAS BEEN REACHED IN THE RESTRUCTURING OF AECL

2014–2015
YEAR IN
REVIEW

IMPROVING HEALTH & SAFETY AT AECL

INNOVATIVE
AECL completed the development of its innovative Modal Detection and Repositioning tool.

SAFE
AECL coordinated Canada's response as part of an international nuclear forensics exercise.

CLEAN
AECL completed 94 per cent of its Nuclear Legacy Liabilities Project (NLLP) milestones.

HEALTHY
Isotopes produced by AECL were used in millions of medical diagnostics and treatments.

SKILLED
AECL partnered with 37 Canadian academic institutions to advance nuclear science and technology.

PROSPEROUS
AECL grew its presence as a major supplier of nuclear products and services with 17 new customers.

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 launched a new non-occupational disability management program that was developed with the support of a multidisciplinary, collaborative team from AECL and its new disability management provider. The new program was implemented to ensure cost-effective, evidenced-based support is provided to AECL staff to ensure they return to work in a healthy, safe and timely manner.

AECL improved safety for its employees by enhancing elements of its hazard prevention program, such as ergonomics, by providing new tools to help employees better identify occupational hazards. The program improvements have resulted in increased awareness of risk and safety controls, while empowering and encouraging employees to participate in the management of their own safety.

Also this year, AECL enhanced its emergency response capabilities through upgraded training to its emergency personnel. AECL also participated in the largest nuclear emergency exercise ever conducted in Canada to evaluate its emergency practices and process. The full-scale training exercise involved AECL representation from across the organization, who worked alongside partners within municipal, provincial and federal governments, ensuring that Canada is fully prepared to respond to emergency nuclear events.

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

PROGRAM RESULTS ▸

Program 1.1

NUCLEAR INDUSTRY CAPABILITY

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.

With 17 new customers this year, AECL continued to grow its presence as a major supplier of nuclear products and services for customers around the world. AECL fulfilled 99 per cent of its deliverables to the CANDU Owners Group (COG) for the R&D program in 2014–2015, exceeding COG targets while earning revenue of over $23 million. Additionally, AECL's services to COG for the Joint Project on Fuel Channel Life Management provided COG with valuable technical data to inform utility decisions on plant refurbishment and life extension.

AECL also commenced irradiation testing of specialty alloys used for annulus spacers, a critical component used in CANDU reactors to ensure the integrity of the fuel channels. The multi-year irradiation projects are being carried out on commercial terms in AECL's NRU reactor, a unique facility in Canada that allows AECL to evaluate the performance of various materials and fuels. The results from this project will inform utility decisions concerning the use of specific alloys in future reactor refurbishments to enhance long-term reactor performance.

With respect to industry innovation, AECL also completed development of its Modal Detection and Repositioning (MODAR) tool, which uses vibration technology to detect and reposition annulus spacers. The tooling system is now being readied for deployment in a Canadian utility this year, representing the use of another new innovative technology to support the Canadian nuclear industry.

INNOVATIVE

Program 1.2

NUCLEAR SAFETY & SECURITY

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 participated in an international nuclear forensics exercise this year, as part of the Canadian National Nuclear Forensics Network. As the lead organization for the network of four Canadian federal laboratories, AECL coordinated the Canadian response to a series of questions based on the interpretation of analysis results. The exercise was a clear demonstration of the strength of laboratory interoperability in Canada, and results from individual laboratories will form the basis of an inter-comparison benchmark within Canada's national laboratory network.

AECL also successfully completed a three-year research project carried out on behalf of the Organisation for Economic Co-operation and Development (OECD) and the Nuclear Energy Association (NEA) that studied post-accident iodine behaviour for partners from 11 countries. The work performed by AECL is an important contribution to worldwide efforts to improve safety analysis codes to inform mitigation and response measures for severe accidents such as Fukushima.

Finally, AECL began participation in an International Atomic Energy Agency (IAEA) exercise focused on isotopic analysis of safeguard materials. AECL involvement in this initiative represents an important step towards Network of Analytical Laboratories (NWAL) qualification and fulfils an ISO-17025 requirement for annual benchmarking. Both of these designations are important in establishing AECL as a qualified nuclear forensics laboratory, and enhance Canada's national capabilities as a tier-one nuclear nation.

SAFE

Program 1.3

CLEAN, SAFE ENERGY

CLEAN, SAFE ENERGY

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

AECL continued to fulfil Canada's commitments to the Generation IV International Forum (GIF) – an international program to establish the feasibility and capabilities of next-generation nuclear energy systems. AECL is leading an analysis of the technical viability and economic competitiveness of Canada's SCWR concept that was recently validated by technical experts throughout the Canadian nuclear industry. Through this work, AECL enables Canada to develop the next generation of nuclear technologies and maintain its position as a tier 1 nuclear nation.

AECL officially opened its brand new $55 million Hydrogen Isotopes Technology laboratory. The new state-of-the-art facility permits AECL to continue to perform cutting-edge research and development in hydrogen-based energy production, storage and safety. For example, a technology developed by AECL experts has been demonstrated to better remove tritium from contaminated water – an essential aspect of cleanup of the Fukushima site – than any other commercially-available technology.

Small Reactors hold significant promise as a source of power for communities and military installations in northern Canada. This year, as part of its program of work that examines the viability of small reactors for these applications, AECL hosted the Third International Technical Meeting on Small Reactors in Ottawa. The conference welcomed over 100 participants from around the world to exchange information and ideas on the future of small nuclear reactor technology. This technical meeting enables AECL to fulfil its program objectives of a clean and healthy environment for Canadians through the development and use of clean energy technologies.

COLLABORATIVE

Program 1.4

HEALTH, ISOTOPES & RADIATION

HEALTH, ISOTOPES & RADIATION

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

AECL continued to support the Canadian and global health community through the provision of the important diagnostic isotope, molybdenum-99 (Mo-99). Overall, isotopes produced by AECL enabled the delivery of approximately 3.1 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.

AECL published its annual Radiobiology, Radio-ecology and Dosimetry report. This report is the third in a series of AECL publications that provides extended abstracts describing the work carried out at the Chalk River Laboratories alongside national and international partners in the linked fields of radiobiology, radioecology and radiation dosimetry. The report also offers detailed information and promotes the numerous AECL facilities and capabilities available to scientists and technologists at its Chalk River site.

Lastly, AECL successfully completed the definition phase of its Fukushima Response Project, an initiative that was developed to enhance AECL's Severe Accident Management Program and to implement robust measures to improve AECL's emergency preparedness capabilities. Now complete, the project has identified criteria that will be used to respond in the event of a beyond design basis accident at the Chalk River Laboratories. The Fukushima Response Project has now entered the implementation phase, which will direct the completion of key improvements and commitments as part of the lessons learned from Fukushima.

HEALTHY

Program 1.5

NUCLEAR ENVIRONMENTAL STEWARDSHIP

NUCLEAR ENVIRONMENTAL STEWARDSHIP

Ensures that federal nuclear sites are clean and healthy environments.

This year, AECL completed 94 per cent of its Nuclear Legacy Liabilities Project (NLLP) milestones, resulting in a significant reduction in environmental risk and liability for the lands and facilities under AECL's care. These milestones represent important achievements in all areas of the program, which was established by the Government in 2006 to manage Canada's nuclear legacy liabilities. Accomplishments include the removal of underground storage tanks from AECL's former Heavy Water Upgrading Plant; the removal of asbestos and underground waste tanks from AECL's Whiteshell site; the completion of conceptual designs for a liquid waste cementation system; and the characterization, assessment and long-term management of the waste management areas and landfills at AECL.

Important progress was also made in the transition of governance for the Port Hope Area Initiative (PHAI) project to CNL. AECL received formal approval of the PHAI Governance Transition Plan, and completed development of transition requirements from Public Works & Government Services Canada's (PWGSC) scope of work to CNL. This work aligns with the Government of Canada's restructuring plan for AECL, which will culminate with the implementation of a GoCo management model at CNL.

A key aspect of nuclear environmental stewardship is the ability to predict the impact of activities on the environment. Various studies were completed that provide improved methodologies for generating environmental data, and important new data related to contaminant transport in the environment and dose response of non-human biota. With this new data, gaps have been filled in these areas and new relationships have been developed to improve models, such as for strontium-90 bioaccumulation in fish at federal nuclear sites, thus resulting in more accurate predictions. These studies help maintain CNL's leadership position in radioecology.

CLEAN

Program 1.6

NUCLEAR INNOVATION NETWORKS

NUCLEAR INNOVATION NETWORKS

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

AECL continued to cultivate relationships with the broader nuclear industry this year, leveraging almost $125 million through collaborations. AECL worked with 37 different Canadian academic institutes on a variety of collaborative projects in 2014–2015, with 17 AECL facilities used in industry-related projects. AECL also issued its 2014 external Call for Proposals, which resulted in 25 proposals from industry and academia for in-kind collaborations. These partnerships advance AECL's science and technology priorities, using its world-class facilities and expertise to promote third-party engagement with academia, government laboratories and industry.

AECL also participated in its first business development webinar this year to promote its materials science capabilities. Hosted by the Auto Parts Manufacturing Association and featuring panellists from auto suppliers Nemak and General Motors, the webinar included a number of automotive companies from Canada, the United States and Italy, demonstrating the interest in AECL's nuclear science and technology services and capabilities from other industries.

Finally, AECL continues to grow its stature as a thought-leader in nuclear science and technology research. AECL published two new issues of its scientific journal, the *AECL Nuclear Review*, including a special edition on the future of nuclear technology. AECL employees from the Canadian Neutron Beam Centre (CNBC) also produced 48 peer-reviewed papers this year, many of which were published in prestigious international scientific journals, showcasing the important research carried out by AECL and helping other organizations advance their innovation agendas.

SKILLED

Program 1.7

MISSION-READY SCIENCE & TECHNOLOGY INFRASTRUCTURE

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.

AECL continued to execute an ambitious capital program with $81 million invested in the revitalization of infrastructure at its Chalk River site. Construction activities began on AECL's brand new laboratory complex, which will offer AECL employees and partners a state-of-the-art, inter-disciplinary facility to conduct cutting-edge nuclear research. AECL also completed construction of its new world-class Hydrogen Laboratory, reached a final agreement to supply natural gas to its site, and completed major improvements to increase the reliability of Class IV power. These capital investments extend and enhance AECL's capabilities as Canada's premier nuclear science and technology organization.

AECL's annual planned extended NRU maintenance outage was successfully completed this year on schedule, without incident and with 94 per cent of critical activities achieved. The outage enabled completion of many large, complex maintenance and improvement activities, as well as in-vessel inspections. AECL also realized important process improvements in the operation of NRU and the availability of facility resources in 2014–2015, all of which have a direct, beneficial impact on AECL's science and technology programs. Overall, these activities ensure that the NRU reactor is safe and readily available to AECL and its partner organizations to enable nuclear research and development.

Finally, AECL significantly increased its experimental and isotope production capabilities with the successful installation of a second Multi-Capsule Rod, a second Fast Neutron Rod and three additional Cobalt Wafer Rods into the NRU reactor. The completion of these installations paves the way for new isotope opportunities and increased revenue generation through new and existing supply agreements.

PIONEERING

Program 1.8
INTERNAL SERVICES

INTERNAL SERVICES

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

In support of the Government of Canada's plan to implement a Government-owned, Contractor-operated (GoCo) management model at AECL, Canadian Nuclear Laboratories was successfully established as a wholly owned subsidiary of AECL this year. Launching CNL involved the planning, execution and implementation of a comprehensive, company-wide project carried out by internal services organizations across AECL. With the transfer of staff and regulatory licences to CNL now complete, a major milestone has been reached in the Government's restructuring of AECL.

Looking forward, the AECL Board of Directors has approved the 2015–2016 AECL Corporate Plan, which establishes the strategic direction, priorities and objectives for AECL in the coming years. The Board of Directors also approved the 2015–2016 CNL Strategic Plan – a new five-year planning document that was developed as part of the organizational transition to the new GoCo model. In approving these documents, AECL leadership has established the future direction of both organizations, ensuring AECL and CNL are aligned and focused on meaningful results that supports national priorities.

Finally, with a renewed focus on client satisfaction to spur commercial growth, AECL worked alongside an external agency this year to conduct its first 'Voice of the Customer' survey with its customer base. This feedback exercise was undertaken to ensure that AECL clients are properly serviced and satisfied, and to give them a voice to improve the quality and delivery of AECL services. These exercises help AECL to strengthen its relationships with existing customers and identify opportunities for improvement in its products and services, as it continues its transition towards customer-centric operations.

PROSPEROUS

AECL SUCCESSFULLY DELIVERED AGAINST ITS CORPORATE PLAN, WITHIN BUDGET AND ON SCHEDULE, WHILE MEETING THE NEEDS OF ITS CUSTOMERS

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, 2015 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 over 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. A Request for Proposal (RFP) was issued in January 2015 and is expected to be concluded by the summer of 2015 with the selection of a preferred bidder from a short list of qualified bidders identified in the RFRE stage. An agreement will then be established which will see the ownership of CNL transferred to the successful contractor in the fall of 2015.

In February 2015, the Government of Canada announced that CNL would be directed to operate the National Research Universal (NRU) reactor until March 31, 2018, subject to relicensing. At the conclusion of this period, the reactor will be placed into a state of storage with surveillance until decommissioning. In the ensuing years, CNL will work with its customers to derive maximum value from the reactor and to accelerate research and irradiation campaigns. This timeline will help to support the transition of CNL's existing programs and better prepare for the pending neutron gap.

This MD&A contains forward-looking statements with respect to AECL based on assumptions that management considers reasonable as at June 8, 2015, 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.

AECL evaluates its 2014–2015 financial results through two distinct reporting entities: Nuclear Laboratories and Commercial Operations (Discontinued Operations). Each entity is responsible for achieving its business goals as established in AECL's Corporate Plan.

The Government of Canada is restructuring AECL and transitioning the company to a Government-owned, Contractor-operated (GoCo) business model. As part of this transition, in May 2014, AECL established a wholly owned subsidiary Canadian Nuclear Laboratories (CNL). In November 2014, most of AECL's employees were transferred to CNL, the licensed entity responsible for carrying out the mandate of the Nuclear Laboratories under the new GoCo business model.

Once the private contractor is selected through the current procurement process, ownership of CNL will be transferred from AECL to the Contractor, anticipated in the fall of 2015. At that time, AECL will begin to execute its new contract oversight mandate.

Nuclear Laboratories

Canadian Nuclear Laboratories is principally centred at the Chalk River Laboratories and is Canada's largest federal laboratory. As of March 31, 2015, CNL employed over 3,300 full-time employees. Of those, approximately 500 were employed in other locations, including the Whiteshell Laboratories in Manitoba.

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 CNL.

Services from CNL are aligned with the federal science and technology strategy, Mobilizing Science and Technology to Canada's Advantage. Through alignment with this strategy, CNL 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.

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

- As an advisor to 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 CNL drives quality and excellence in the delivery of its mandate.

Advisor to the Government of Canada for Public Policy Purposes

CNL 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, CNL is an agent of the Government of Canada in several matters of public policy, including:

- Management and disposition of liabilities associated with legacy wastes at AECL sites resulting from past development of nuclear technology and nuclear energy in Canada.
- Management and disposition of liabilities associated with historic wastes at sites across Canada for which the Government of Canada has taken responsibility.
- 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 the CNSC's understanding of nuclear safety issues and the development and application of nuclear safety and regulatory standards.

- Provision of medical isotopes to Canadians. As one of the world's largest producers of radioisotopes, the NRU reactor is also 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, including molybdenum-99, iodine-125, iodine-131, iridium-192, xenon-133 and cobalt-60 that are used for medical imaging, cancer diagnostics and therapy, as well as industrial applications production.

Enabler of Business Innovation and Technology Transfer

Through its predecessor, CNL has a strong record of positioning the Canadian nuclear industry for success domestically and internationally. Going forward, CNL 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 is expected to result in greater revenues to offset or reduce federal funding.

As a service provider to Candu Energy Inc. and the wider Canadian nuclear industry, CNL 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 CNL supports an extensive network of stakeholders, clients and partners.

CNL provides Canadian researchers with access to unique, world-class facilities, supporting the development of an advanced nuclear workforce required 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 and the Canadian nuclear industry community reveals that many have had a deep and enduring connection to the company.

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

Program Alignment Architecture

All activities undertaken by CNL are categorized by program and framed within a Program Alignment Architecture (PAA).

Activities at CNL are principally supported by funding provided by AECL. Using AECL facilities and assets, 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.

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, 2015, Commercial Operations (Discontinued Operations) employed 14 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 2014–2015, safety continued to be a major priority in maintaining a healthy workforce and an effective business environment.

At fiscal year-end, a significant improvement was recognized in the number of Lost Time Injuries compared to 2013–2014, resulting in a 45 per cent reduction in the Lost Time Injury rate. The severity of these injuries also declined. These reductions were in part due to an increased focus on the effective implementation of AECL's Return to Work program. These events are primarily attributable to ergonomic related injuries as well as slips and trips. To address ergonomic related injuries, an enhanced Ergonomic Program was implemented as part of CNL's Hazard Prevention Program. AECL continues to address the slips and trips issue through improvements to site maintenance, employee awareness, safety procedures and training.

Significant focus continues to be 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 initiation of a comprehensive Contractor Management Program, and the 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. For the second year, AECL has been investing in research and customer feedback mechanisms to understand how to further evolve and improve its services to existing and prospective customers.

To strengthen its capabilities in commercial marketing, business development and customer relationship management, AECL established a new Business Development Framework (BDF) in 2013–2014. In the past year, AECL has sought to further enhance customer relationships by developing the professional skills of a new account management team and investing in improvements to proposal and contract management processes.

2014–2015 also included the completion of AECL's first full global market assessment to better understand its capabilities and skills through the lens of the strategic needs of clients around the world. This led to the creation of a comprehensive marketing plan that is guiding further growth initiatives in the future.

AECL also continues to take 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, a significant new project on improving intellectual property (IP) management was started in late 2014–2015 and will result in the creation of a true IP Office in 2015–2016 to further refine our ability to capitalize on our IP for the benefit of existing and new customers.

AECL's capabilities have been realigned to unlock new value for the organization, including potential business opportunities in non-nuclear industries. AECL is making inroads working with aerospace and automotive customers, for example, where its abilities to analyze and work with advanced materials is opening new doors.

Overall, this work ensures that AECL listens and responds 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 & 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 on Committees and Working Groups of the International Atomic Energy Agency (IAEA), the Nuclear Energy Agency (NEA), the Organization for Economic Cooperation and Development (OECD) and the Generation IV International Forum (GIF). AECL's research and development capability also contributes to the advancement of science and engineering in Canada through its support of the academic community and the broader nuclear industry. This fiscal year, AECL participated in 211 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 Canadian Nuclear Industries Canada, as well as a broad community of suppliers, which executed approximately one third of AECL's program in 2014–2015. 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.

Skilled Human Resources

AECL fosters a culture of continuous improvement where individuals learn and contribute to the overall success of the organization. AECL is also committed to management excellence by ensuring employees have opportunities to achieve organizational, professional and personal goals.

Leadership at all levels strive to create a respectful and inclusive work environment that enables AECL to attract, retain and develop high-quality talent for today and in the future. AECL leaders understand that work is accomplished through its people. It is the dedication, motivation, knowledge and skill sets of employees that are AECL's most valuable resource.

Maintaining strong relations with its employees and union leaders is a core value at AECL. Seventy-three per cent of AECL's workforce is unionized through 17 different collective agreements. By promoting details of AECL collective agreements with its front-line management, and by supporting productivity and change initiatives that respect these collective agreements, management and union leaders work together to build a more productive and stronger organization.

To meet the demands of the future, both management and unions work to create a working environment where every member of the organization contributes to AECL's success. Management facilitates an open door approach to labour and employee relations, which creates an environment for ongoing communication.

Performance management, training and development, Corrective Action Program, Operating Experience (OPEX) and benchmarking all contribute to enable AECL as a learning organization. AECL experts regularly evaluate existing curriculum and learning materials to ensure effectiveness and compliance. AECL also develops new training programs for both corporate-wide and position-specific training.

This fiscal year, AECL realized important achievements to maximize the potential of its workforce, including additional training oversight, an enhanced performance leadership development program, new safety and human performance learning activities and HR planning to position the corporation for success as restructuring continue.

OPERATING REVIEW

Programs

- **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

2014–2015 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.
- **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.

2014–2015 Priorities and Deliverables

1. Deliver AECL Commitments within the Program Alignment Architecture.
2. Develop AECL's ten Centres of Excellence that are aligned to its science and technology priorities.
3. Continue AECL's journey to excellence by delivering the following Strategic Initiatives:
   A. **Pursue Excellence in Nuclear Safety** – The concept of a strong nuclear safety culture applies to every employee in the organization, from the Board of Directors to the individual contributor. This strategic initiative gives the appropriate corporate attention to the development of a workforce with a strong nuclear safety culture.
   B. **Deliver Increased Customer Value and Cost Savings** –This strategic initiative will target areas of improvement that will position AECL to successfully transition to a private sector business model while achieving its safety, security and regulatory commitments.
   C. **Grow Revenues and Margins through Customer Engagement and Business Innovation** – Stimulating business innovation is a priority for the Government of Canada and a key element of AECL's Value Proposition. The intent of this strategic initiative is to stimulate business in the private sector and realize additional revenues, all while strengthening the focus of its people on customers.
   D. **Deliver on our Commitments to AECL Restructuring** – AECL provides support and advice to Natural Resources Canada in its lead role in completing the restructuring of AECL. The objective of this strategic improvement area is to position AECL to realize the desired outcomes of a successful restructuring: Private sector rigour and efficiencies in the management of the laboratories, new commercial opportunities and reduced financial cost and risk for Canadian taxpayers.

Financial Review

	Actual Results	
($ millions)	**2014–15**	2013–14
	$	$
REVENUE AND FUNDING		
Revenue	**141**	130
Parliamentary appropriations	**221**	288
Cost recoveries from third parties and other	**21**	22
Decommissioning and waste management funding	**188**	171
Total revenue and funding	**571**	611
Gross margin	**57**	58
Operating expenses	**393**	310
Financial expenses	**220**	210
Net (loss) income before Revaluation (loss) gain on decommissioning and waste management provision and other	**(118)**	26

Revenue

In 2014–2015, Nuclear Laboratories revenue increased to $141 million (2013–2014: $130 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 increased heavy water sales.

In providing research and development support to COG R&D and Joint Projects, 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 $38 million in 2014–2015 from $35 million in 2013–2014.

Parliamentary Appropriations

The Corporation recognized $221 million of Parliamentary appropriations in 2014–2015, compared to the prior year where $288 million was recognized. This variance relates to increased commercial revenues and higher receipts from customers, providing additional cash and reducing government appropriations that would otherwise be required to cover operating expenses.

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 $20 million in funding in 2014–2015 to support both program offices' initiatives. Additionally, $1 million in cost recovery funding was received in 2014–2015 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 2014–2015 was $188 million, compared to $171 million the previous year. The related expenditures reduced the decommissioning and waste management provision. This variance in funding from 2013–2014 is reflective of the inclusion of a greater portion of the site operating costs appropriately assigned to AECL's decommissioning liability.

Gross Margin

The reported gross margin of $57 million in 2014–2015 was comparable to the prior year.

Operating Expenses

Nuclear Laboratories reported operating expenses were $393 million in 2014–2015 compared to $310 million in 2013–2014. The reported variance is largely due to a write-down in the value of a portion of the heavy water inventory of approximately $58 million that was recorded during the year.

Financial Expenses

Financial expenses primarily consist of the unwinding of the discount on the Decommissioning and waste management provision (accretion expense). The 2014–2015 financial expense of $220 million was $10 million greater than that in 2013–2014 due to the higher Decommissioning and waste management provision recorded at March 2014 compared to March 2013.

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

Nuclear Laboratories reported a net loss before Revaluation (loss) gain on decommissioning and waste management provision and other of $118 million in 2014–2015 compared to a $26 million net income in 2013–2014. This increase in net loss was the result of the inventory write-down as well as a decrease in Parliamentary appropriations drawn as discussed above.

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

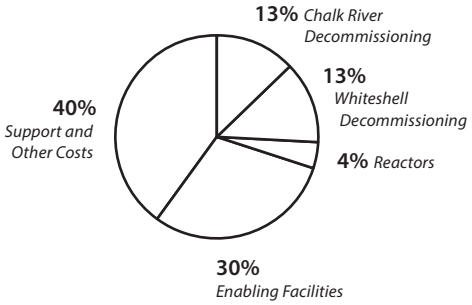
The reported loss on Revaluation of decommissioning and waste management provision and other was $2,186 million in 2014–2015 compared to a gain of $231 million in the previous year. The loss in the current year includes the effect of a change in the discount rate from the previous period.

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, 2015 rate was 1.99%, a decrease of 0.97% from the previous year resulting in a $2,114 million revaluation loss in the year.

Decommissioning Liability 2014–2015

$9,974 million



MD+A

Outlook

Atomic Energy of Canada Limited

AECL will continue to fulfil its commitments as outlined in its approved Corporate Plan.

2015–2016 Priorities and Deliverables

Through the second phase of restructuring, AECL will be adapting to its new contract management oversight role, while also ensuring the conditions are set for the continued success of CNL, through two strategic objectives:

- Establish Oversight Capability: AECL is responsible for making the preparations for its new contract management oversight role. This includes directing the implementation of systems, staffing and managing the new organization that will oversee performance of contractual obligations by both the GoCo contractor and by CNL.
- Position CNL for Success: AECL has established strategic objectives directed towards ensuring CNL is positioned to successfully transition to the GoCo model, and to excel going forward.

Canadian Nuclear Laboratories

In the next five years, CNL will be revitalized and advance initiatives critical to its success by:

- Becoming an Industry Leader in Safety Performance: Embracing a new paradigm of risk-informed excellence in both nuclear and conventional safety, transitioning from a company that adopts others' best practices to one that sets the standard for industry.
- Delivering Exceptional Value to its Customers: Consistently satisfying the diverse needs of government and industry and doing so on-time, on-budget and with the backbone of a modern, efficient laboratory operation.
- Excelling in the new GoCo Business Model: Accelerating the reduction of AECL's decommissioning liabilities, and leveraging federal investment in site infrastructure and the benefits of private-sector ownership to grow third-party revenues, and solve the most difficult S&T challenges facing the nation and our industry.

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

- **Planning for NRU Transition:** This initiative will ensure the workforce is in place to safely and reliably generate maximum value from NRU until March 2018 while respectfully managing the people affected by the decision to cease NRU operations.
- **Enable Change Through Continuous Improvement:** This initiative will Increase awareness and understanding of Continuous Improvement across the employee population and support those who are ready to improve processes. The outcomes will be a very broad awareness with foundational understanding and many small improvements completed.
- **Deliver on Commitments to AECL Restructuring:** This initiative is designed to ensure CNL meets its requirements to the Government of Canada to be 'transition ready' for the implementation of the GoCo model, anticipated in the Fall of 2015.

Guided by its S&T Priorities, CNL will also continue to develop its capabilities through its ten Centres of Excellence 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 CNL supply chain.

Commercial Operations (Discontinued Operations)

2014–2015 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 2011 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.

2014–2015 Priorities

- 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.

Financial Review

	Actual Results	
($ millions)	**2014–15**	2013–14
	$	$
Total revenue	**1**	36
Parliamentary appropriations	**36**	34
Gross margin	**1**	4
Operating expenses	**(2)**	102
Net income (loss) from discontinued operations	**40**	(65)

Revenue

In 2014–2015, revenue from reactor life extension projects decreased to $1 million from $36 million in 2013–2014 as certain life extension projects retained by AECL, as at the date of the sale of the Commercial Operations business to Candu Energy Inc., continued to be wound down.

Parliamentary Appropriations

The Corporation recognized $36 million of Parliamentary appropriations in 2014–2015 compared to $34 million in 2013–2014. The appropriations reflect funding received to close out life extension projects and address related liabilities.

Gross Margin

Gross margin of $1 million in 2014–2015 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 recorded in 2014–2015 relate to adjustments of contract provisions with customers resulting from the close out of each of its life extension projects. 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.

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 2015–2016 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.

2015–2016 Priorities and Deliverables

The Wrap-Up Office will continue to focus on the following priorities and deliverables in 2015–2016:

- 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.

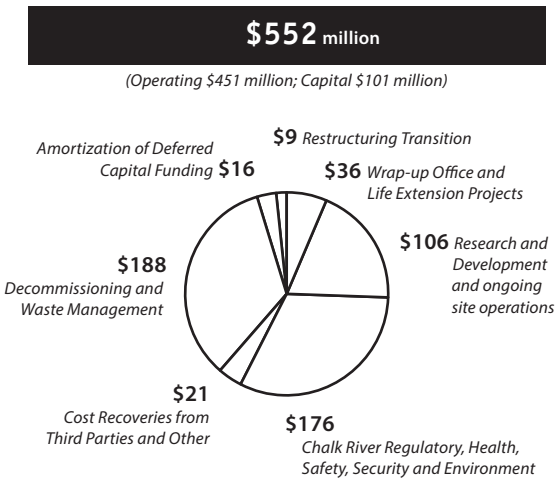
Funding

Total funding recognized in 2014–2015 for operating and capital activities was $552 million (2013–2014: $593 million).

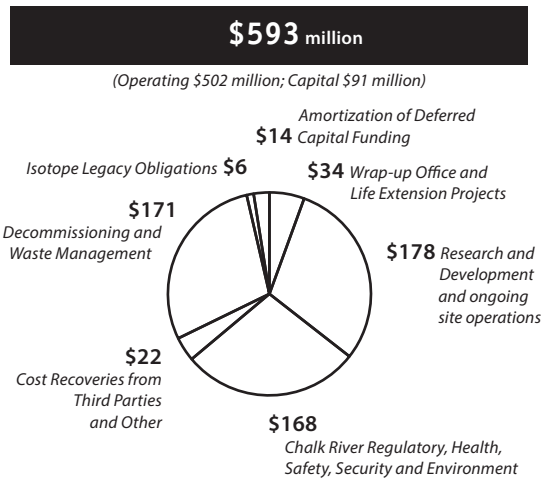
The 2014–2015 funding included:

- $36 million to support the Wrap-Up Office and Commercial Operations (Discontinued Operations) including life extension projects, EC6 development and operating and restructuring costs.
- $106 million for research and development and ongoing Chalk River site operations.
- $176 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.
- $188 million for Decommissioning and waste management expenditures incurred to reduce the liability.
- Funding of $9 million to enable readiness for the restructuring transition.
- Cost recoveries from third-parties and other funding totalled $21 million. Cost recoveries include support for activities under the LLRWMO and PHAI Management Office, reported under Nuclear Laboratories.
- Amortization of deferred capital funding of $16 million related to Government of Canada-funded infrastructure, mainly at Chalk River.

Funding 2014–2015



Funding 2013–2014



2014–2015 Results Compared to Corporate Plan

($ millions)	**2015 Actual**	2015 Corporate Plan
	$	$
REVENUE		
Nuclear Laboratories	**141**	104
Commercial Operations (Discontinued Operations)	**1**	—
GROSS MARGIN		
Nuclear Laboratories	**57**	47
Commercial Operations (Discontinued Operations)	**1**	—
PARLIAMENTARY APPROPRIATIONS AND FUNDING		
Nuclear Laboratories	**430**	455
Commercial Operations (Discontinued Operations)	**36**	59
NET (LOSS) INCOME BY BUSINESS ENTITY BEFORE REVALUATION (LOSS) GAIN ON DECOMMISSIONING AND WASTE MANAGEMENT PROVISION AND OTHER		
Nuclear Laboratories	**(118)**	(99)
Commercial Operations (Discontinued Operations)	**40**	40

Nuclear Laboratories reported a net loss before Revaluation (loss) gain on decommissioning and waste management provision and other of $118 million compared to a planned net loss of $99 million. This variance is mostly related to higher than planned operating expenses largely due to a write-down in the value of a portion of the heavy water inventory and higher than planned financial expenses.

Commercial Operations (Discontinued Operations) reported a net gain of $40 million which compares to a planned gain of $40 million.

CONSOLIDATED CASH FLOW AND WORKING CAPITAL

	Actual Results	
($ millions)	**2014–15**	2013–14
	$	$
Cash from operating activities	**110**	92
Cash used in investing activities	**(83)**	(78)
CASH		
Increase	**27**	14
Balance at beginning of the period	**49**	35
Balance at end of the period	**76**	49

Overall, AECL's 2014–2015 year end closing cash position increased by $27 million to $76 million from the previous year's balance of $49 million.

Operating Activities

Operating activities resulted in a net cash inflow of $110 million compared to a net inflow of $92 million in 2013–2014. This variance is mainly due to increased cash received from customers that was partially offset by decreased cash received from Parliamentary appropriations.

Investing Activities

The $83 million cash used in investing activities in 2015–2016 was comparable to the $78 million in the prior year.

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 2015 was $60 million (2013–2014: $98 million) related to liquidated damages and guarantees. 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.

Nuclear Leadership Forum

In terms of developing a broad, long-term nuclear vision and strategic 25-year action plan to address the most significant risks facing the Canadian nuclear sector, AECL – together with CEOs from across Canada's nuclear industry – developed a vision and near-term action plan. The industry believes it must articulate a strategic plan to achieve its vision, and then approach key enablers, such as governments, to get on board and assist the industry to succeed in achieving its vision, mitigating major risks together, in order to maximize benefits to Canada. Through its subsidiary, CNL, AECL is actively supporting the five key risk-mitigation action teams: improve performance of reactor refurbishment projects; ensure supply chain success in international markets; develop a nuclear science, technology and innovation agenda; ensure an adequate supply of skilled workers; and, build an integrated, national approach to the long-term management of all radioactive wastes.

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, particularly in areas requiring long-term technology roadmaps.

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. AECL is also able to provide input to Ontario as it begins to consider a nuclear innovation agenda.
- 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 Licence

Events such as the earthquake and tsunami that affected the Fukushima plant and the decision to repatriate highly enriched uranium (HEU) have an effect on AECL's formal CNSC licensing regime, as well as on social licence. Fukushima highlighted the need for all nuclear facilities to assess their capability to withstand and respond to credible external events, such as earthquakes, and 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. Finally, AECL has a program underway to repatriate HEU to the U.S. by 2018.

Retained Liability Claims

AECL has successfully settled several large claims on terms favourable to its Shareholder, the Government of Canada. AECL is working to disposition remaining claims as a result of past third-party relationships, which could present significant financial risk.

Uncertainty in the Isotope Business

AECL is required to provide routine Mo-99 production capability through 2016, and to sustain standby capability to the end of 2018 March. In this risk area, demand and pricing for Mo-99 are becoming difficult to forecast. Key factors include increased volume of Mo-99 from global producers; fluctuating demand from AECL's client; and, US incentives offered to move away from HEU-based production. The end of the Mo-99 mission also presents risks in terms of retaining highly qualified staff.

To mitigate risks, AECL will optimize internal processes to deliver Mo-99 at lower volumes, and build resilience to revenue fluctuations by improving efficiencies and increasing workforce flexibility. AECL will also focus on opportunities for new business growth. With the resolution of litigation with Nordion, AECL has greater scope to seek new isotope customers.

Restructuring Implementation Challenges

CNL was incorporated at the end of May 2014 as a wholly owned subsidiary of the AECL parent Crown corporation. The workforce was moved into CNL and licences, contracts and programs were transferred from AECL to CNL, effectively "standing up" the subsidiary. After the GoCo contractor has been selected in 2015, ownership of CNL will be transferred from AECL to the contractor. Delay in selecting the contractor could present risk to the restructuring schedule. AECL is working closely with NRCan to optimize the restructuring schedule and implementation.

Revenue and Margin

Projections for revenues and margins are stable in the first two years of the Corporate Plan. Stretch targets will help to drive additional revenue growth. AECL's heavy water leasing arrangement will end during the planning period, presenting risk to sustainment and growth of margins. Establishment of a Business Development Framework (BDF) is a key activity to mitigate risk, with specific focus on growing existing customer satisfaction and volume; securing new customers; and, repositioning the CNL value proposition in global markets.

People Management

Key people management challenges include employee attraction, retention and engagement, along with reshaping the CNL workforce through attrition and redeployment. Talent-management strategies are targeted to ensure that CNL is positioned to deal with people management risks, including the end of routine Mo-99 production and the end of NRU operations in March 2018. Plans to mitigate risk include proactive employee engagement, identification of critical positions, key employee retention, succession and knowledge management.

Changes in Waste and Decommissioning Liabilities Management

Multi-year plans are being implemented to address and permanently disposition legacy and historic radiological wastes. Canada has a robust regulatory framework under which waste management programs are approved; however, the regulator also considers the concerns of citizens. Consequently, there is risk that AECL might 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 (HSSE) 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, AECL has an integrated oversight framework to ensure that the corporation proactively plans, tracks and reports all HSSE-related activities, and makes adjustments as needed.

For example, given heightened awareness of IT incidents in industry and government, AECL secured a third-party assessment of its cyber security. AECL's response to the assessment, together with all other HSSE-related activities, will be incorporated into AECL's portfolios and monitored to ensure all regulatory and legal requirements are met.

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 2015, amounted to $372 million compared to $303 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.

MANAGEMENT'S RESPONSIBILITY

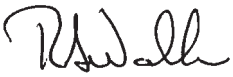
The consolidated financial statements, all other information presented in this Annual Report and the financial reporting process are the responsibility of management. These statements have been prepared in accordance with International Financial Reporting Standards and include estimates based on the experience and judgment of management. Financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.

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, the Auditor General of Canada, conducts an audit of the consolidated financial statements of the Corporation and reports on his audit to the Minister of Natural Resources.

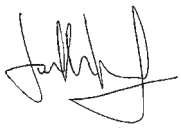
The Board of Directors is responsible for ensuring that management fulfils its responsibility. To accomplish this, the Board has two standing committees: Audit and Human Resources & Governance. The Audit Committee, composed of independent directors, has a mandate for overseeing the independent audit, 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 Board of Directors, on the recommendation of the Audit Committee, approves the consolidated financial statements. The Chair of the Audit Committee signs the audited consolidated financial statements.



Robert Walker
President and Chief Executive Officer

(to March 31, 2015)



Jon Lundy
Chief Transition Officer

June 8, 2015

Steven Halpenny
Chief Financial Officer

June 8, 2015

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 2015, 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 2015, 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

8 June 2015
Ottawa, Canada

CONSOLIDATED BALANCE SHEETS

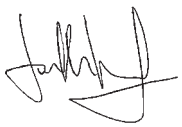
As at March 31

(thousands of Canadian dollars)	Notes	**2015**	2014
		$	$
ASSETS			
Current			
Cash		**75,912**	49,179
Trade and other receivables	5,26	**63,067**	188,713
Current portion of long-term receivables	7	**30,958**	23,886
Inventory	6	**25,884**	25,835
		195,821	287,613
Non Current			
Long-term receivables	7	**68,836**	80,913
Investments held in trust	8	**47,805**	44,116
Heavy water inventory	6	**221,283**	304,910
Property, plant and equipment	9	**405,769**	335,789
Intangible assets	10	**11,319**	8,892
		950,833	1,062,233
LIABILITIES			
Current			
Trade and other payables	11,26	**117,606**	108,010
Customer advances and obligations	12,26	**3,165**	13,690
Provisions	13,26	**16,784**	151,873
Current portion of decommissioning and waste management provision	14	**229,500**	214,500
Restructuring provision	26	**3,090**	3,472
		370,145	491,545
Non Current			
Decommissioning and waste management provision	14	**9,744,713**	7,535,142
Deferred capital funding	15	**372,175**	302,997
Deferred decommissioning and waste management funding	18	**220,510**	196,009
Employee benefits	16	**29,144**	29,058
		10,736,687	8,554,751
SHAREHOLDER'S DEFICIT			
Share capital	25	**15,000**	15,000
Contributed capital	18	**207,763**	235,628
Deficit		**(10,008,617)**	(7,743,146)
		(9,785,854)	(7,492,518)
		950,833	1,062,233
Commitments, Contingencies and Obligations	17		

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

Approved on behalf of the Board:

Gregory Josey, Director



Jon Lundy, Chief Transition Officer

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

(thousands of Canadian dollars)	Notes	**2015**	2014
		$	$
NUCLEAR LABORATORIES			
Revenue	19	**141,468**	129,977
Cost of sales		**84,295**	72,460
Gross margin		**57,173**	57,517
Other funding	20	**209,275**	193,742
Operating expenses		**392,843**	310,034
Operating loss		**(126,395)**	(58,775)
Financial income	22	**6,437**	7,187
Financial expenses	22	**219,522**	209,987
Net loss before Parliamentary appropriations and Revaluation (loss) gain on decommissioning and waste management provision and other		**(339,480)**	(261,575)
Parliamentary appropriations	20	**221,466**	287,624
Net (loss) income before Revaluation (loss) gain on decommissioning and waste management provision and other		**(118,014)**	26,049
Revaluation (loss) gain on decommissioning and waste management provision and other	14	**(2,185,665)**	230,626
Net (loss) income from continuing operations before discontinued operations		**(2,303,679)**	256,675
Discontinued Operations (Note 26)			
Operating income (loss) from discontinued operations	26	**3,504**	(98,590)
Income (loss) from discontinued operations before Parliamentary appropriations		**3,504**	(98,590)
Parliamentary appropriations for discontinued operations	20	**36,100**	33,700
Net income (loss) from discontinued operations		**39,604**	(64,890)
Net (loss) income		**(2,264,075)**	191,785
Other comprehensive (loss) income			
Items that will not be reclassified to profit and loss:			
Other employee benefit plan actuarial (loss) gain		**(1,396)**	43
Other comprehensive (loss) income		**(1,396)**	43
Comprehensive (loss) income		**(2,265,471)**	191,828

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, 2015

(thousands of Canadian dollars)	Notes	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
		$	$	$	$
Balance at March 31, 2014		**15,000**	**235,628**	**(7,743,146)**	**(7,492,518)**
Net loss attributable to Shareholder for the period		—	—	(2,264,075)	(2,264,075)
Other comprehensive loss		—	—	(1,396)	(1,396)
Comprehensive loss		—	—	(2,265,471)	(2,265,471)
Transfer to deferred decommissioning and waste management funding	18	—	(24,501)	—	(24,501)
Transfer to repayable contributions	18	—	(3,364)	—	(3,364)
Balance at March 31, 2015		**15,000**	**207,763**	**(10,008,617)**	**(9,785,854)**
Balance at March 31, 2013		**15,000**	**264,071**	**(7,934,974)**	**(7,655,903)**
Net income attributable to Shareholder for the period		—	—	191,785	191,785
Other comprehensive income		—	—	43	43
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)	**2015**	2014
	$	$
OPERATING ACTIVITIES		
Cash receipts from customers	**287,405**	198,819
Cash receipts from Parliamentary appropriations	**326,744**	385,463
Cash receipts for decommissioning and waste management activities	**179,021**	177,432
Cash paid to suppliers and employees	**(495,277)**	(498,734)
Cash paid for decommissioning activities	**(188,408)**	(171,466)
Interest received on investments (net)	**564**	463
Interest and bank charges paid	**(40)**	(39)
Cash from operating activities	**110,009**	91,938
Thereof from discontinued operations	**8,042**	1,619
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	**(83,276)**	(78,220)
Cash used in investing activities	**(83,276)**	(78,220)
Thereof from discontinued operations	**—**	—
CASH		
Increase	**26,733**	13,718
Balance at beginning of the year	**49,179**	35,461
Balance at end of the year	**75,912**	49,179

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2015

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, the Corporation's liabilities are ultimately liabilities of Her Majesty in Right of Canada. The Corporation receives funding from the Government of Canada, the Shareholder, 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 execution of work to address the decommissioning and waste management liability on behalf of the Government of Canada as well as the day-to-day operation of AECL sites. The activities of the Nuclear Laboratories are performed by Canadian Nuclear Laboratories Limited (CNL), AECL's wholly owned subsidiary since November 2014. The Corporation 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 8, 2015.

2. RESTRUCTURING AND CORPORATE PLAN

The Government of Canada completed the first phase of its restructuring plan for AECL in 2011 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 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 the Nuclear Laboratories based on a Government-owned, Contractor-operated model, known as a GoCo. The mandate for the Nuclear Laboratories going forward will be focused on managing Canada's 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.

To enable implementation of the new business model a new entity, CNL, was incorporated as a wholly owned subsidiary of AECL. In November 2014, most of the AECL employees and the operating licences were transferred to CNL and CNL commenced delivery of services to AECL. The final step in the restructuring process will see the ownership of CNL transferred to the successful bidder of the competitive procurement process for the management and operation of CNL.

The procurement process commenced in March 2014 with the Request for Response Evaluation (RFRE) that culminated in a short list of qualified bidders. Request for Proposal (RFP) was issued in January 2015 and is scheduled to be concluded by the summer of 2015 with selection of a preferred bidder. The successful contractor will enter into an agreement that includes the transfer of ownership in CNL to the contractor, which is anticipated to take place in the fall of 2015.

The Corporation will submit its 2015–2016 to 2019–2020 Corporate Plan to the Government of Canada after the procurement process is complete. The Corporate Plan will be aligned with the restructuring direction provided by the Shareholder.

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.

iii. Provisions and Contingencies

The Corporation is exposed to contingent losses in the ordinary course of business. Prediction of the outcome of contingencies and determination of whether accrual or disclosure in the consolidated financial statements is required are matters for judgment.

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

iv. 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.

v. 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).

vi. Heavy Water Inventory

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

vii. 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).

viii. Provisions and Contingencies

The Corporation is exposed to contingent losses in the ordinary course of business. 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 the Corporation 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.

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, Canadian Nuclear Laboratories Limited, incorporated in Canada in 2014; 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 designated at fair value through profit or loss	■ Investments held in trust
Loans and receivables	■ Cash ■ Trade and other receivables ■ Long-term receivables
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. The investments held in trust are managed on a fair value basis and their performance is actively monitored.

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 or indications that a debtor will enter bankruptcy. 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:

i. The Corporation has the power to direct the investing activities of the Trust Fund.
ii. The Corporation is exposed to variable returns from its involvement with the Trust Fund as the investments are managed on a fair value basis.
iii. 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.

Interest earned is included in Financial income or Financial expenses 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 as follows:

Land improvements	10 to 20 years
Buildings and reactors	20 to 40 years
Machinery and equipment	3 to 25 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. Other intangible assets are comprised of software and Contributions in Aid of Construction.

Contributions in Aid of Construction relate to the contributions made for a pipeline to deliver natural gas to the Chalk River site.

Assets under Development are not depreciated until the constructed asset is ready for use. When complete, the constructed asset is transferred to the appropriate category of intangible assets and amortized at the rate applicable to that category.

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
Contributions in Aid of Construction	40 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 obligations to decommission nuclear facilities and to manage nuclear waste in order to satisfy regulatory requirements. The best estimate of an 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 health and dental benefits during long-term disability, self-insured workers' compensation and long-term service awards.

The Corporation reimburses Employment 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.

i. 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.

ii. Cost-Reimbursement Contracts

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

iii. 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.

iv. 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.

v. 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 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 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

The Corporation 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 net of trust fund income.

S) Interpretations and Amendments

The following new pronouncements issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee effective January 1, 2014 were adopted retrospectively by the Corporation on April 1, 2014. Their adoption did not have a significant impact on the consolidated financial statements.

IFRIC 21 Levies

This IFRIC addresses the accounting for a liability to pay a levy within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as well as accounting for a levy whose timing and amount is certain. A levy is defined as an outflow of resources embodying economic benefits that is imposed by governments in accordance with legislation and excludes outflows of resources within the scope of other standards, including IAS 12 Income Taxes, and fines or other penalties imposed for breaches of legislation.

IAS 32 Amendments – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing guidance concerning legally enforceable rights to offset the recognized amounts of assets and liabilities, as well as intentions to settle assets and liabilities on a net basis or simultaneously.

IAS 36 Amendments – Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 clarify existing guidance that was intended to require disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal and, if so, disclose information regarding the fair value measurement.

T) Standards and Amendments 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:

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to IAS 16 and IAS 38 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and that for intangible assets there is a rebuttable presumption that amortization based on revenue is not appropriate.

The amendments are effective for annual periods beginning on or after January 1, 2016, on a prospective basis.

Amendments to IFRS 11 Joint Arrangements

The amendments to IFRS 11 provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in this IFRS, and disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments are effective for annual periods beginning on or after January 1, 2016, on a prospective basis.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, to clarify the treatment of the sale or contribution of assets between an investor and its associate or joint venture.

The amendments are effective for annual periods beginning on or after January 1, 2016, on a prospective basis.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, which provides a framework that replaces existing revenue recognition guidance in IFRS. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount or timing of revenue recognized.

This standard will become effective for annual periods beginning on or after January 1, 2017, using one of the following methods: retrospective or modified retrospective with the cumulative effect of initially applying the standard as an adjustment to opening equity at the date of initial application.

IFRS 9 Financial Instruments

The IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will become effective for annual periods beginning on or after January 1, 2018, on a retrospective basis.

The Corporation intends to adopt these amendments and 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)	**2015**	2014
	$	$
Trade receivables	**29,805**	108,890
Less: allowance for doubtful accounts	**(544)**	(841)
Net trade receivables	**29,261**	108,049
Other receivables:		
Unbilled revenue	**23,055**	24,328
Prepaid expenses	**3,486**	5,434
Consumption taxes receivable	**3,502**	18,336
Other receivables	**3,763**	32,566
	63,067	188,713

Other receivables as at March 31, 2014 include insurance proceeds receivable for the Point Lepreau life extension project.

The aging of gross trade receivables was as follows:

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Current	**9,773**	16,284
Past due 1 to 30 days	**14,239**	11,073
Past due 31 to 60 days	**1,800**	1,728
Past due 61 to 90 days	**778**	266
Past due more than 90 days	**3,215**	79,539
	29,805	108,890

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. The Corporation 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)	**2015**	2014
	$	$
Balance at beginning of year	**(841)**	(317)
Charges	**—**	(533)
Reversals	**297**	9
Balance at end of year	**(544)**	(841)

6. INVENTORY

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Consignment inventory	**—**	210
Raw materials	**1,631**	1,625
Work in progress	**7,713**	7,685
Finished products	**2,923**	2,735
Reactor fuel	**12,267**	12,255
Spare parts and store supplies	**13,617**	13,580
Inventory	**25,884**	25,835
Heavy water inventory	**221,283**	304,910

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 $26.2 million (2014 – $26.4 million). The total amount of inventory written down in 2015 was $0.2 million (2014 – $1.6 million).

In addition to internal consumption of heavy water at the Chalk River Laboratories, which was $0.8 million (2014 – $0.4 million), the cost of inventory for heavy water recognized as an expense and included in Cost of sales was $24.7 million (2014 – $0.7 million). The total amount of heavy water written down in 2015 was $58.1 million (2014 – $nil). The write-down relates to an assessment that was undertaken during the year of the net realizable value of the heavy water inventory.

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

7. LONG-TERM RECEIVABLES

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Contract receivables from customers in respect of the financing of products and services, maturing through 2019 at fixed repayment amounts	**80,670**	104,799
Finance lease receivable	**19,124**	—
Current portion	**(30,958)**	(23,886)
	68,836	80,913

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)	**2015**	2014
	$	$
Less than one year	**25,283**	23,886
Between one and five years	**55,387**	80,913
	80,670	104,799

The Corporation's net investment in a finance lease receivable, which consists entirely of heavy water, is as follows:

		March 31	
(thousands of Canadian dollars)	Gross investment in finance lease receivables	Unearned finance income	Present value of minimum lease payments receivable
	$	$	$
Less than one year	6,171	(496)	5,675
Between one and five years	13,842	(393)	13,449
	20,013	(889)	19,124

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 averaging approximately $1.5 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 for the instruments or similar instruments, in the case of the bonds, are estimated at $47.8 million as at March 31, 2015 (March 31, 2014 – $44.1 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:

		March 31		March 31	
(thousands of Canadian dollars)	Maturities	**2015**	**Yield**	2014	Yield
		$		$	
Cash equivalents*	Not applicable	**1,187**	**0.0%**	1,606	0.0%
Canadian government bonds**	April 2016 – June 2025	**32,361**	**2.8%**	29,612	2.3%
Corporate bonds	May 2016 – December 2021	**14,257**	**2.8%**	12,898	3.0%
		47,805		44,116	

**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

2015

(thousands of Canadian dollars)	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
	$	$	$	$	$
Nuclear Laboratories					
Cost at March 31, 2014	**140,810**	**59,868**	**256,426**	**389,737**	**846,841**
Additions and transfers	85,994	18,969	1,460	10,338	116,761
Disposals and transfers	(33,869)	—	(1,868)	(21,488)	(57,225)
Impairment	(1,245)	—	—	—	(1,245)
Other changes	—	—	7,903	—	7,903
Cost at March 31, 2015	**191,690**	**78,837**	**263,921**	**378,587**	**913,035**
Depreciation at March 31, 2014	**—**	**35,858**	**181,214**	**293,980**	**511,052**
Increase in depreciation	—	2,632	3,698	13,159	19,489
Disposals	—	—	(1,832)	(21,443)	(23,275)
Transfers	—	—	—	—	—
Depreciation at March 31, 2015	**—**	**38,490**	**183,080**	**285,696**	**507,266**
Net carrying amount at March 31, 2014	**140,810**	**24,010**	**75,212**	**95,757**	**335,789**
Net carrying amount at March 31, 2015	**191,690**	**40,347**	**80,841**	**92,891**	**405,769**

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

Depreciation of property, plant and equipment for the year ended March 31, 2015 was $19.5 million (2014 – $18.1 million).

Impairment charges of $1.2 million were recorded in 2015 (2014 – $2.2 million) which relate to cancellation of an intended project for which costs had been capitalized and included in Construction in Progress.

10. INTANGIBLE ASSETS

2015

(thousands of Canadian dollars)	Assets under Development	Software	Total
	$	$	$
Cost at March 31, 2014	**681**	**9,532**	**10,213**
Additions and transfers	529	3,783	4,312
Disposals and transfers	(681)	—	(681)
Cost at March 31, 2015	**529**	**13,315**	**13,844**
Amortization at March 31, 2014	**—**	**1,321**	**1,321**
Increase in amortization	—	1,204	1,204
Amortization at March 31, 2015	**—**	**2,525**	**2,525**
Net carrying amount at March 31, 2014	**681**	**8,211**	**8,892**
Net carrying amount at March 31, 2015	**529**	**10,790**	**11,319**

2014

(thousands of Canadian dollars)	Assets under Development	Software	Total
	$	$	$
Cost at March 31, 2013	—	2,369	2,369
Additions and transfers	681	7,163	7,844
Disposals and transfers	—	—	—
Cost at March 31, 2014	681	9,532	10,213
Amortization at March 31, 2013	—	858	858
Increase in amortization	—	463	463
Amortization at March 31, 2014	—	1,321	1,321
Net carrying amount at March 31, 2013	**—**	**1,511**	**1,511**
Net carrying amount at March 31, 2014	681	8,211	8,892

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 $63.8 million (2014 – $64.2 million), of which none (2014 – nil) met the criteria for capitalization.

11. TRADE AND OTHER PAYABLES

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Trade payables	**13,168**	13,789
Other payables and accrued expenses	**43,442**	42,237
Accrued payroll liabilities	**34,929**	28,239
Current portion of employee benefits (Note 16)	**3,814**	4,297
Amounts due to related parties	**21,438**	18,075
Amounts due to Shareholder	**815**	1,373
	117,606	108,010

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

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Customer advances and unearned revenue	**3,165**	13,690

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, 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**
Additions	—	—	—
Utilized in year	(10,570)	(113,002)	(123,572)
Reduction from remeasurement	—	(11,517)	(11,517)
Balance at March 31, 2015	**5,025**	**11,759**	**16,784**

Completion of certain life extension projects and near completion of other projects have resulted in a decrease of $11 million (2014 – $16 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.

Provision amounts are short-term in nature and are not discounted. Reduction from remeasurement amounts are included in the operating expenses of Nuclear Laboratories and Discontinued Operations.

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, 2015, $164.3 million (March 31, 2014 – $109.2 million) is included in the Decommissioning and waste management provision at the end of the period.

The Decommissioning and waste management provision is as follows:

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Carrying amount – Beginning of period	**7,535,142**	7,765,040
Carrying amount – Beginning of period, current portion	**214,500**	205,000
Liabilities settled	**(199,978**)	(212,908)
Unwinding of discount	**222,122**	210,151
Effect of change in discount rate	**2,114,073**	(831,438)
Revision in estimate and timing of expenditures	**71,592**	600,812
Revision in estimate and timing of expenditures affecting Property, plant and equipment	**7,903**	(2,342)
Waste, decommissioning and site restoration costs from ongoing operations	**8,859**	15,327
Carrying amount – End of period	**9,974,213**	7,749,642
Less current portion	**(229,500)**	(214,500)
	9,744,713	7,535,142

The Revaluation (loss) gain reported on the Statement of Comprehensive Income (Loss) is comprised of the effect of the change in discount rate and the revision in estimate and timing of expenditures reported above.

The undiscounted future expenditures, adjusted for inflation, for the plan projects comprising the liability are $18,063.9 million (March 31, 2014 – $18,291.6 million). The provision is re-valued at the current discount rate in effect at each balance sheet date.

The provision as at March 31, 2015 was discounted using a rate of 1.99%. The balance as at March 31, 2014 was discounted using a rate of 2.96%.

The effect of a change in the discount rate on the provision is recognized in Revaluation gain (loss) on decommissioning and waste management provision and other in the Consolidated Statements of Comprehensive Income (Loss). The total charge for the year was $2,114.1 million (2014 – $831.4 million gain).

Key assumptions used in determining the provision:

	March 31	
	2015	2014
Discount period	**149 years**	150 years
Discount rate	**1.99%**	2.96%
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)	**2015**	2014
	$	$
1% increase	**(2,137)**	(1,527)
1% decrease	**3,184**	2,211

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)	**2015**	2014
	$	$
Deferred capital funding, opening balance	**302,997**	238,860
Capital funding received during the year	**85,261**	77,784
Amortization of deferred capital funding	**(16,083)**	(13,647)
Deferred capital funding, closing balance	**372,175**	302,997

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.

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 1.28 multiple of the employee contributions (March 31, 2014 – 1.45). The Corporation's contribution to the Retirement Compensation Arrangement account for calendar year 2015 is a multiple of 7.13 of the employee contributions (calendar year 2014 – 7.59). 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 12.0% of employee salaries (2014 – 13.0%). Total contributions of $32.5 million (2014 –$34.4 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 in fiscal 2012–2013.

The VTC included in the 2015 Employee benefits liability is $15.0 million (2014 – $15.8 million). This balance includes the amounts for employees who have chosen to defer payment to the time of the termination of their employment and those whose bargaining units have not negotiated or ratified agreements to eliminate the VTC as of March 31, 2015.

The measurement date of the Employee benefits liability is March 31, 2015, 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 7.0 years (2014 – 6.9 years).

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

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Employee benefits liability, beginning of year	**29,058**	27,975
Employee benefits liability, beginning of year – current portion*	**4,297**	12,232
Current service cost	**1,353**	1,319
Interest on Employee benefits liability	**1,236**	1,308
Benefits paid	**(4,290)**	(8,563)
Actuarial losses (gains) arising from changes in demographic assumptions	**621**	(497)
Actuarial losses (gains) arising from changes in financial assumptions	**2,222**	(458)
Actuarial (gains) losses arising from experience adjustments	**(1,539)**	39
Employee benefits liability, end of year	**32,958**	33,355
Current portion, Employee benefits liability*	**(3,814)**	(4,297)
Employee benefits liability	**29,144**	29,058

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

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 Consolidated Balance Sheets:

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Net benefit plan cost		
Current service cost	**1,353**	1,319
Interest cost	**1,236**	1,308
Remeasurements	**(92)**	(873)
Annual benefit plan expense	**2,497**	1,754

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	
	2015	2014
Discount rate	**3.00%**	3.80%
Rate of increase in salaries	**2.75%**	2.75%
Health care cost trend	**5.00%**	5.00%

For the 2015 and 2014 fiscal years, 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.

The Employee benefits liability and costs are subject to measurement uncertainty due to the use of actuarial assumptions. 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 sensitivity analyses below 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.

	March 31
(thousands of Canadian dollars)	**2015**
	$
1% increase in discount rate (4.0%)	**30,411**
1% decrease in discount rate (2.0%)	**35,385**
1% increase in rate of increase of salaries (3.75%)	**33,618**
1% decrease in rate of increase of salaries (1.75%)	**31,909**
Post-retirement mortality rates at 90% of mortality rates used	**33,127**
Post-retirement mortality rates at 110% of mortality rates used	**32,357**

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

Non-cancellable operating lease rentals are payable as follows:

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Less than one year	**2,830**	3,649
Between one and five years	**7,378**	6,527
More than five years	**1,183**	423
	11,391	10,599

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, 2015, an amount of $5.0 million (2014 – $4.6 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 $3.0 million.

B) Operating and Capital Commitments

As at March 31, 2015, the Corporation has contractual arrangements with third party suppliers, including contracts that allow for termination with penalties, approximating $197.1 million. Included in this amount are contracts related to the purchase of Property, plant and equipment and Intangible assets of approximately $58.6 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, the Corporation 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 $nil (2014 – $38 million). Liquidated damages penalties are estimated at $60 million at March 31, 2015 (2014 – $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

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, 2015, $75 million of this amount (2014 – $73 million) has been expensed and $74 million (2014 – $73 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 $25 million (March 31, 2014 – $53 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)	**2015**	2014
	$	$
Services	**58,522**	70,205
Sales of goods	**79,227**	54,660
Royalties	**3,719**	5,112
	141,468	129,977

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)	**2015**	2014
	$	$
Parliamentary appropriations – Nuclear Laboratories, operating		
Nuclear Laboratories, operating	**205,383**	273,977
Amortization of deferred capital funding	**16,083**	13,647
Parliamentary appropriations – Nuclear Laboratories, operating	**221,466**	287,624
Parliamentary appropriations – Discontinued Operations, operating	**36,100**	33,700
Parliamentary appropriations – capital		
Capital infrastructure refurbishment project funding	**85,261**	77,784
Total Parliamentary appropriations	**342,827**	399,108

In 2014–2015, the Corporation received $327 million and recognized a sum of $343 million (2013–2014: $385 million received and $399 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, AECL 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)	**2015**	2014
	$	$
Operating funding		
Cost recoveries from third parties and other	**20,816**	22,499
Decommissioning and waste management	**188,459**	171,243
	209,275	193,742

21. ADDITIONAL INFORMATION BY TYPE OF EXPENSE

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Payroll expenses	**341,841**	329,920
General and administrative expenses	**28,494**	26,616
Site and program operating costs	**304,389**	373,173

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 (2014–2015: $199,978 million; 2013–2014: $212,908 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)	**2015**	2014
	$	$
Financial income		
Interest on long-term receivables	**5,873**	6,724
Interest on investments and other	**564**	463
	6,437	7,187
Financial expenses		
Unwinding of decommissioning and waste management provision net of trust fund income	**219,522**	209,987
	219,522	209,987

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.

The Corporation has been deemed to have significant influence over its associate CANDU Owners Group Inc. (COG). The recognition of the investment in COG has not been recorded in the consolidated financial statements of the Corporation as it is not significant. The following transactions were carried out with COG.

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Revenue	**37,713**	35,000
Membership fees	**6,812**	10,678

The outstanding balance with COG as a result of these transactions at March 31, 2015 was $7.9 million (March 31, 2014 – $8.0 million).

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.

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Salaries and other short-term benefits	**3,982**	3,540
Termination benefits	**225**	83
Post-employment benefits	**1,176**	1,185
	5,383	4,808

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, 2015				
Cash	**—**	**75,912**	**—**	**75,912**
Investments held in trust	**47,805**	**—**	**—**	**47,805**
Trade and other receivables	**—**	**63,067**	**—**	**63,067**
Long-term receivables	**—**	**99,794**	**—**	**99,794**
Trade and other payables	**—**	**—**	**(117,606)**	**(117,606)**
Customer advances and obligations	**—**	**—**	**(3,165)**	**(3,165)**
Total	**47,805**	**238,773**	**(120,771)**	**165,807**

(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

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. Except for Long-term receivables, the carrying value of all financial assets and financial liabilities approximates fair value as at March 31, 2015 and March 31, 2014, due to their short-term nature. The fair value of the long-term portion of the long-term receivables is $72 million (March 31, 2014 – $83 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 (Level 2). 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, 2015 and March 31, 2014, there were no transfers between levels.

	March 31, 2015				March 31, 2014			
(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	**1,187**	**—**	**—**	**1,187**	1,606	—	—	1,606
Investments held in trust – Bonds	**—**	**46,618**	**—**	**46,618**	—	42,510	—	42,510
Total assets	**1,187**	**46,618**	**—**	**47,805**	1,606	42,510	—	44,116

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 which totalled $286.6 million (March 31, 2014 – $386.8 million).

As of March 31, 2015, all investment 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. The Corporation'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 the Corporation'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.

Three customers (March 31, 2014 – two), each representing greater than 5% (March 31, 2014 – 5%) of the total accounts receivable, comprise an aggregate 77% (March 31, 2014 – 85%) 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, the Corporation 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 2015, the Corporation's liquidity risk management objectives were unchanged from those in 2014. However, additional funding was required from the Government to meet obligations. As of March 31, 2015, the Corporation was holding cash of $75.9 million (March 31, 2014 – $49.2 million). Accounts payable and accrued liabilities of $117.6 million (March 31, 2014 – $108.0 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, 2015 and March 31, 2014, 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 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 2015, the Corporation's regulatory risk management objectives were unchanged from those in 2014.

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, 2015 and March 31 2014, 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, the Corporation's liabilities are ultimately liabilities of Her Majesty in Right of Canada.

The Corporation'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 2015, the Corporation's capital management objectives were unchanged from those in 2014.

Capital for the reporting periods is summarized as follows:

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Shareholder's deficit	**(9,785,854)**	(7,492,518)
Deferred capital funding	**372,175**	302,997
Deferred decommissioning and waste management funding	**220,510**	196,009
Decommissioning and waste management provisions	**9,974,213**	7,749,642
	781,044	756,130

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. All proceeds from the sale of the assets were remitted to the Receiver General of Canada.

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, these remittances 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 $33.4 million has been paid as of March 31, 2015 (2014 – $33 million) and $3.1 million of the provision remains to complete the process (2014 – $3.5 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.

Results of Discontinued Operations

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Revenue – Life extension projects	**1,070**	35,774
Cost of sales	**(53)**	32,082
Gross margin	**1,123**	3,692
Operating expenses	**(2,381)**	102,282
Operating income (loss) from discontinued operations	**3,504**	(98,590)

There were no construction contracts in progress as at March 31, 2015.

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

	March 31	
(thousands of Canadian dollars)	**2015**	2014
	$	$
Assets		
Trade and other receivables	**—**	121,848
Liabilities		
Trade and other payables	**4,384**	11,365
Customer advances and obligations	**90**	11,301
Provisions	**16,659**	150,023
Restructuring provision	**3,090**	3,472

BOARD OF DIRECTORS

Peter Currie

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

Current directorships include VIXS Systems Inc. (Chair of the Board), Intelius Inc. and 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.

Committees: Member, Audit (ex-officio, April 2014 – March 2015) and Human Resources & Governance (ex-officio, April 2014 – March 2015)

Dr. Robert Walker

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

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 2014 – March 2015) and Human Resources & Governance (ex-officio, April 2014 – March 2015)

Dr. Claude Lajeunesse

Appointed Board Member, Atomic Energy of Canada Limited, March 2005
President Emeritus, Ryerson University

Former Chair of the Board for the Green Aviation Research & Development Network; 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. Past Board member of TD Insurance; Canada Science and Technology Museums Corporation Foundation; 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.

Committees: Chair, Human Resources & Governance (April 2014 – March 2015)

Gregory Josey

Appointed Board Member, Atomic Energy of Canada Limited, March 2013

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 Wilfrid Laurier University and is a Chartered Professional Accountant. Appointed to AECL Board in March 2013.

Committees: Chair, Audit (April 2014 – March 2015)

James Hall

Appointed Board Member, Atomic Energy of Canada Limited, August 2013
President & Chief Executive Officer, James Hall Advisors Inc.

Vice President of Callidus Capital Corporation. President and CEO of James Hall Advisors Inc. Current directorships include Indigo Books & Music Inc., Immunovaccine Inc. and Adventus Intellectual Property Inc. Former Chairman and Chief Executive Officer of Journal Register Company, Senior Vice President & Chief Investment Officer of Working Ventures Canadian Fund Inc., Senior Vice President of Lloyds Bank Canada and sole trustee of an Omers Trust. A Chartered Accountant, CPA,CA; Mr. Hall holds an H.B.A. from the Richard Ivey School of Business at the University of Western Ontario.

Committees: Member, Audit (April 2014 – March 2015) and Human Resources & Governance (April 2014 – March 2015)

BOARD OF DIRECTORS *(cont'd)*

Bob Hamilton
Appointed Board Member, Atomic Energy of Canada Limited, December 2014
Deputy Minister, Natural Resources Canada
Former Deputy Minister of the Environment; Former Senior Associate Secretary of the Treasury Board and Lead on the Canada-United States Regulatory Cooperation Council; Former Associate Deputy Minister of the Environment; Former Associate Secretary of the Treasury Board. Occupied senior positions at Finance Canada, including Senior Assistant Deputy Minister of the Tax Policy Branch and Assistant Deputy Minister of Financial Sector Branch. Holds a Bachelor of Arts (Economics) and Masters of Economics from the University of Western Ontario.

OFFICERS

As of March 31, 2015

Peter Currie
Chair of the Board

Robert Walker
President & Chief Executive Officer

Lynne Campbell
Vice President, Human Resources

Grant Gardiner
Vice President, General Counsel

Frank Gibbs
Vice President, Site Operations & Infrastructure Oversight

Steven Halpenny
Vice President, Finance & Chief Financial Officer

William Kupferschmidt
Vice President, Research & Development

Randy Lesco
Vice President, Operations & Chief Nuclear Officer

Jon Lundy
Chief Transition Officer

Doug McIntyre
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

Richard Sexton
Vice President, Decommissioning & Waste Management Oversight

David Smith
Vice President, Business Operations

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 Board of Directors ("Board"), the Board Chair and the President and Chief Executive Officer are appointed by the Government of Canada by Order-in-Council.
iv. AECL's Board has also constituted 2 committees, the Audit Committee and Human Resources & Governance Committee, each comprised entirely of independent members, and each having specific Charters that set out respective responsibilities for and on behalf of the Board.

In 2014–2015, the Board provided direction, input and evaluation of AECL's strategic plans; authorized revisions to the Program Alignment Architecture; and, approved all major contracts and initiatives. Throughout the fiscal year, a continued focus for the Board, including through the Audit Committee and Human Resources & Governance Committee in accordance with their respective Charters, 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 and its own activities, the Board exercised oversight on all material matters and provided appropriate levels of oversight over business 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 recognizes that effective governance requires continuous improvement of corporate processes and practices necessary to ensure a high level of accountability to stakeholders.

In 2014–2015, 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 continued to address 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; 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

At the end of the fiscal year, the Board was comprised of six members. Five of the six members were independent members since they were not members of management, received no compensation from the company (other than, in the case of four members, director fees) and did not have any interest, business or other material relationship with the company that could interfere with their ability to exercise independent judgment. 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 responsibilities 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 Board/Committee attendance and independence status 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. Bob Hamilton also did not receive compensation as a Director, since he is already compensated for his role as Deputy Minister of Natural Resources Canada.

Pursuant to its corporate governance framework, the Board annually assesses its effectiveness and functioning through an assessment process that includes a self-assessment component for members of the Board, a review of such self-assessments by the Board Chair and a Board discussion of its performance. An orientation process is also in place to familiarize new Directors with the corporate governance framework and AECL's operations.

Director Attendance At Board & Committee Meetings, 2014–2015

Director	**Audit** (8 meetings)	**Human Resources & Governance** (10 meetings)	**Board of Directors** (15 meetings)
P. Currie	8/8	10/10	15/15
R. Walker	8/8	10/10	15/15
C. Lajeunesse	N/A	10/10	15/15
B. Hamilton[2]	N/A	N/A	1/3
S. Dupont[1]	N/A	N/A	5/6
G. Josey	8/8	N/A	15/15
J. Hall	8/8	10/10	15/15

1 Resigned from the Board July 1, 2014

2 Appointed to the Board on December 11, 2014

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(unaudited)

(millions of dollars)	**2015**	2014*	2013*	2012*	2011*
	$	$	$	$	$
NUCLEAR LABORATORIES					
Revenue	**141**	130	96	76	52
Funding	**209**	194	165	155	140
Interest revenue	**6**	7	8	10	11
Net loss before Parliamentary appropriations and Revaluation (loss) gain on decommissioning and waste management and other	**(339)**	(262)	(349)	(334)	(355)
Revaluation (loss) gain on decommissioning and waste management liability and other	**(2,186)**	231	(2,282)	(1,368)	(484)
Net (loss) income from continuing operations	**(2,304)**	257	(2,339)	(1,408)	(505)
COMMERCIAL OPERATIONS (DISCONTINUED OPERATIONS)					
Revenue	**1**	36	97	278	446
Operating income (loss) from discontinued operations	**4**	(99)	35	(96)	(247)
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	**40**	(65)	246	254	201
PARLIAMENTARY APPROPRIATIONS					
Operating and capital	**343**	399	565	729	800
Recognition of deferred development funding	**—**	—	—	—	205

FINANCIAL POSITION	**2015**	2014*	2013*	2012*	2011*
Cash, cash equivalents and short-term investments	**76**	49	35	35	19
Heavy water inventory	**221**	305	290	291	291
Capital expenditures	**83**	78	55	45	39
Property, plant and equipment	**406**	336	286	263	239
Decommissioning and waste management provision	**9,974**	7,750	7,970	5,679	4,255
Long-term payables (excludes current portion)	**—**	—	—	—	6
OTHER					
Number of full-time employees	**3,318**	3,291	3,285	3,214	4,830

** Certain amounts have been reclassified to conform to the 2015 Financial Statement presentation.*

AECL OFFICES

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Canada K0J 1J0

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Whiteshell Laboratories
Pinawa, Manitoba
Canada R0E 1L0

Port Hope Area Initiative
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115 Toronto Road
Port Hope, Ontario
Canada L1A 3S4

Low-Level Radioactive
Waste Management Office
National Office
196 Toronto Road
Port Hope, Ontario
Canada L1A 3V5

Ottawa Office
Place de Ville, Tower B
112 Kent Street, Suite 501
Ottawa, Ontario
Canada K1A 0S4

Low-Level Radioactive
Waste Management
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