Atomic Energy of Canada Limited
2012 Annual Financial Report

Contributing to a BETTER Society

AECL

AECL

Contributing to a BETTER Society

AECL is dedicated to:

Enhancing nuclear **SAFETY AND SECURITY.**

Nuclear safety and security is about ensuring that Canada has in place the most effective counter-proliferation and nuclear safeguards regime, and that those who deliver emergency response and border security in Canada and around the world have the right technologies to exercise those missions. AECL is a leader in providing such assurances by contributing to the development of policies, practices and national capabilities needed to address nuclear safety and security. A case in point: Last year, AECL, with its partners, filed a patent for a highly-sophisticated technology that detects illicit trafficking of nuclear material that may be hidden inside shipping containers at Canada's borders. This innovation will help keep Canada's borders secure, allow for efficient flow of goods and services between nations and protect citizens.

Improving the **ENVIRONMENT**.

We are committed to nuclear environmental stewardship and support our stakeholders with the tools, knowledge and services to do the same. As an advisor to and agent of the Government of Canada in matters of public policy, AECL is managing the safe and efficient removal of historic low-level radioactive waste in Ontario's Port Hope area, and is addressing other legacy liabilities through the implementation of the Nuclear Legacy Liabilities Program at AECL sites. AECL is also involved in engineering and applying innovative environmental and radioactive waste technologies to support the safe operations of its nuclear research and development sites.

Delivering nuclear **HEALTH BENEFITS**.

Our efforts enabled the delivery of approximately 2.5 million medical diagnostics and an estimated 14 million medical treatments for patients in Canada and around the world due to our medical isotope production last year. Medical isotopes, produced at AECL's National Research Universal (NRU) reactor, are essential in the fight against cancer and heart disease.

Enriching Canadian **KNOW-HOW**.

In addition to nurturing our world-class workforce, AECL supports an extensive network of stakeholders, customers and partners that contributes to and draws benefits from our facilities and the knowledge and technological innovation delivered by our laboratories. At fiscal year end, we were actively involved in more than 100 collaborations with universities, private industries, research hospitals and laboratories in Canada and around the world, helping to grow Canada's knowledge economy.

Encouraging **INNOVATION**.

Ranked 4th in Canada for its financial commitment to research and development in 2010, AECL filed 15 new patents last year. Innovation is paramount to the protection of Canadians' health and safety and Canada's continued prosperity. Technology transfer from these innovations supports long-term business competitiveness and ultimately Canadians' quality of life.

Who We Are

Atomic Energy of Canada Limited (AECL) is a Crown corporation that has been fulfilling a critical mandate on behalf of Canadians for decades. As the birthplace of Canada's nuclear industry, AECL has pioneered the use of nuclear science and technology to the benefit of Canada. Scientific and technological advances, such as nuclear medicine to fight cancer and nuclear energy to power our homes and businesses, are an essential part of our daily lives.

Now in its 60th year, AECL is Canada's premier nuclear science and technology organization. The company is a strategic part of Canada's national science and technology infrastructure and national innovation system.

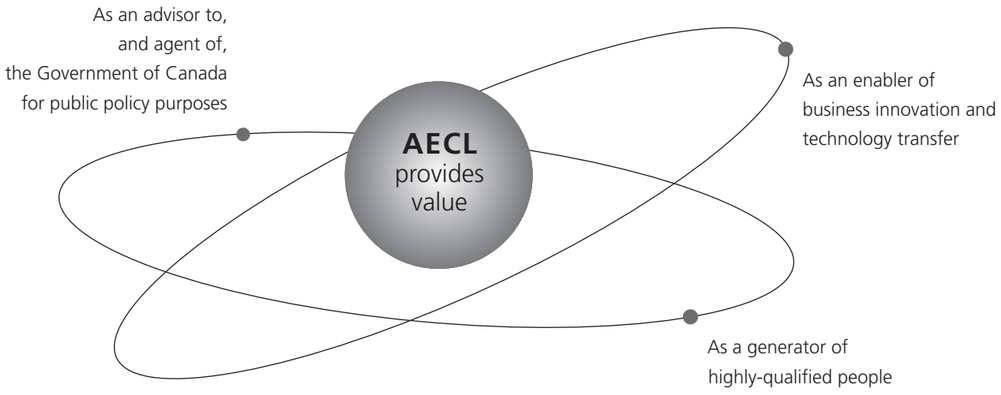
In addition to performing the scientific and technical activities expected of a federal science and technology organization, AECL provides significant value to Canadians on several fronts, as:

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

Canada is a tier one nuclear nation, committed to nuclear energy, with world-class operations, an internationally-respected regulator, and a robust domestic supply chain. As such, AECL plays a key role in enabling Canada's position on the world stage. AECL is vital to Canada's scientific sector and in part, to the nation's future. We contribute to Canada's destiny as a leading knowledge-based economy, giving the world significant and unique scientific and technological breakthroughs.

AECL remains the knowledge leader of the Canadian nuclear industry – a vital national resource with a world-class workforce and unique facilities that together strengthen Canada through nuclear science and technology excellence and advancement.

AECL's vision is to be a global partner in nuclear innovation. AECL's more than 3,200 employees are committed to an overriding objective or "strategic outcome": to ensure that 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.



Adding VALUE

AECL undertakes a series of program activities that are geared to attaining the company's strategic outcome. These programs are aligned with and support the Government of Canada's science and technology 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.
Nuclear Safety & Security	Ensures Canada's nuclear safety and security, through the provision of high-quality expertise and technology. Through the use of AECL expertise and facilities, the program supports federal activities, regulation, or policy relating to nuclear or radiological issues.
Clean, Safe Energy	Ensures the development of energy technologies that will have a beneficial impact on Canada's application and use of clean energy.
Health, Isotopes & Radiation	Ensures Canadians receive health benefits from nuclear science and technology.
Nuclear Environmental Stewardship	Ensures that Canada's federal nuclear sites are clean and healthy environments.
Nuclear Innovation Networks	Ensures that the Canadian nuclear science and technology communities can advance their innovation agendas through access to federal nuclear innovation infrastructure and expertise.
Mission-Ready Science and Technology Infrastructure	Ensures that nuclear science and technology infrastructure is ready to enable the above programs by investing in AECL's people, plant and processes to achieve safe, reliable and efficient execution.
Internal Services	Ensures that business support services required to enable the efficient and effective delivery of the above programs are in place.

AECL is committed to ensuring that 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.

WHO WE ARE

2012

The Year IN REVIEW

Transitioning for the **FUTURE**

The Government of Canada completed the first phase of its restructuring plan for AECL in 2011–2012. On October 2, 2011, the Government of Canada and AECL sold the company's Commercial Operations business to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin.

Under the terms of the sales agreement, AECL sold specific assets for $15 million and 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. 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 6® reactor (EC6®) development program.

With the completion of the transaction, Candu Energy Inc. became responsible for all new projects relating to the CANDU® Commercial Operations business, while the Government of Canada and AECL retained responsibility for specific liabilities related to the CANDU business prior to the date of sale. This work is being undertaken by a small team of AECL personnel operating as the Wrap-Up Office in AECL's Mississauga office.

AECL and Candu Energy Inc. have a strong commercial relationship, governed by terms set out under an inter-company services agreement and an intellectual property licence agreement.

An extensive transition process took place leading up to and immediately following the sale: AECL's head office was relocated to its Nuclear Laboratories facility in Chalk River, internal service functions and systems were transferred to that site and additional staff was hired to meet the requirements of a stand-alone entity.

With the departure following the sale of several AECL Board Directors and its Chair, the Government of Canada appointed veteran Board member Peter Currie as AECL's new Chair of the reconstituted seven-member Board. Robert Walker, head of AECL's Nuclear Laboratories prior to the sale, was appointed AECL's new President and Chief Executive Officer by the Government.

In February 2012, the Government of Canada formally launched the second phase of its AECL restructuring plan, issuing a Request for Expression of Interest to understand potential opportunities for partnership models in relation to the Nuclear Laboratories and to help inform the restructuring process. The Government will decide on the future of the Nuclear Laboratories in the coming months, focusing on the long-term mandate, governance and management structure.

Ensuring **HEALTH AND SAFETY**

AECL's number one priority is to protect the safety of its employees, the public and the environment, in alignment with the federal government's priority for healthy Canadians and a safe and secure nation. Last year, AECL undertook a series of initiatives to review its health, safety, security and environmental (HSSE) performance and oversight with a key focus on training and leadership, work practices, nuclear safety, environmental protection, infrastructure, regulatory compliance and occupational health and safety.

Following extensive preparations by AECL to support its application to renew the Chalk River Laboratories operating licence, the Canadian Nuclear Safety Commission (CNSC) last year approved the extension of the licence for another five years, to October 2016. The licence allows AECL to operate a range of facilities at the site, including the NRU reactor. The renewed licence enables AECL to continue to deliver value to Canadians and the world as Canada's premier nuclear science and technology organization, while protecting the safety of its employees, the public and the environment.

During the year, AECL tapped into the expertise of the World Association of Nuclear Operators (WANO). AECL is the first non-power nuclear reactor organization to gain membership in WANO, an organization dedicated to helping members achieve the highest levels of operational safety and performance. AECL requested that WANO undertake an independent Corporate Peer Review of AECL to determine how AECL's corporate operations, decision-making and governance impact nuclear safety and sought out WANO input on the enhancement of AECL's HSSE governance and oversight framework. Both initiatives are expected to be completed in the new fiscal year.

AECL's management team and union leaders also participated in the first AECL Safety Summit, to explore ways to enhance the alignment of operational safety functions and responsibilities, including those relating to occupational health and safety, and the overall framework for integrated safety management within the company. A comprehensive action plan, based on input from the attendees, is to be included in AECL's strategic initiatives for 2012–2013.

Of particular note, during the year, AECL achieved more than 1.5 million work hours without a recordable lost-time injury, a significant accomplishment in the industry.

Program **ACTIVITIES**

Nuclear Industry Capability

AECL ensures that the Canadian nuclear sector remains safe and productive and has access to science and technology resources that can address emerging technological challenges.

AECL addresses public policy issues of safety as well as complex technological industry challenges, which helps to ensure that Canada has a strong nuclear power sector, employing Canadians in a high-tech industry at the forefront of Canada's greenhouse gas reduction activities. The company is also a key asset for nuclear operators worldwide.

As lead supplier to the CANDU Owners Group (COG), AECL advanced COG's multi-year Fuel Channel Life Management Project, expected to be completed in early 2013, through its work on a series of sub-projects, including the following:

- AECL made significant progress on developing a technique to accelerate fuel channel aging to obtain experimental evidence of fuel channel remaining life. This is an industry first and is considered destiny research for CANDU utilities as it will underpin scheduling decisions relating to reactor decommissioning and retubing.
- In a related project, AECL successfully completed the first phase of a fuel channel project that will ultimately provide the information needed to ensure CANDU reactor pressure tubes remain fit for service beyond their current design lives, thereby extending the life of the reactors for their owners. The overall project involves visual examination and destructive testing of two pressure tubes, each with 204,000 hours of use.
- AECL also completed for several COG members a complex contract within a tight schedule for annulus spacer compression and tension testing. Annulus spacers are garter springs positioned along reactor pressure tubes to prevent the pressure tubes from coming into contact with the calandria tubes. The first-of-a-kind test provided the utilities with valuable data on the resilience of their reactor fleet's annulus spacers.

Last year, AECL also wrapped up the COG Feeder Integrity Joint Project, initiated to address premature thinning of reactor feeder pipes. As its final contribution to this multi-year project, AECL completed the design and demonstration of an improved tool for inspecting welds on feeder pipes that are difficult to access.

Nuclear Safety & Security

As the centre of federal expertise on nuclear and radiological issues, AECL maintains the safety and security of several federal nuclear sites, develops technology that is used to ensure Canada's nuclear safety and security, and provides advice to other government departments. Last year, AECL undertook a series of collaborative initiatives that will support improvements in nuclear safety and security.

AECL and its partners advanced nuclear science research that, among other applications, will ultimately improve MRI techniques for examining low-density tissue in humans. The project involved the first-ever polarization of helium-3 gas using the spin exchange optical pumping method at AECL's Chalk River Laboratories. Scientists from AECL; the National Research Council Canada's Canadian Neutron Beam Centre and Steacie Institute for Molecular Sciences; and the US-based National Institute of Standards and Technology collaborated on the project.

In conjunction with the Lawrence Livermore and Sandia National Laboratories in California and NB Power Nuclear in New Brunswick, AECL researchers developed and tested at the Lawrence Livermore facility an antineutrino detector, which is to be installed by third quarter 2012–2013 at the Point Lepreau Nuclear Generating Station in New Brunswick. This technology could prove useful in remotely measuring the reactor's power as well as its fissile inventory; both important elements in maintaining reactor safeguards. These detectors are expected to help further ensure nuclear safety and security, and have potential applications around the world.

AECL was chosen to assist Defence Research and Development Canada (DRDC) in implementing a Canadian nuclear forensics program under the DRDC's Centre for Security Sciences. Nuclear forensics analyzes the nature, use and origin of nuclear materials to enhance nuclear security measures and prevent the illicit acquisition and use of nuclear materials. This opportunity leverages AECL resources with those of scientific and law enforcement organizations and creates a national network of expertise to protect the security of Canadians and the international community.

AECL was also called upon by the CNSC to share its knowledge of AECL's nuclear safety technology program and to identify areas for collaboration with the regulator. The interest generated during an initial workshop has led to several collaborative projects, including joint participation in an international benchmark on thermal hydraulic codes and co-development of a severe accident handbook for CANDU reactors.

Clean, Safe Energy

AECL is a pioneer in the use of nuclear science and technology to provide clean, safe energy to Canadians. The company is harnessing its expertise to deliver a number of initiatives that will advance nuclear technology and develop alternative energy technologies. These efforts are expected to help enhance human and environmental safety and improve CANDU and non-CANDU industrial applications.

Last year, AECL advanced the conceptual design of the Generation IV Supercritical Water Reactor (SCWR) with the development of a fuel channel concept that will ensure pressure tube integrity during regular operation, unplanned shutdowns or extreme events. The concept involves developing an insulated fuel channel capable of operating at higher temperatures (up to 625C) than those currently used. The SCWR is one of several designs being considered for development by members of the Generation IV International Forum. AECL's SCWR work supports Canada's role in this initiative.

Advanced reactor concepts like the SCWR and more efficient operation of existing CANDU reactor designs require improvements in nuclear fuel technologies. Last year, AECL made progress on its work to develop various alternative fuels, including thorium-based fuels and advanced fuel design concepts. AECL's development of these alternative fuel cycles, unique to the CANDU reactor design, will help position Canadian CANDU in the global marketplace with resulting benefits to Canada's economy.

AECL also has significant expertise in hydrogen and tritium technology. Last year, collaborative work was initiated to use AECL-developed catalysts and electrochemical cell membrane technology to improve Oakville-based Tyne Engineering's hydrogen production and tritium management capabilities. The initiative will also provide AECL with the systems and components needed to advance its own technologies and achieve more efficient clean high-temperature hydrogen production methods. A tritium-compatible cell from Tyne using the advanced membranes has been commissioned and is undergoing operational evaluation at Chalk River Laboratories.

Health, Isotopes & Radiation

AECL is committed to ensuring that Canadians receive health benefits from nuclear science and technology, including reliable medical isotope production. The evolving use of radiation and radioactive materials in healthcare has been widespread since nuclear medicine was pioneered by AECL in the mid-20th century. AECL has unique capabilities in both technical expertise and specialized facilities that can support innovation in this field.

Last year, AECL, through its NRU reactor, produced a significant supply of isotopes, enabling the delivery of approximately 2.5 million medical diagnostics and an estimated 14 million medical treatments for patients in Canada and around the world. Medical isotopes are essential in the fight against cancer and heart disease.

A key requirement for renewing the Chalk River Laboratories site licence was the completion and acceptance by the CNSC of an Integrated Safety Review (ISR) for the NRU reactor. The ISR compared the current status of the NRU against a broad range of current codes and standards and represented the most comprehensive review of a research reactor ever undertaken. A detailed plan for addressing the findings from the ISR, a mixture of system inspections, hardware upgrades and procedural updates, was developed. All major milestones targeted for the first months of the plan were completed.

AECL also initiated several projects that explore the benefits of low-dose radiation in relation to radiological protection, and diagnostic radiology and radiotherapy. Last year, AECL and the University of Ottawa Heart Institute signed an agreement to study the effects of low-dose radiation on cardiovascular disease. The project has generated considerable interest from a number of government and private-sector health-related organizations.

With input from its partners in the Russian Federation, AECL advanced its research on the effects of low-dose radiation on cancer. Recent studies conducted by AECL have demonstrated that low-dose radiation may in fact stimulate the repair of DNA damage within cells and that a histone, a protein associated with DNA in the cell nucleus, plays a previously unreported role in this repair. As the next step in this process, AECL's current research is intended to determine how low-dose radiation stimulates DNA repair.

Also during the year, AECL filed a Canadian patent and a US provisional patent for a unique portable instrument that can rapidly measure intake of strontium-90 (Sr-90) in the event of a terrorist attack or industrial accident. The highly-sensitive tool will be able to measure Sr-90 inhaled by an individual well below the current dose threshold, the minimum level that produces a detectable effect. Once measured, appropriate treatment can be delivered to the patient. Prior to this advancement, existing technology could not effectively detect dangerous intakes of Sr-90.

Program **ACTIVITIES** continued

Nuclear Environmental Stewardship

AECL ensures that Canada's federal nuclear sites are clean and healthy environments, demonstrating responsible deployment of nuclear science and technology. This involves managing environmental risks well, practicing sound environmental stewardship, and encouraging open lines of communication with stakeholders on related issues. It also entails ensuring that Canada's radioactive waste is stored securely through the provision of technologies, expertise and/or facilities.

Last year, major milestones were achieved in advancing the management of legacy, historic and ongoing operational wastes.

AECL, working with Natural Resources Canada and Public Works and Government Services Canada, successfully positioned the Port Hope Area Initiative, including the Port Granby and Port Hope projects, to enter Phase 2 of the initiative. This implementation phase includes construction of enabling infrastructure and cleanup of historic low-level radioactive waste in the Port Hope area, led by AECL through the Port Hope Area Initiative Management Office, on behalf of the federal government. The Government has committed $1.2 billion over 10 years toward the initiative. A licence for the Port Hope Project was granted to AECL by the CNSC in 2009. Last year, the CNSC granted a 10-year licence for the Port Granby Project, which will allow for the relocation and safe, long-term management of similar waste in south-east Clarington.

AECL also launched the second phase of the Nuclear Legacy Liabilities Program, a Government of Canada-funded, long-term environmental restoration plan to reduce and eliminate federal nuclear liabilities associated with redundant buildings, legacy wastes and environmental contamination on AECL sites. Under this program, AECL received CNSC approval to operate its newly-constructed above-ground storage facility at AECL's Whiteshell Laboratories. The facility supports the site's decommissioning by providing safe storage for low-level radioactive waste.

Also of note, at fiscal year-end, construction was nearing completion on a fuel packaging and storage facility at the Chalk River Laboratories site. The building will store used research reactor fuel currently stored in aging concrete storage structures on site. Once completed, the new facility will provide safe, modern storage for this older fuel, reducing the risk to the environment.

Nuclear Innovation Networks

AECL ensures that the Canadian nuclear science and technology communities have the necessary access to federal nuclear innovation infrastructure and expertise required to advance their innovation agendas.

The company supports an extensive network of stakeholders, clients and collaborators that contribute to and draw benefits from AECL facilities and the knowledge and technological innovation delivered by its laboratories. Last year alone, AECL undertook a significant communications outreach effort, formed new collaborations with universities, private industries, research hospitals and laboratories from Canada and abroad, expanded its student co-op program and conducted a series of initiatives to encourage the growth of Canada's knowledge economy.

Utilizing the capabilities of its ZED-2 research reactor, AECL held two "school" sessions during the year to introduce participants to this unique science and technology resource and to learn new concepts in a range of nuclear science fields. The program involved students from eight universities and participants from two public research institutes and two nuclear companies, from five provinces across Canada. Development of highly-qualified people through initiatives such as these is crucial to Canada's economic success.

Mission-Ready Science and Technology Infrastructure

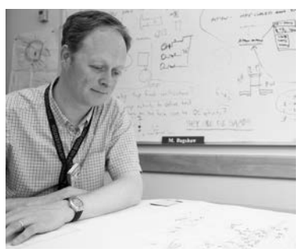
AECL ensures that its nuclear science and technology infrastructure is ready to enable all program areas by investing in AECL's people, plant and processes to achieve safe, reliable and efficient execution.

Last year, AECL introduced an updated Management System Manual to reflect changes to the company's organizational structure and to improve efficiencies. The system integrates the organization's structures, capabilities, resources and processes to enable effective and efficient program delivery, while maintaining compliance with requirements related to safety, quality, comptrollership and regulations, in alignment with Government of Canada requirements.

Events at Japan's Fukushima Daiichi nuclear power station in March 2011 have brought greater scrutiny to the nuclear industry. Since the accident, AECL has invested considerable resources in reviewing its emergency plans and procedures to reassure itself, the CNSC and the public that it is well-prepared to respond to similar events. During this time, AECL also provided support to CANDU utilities in assessing their safety cases.

In addition to its immediate response to Fukushima, AECL submitted to the CNSC a medium- and long-term implementation plan of lessons-learned from Fukushima. The report includes plans to develop severe accident management guidelines and assess AECL's ability to respond to potential extreme external events. The report forms part of AECL's ongoing participation in Fukushima-related nuclear safety reviews for national and international regulators and agencies. Analyses conducted last year confirmed that safety at AECL's Chalk River Laboratories during potential extreme external events is adequate. In the interest of continuous improvement, AECL is implementing additional design and procedure enhancements.

Also of note last year, AECL successfully completed the first planned extended outage of the NRU reactor since its return to service in August 2010. The 32-day outage supported the renewal of the Chalk River Laboratories' operating licence, which was successfully extended by the CNSC to October 2016. The NRU reactor continues to enable research and development capabilities while producing a reliable supply of medical isotopes for the world.



Internal Services

Internal Services comprises the corporate and business support services required to enable the efficient and effective delivery of the above programs.

In 2011–2012, significant effort was made to ensure the efficient transition of the company following the sale of AECL's Commercial Operations, including the re-establishment of the corporate support functions required to enable a stand-alone Nuclear Laboratories organization.

As part of this effort, AECL completed a post-transition verification of financial processes and related controls to ensure their continued operation and effectiveness. The verification provided confidence that financial processes had been transitioned successfully and that appropriate controls are in place.

To enable business innovation and technology transfer in Canada, AECL signed with Candu Energy Inc. a Memorandum of Understanding (MOU) that provides a framework for collaboration and cooperation. The MOU sets out a vision for a strong commercial relationship between the two companies, given a shared interest in building a stronger future for CANDU technology and its applications.

Setting out a strategic direction for the restructured company's future, AECL submitted to the Government of Canada its 2012–2013 Corporate Plan prior to fiscal year-end. The document, which also serves as a basis for AECL's funding request for the new fiscal year, received Governor in Council approval early in the new fiscal year.

Finally, with the goal of providing the greatest value to Canadians, AECL undertook a detailed self-assessment, aligned with the Government of Canada's strategic review process, to determine how the company could improve as a stand-alone federal science and technology organization. The results of the review identified specific actions for improvement and helped shape the 2012–2013 Corporate Plan.

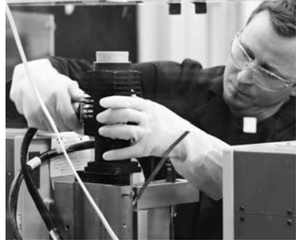
Commercial Operations

DISCONTINUED OPERATIONS

AECL made significant progress last year on addressing life extension project liabilities retained by AECL and the Government of Canada at the date of the sale of the Commercial Operations business.

At fiscal year-end, through AECL's subcontractor Candu Energy Inc., all of the major work activities associated with the Bruce A, Unit 1 and 2 reactors (Bruce Retube Project) in Ontario were substantially completed. Also at year-end, AECL and its subcontractor, Candu Energy Inc., had completed the majority of its major work activities on the Point Lepreau Nuclear Generating Station in New Brunswick and were continuing to work closely with utility owner NB Power to complete AECL's project scope.

Retube project readiness work and refurbishment activities continued for Hydro-Québec's anticipated outage at the Gentilly-2 nuclear power plant.



Financial HIGHLIGHTS

As a Crown corporation, AECL generates commercial revenue and receives Government of Canada funding to support its operations. Commercial activities, which include major nuclear projects and related services, are managed based on profitability and growth, while Government of Canada-funded activities are managed based on meeting planned costs and deliverables. AECL is required to submit a Corporate Plan annually to the Government of Canada.

AECL's financial performance last year was driven mainly by the need to: complete life extension projects safely and to a high level of quality; modernize Chalk River Laboratories operations to address regulatory, health, safety, security and environmental needs; and attain a five-year extension from the CNSC for the Chalk River Laboratories operating licence. AECL recognized Government of Canada funding of $884 million in support of these and other efforts.

AECL expended $137 million toward addressing decommissioning and waste management obligations under the Government-funded Nuclear Legacy Liabilities Program for the Government of Canada. This included ongoing decommissioning and waste management activities, primarily at Chalk River and Whiteshell, and the development of enabling facilities at these sites.

Consolidated revenues of $354 million were 29% lower than in the previous year. This decrease was largely due to the completion or near-completion of two life extension projects in addition to the sale of AECL's Commercial Operations.

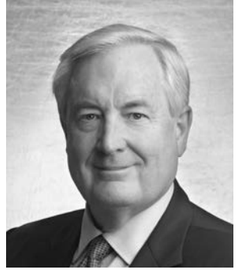
Increased costs on several life extension projects contributed to the need for Government of Canada funding support above the base appropriation amount. Much of the impact of these higher costs on net and comprehensive income in the current year was covered by provisions taken in previous years.

AECL recorded impairment and restructuring charges of $40 million related to the sale of AECL's Commercial Operations. Of this amount, $9 million related to the impairment of assets sold to Candu Energy Inc. and $31 million related to employee termination benefits.

AECL recorded a net loss of $1,152 million in 2011–2012. This net loss was primarily the result of a 1.09% decrease in the discount rate used to calculate the present value of the decommissioning and waste management liability. This change in discount rate resulted in a $1,219 million non-cash expense which had no impact on AECL's funding requirements.

THE YEAR IN REVIEW

MESSAGE from The Chair



2011–2012 marked a year of immense change for AECL; the completion of the first phase of the Government of Canada's restructuring plan for the company and the emergence of the remodelled company as a stand-alone federal science and technology organization, poised for success.

Following the signing of a binding sales agreement in June 2011 and an extensive transition process during the second quarter, AECL and the Government of Canada completed on October 2, 2011 the sale of AECL's Commercial Operations to Candu Energy Inc., a subsidiary of SNC-Lavalin.

With the completion of the sale, AECL's headquarters were transferred to Chalk River, Ontario, and the Government of Canada appointed to AECL a new President and Chief Executive Officer, Robert Walker, who had previously led the Nuclear Laboratories. The Government also appointed me as Chair, to lead a reconstituted Board made up of experienced members who ensure retention of knowledge and continuity of purpose.

The Board worked swiftly to establish the governance structure for AECL, which in addition to the Nuclear Laboratories includes a small staff complement in Mississauga, Ontario working as the Wrap-Up Office to manage certain liabilities related to the former Commercial Operations business retained at the date of sale. The Board is confident that our current governance structure is appropriate for its purpose.

During the months that followed the divestiture, the Board worked closely with AECL's leadership team to renew the organization's agenda, overhaul its management systems and processes to better align current operations with Government expectations, and address the legislative requirements and public-policy mandates of the Government.

This transition was made efficiently and with the assurance that AECL, post-divestiture, will continue to bring significant benefit to the Government of Canada and Canadians through a strong focus on its public policy mandates and value-added research and development, while continuing a legacy of safety and security.

In February 2012, the Government of Canada formally launched the second phase of its restructuring plan for AECL, a review of AECL's Nuclear Laboratories structure, mandate, scope and size. This includes a Request for Expression of Interest to understand potential opportunities for partnership models in relation to the organization and the relevant experience and capabilities offered by respondents. This process will allow the Government to benefit from the experiences of domestic and international organizations involved in the management or restructuring of nuclear science and technology or radioactive waste management.

The information gathered through the Expression of Interest will help inform the restructuring process, a critical step to further strengthen Canada's nuclear industry while reducing taxpayers' exposure to financial risks in this sector. In the coming months, the Government will decide on the future of the Nuclear Laboratories, focusing on the long-term mandate, governance and management structure.

Prior to the sale of the Commercial Operations, the AECL Board had provided significant due diligence to and advice on the Government's restructuring initiative to ensure the outcome benefited all of AECL's stakeholders over the long term, and that the transition was as seamless as possible. Our current Board intends to do the same with respect to the Phase 2 restructuring.

Another critical focus of the Board during the year was the renewal and restoration of the Chalk River Laboratories site and its people, under the Isotope Supply Reliability Program. This exhaustive effort resulted in the successful extension by the CNSC of the Chalk River Laboratories' operating licence, including the NRU reactor, to October 2016.

The Board also worked closely with AECL's senior management team in undertaking a detailed self-assessment, aligned with the Government of Canada's strategic review process, to determine how the overall organization could be improved. To line up with the Government's science and technology priorities, the company was repositioned as an advisor to and agent of the Government in matters of public policy; an important enabler of business innovation and technology transfer in Canada; and a key generator of highly-qualified people, critical to a productive, innovative and safety-focused nuclear sector in Canada. To shape this transformation, AECL reinforced with employees its vision for the future, which captures our desire to become a global partner in nuclear innovation.

To improve accountability and transparency to our Shareholder and the public, the Board also assisted last year in the oversight of the development of a quarterly corporate financial performance reporting process, and the modelling of AECL activities as best practice, on several Treasury Board instruments. This included applying the Treasury Board's Management Accountability Framework, a key performance management tool that improves management practices across federal departments and agencies, and establishing a Program Activity Architecture that reflects how resources are allocated and managed to achieve their intended results.

In the coming year, the Board will continue to work closely with our senior management team in supporting the delivery of excellence and sustained growth in our performance. We will strive to create a high-performing organization that meets its statutory responsibilities and provides the greatest value to Canadians, safely and securely. We will ensure accountability and transparency through our processes and continuous efforts in open communications. And, we will continue to work closely with the Shareholder and others on our future missions.

I feel very fortunate to be working with Robert Walker and such a strong team of directors, all of whom have the relevant experience, skills and determination to take our company forward. I would, at the same time, like to acknowledge those members who left the Board following the company's restructuring and thank them for their commitment toward building a stronger Canadian nuclear industry and laying the foundation for a strong federal science and technology organization.

And last, but not least, my great appreciation is extended to the leadership team and all AECL employees for their hard and valuable work and commitment to AECL and its future success.

Peter Currie
Chair of the Board

MESSAGE FROM THE CHAIR

MESSAGE from The President

AECL underwent the most far-reaching transformation in its history last year; a transformation that is expected to result in significant benefits for our Shareholder, our partners and Canadians.

With the sale of its Commercial Operations, AECL was refocused as a federal science and technology organization. Working alongside a reconstituted Board of Directors, AECL's senior management and I, as a new appointee to this position, worked swiftly to complete this transition, ensuring that the human resources, corporate services and systems required to support an effective, efficient operation were in place.

Together we embarked upon an ambitious program to enhance our organization and position it for success. We established a new business model that better aligns our operations with the Government of Canada's priorities, supporting economic development and business innovation, deficit reduction and public safety and security.

We undertook a detailed self-assessment, in line with the Government's strategic review process; the results of which have been incorporated in our 2012–2013 Corporate Plan, which received Governor in Council approval shortly after fiscal year-end. We also introduced revised management systems and processes, in keeping with Government expectations of a federal science and technology organization. And, we exceeded our efficiency improvement targets during the year by more than 15 per cent, achieving $20.6 million in savings, $15.2 million of which will be sustainable over future years.

As a stand-alone organization, we reinforced our vision, to be a global partner in nuclear innovation, and our overriding deliverable: to ensure that 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.

Critical to achieving these objectives, AECL successfully obtained an extension from the CNSC of its Chalk River Laboratories operating licence, including the medical isotope-producing NRU reactor. With the licence extended to October 2016, AECL now has a revitalized commitment to deliver upon its mandate and to excel in safety, execution and innovation.

The remodelled AECL serves Canada as an advisor to and agent of the Government of Canada in matters of public policy, including nuclear environmental stewardship, medical isotope production and nuclear safety and security policy, regulation and operations. We are an important enabler of business innovation and technology transfer in Canada and, we are a key generator of highly-qualified people, critical to a productive, innovative and safety-focused nuclear sector in Canada. Last year, we made significant progress on all fronts.

Major milestones were achieved in advancing the management of legacy, historic and ongoing operational wastes. Of particular note, AECL, working closely with Natural Resources Canada and Public Works and Government Services Canada, successfully positioned the Port Hope Area Initiative (PHAI), including the Port Granby and Port Hope projects, to enter the implementation phase. The Government's $1.2 billion funding commitment toward the PHAI, announced in the third quarter, will enable the cleanup of historic low-level radioactive waste in the Port Hope area, as executed by AECL.

Supported by the efforts of our world-class workforce, AECL filed 15 new patents for state-of-the-art technologies which can be applied to protect the health and safety of Canadians and to further our support for business innovation and job creation. We also signed with Candu Energy Inc. a Memorandum of Understanding that serves as a framework for collaboration and cooperation in relation to the development of and support for CANDU technology.

As the industry's knowledge leader, we are sharing our expertise to help grow Canada's knowledge economy. Last year, we nurtured 100 new and ongoing collaborations with universities, private industries, research hospitals and laboratories in Canada and around the world. This effort included augmenting our student co-op program, conducting "school" sessions with graduate students and scientists involving AECL's ZED-2 research reactor, and identifying opportunities to enhance university science and technology programs through access to AECL facilities.

Following the first phase of restructuring, we also made significant progress on addressing liabilities relating to the former Commercial Operations. At fiscal year-end, through AECL's subcontractor Candu Energy Inc., all of the major work activities associated with the Bruce Retube Project were substantially completed. AECL and its subcontractor, Candu Energy Inc., also completed the majority of its major work activities on the Point Lepreau Nuclear Generating Station and were continuing to work closely with utility owner NB Power to complete AECL's project scope. Retube project readiness work and refurbishment activities continued for Hydro-Québec's anticipated outage at the Gentilly-2 nuclear power plant.

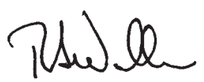
With the March 2011 Fukushima Daiichi nuclear incident in Japan, we swiftly responded to the event and continued our efforts during the fiscal year: identifying lessons-learned; reviewing our Chalk River Laboratories safety systems, which checked out positively; applying additional improvements to further enhance those systems; and supporting CANDU utilities in assessing their safety cases.

Looking ahead, AECL will continue to evolve. As noted in the Chair's message, the Government of Canada has introduced the second phase of its restructuring plan for AECL. The company is undertaking several initiatives that will help support the Government in their development of recommendations concerning AECL's future mandate and funding. Until further direction is provided, AECL will continue to focus on its current mandate.

In parallel with the Government's review, we have a series of initiatives underway that are aimed at improving AECL's management, productivity and science and technology results, to help ensure a seamless transition to our yet-to-be-determined restructuring outcome. And, we are building upon our commitment to develop and maintain a strong safety culture and to enhance performance.

We have an extremely capable team at AECL. I would like to thank the Board, AECL's management team and our employees for the successes of the past year and for their ongoing dedication and commitment to this organization. I would also like to acknowledge the support of the federal government, which continued to provide AECL with the financial resources needed to meet our commitments.

AECL has a long and proud history. Our plan is to carry that torch of excellence forward, bringing value to our customers, the Shareholder and Canadians as Canada's premier centre of expertise in nuclear science and technology.



Robert Walker
President and Chief Executive Officer

Inside the MD&A

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, 2012 and should be read in conjunction with the consolidated financial statements and accompanying notes included in this Annual Report.

In 2011–2012, the Government of Canada completed the first phase of its restructuring plan for AECL with the sale by the Government and AECL of the company's Commercial Operations business to Candu Energy Inc. on October 2, 2011.

In February 2012, the Government of Canada formally launched the second phase of its AECL restructuring plan. As part of this process, the Government issued a Request for Expression of Interest (RFEOI) to understand potential opportunities for partnership models in relation to the Nuclear Laboratories and the relevant experience and capabilities offered by respondents. This process will allow the Government to benefit from the experiences of domestic and international organizations involved in the management or restructuring of nuclear science and technology organizations or radioactive waste management. The information gathered through the RFEOI will help inform the restructuring process, a critical step to further strengthen Canada's nuclear industry while reducing taxpayers' exposure to financial risks in this sector. The Government will decide on the future of the Nuclear Laboratories in the coming months, focusing on the long-term mandate, governance and management structure. AECL management is supporting the process.

Shortly after fiscal year-end, AECL received Governor in Council approval for its 2012–2013 Corporate Plan. The Corporate Plan and this MD&A have been prepared without making any assumptions as to the outcomes of the Phase 2 restructuring. As such, they do not contemplate any significant changes to AECL's existing activities. Should the Government of Canada's decisions relating to AECL's restructuring affect the Corporation's structure, mandate or future financial situation, there may be a need to revisit the strategies outlined in the 2012–2013 Corporate Plan and the related financial statement presentation.

This MD&A contains forward-looking statements with respect to AECL based on assumptions that management considers reasonable as at June 21, 2012, 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 Canada.

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

Nuclear Laboratories

Nuclear Laboratories is principally centred at the Chalk River Laboratories and is Canada's largest federal laboratory. As of March 31, 2012, Nuclear Laboratories employed 3,172 people. Of those, 442 were employed in other locations, including the Whiteshell Laboratories in Manitoba.

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

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

The Nuclear Laboratories is an advisor to, and agent of, the Government of Canada for public policy purposes; an enabler of business innovation and technology transfer; and a generator of highly qualified people.

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

Nuclear Laboratories is also an agent of the Government in several matters of public policy, including:
- The provision of medical isotopes to Canadians, facilitated by the NRU reactor, one of the world's largest producers of radionuclides and Canada's premier facility for nuclear power and materials research.
- The management of legacy and historic nuclear wastes.
- Development of policies, practices and national capabilities to address nuclear safety and security, including strengthening of non-proliferation and counter-terrorism regimes.

Enabler of Business Innovation and Technology Transfer
Nuclear Laboratories has a strong record of positioning the Canadian nuclear industry, including its full value chain, for commercial success domestically and internationally. As a service provider to Candu Energy Inc. and the wider Canadian nuclear industry, Nuclear Laboratories plays a crucial role in assisting its partners to maintain and enhance the performance of the existing 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 alternative energy solutions.

Generator of Highly Qualified People
With the capability for knowledge generation, innovation and discovery, the Nuclear Laboratories supports an extensive network of stakeholders, clients and partners that contribute to and draw benefits from the knowledge and technological innovation delivered by the Laboratories with its partners.

Nuclear Laboratories provides access to a unique environment needed to develop the advanced workforce required for a knowledge-based economy. As an important outcome of the Nuclear Laboratories operation, Canada's next generation of world-class nuclear scientists, engineers, operators and entrepreneurs are being trained.

Nuclear Laboratories' Strategic Outcome, or overriding deliverable, is for Canadians and the world to receive energy, health, environmental and economic benefits from nuclear science and technology, with confidence that nuclear safety and security are assured.

To achieve this strategic outcome, Nuclear Laboratories operates under a Program Activity Architecture, aligned with the Government of Canada's priorities. Six core program activities, supported by two enabling activities, work to deliver their respective objectives to support the achievement of Nuclear Laboratories' strategic outcome.

Program Activity Architecture
All activities undertaken by the Nuclear Laboratories have been framed within a Program Activity Architecture.

Federal Outcome Areas	A Clean and Healthy Environment	Healthy Canadians	A Safe and Secure Canada	An Innovative and Knowledge-based Economy
AECL Strategic Outcome	Canadians and the world to receive energy, health, environmental and economic benefits from nuclear science and technology, with confidence that nuclear safety and security are assured.			

Direct Outputs		
Nuclear Industry Capability	• Candu Energy Inc. support • CANDU Owners Group support • Technology development for CANDU industry	
Nuclear Safety and Security	• Non-proliferation and counter-terrorism • AECL nuclear security response • Nuclear materials handling	• Nuclear oversight • Nuclear safety technology
Clean, Safe Energy	• Generation IV technologies • Tritium and fusion technologies • Hydrogen technologies	• Sustainable energy technologies • Materials science and chemistry • Small reactors
Health, Isotopes and Radiation	• Isotope production • Isotope reliability	• Isotope legacy obligations • Radiation biology and health
Nuclear Environmental Stewardship	• AECL nuclear legacy liabilities • Whiteshell decommissioning • Port Hope Area Initiative	• Historic wastes • Nuclear environmental technology • Nuclear waste services
Nuclear Innovation Networks	• National Research Council Canadian Neutron Beam Centre • Nuclear science and technology partnerships	• Nuclear workforce of the future

Supporting/Enabling		
Mission-Ready Science & Technology Infrastructure	• NRU reactor readiness • Nuclear facilities readiness • Nuclear waste management readiness	• Non-nuclear facility readiness • Provision of real property and municipal services
Internal Services	• Business services • Organization change agenda	

Nuclear Laboratories' activities are principally supported by the Government of Canada. It also generates revenue from the sale of products and/or services, including medical isotopes, research contracts for the CANDU Owners Group, and commercial waste management services for various organizations, including hospitals and universities. This Nuclear Laboratories commercial activity contributed $75 million to revenues during the year.

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

Commercial Operations (Discontinued Operations)

As of March 31, 2012, Commercial Operations (Discontinued Operations) employed 42 people, operating under the Wrap-Up Office in Mississauga, 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 restructuring. This includes the completion of AECL's life extension project liabilities.

Key Success Drivers and Capability to Deliver Results

Safety

AECL reinforces a performance 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 2011–2012, safety continued to be a major priority in maintaining a healthy workforce and an effective business environment. AECL was successful in attaining CNSC approval of its application to extend the Chalk River Laboratories operating licence to October 2016. The licence allows AECL to operate a range of facilities at the site, including the NRU reactor. The renewed licence enables AECL to continue to deliver value to Canadians and the world while protecting the safety of its employees, the public and the environment.

During the year, AECL achieved more than 1.5 million work hours without a recordable lost-time injury (RLTI), a significant accomplishment in the industry. At fiscal year-end, AECL recorded a marginal increase in the frequency and marginal decrease in severity of RLTIs from 2010–2011. This result is mainly attributable to increased slips and falls during the winter.

Significant focus was placed last year on AECL's health, safety, security and environment (HSSE) program. Initiatives included the integration of HSSE staff in the business lines to better identify risks and provide early intervention and preventative controls; improved assessment processes to ensure legal requirements for safety are being met; the introduction of specialized system software to report and record accidents and develop actions that prevent their recurrence; the rollout of enhanced claims management support and training; and the introduction of a safety summit that identified actions to be undertaken to improve safety.

Customer Commitment

AECL recognizes that customer satisfaction is crucial to its ongoing success. Efforts are being continued to further evolve AECL into a customer-driven science and technology company. Customer feedback mechanisms continue to provide AECL with valuable insight into meeting and exceeding customers' expectations. AECL has been working cooperatively with its customers in Government and industry to provide high-quality products and services in a timely and cost-effective manner.

AECL's commitment to its customers was demonstrated throughout the year. For example, AECL, as primary supplier to the CANDU Owners Group, exceeded that customer's delivery target for research and development reports last year; supplied great quantities of medical isotopes to the global market, exceeding its production target and helping to meet world demand; and provided a variety of high-value products and services to Candu Energy Inc. in support of EC6 reactor development, and commercial CANDU and international power reactor utilities.

Research and Development

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

In 2011–2012, a key focus of research and development was the application of science and technology to enhance the safety and performance of the existing CANDU fleet. Research and development also involved initiatives to develop new energy generation technologies based on nuclear science and technology; advance the next generation of reactors and fuels with the goal of exceeding international standards for proliferation resistance and operating efficiencies; and develop technologies to aid in national and international nuclear counter-terrorism and safeguards efforts.

AECL provides support to meet Canada's international nuclear policy commitments, including participation in the International Atomic Energy Agency and the Generation IV International Forum. AECL's research and development capability contributes to the advancement of science in Canada through its support of the academic community – more than 200 academic researchers used the unique facilities and more than 20 Canadian universities collaborated on research projects last year.

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 integration of expertise from universities and other organizations is central to the development of nuclear technology for the benefit of all Canadians.

Last year, AECL filed 15 new patents for state-of-the-art technologies which can be applied to protect the health of Canadians and further customers' goals. Technology transfer from these innovations supports Canadians' health and safety and encourages long-term business competitiveness, contributing to a knowledge-based, entrepreneurial economy.

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 150 Canadian member-companies of the Organization of CANDU Industries, as well as a broad community of suppliers, which executed about one third of AECL's program in 2011–2012. 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 execution of AECL contracts.

Government of Canada Support

Government of Canada funding supported AECL business requirements throughout the year. The funding helped AECL's Nuclear Laboratories to fulfil its Program Activity commitments in alignment with federal policies on safety and security, healthy Canadians, a clean and healthy environment and an innovative, knowledge-based economy. The funding also helped AECL to address its Commercial Operations commitments prior to the sale of that business in October 2011 and its Commercial Operations liabilities retained at date of sale during the second half of the year.

Government of Canada funding in 2011–2012 contributed to:

- Operational requirements related to advancing commercial commitments.
- The nuclear research and development program, Chalk River Laboratories infrastructure renewal (Project New Lease) and ongoing operations (base operations and Isotope Supply Reliability Program).
- The Nuclear Legacy Liabilities Program.
- The design and development of commercial CANDU reactor products, prior to the sale of the Commercial Operations business.
- Costs relating to AECL Phase 1 restructuring.

AECL receives Government of Canada support for its activities through the approval of AECL's Corporate Plan by the Governor in Council. AECL's 2011–2012 Corporate Plan was approved by the Government of Canada in November 2011. Last year, Government of Canada funding in the amount of $719 million was received to support AECL's activities. AECL's 2012–2013 Corporate Plan received Governor in Council approval shortly after fiscal year-end.

Skilled Human Resources

AECL's highly educated and skilled workforce is the primary resource for ensuring its current and future success. Changing workforce demographics and global talent trends influence the development of AECL strategies on recruiting, engaging, deploying and retaining talent.

AECL fosters a work environment in which organizational and individual continuous learning and performance improvement is embraced. Training, self-assessment, corrective actions and benchmarking are used to stimulate learning. Last year, AECL refined its comprehensive classroom training curriculum to meet organizational effectiveness priorities, including human performance and safety refresher training. Online and e-learning courses were strategically used to deliver skills on-demand to individuals and provide company-wide compliance training.

Frequent and diverse employee communications initiatives were also delivered on key issues, including AECL's Phase 1 restructuring, program activity architecture and value proposition. External outreach activities during the year also identified science and technology initiatives to help generate highly qualified people to support AECL and the nuclear industry.

Last year, AECL's full-time staff decreased by 33% from 2010–2011 to more than 3,200 employees, primarily due to the sale of AECL's Commercial Operations business mid-year. With the transfer of AECL's headquarters to Chalk River, additional staff was hired to meet the needs of a stand-alone entity. AECL is home to top scientific, engineering and technological talents, in addition to broadly experienced managerial and business personnel. AECL continues to develop and maintain a working environment that will attract, retain, develop and motivate appropriately-skilled employees in order to meet business requirements.

Consolidated Financial Review

Key Financial Information

	Actual Results	
($ millions)	**2011–12**	2010–11
	$	$
Revenue		
Nuclear Laboratories	**76**	52
Commercial Operations (Discontinued Operations)	**278**	446
Total revenue	**354**	498
Gross margin before funding		
Nuclear Laboratories	**32**	15
Commercial Operations (Discontinued Operations)	**31**	(92)
Total gross margin before funding	**63**	(77)
Funding		
Parliamentary appropriations – operating	**674**	775
Parliamentary appropriations – capital	**45**	17
Other funding – operating	**137**	126
Cost recovery from third parties and other	**18**	15
Amortization of deferred capital funding	**10**	7
Recognition of deferred development funding	**—**	205
Total funding	**884**	1,145
Net loss by business entity before Parliamentary appropriations		
Nuclear Laboratories	**(1,692)**	(832)
Commercial Operations (Discontinued Operations)	**(136)**	(247)
Net loss before Parliamentary appropriations	**(1,828)**	(1,079)

Revenue

Consolidated revenues decreased 29% from the previous year to $354 million in 2011–2012.

This decrease resulted primarily from the sale of AECL's Commercial Operations, the ramping down of the Bruce Retube Project and the demobilization of the completed Wolsong Retube Project early in 2011–2012.

Included in the Commercial Operations (Discontinued Operations) revenue decrease was an adjustment to reflect the application of the terms of the subcontract agreement with Candu Energy Inc., and the resulting cost to complete AECL's life extension project liabilities post-AECL Phase 1 restructuring.

Nuclear Laboratories revenue increased 46% from the previous year to $76 million, reflecting higher isotope sales as a result of the return to service of the NRU reactor in August 2010 following a 15-month shutdown.

Revenue by Business Entity

- Nuclear Laboratories
- Commercial Operations (Discontinued Operations)

2011–2012

2010–2011

Margins

Consolidated gross margins increased by $140 million in 2011–2012 to $63 million from negative $77 million in 2010–2011.

This improvement was mainly due to revised life extension project cost estimate adjustments that were recorded in the prior year as a result of technical challenges and corresponding schedule delays. Additionally, the cost of sales in 2011–2012 were lower than in the same period last year as a portion of costs spent in 2011–2012 were previously provided for as an accrued contract loss provision.

Increased margins achieved by Nuclear Laboratories resulted from a full year of production and sale of medical isotopes. These variances were partially offset by adjustments to revenue and costs to reflect the subcontract agreement with Candu Energy Inc. to complete AECL's life extension projects post-AECL Phase 1 restructuring.

Funding

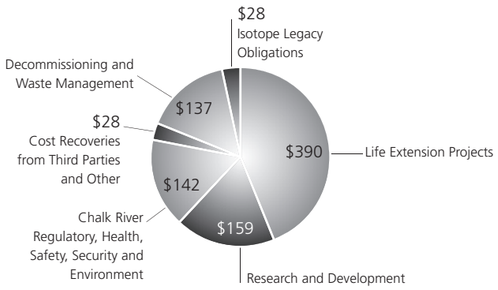
Total funding recognized in 2011–2012 for operating and capital activities was $884 million (2010–2011: $1,145 million). This decrease in funding was primarily due to the impairment of the ACR-1000 in 2010–2011, which resulted in the recognition in income of $205 million of deferred development funding, in accordance with accounting guidelines.

The 2011–2012 funding included:

- $390 million to support the Wrap-Up Office and Commercial Operations (Discontinued Operations) including life extension projects, EC6 development and operating and restructuring costs.
- $159 million for research and development, mainly supporting ongoing Chalk River site operations.
- $142 million to address regulatory, health, safety, security and environmental needs. The funding supported the Project New Lease (infrastructure renewal) and Isotope Supply Reliability Program (NRU operations and licence renewal) initiatives, at AECL's Chalk River site.
- Decommissioning and waste management activities recognized increased funding of $137 million from $126 million in 2010–2011. Funding is provided through Natural Resources Canada and is based on AECL's expenditures.
- Funding of $28 million for isotope legacy obligations (the discontinued Dedicated Isotope Facilities) to meet contractual obligations and defend contractual rights.
- Cost recoveries from third parties and other funding totalled $28 million. This includes amortization of deferred capital funding related to Government of Canada-funded infrastructure, mainly at Chalk River. In addition, cost recoveries included support for activities under the Low-Level Radioactive Waste Management Office and Port Hope Area Initiative Management Office, reported under Nuclear Laboratories.

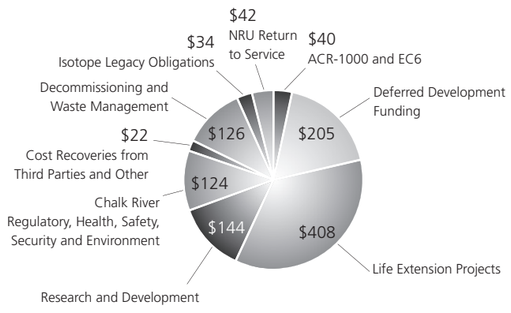
Funding 2011–2012

Funding $884 million
(Operating $838 million; Capital $46 million)



Funding 2010–2011

Funding $1,145 million
(Operating $1,128 million; Capital $17 million)



Restructuring Charge and Impairment of Assets

As at the closing date of the sale of Commercial Operations on October 2, 2011, 390 AECL employees received termination notices from AECL. As a result, a restructuring provision was recorded for $36 million which consists mainly of estimated termination benefits for affected employees. This provision was reduced by $5 million for certain benefits forfeited on termination previously accrued as employee benefits, bringing the restructuring expense recorded in the year to $31 million.

Carrying the assets sold to Candu Energy Inc. at fair value less costs to sell in accordance with accounting standards resulted in an impairment charge of $9 million in fiscal 2011–2012.

Net Income/Loss Before Parliamentary Appropriations by Operational Organization

AECL reported a net loss of $1,828 million in 2011–2012, compared to a net loss of $1,079 million in 2010–2011, both before Parliamentary appropriations.

Nuclear Laboratories reported a $1,692 million net loss in 2011–2012 compared to a $832 million net loss in the previous year, both before Parliamentary appropriations. The increased net loss was driven by the significant non-cash increase in the decommissioning and waste management provision resulting from a change in the discount rate from the previous period offset by the increased revenue and decreased costs in Commercial Operations.

Under International Financial Reporting Standards (IFRS), the reported Decommissioning and Waste Management liability is revalued 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 a non-cash income or expense and does not impact AECL's funding requirements of the reporting year.

The March 31, 2012 rate was 2.66%, a decrease of 1.09% from the previous year. This decrease in discount rate accounts for approximately $1.2 billion of the net loss.

Commercial Operations (Discontinued Operations) 2011–2012 net loss decreased to $136 million from $247 million in the previous year. This difference was primarily driven by the revised cost estimates to complete the life extension projects, recorded in 2010–2011. The effect of the prior year adjustment on the current year results was partially offset by the restructuring and impairment charge recorded in 2011–2012 and the 2011–2012 adjustment to revenue and costs relating to AECL's subcontract agreement with Candu Energy Inc.

2011–2012 Results Compared to Corporate Plan

	2011–2012	
($ millions)	Actual Results	Corporate Plan
	$	$
Revenue		
Nuclear Laboratories	**76**	83
Commercial Operations (Discontinued Operations)	**278**	303
Total revenue	**354**	386
Gross margin		
Nuclear Laboratories	**32**	29
Commercial Operations (Discontinued Operations)	**31**	(57)
Total gross margin	**63**	(28)
Net Income (loss) by business entity before Parliamentary appropriations		
Nuclear Laboratories	**(1,692)**	(1,375)
Commercial Operations (Discontinued Operations)	**(136)**	(266)
Net loss before Parliamentary appropriations	**(1,828)**	(1,641)

Nuclear Laboratories reported a net loss before Parliamentary appropriations of $1,692 million compared to a planned net loss of $1,375 million. This variance is directly attributable to a greater decrease than projected in the discount rate used to calculate the present value of the Decommissioning and Waste Management liability.

Commercial Operations (Discontinued Operations) reported a net loss before Parliamentary appropriations of $136 million compared to a planned loss of $266 million. This positive variance is primarily the result of revised cost estimates to complete certain life extension projects.

Operating Review

Nuclear Laboratories

Program Activities

Nuclear Industry Capability
Nuclear Safety and Security
Clean, Safe Energy
Health, Isotopes and Radiation
Nuclear Environmental Stewardship
Nuclear Innovation Networks
Mission-Ready Science & Technology Infrastructure
Internal Services

2011–2012 Goals

- Deliver on the full range of program commitments consistent with its leadership role in nuclear science and technology in Canada and with the expectations of its stakeholders.
- Ensure the successful transition and close-out of the Commercial Operations business.
- Contribute and respond to the Government of Canada's process to restructure the Nuclear Laboratories to meet specific policy objectives.

2011–2012 Priorities

Nuclear Laboratories Commitments: Priorities that support the execution of the Program Activity Architecture

- Deliver on operating and capital performance targets.
- Meet research and development commercial performance targets.
- Meet deliverable performance targets for the Nuclear Legacy Liabilities Program, Isotope Supply Reliability Program and Project New Lease.

Strategic Initiatives: Priorities to advance the long-term viability of the Nuclear Laboratories and address issues critical to its success
• Stabilize the Nuclear Laboratories
  • Achieve the renewal of the Chalk River site licence.
  • Successfully complete the collective agreement negotiations.
  • Improve the safety culture through implementation of Voyageur II.
• Restructure (Government of Canada Restructuring of AECL)
  • Ensure a smooth transition into a stand-alone science and technology organization with the Commercial Operations divestiture (Phase 1).
  • Support the Nuclear Laboratories restructuring process (Phase 2).
• Add Value
  • Improve efficiency and effectiveness of the organization to invest in science and technology.
  • Instill the culture of safety, innovation and execution – excelling together.
  • Strengthen stakeholder relationships.
  • Foster scientific, technical and operational excellence in pursuit of the public good.
  • Strengthen the abilities of management and leaders.
  • Provide a robust business model and enable the development of governance and oversight.	

2011–2012 Measures	*2011–2012 Significant Achievements and Progress*
Successful transition to stand-alone entity.	• Head office relocated to Chalk River and successful transition of human resources, information technology, corporate services and systems required to support an effective operation put in place. • Established new business model that better aligns operations with the Government of Canada's priorities, supporting economic development and business innovation, deficit reduction and public safety and security.
Renewal of the Chalk River Laboratories operating licence, slated to expire October 2011.	• CNSC approved operating licence extension to October 2016.
Improved operational efficiencies – target of $17 million in fiscal year.	• Exceeded efficiency improvement target by $3.6 million, with $20.6 million in savings achieved. Of this total, $15.2 million is considered sustainable over future years.
Established long-term commercial relationship with Candu Energy Inc. solidified.	• Signed Memorandum of Understanding for collaboration and cooperation with Candu Energy Inc. in December 2011. • Completed 100% of EC6 development deliverables for Candu Energy Inc. on schedule.
Meet CANDU Owners Group minimum target of 87% for commercial deliverables.	• Exceeded expectation as primary supplier. Achieved 97% deliverables to CANDU Owners Group. • Completion of $25 million research and development program contract.
Meet 100% of Nuclear Legacy Liabilities Program, Port Hope Area Initiative and Low-Level Radioactive Waste Management Office program milestones.	• Delivered 83% (15 of 18) of planned milestones. However, two milestones targeted for future years in the three-year funded program were completed in 2011–2012, ahead of schedule. • Successfully positioned Port Hope Area Initiative, including the Port Granby and Port Hope projects, to enter implementation phase. Attained from the CNSC a 10-year licence for the Port Granby Project. • Commenced execution of second phase of the Nuclear Legacy Liabilities Program.
Isotope Supply Reliability Program deliverable performance of 100%. Isotope availability to market: target of 265 days.	• Completed Isotope Supply Reliability Program deliverables with a performance of 98%. The 2% shortfall was due to minor extensions to planned NRU maintenance outages. • Exceeded isotope availability to market target with 323 days of production.
Successful completion of a strategic review to assess the relevance and quality of activities described in the Program Activities Architecture.	• Completion of detailed self-assessment, in line with Government's strategic review process. Results incorporated into 2012–2013 Corporate Plan. Introduced revised management systems and processes.
A positive outcome for all stakeholders to the Government of Canada's Phase 2 restructuring plan for AECL's Nuclear Laboratories.	• Ongoing collaboration with the federal government and third parties to fully explore available options and determine the best solution for Canadians.
Enhanced protection for the health and safety of Canadians and enhanced business innovation and technology transfer in Canada.	• Filed 15 new patents for state-of-the-art technologies which can be applied to protect the health and safety of Canadians and to further AECL's support for business innovation and job creation.
An expanded knowledge economy for Canada.	• Established new collaborations with universities, private industries, research hospitals and laboratories in Canada and around the world. At year-end, more than 100 active collaborations were in place.

Financial Review

	Actual Results	
($ millions)	**2011–12**	2010–11
	$	$
Revenue and Funding		
Revenue	**76**	52
Cost recoveries from third parties and other	**18**	14
Amortization of deferred capital funding	**10**	7
Total revenue and funding	**104**	73
Gross margin before Parliamentary appropriations	**32**	15
Operating expenses	**380**	370
Net loss before decommissioning and Parliamentary appropriations	**(311)**	(324)
Decommissioning		
Funding	**137**	126
Revaluation loss on decommissioning and waste management liability and other	**(1,368)**	(484)
Financial expenses	**(150)**	(150)
Decommissioning net loss	**(1,381)**	(508)
Net loss before Parliamentary appropriations	**(1,692)**	(832)

Revenue

In 2011–2012, Nuclear Laboratories revenue increased to $76 million (2010–2011: $52 million). Revenue included isotope sales, commercial technology sales, nuclear waste management and research and development activities performed for the CANDU Owners Group.

MD&A

The increase in revenue is primarily due to increased isotope production and related sales in 2011–2012, compared to the previous year, during which the NRU reactor was offline for several months because of an unplanned extended shutdown. Revenue earned on work performed under contract by Candu Energy Inc. also contributed to increased revenue.

In providing research and development support to the CANDU Owners Group, 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 $26 million in 2011–2012 (2010–2011: $25 million).

Margin
Gross margin increased by $17 million in 2011–2012 to $32 million. This increase stems primarily from the increased revenues described above, and most notably from those generated from increased isotope production.

Cost Recoveries from Third Parties
Nuclear Laboratories manages historic wastes through the Low-Level Radioactive Waste Management Office and Port Hope Area Initiative Management Office on a cost recovery basis for Natural Resources Canada. The activities help to ensure sound environmental stewardship for Canada. Natural Resources Canada provided $17 million in funding in 2011–2012 to support both program offices' initiatives. This level of funding represents a $3 million increase over 2010–2011. Additionally, $1 million in cost recovery funding was received in 2011–2012 to support other initiatives.

Operating Expenses
Nuclear Laboratories operating expenses were $380 million compared to $370 million in 2010–2011. This increase can be attributed to expenditures incurred to complete the transition of AECL's head office and corporate services from Mississauga to Chalk River following the sale of the Commercial Operations business.

Net Loss before Decommissioning and Parliamentary Appropriations
Nuclear Laboratories reported a net loss before decommissioning and Parliamentary appropriations of $311 million in 2011–2012 compared to a $324 million net loss in 2010–2011. This decrease in net loss was the result of increased margins partially offset by increased operating costs, as noted above.

Decommissioning Funding
Nuclear Laboratories received funding for the Nuclear Legacy Liabilities Program, a Government of Canada-funded initiative to address federal liabilities associated with redundant buildings, legacy wastes and environmental contamination.

Funding recognized during the year was $137 million, compared to $126 million the previous year. The related expenditures reduced the decommissioning and waste management liability. The increase in expenditures over the previous year is largely the result of waste processing costs at off-site locations, increased investment in enabling facilities, and the decommissioning and demolition of redundant buildings on the site.

Whiteshell Laboratories decommissioning expenditures are comprised of the site operating costs as well as decommissioning projects. Expenditures at Whiteshell also increased over the previous year as a result of costs associated with the construction of a Shielded Modular Above-Ground Storage facility for low-level radioactive waste storage.

Expenditures on enabling facilities were slightly higher than the previous year with additional investment in the construction of waste storage facilities, including a fuel packaging and storage facility that allows for improved management of fuel wastes.

Decommissioning Expenses
The charge relating to revaluation of decommissioning and waste management liability and other increased to $1,368 million in 2011–2012 from $484 million in the previous year.

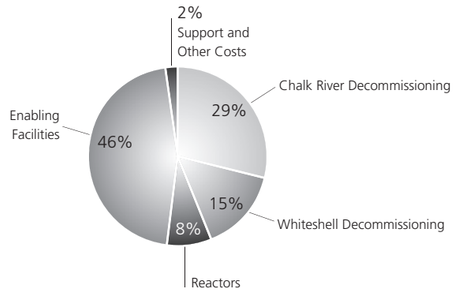
This increase was mainly the result of a significant increase to the decommissioning and waste management provision to reflect revised discount rates used to calculate the liability.

This is a non-cash expense and reflects the lower rate in effect at the end of the year used to discount the estimated future decommissioning and waste management costs. There was no funding impact in 2011–2012 from the change in discount rate.

Financial expenses in 2011–2012 of $150 million, which primarily included the unwinding of the discount on the decommissioning and waste management provision (accretion expense), were consistent with 2010–2011, which were also at $150 million.

Decommissioning Liability 2011–2012

$5,679 million



Outlook
Nuclear Laboratories will continue to execute various programs that are aligned with the Government of Canada's outcome areas designed to benefit Canadians. The organization will ensure that Canadians and the world receive energy, health, environmental and economic benefits from nuclear science and technology, safely and securely.

2012–2013 Major Priorities and Deliverables
Nuclear Laboratories will continue to address the Government of Canada's near-term policy priorities: contribute to the deficit reduction action plan, stimulate business innovation, and enhance public safety and security. To support these priorities, Nuclear Laboratories will continue to work toward meeting and exceeding its program commitments and improving AECL's alignment, effectiveness and efficiency through the following action areas:

- Focusing on AECL's science and technology priorities.
- Implementing robust program governance.
- Enhancing productivity.
- Stimulating business innovation.
- Leveraging collaborations.
- Improving multi-year management of infrastructure recapitalization.

In addition, initiatives will be undertaken focused on safety, execution, innovation and AECL restructuring. Focus will also be placed on delivering funded program commitments and meeting financial performance targets.

Commercial Operations (Discontinued Operations)

Wrap-Up Office

2011–2012 Goals

As a result of the sale of AECL's Commercial Operations on October 2, 2011, the goals set out for Commercial Operations were adjusted to reflect those of the discontinued commercial operations as on the date of sale.

- Effectively manage the subcontract agreement with Candu Energy Inc. for the completion of remaining life extension project liabilities.
- Effectively and efficiently discharge outstanding claims and litigation relating to Commercial Operations work pre-closing.

2011–2012 Priorities

- Complete two life extension projects.
- Staff and set up Wrap-Up Office to enable effective and efficient management and oversight of subcontracting agreements with Candu Energy Inc., and retained liabilities of the discontinued Commercial Operations.

2011–2012 Measures	*2011–2012 Significant Achievements and Progress*
• Complete two projects and meet or be within latest spending estimates. • Prepare for anticipated Gentilly-2 reactor outage with application of lessons-learned from earlier projects.	• Through AECL subcontractor Candu Energy Inc., all major work activities associated with the Bruce A, Unit 1 and 2 reactors (Bruce Retube Project) in Ontario were substantially completed. • AECL and subcontractor, Candu Energy Inc., completed the majority of AECL's major work activities on the Point Lepreau Nuclear Generating Station in New Brunswick and were continuing to work closely with utility owner NB Power to complete AECL's project scope. • Retube project readiness work and refurbishment activities continued for Hydro-Québec's anticipated outage at the Gentilly-2 nuclear power plant.

Financial Review

	Actual Results	
($ millions)	**2011–12**	2010–11
	$	$
Revenue		
Reactor life extension	**223**	324
Services	**55**	122
Total revenue	**278**	446
Gross margin		
Reactor life extension	**8**	(130)
Services	**23**	38
Total gross margin	**31**	(92)
Operating Expenses	**126**	155
Net loss before Parliamentary appropriations and restructuring charges	**(96)**	(247)
Restructuring and impairment charges	**40**	—
Net loss before Parliamentary appropriations	**(136)**	(247)

Revenue

In 2011–2012, revenue from reactor life extension projects decreased to $223 million from $324 million in 2010–2011. A significant portion of this change resulted from the ramping down of the Bruce Retube Project and the demobilization of the completed Wolsong Retube Project early in 2011–2012. Additionally, 2011–2012 revenue decreased due to the adjustments to reflect the terms of the subcontract agreement with Candu Energy Inc. to fulfil the obligations of AECL's remaining life extension contracts.

In 2011–2012, Services revenue decreased by $67 million when compared to the prior year. This decrease was mainly due to the sale of this business to Candu Energy Inc. in October 2011.

Gross Margin

In 2011–2012, gross margin for the life extension business improved by $138 million when compared to 2010–2011. This increase is mainly due to revised cost estimates recorded in the previous year to complete certain life extension projects that had experienced technical challenges, resulting in schedule delays. Additionally, cost of sales this year were lower than in the prior year as a portion of costs spent in 2011–2012 were previously charged to income and carried on the balance sheet as an accrued contract loss provision. The above impacts to gross margin were partially offset by the 2011–2012 adjustment to reflect the terms of the subcontract agreement with Candu Energy Inc. to complete AECL's life extension projects.

In 2011–2012, the gross margin for the Services business decreased by $15 million due to the sale of this business to Candu Energy Inc.

Operating Expenses

Operating expenses decreased by $29 million to $126 million in 2011–2012 compared to $155 million in 2010–2011. This variance relates to a decrease in operating expenses associated with the Commercial Operations sale, net of higher operating expenses in the first two quarters of 2011–2012 for increased activity on the EC6 development program and increased marketing proposal activity costs relating to new-build opportunities.

Net Loss

The net loss before Parliamentary appropriations and restructuring charges decreased to $96 million from $247 million in the previous year. The decreased loss was primarily driven by the revenue and gross margin variances described in this section. This variance was net of adjustments to revenue and costs which resulted from the subcontract agreement with Candu Energy Inc. and increased product development costs incurred in 2011–2012, as compared to 2010–2011.

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.

Life Extension

Commercial Operations (Discontinued Operations) expects revenue from this business to decline in 2012–2013 as the Point Lepreau and Bruce projects are completed.

Government of Canada Support

Commercial Operations (Discontinued Operations) will continue to require Government of Canada funding in 2012–2013 to support the management of retained life extension project liabilities.

2012–2013 Major Priorities and Deliverables

The Wrap-Up Office will focus on the following priorities and deliverables in 2012–2013:

- Manage the subcontracts with Candu Energy Inc. to complete the existing life extension projects.
- Perform commercial and legal work required to settle outstanding claims and litigation relating to AECL's Commercial Operations (Discontinued Operations) activities.
- Meet deliverable and financial performance targets on corporate programs and commercial projects.

Consolidated Cash Flow and Working Capital

($ millions)	Actual Results 2011–12	2010–11
	$	$
Cash from operating activities	56	10
Cash used in investing activities	(40)	(39)
Cash and Cash equivalents		
Increase (decrease)	16	(29)
Balance at beginning of the year	19	48
Balance at end of the year	35	19

Overall, AECL's year-end closing cash position increased by $16 million to $35 million from the previous year's balance of $19 million.

Operating Activities

Operating activities resulted in a net cash inflow of $56 million compared to a net inflow of $10 million in 2010–2011. This variance is mainly due to decreased cash paid to suppliers, partially offset by decreased cash received from customers and Parliamentary appropriations.

Investing Activities

Investing activities involved a net outlay of $40 million (2010–2011: $39 million), mainly relating to expenditures on the Project New Lease initiative.

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 through liquidated damages ($60 million) and guarantees ($150 million) as at March 2012 was $210 million (2010–2011: $309 million). Management has assessed the impact of liquidated damages penalties on the active life extension projects and incorporated it in the calculation of liabilities in the financial statements.

Subsequent to March 31, 2012, with respect to a performance guarantee on one of AECL's life extension projects, $75 million was drawn on by a customer of AECL as noted in Note 29(b) of the March 31, 2012 Consolidated 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.

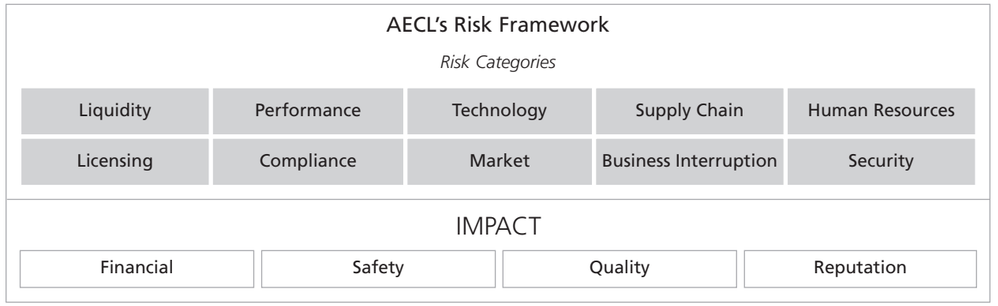
Management of Risks and Uncertainties

AECL recognizes risk management as an integral part of sound strategic planning and corporate governance. The Audit Committee of the Board of Directors is responsible for overseeing the management of risks at AECL. The Chief Executive Officer is accountable to the Board of Directors for all risk-taking activities and risk management programs. The Corporation's internal and independent auditors report directly to the Audit Committee, in line with best practices. AECL has established processes to facilitate wrongdoing disclosure company-wide.

MD&A

AECL is reviewing risk management practices to reflect the new post-divestiture business environment. Existing corporate risk management practices are being enhanced to reflect best practices, including the new international risk management standard (ISO-31000), Treasury Board guidance and company-wide integration. This is resulting in more frequent re-assessments of risk, better visibility of line-level risks at the corporate level, more comprehensive reporting, and improved focus on emerging risks.

AECL has classified risks in the following categories:



With the divestiture of AECL's Commercial Operations mid-way through the fiscal year, AECL recognizes that its approach to classifying, as well as analyzing and managing risk must be revisited for future years. As part of the review and enhancement of corporate risk management practices noted above, AECL is examining potential modifications to the risk categories to better capture the risks of the corporation as a stand-alone science and technology organization. At the same time, there is a transitional period during which there will be a continuing need to address risks managed by AECL's Wrap-Up Office.

Liquidity

Liquidity risk relates to AECL's ability to fund capital improvement projects and growth opportunities, and to meet contractual and regulatory compliance obligations.

Long-Term Government of Canada Funding

A major risk facing the Corporation is related to securing a sustainable source of funds to safely maintain its nuclear capabilities.

Working Capital Requirements

Commercial Operations (Discontinued Operations) Major Contracts

A portion of AECL's commercial revenue continues to be derived from life extension projects. Subcontracted project management activities can span several years from inception to completion. Life extension projects are complex and timing of negotiations creates challenges to achieving estimated contract-effective dates. This may significantly impact working capital requirements. AECL reduces this risk by negotiating contracts that maintain positive cash flow throughout the project.

Heavy Water Funds

Under an agreement with the Government of Canada, AECL is required to return a portion of heavy water funds to the Government of Canada. However, AECL currently retains annual proceeds related to the sale or lease of heavy water and uses these proceeds to support operational requirements. If these proceeds must be returned to the Government of Canada, a new source of long-term funding will be needed.

Payment Delays

AECL's cash position can be significantly affected by the timing of payments on major projects, and is dependent on a mix of business activity. Major project payments are triggered by the attainment of milestones and if delays or disputes arise, payments can be withheld, but the project may continue. While AECL mitigates this risk by negotiating an appropriate payment structure within contracts, the Corporation operationally requires responsive funding mechanisms to better address this risk.

Operational and Capital Costs
AECL manages large projects that are susceptible to increased costs, and consequently may severely affect AECL's working capital position. AECL has a history of operating with current liabilities in excess of current assets, and short-term needs are addressed through funding.

Performance
Performance risk relates to meeting contractual requirements, cost, schedule, and stakeholder expectations.

There are considerable risks in managing AECL's remaining Commercial Operations (Discontinued Operations) major projects. These include ensuring that project execution by AECL's subcontractors is in accordance with the client's contractual requirements and changes are managed as a result of economic factors and Government of Canada decisions. Failure to meet contractual requirements may result in legal and financial implications. In addition, products and services may require special guarantees or acceptance of completion, which could ultimately result in unplanned costs.

AECL seeks to manage these risks through project control mechanisms, rigorous review of contracts and ongoing monitoring and evaluation of progress. In addition, maintaining appropriate insurance coverage for various aspects of a given project and developing effective relationships with related stakeholders are key components to the oversight of a successful project management process.

Two of AECL's life extension projects are expected to be fully completed in 2012–2013 while a third project, the Gentilly-2 retube project, is being readied for the reactor's planned outage. Mitigation strategies have been put in place for known risks, lessons learned will be applied by the subcontractor and AECL has increased its oversight of the project. The Corporation remains committed to delivering on its contractual commitments.

The Project New Lease and Nuclear Legacy Liabilities Program are susceptible to performance risk. As with any project, there is a risk that these projects could experience increased schedule delays, supply chain performance issues and challenges relating to timely access to human resources. These risks are being mitigated through the implementation of project management best practices, enhanced risk management practices, and increased emphasis on outsourced supply.

Supply Chain
Supply chain risk relates to the availability of qualified suppliers to support AECL's activities, work stoppage, or failure by other subcontractors or suppliers to perform according to contractual terms.

AECL's ability to build upon its supply chain is crucial to its ability to meet contractual requirements. In the context of major commercial contracts, unstable supply could result in contractual penalties, legal implications and associated costs that could affect project margins and AECL's financial position.

AECL also subcontracts a portion of its work to third parties. As a result, third party performance issues may affect AECL's ability to perform and achieve anticipated profitability on a project. AECL manages these risks by developing strategic alliances, adhering to stringent procurement and management practices, and obtaining performance guarantees.

A strong supply chain is present in Canada through the Organization of CANDU Industries. AECL continues to develop a robust supply chain by enhancing its organizational capabilities to ensure competitive supply is available globally.

Human Resources
This risk relates to labour disruptions, access to skilled resources at various locations and maintaining adequate levels of skilled human resources to meet customer requirements and advance technology capability.

Considerable resources are required to execute the Isotope Supply Reliability Program, Project New Lease, the Nuclear Legacy Liabilities Program and existing life extension projects. The human resource risk stems from an increasing demand for resources in the nuclear industry worldwide and changing demographics of scientific and technical resources industry-wide. Insufficient personnel and technical capability could affect AECL's business objectives and financial results.

To help mitigate these risks, AECL is enhancing its resource planning and development processes, and focusing on the development of staff in required technical and managerial disciplines. AECL has put in place integrated training programs; has established links with post-secondary institutions to encourage careers in the nuclear industry; is creating relationships with partners to provide complementary skills; and is recruiting in all fields to ensure sufficient skilled resources are available to deliver on commitments.

Licensing
The licensing risk relates to obtaining and maintaining licences for nuclear facilities and new technologies. The stringent licensing requirements contribute to the safe and secure operation of nuclear facilities in Canada. However, they also contribute to an increased project timeframe and associated compliance and administrative costs.

AECL's facilities at the Chalk River and Whiteshell sites require nuclear related licences. Any inability to acquire licences for new technologies and/or existing technologies would severely affect AECL's business prospects. AECL mitigates licensing risk through extensive monitoring of all licensing activities on an ongoing basis.

AECL's application for the extension of the Chalk River Laboratories licence to October 2016 was approved by the CNSC in October 2011. The new licence requires implementation of upgrades to specific nuclear programs to maintain compliance with the evolving regulatory requirements.

Improvements to facilities and programs that support the operation of the NRU reactor are a requirement under the new licence. A significant investment in AECL's Chalk River nuclear programs and facilities is required to reduce operational, licensing and commercial risks. Funding will be provided by the Government of Canada during 2012–2013 to implement the necessary improvements through the Project New Lease program and the Isotope Supply Reliability Program.

Compliance
Compliance risk relates to maintaining compliance with applicable laws, regulations and standards.

Applicable Laws and Regulations Related to Nuclear Facilities and Technologies
AECL is subject to stringent regulations in the areas of health, safety, security and environment. Failure to comply with regulations could result in significant financial penalties and ultimately lead to licence suspension, thereby affecting AECL's ability to operate its nuclear facilities.

AECL manages this risk by ensuring and assessing compliance with all applicable national and international technical quality assurance standards and the relevant aspects of the *Nuclear Safety and Control Act* and its regulations.

Furthermore, AECL has implemented several nuclear compliance programs that specifically address the deployment of due diligence processes and associated resources necessary to comply with all applicable laws and regulations.

Capability of Research Facilities
AECL's Nuclear Laboratories operate major facilities, including reactors, experimental loops, shielded facilities and waste management plants. These are used to conduct research and support commercial activities, including the isotope business. Facilities are subject to applicable laws and regulations relating to safety and environmental matters.

AECL seeks to manage the safety and environmental risks associated with its facilities through its Safety Management System, which includes numerous program controls, such as stringent safety reviews and audits. Where a shortfall is identified, appropriate corrective action plans are put in place. These controls provide assurance of compliance with all applicable laws and regulations.

An Integrated Implementation Plan supports continued safe operation throughout the five-year licence renewal period. As with any technology, the advanced age of the NRU creates challenges for reliable operation. A rigorous program of maintenance and system monitoring is in place to reduce the likelihood of future service disruptions.

AECL's Chalk River site infrastructure is aging and various related risks and hazards have been identified. During the year, funding was provided for Project New Lease, which is a long-term plan specifically designed to support the safe, secure and viable operation of AECL's Chalk River site. The plan is subject to continued Government of Canada funding.

Market

Market risk relates to factors such as competition, political stability, public acceptance and third party credit.

Decision Cycles and Competitor Size

One of the major business risks faced by the nuclear industry is the very long decision cycle for new major projects. Furthermore, demand levels for AECL's products and services are affected by factors such as technology development, economic and social trends, and government policy initiatives.

To minimize competitive threats, AECL is establishing new strategic business alliances, commercializing newly-developed technologies and carefully managing its portfolio of existing product lines. With regard to human resources, AECL has programs in place to retain and build core competencies to support AECL's corporate objectives and business opportunities.

In 2011–2012, AECL established and further developed strategic technology and business alliances, with the intention of expanding its global reach. These alliances allow AECL to better meet the technology and business requirements of its global customers.

Public Perception of Nuclear Technology

Public perception is a risk that has the potential to impact AECL's nuclear-related activities and hinder the attainment of strategic objectives.

In March 2011, a 9.0-earthquake and a tsunami struck Japan, affecting the Fukushima Daiichi nuclear power generating station. The incident continued to garner significant global media attention and public scrutiny in 2012. AECL responded immediately to the event, taking action to monitor and analyze events and working co-operatively with Canadian and international regulators, nuclear organizations and customers to apply, where appropriate, lessons-learned from the Japanese event.

AECL has invested considerable resources in reviewing its emergency plans and procedures to reassure itself, the CNSC and the public that it is well-prepared to respond to similar events. Analyses conducted last year confirmed that safety at AECL's Chalk River Laboratories during potential extreme external events is adequate. In the interest of continuous improvement, AECL is implementing complementary design and procedure enhancements.

AECL continues to participate in reviews led by the CNSC and other international agencies and bodies. These reviews will identify, in a transparent and accountable fashion, any enhancements that can further improve nuclear technologies.

The full reputational impact of this incident on AECL and the global nuclear industry could not be determined at fiscal year-end. However, the reviews and learning emerging from this event will result in even greater safety, which may allay public concerns regarding the technology.

In general, adverse public perception could result in AECL's delaying or ceasing certain business activities and could affect AECL's reputation. In Canada, public consultations are a mandatory part of the environmental assessment process. Nuclear-related environmental assessments are generally initiated through CNSC licensing requirements.

AECL mitigates this risk through proactive information programs that inform the public about safety measures and risks associated with nuclear activities. Also, AECL and organizations with which it has affiliations, such as the Canadian Nuclear Association, inform the public, through various means, about nuclear energy benefits and conduct surveys to obtain public feedback.

To reassure the public that AECL places the highest priority on the health and safety of its workers and the Canadian public, and on protecting the environment, AECL supports an Environmental Stewardship Council to enhance communications with key area stakeholders and the communities surrounding its operations near Chalk River, Ontario. The Corporation has also enhanced its voluntary public disclosure of events relating to its Chalk River Laboratories, including routine emissions and non-routine items or events that may periodically occur.

Enhanced communication procedures also include the implementation of policies addressing business conduct and ethics, developing business recovery plans, ensuring transparency and practicing good corporate governance.

Isotope Supply

AECL placed the Dedicated Isotope Facilities, including the MAPLE reactors, in an extended shutdown state in June 2009. The CNSC granted a licence in March 2010 to formalize the status of the facilities. Legal proceedings by MDS (Canada) Inc. against AECL and the Government of Canada related to these facilities are ongoing and liabilities associated with this, if any, were not determinable at time of publication.

Business Interruptions

AECL is subject to risks associated with operations disruptions. These risks may arise from a number of circumstances, such as regulatory obligations, labour disputes, fire, weather, facility malfunction and other risks associated with facilities and business operations. AECL reduces these risks by using an extensive management system and conducting regular audits.

A prudent program of equipment and facility maintenance supports ongoing operation of AECL's facilities. The NRU is a 50-plus-year-old reactor operating beyond its expected lifespan. AECL's Project New Lease and Isotope Supply Reliability Program initiatives support the renewal of facilities, equipment and staff capabilities, including those relating to the NRU reactor. These initiatives will help mitigate risks to the NRU reactor and elsewhere on site.

Security

This risk relates to the potential breach in security of AECL sites, facilities, physical assets, personnel and information.

Nuclear technology and facilities are subject to higher than normal levels of security. A breach in security could result in unauthorized transfer of technology, disclosure of sensitive business information or harm to personnel. Such an event could result in safety implications at nuclear facilities that could impact AECL's nuclear-related licences and ability to competitively operate its business.

AECL reduces this risk through the implementation of rigorous security measures and maintains strict controls and operating procedures.

Impact of Risks

These risks could affect AECL with varying degrees of severity. They could also increase AECL's financial costs and impact the Corporation's ability to operate facilities and perform on contracts as a result of issues-related safety factors or quality of work performed. All have the potential to diminish AECL's reputation in the industry.

Accounting Policy Changes

Adoption of IFRS in Canada

As a result of amendments to the scope of public sector accounting standards approved by the Public Sector Accounting Board (PSAB) in October 2009, AECL is required to select between IFRS or Public Sector Accounting Standards as the most appropriate basis of accounting for the 2012 fiscal year and beyond. Due to the commercial nature of some of its business, AECL had determined that IFRS is the more appropriate basis.

Accordingly, effective April 1, 2011, AECL's financial statements were prepared in accordance with IFRS. The fiscal 2011–2012 financial statements include comparative figures and the April 1, 2010 opening balance sheet has been restated to conform to IFRS. The cumulative net income differences between previous Canadian GAAP and IFRS relating

to activity prior to April 1, 2010 have been accounted for as adjustments to the opening Shareholder's Deficit balance on April 1, 2010.

Standards and Interpretations Issued to be Adopted at a Later Date

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

- IFRS 9, Financial Instruments, covers the classification and measurement of financial assets and financial liabilities and requires mandatory implementation for annual periods beginning on or after January 1, 2015, with earlier application permitted.
- IFRS 10, Consolidated Financial Statements, ("IFRS 10") and IFRS 12, Disclosure of Interests in Other Entities, ("IFRS 12"). IFRS 10 replaces IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, and establishes principles for identifying when an entity controls other entities. IFRS 12 establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles. These standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted if adopted concurrently.
- IFRS 13, Fair Value Measurement, provides a single source of fair value measurement and disclosure requirements in IFRS. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.
- Amendments to IAS 1, Presentation of Financial Statements, require entities to group items within other comprehensive income that may be reclassified to net income. This amendment is effective for years beginning on or after July 1, 2012, with earlier adoption permitted.
- Amendments to IAS 19, Employee Benefits, to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for years beginning on or after January 1, 2013, with earlier adoption permitted.
- Amendments to IFRS 7, Financial Instruments, to enhance disclosure requirements for the offsetting of financial assets and liabilities. This amendment is effective for years beginning on or after January 1, 2013, with earlier adoption permitted.

The Corporation is currently evaluating the impact of adopting these standards and amendments on its 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.

Revenue Recognition

AECL generates a significant portion of its revenue from long-term contracts. This revenue is recognized using the percentage of completion method, whereby revenue is recorded as related costs are incurred, relative to estimated total contract costs. Refinements of the estimating process for changing conditions and new developments are continuous. Accordingly, revisions in cost and earnings estimates throughout the duration of a contract term are reflected in the period in which the need for revision becomes known. Additionally, losses on long-term contracts are recognized in the period in which they are identified, and are based upon the anticipated excess of contract costs over the related contract revenues. Any such losses are recorded as a component of cost of sales.

Asset Impairment

AECL reviews its long-lived assets for impairment at each reporting date or 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. As a result of its review, AECL determined that the carrying amount of certain non-current assets were not recoverable and exceeded fair value. Consequently, these assets were written down as described in Notes 10 and 11 of the Consolidated Financial Statements.

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. A provision has been made for detritiation and upgrading of the inventory.

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 2012, amounted to $192 million compared to $157 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 and the risks specific to the provision, with the rate reflecting volatility. The provision is reviewed quarterly to reflect actual expenditures incurred and changes in management's estimate of the future costs and timing thereof. The liability includes waste generated after March 31, 2006, for which AECL is financially responsible.

Management's RESPONSIBILITY

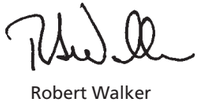
The consolidated financial statements, all other information presented in this Annual Report and the financial reporting process are the responsibility of management. These statements have been prepared in accordance with International Financial Reporting Standards and include estimates based on the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

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

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

The Board of Directors is responsible for ensuring that management fulfills its responsibility. To accomplish this, the Board for the first half of the year had five standing committees: Audit; Human Resources & Governance; Project Risk Review; Science, Technology & Nuclear Oversight; and Special Advisory Committee. In the second half of the year, the Board had two standing committees: Audit, and Human Resources & Governance. The Audit Committee, composed of independent directors, has a mandate for overseeing the independent auditors, 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 auditors on a regular basis to discuss significant issues and findings, in accordance with their mandate.

The independent auditors 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 auditors before they are approved by the Board of Directors and submitted to the Minister of Natural Resources. The Chair of the Audit Committee signs the audited financial statements.



Robert Walker
President and Chief Executive Officer

June 21, 2012

Steven Halpenny
Chief Financial Officer

June 21, 2012

Independent AUDITORS' REPORT

To the Minister of Natural Resources

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Atomic Energy of Canada Limited and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholder's deficit and consolidated cash flow statements for the years ended March 31, 2012 and March 31, 2011, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

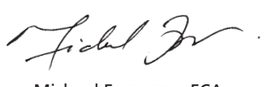
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atomic Energy of Canada Limited and its subsidiaries as at March 31, 2012, March 31, 2011 and April 1, 2010, and their financial performance and cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
As required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in International Financial Reporting Standards, adopted as explained in Note 31 to the consolidated financial statements, have been applied on a consistent basis for all periods presented.

Further, in our opinion, the transactions of Atomic Energy of Canada Limited and its wholly-owned subsidiaries that have come to our notice during our audits 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 regulations, and the articles and by-laws of Atomic Energy of Canada Limited and its wholly-owned subsidiaries.



Michael Ferguson, FCA
Auditor General of Canada

June 21, 2012
Ottawa, Canada

Chartered Accountants,
Licensed Public Accountants

June 21, 2012
Toronto, Canada

Consolidated BALANCE SHEET

As at March 31

(thousands of Canadian dollars)	Notes	March 31, 2012	March 31, 2011	March 31, 2010
		$	$	$
Assets				
Current				
Cash and cash equivalents	5	**35,439**	18,563	47,833
Trade and other receivables	6,28	**338,121**	262,753	121,774
Current portion of long-term receivables	8	**21,319**	20,141	19,028
Inventory	7	**29,179**	28,982	30,365
		424,058	330,439	219,000
Long-term receivables	8	**127,964**	149,777	170,224
Investments held in trust	9	**39,305**	34,939	29,671
Heavy water inventory	7	**290,599**	290,974	291,701
Property, plant and equipment	10,28	**263,277**	238,735	230,799
Intangible assets	11	**1,693**	2,607	180,040
		1,146,896	1,047,471	1,121,435
Liabilities				
Current				
Trade and other payables	12,28	**158,426**	128,850	221,611
Customer advances and obligations	13,28	**316,601**	423,314	440,872
Provisions	14,28	**121,500**	222,989	217,140
Current portion of decommissioning and waste management provision	15	**135,500**	136,900	131,200
Current portion of long-term payables	18	**6,660**	13,319	13,319
Restructuring provision	28	**6,026**	—	—
		744,713	925,372	1,024,142
Decommissioning and waste management provision	15	**5,543,030**	4,117,635	3,607,674
Deferred capital funding	16,28	**192,314**	156,973	147,002
Deferred development funding	16	**—**	—	175,348
Deferred decommissioning and waste management funding	20	**147,007**	122,506	100,644
Employee benefits	17	**53,860**	67,407	67,410
Long-term payables	18	**—**	6,029	18,289
		6,680,924	5,395,922	5,140,509
Shareholder's deficit				
Share capital	27	**15,000**	15,000	15,000
Contributed capital	20	**291,867**	325,533	350,872
Deficit		**(5,842,286)**	(4,688,299)	(4,384,946)
Accumulated other comprehensive income (loss)		**1,391**	(685)	—
		(5,534,028)	(4,348,451)	(4,019,074)
		1,146,896	1,047,471	1,121,435

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

Approved on behalf of the Board:

Barbara Trenholm, Director

Robert Walker, Director

Consolidated STATEMENT of COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

(thousands of Canadian dollars)	Notes	2012	2011
		$	$
Nuclear Laboratories			
Revenue	21	**76,220**	51,524
Cost of sales		**44,330**	36,744
Gross margin before funding		**31,890**	14,780
Funding	22	**28,212**	21,646
Gross margin		**60,102**	36,426
Operating expenses	2	**380,252**	369,820
Operating loss		**(320,150)**	(333,394)
Financial income	24	**9,763**	10,586
Financial expenses	24	**552**	1,062
Net loss before decommissioning and waste management and Parliamentary appropriations		**(310,939)**	(323,870)
Decommissioning and waste management			
Funding	22	**136,693**	125,804
Revaluation loss on decommissioning and waste management liability and other	15	**1,368,051**	484,144
Decommissioning and waste management loss before financial expenses		**(1,231,358)**	(358,340)
Financial expenses	24	**149,378**	149,856
Decommissioning and waste management net loss before Parliamentary appropriations		**(1,380,736)**	(508,196)
Net loss from continuing operations before Parliamentary appropriations and discontinued operations		**(1,691,675)**	(832,066)
Discontinued Operations (Note 28)			
Restructuring charge	28	**31,474**	—
Impairment of non-current assets	10,11	**8,587**	204,752
Recognition of deferred development funding	22	**—**	204,752
Operating loss from discontinued operations	28	**95,854**	246,726
Loss from discontinued operations		**(135,915)**	(246,726)
Loss income before Parliamentary appropriations		**(1,827,590)**	(1,078,792)
Parliamentary appropriations	22	**673,603**	775,439
Other comprehensive income (loss)			
Other employee benefit plan actuarial gains (losses)		**2,076**	(685)
Other comprehensive income (loss)		**2,076**	(685)
Net and comprehensive loss		**(1,151,911)**	(304,038)

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

Consolidated STATEMENT of CHANGES IN SHAREHOLDER'S DEFICIT

For the year ended March 31

(thousands of dollars)	Notes	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
			$	$	$
Balance at April 1, 2010		**15,000**	**350,872**	**(4,384,946)**	**(4,019,074)**
Net loss attributable to Shareholder for the year		—	—	(303,353)	(303,353)
Other comprehensive income (loss)		—	—	(685)	(685)
Net and comprehensive loss		—	—	(304,038)	(304,038)
Transfer to deferred decommissioning and waste management funding	20	—	(21,862)	—	(21,862)
Transfer to repayable contributions	20	—	(3,477)	—	(3,477)
Balance at March 31, 2011		**15,000**	**325,533**	**(4,688,984)**	**(4,348,451)**
Net loss attributable to Shareholder for the year		—	—	(1,153,987)	(1,153,987)
Other comprehensive income (loss)		—	—	2,076	2,076
Net and comprehensive loss		—	—	(1,591,911)	(1,591,911)
Transfer to deferred decommissioning and waste management funding	20	—	(24,501)	—	(24,501)
Payable to Shareholder		—	(7,734)	—	(7,734)
Transfer to repayable contributions	20	—	(1,431)	—	(1,431)
Balance at March 31, 2012		**15,000**	**291,867**	**(5,840,895)**	**(5,534,028)**

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

Consolidated CASH FLOW STATEMENT

For the year ended March 31

(thousands of Canadian dollars)	2012	2011
	$	$
Operating activities		
Cash receipts from customers	**227,086**	382,058
Cash receipts from Parliamentary appropriations	**719,030**	815,105
Cash receipts for decommissioning and waste management activities	**128,997**	118,107
Cash paid to suppliers and employees	**(882,503)**	(1,179,805)
Cash paid for decommissioning activities	**(136,578)**	(125,895)
Interest received on investments (net)	**589**	288
Interest and bank charges paid	**(46)**	(54)
Cash from operating activities	**56,575**	9,804
Thereof from discontinued operations	**19,136**	(15,369)
Investing activities		
Proceeds on disposal of discontinued operations	**1,600**	—
Acquisition of property, plant and equipment and intangible assets	**(41,299)**	(39,074)
Cash used in investing activities	**(39,699)**	(39,074)
Thereof from discontinued operations	**(1,798)**	(10,936)
Cash and cash equivalents:		
Increase (decrease)	**16,876**	(29,270)
Balance at beginning of the year	**18,563**	47,833
Balance at end of the year	**35,439**	18,563

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

Notes to the CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2012

1. The Corporation

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

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

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

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 21, 2012.

2. Restructuring and Corporate Plan

The Government of Canada completed the first phase of its restructuring plan for AECL in 2011–2012. Following the signing of a binding sales agreement on June 29, 2011, the federal government and AECL completed on October 2, 2011 the sale of the Corporation's Commercial Operations business to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin.

Under the terms of the sales agreement, AECL sold specific assets for $15 million and is entitled to receive royalty payments resulting from new build and life extension projects contracted by Candu Energy Inc. post-close. These royalty payments are received on behalf of the Government of Canada and are remitted to the Receiver General. As such, they are included in operating expenses in the Consolidated Statement 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 6® reactor development program (Note 19(e)).

With the close of sale, Candu Energy Inc. became responsible for all new projects relating to the CANDU Commercial Operations business, while the Government of Canada and AECL retained responsibility for specific liabilities related to the CANDU business prior to the date of sale. This work is being undertaken by a small team of AECL personnel located in AECL's Mississauga office and operating as the Wrap-Up Office.

AECL and Candu Energy Inc. have a strong commercial relationship, governed by terms set out under an Inter-Company Sales Agreement and an Intellectual Property Licence Agreement. The operating results arising from this relationship are recorded under Nuclear Laboratories.

Prior to October 2, 2011, a Transition Oversight Committee comprised of senior representatives of AECL, the Government of Canada and SNC-Lavalin provided oversight to the transition process. AECL management retained managerial responsibility and were responsible for operations during this transition period. The restructuring of AECL has resulted in the presentation of its Commercial Operations as discontinued operations (Note 28).

A significant immediate impact of this transaction was to AECL's human resources. SNC-Lavalin hired 1,522 Commercial Operations personnel, including full-time and contract employees. With a pre-closing staffing level of 2,025 Commercial Operations employees and contractors, AECL managed a redeployment of staff to Candu Energy Inc. and a process of workforce adjustment for those employees that were not offered positions with Candu Energy Inc. As a result of the restructuring, a provision has been recorded for the estimated restructuring costs (Note 28).

In February 2012, the Government of Canada formally launched the second phase of its AECL restructuring plan, issuing a Request for Expression of Interest (RFEOI) to understand potential opportunities for partnership models in relation to the Nuclear Laboratories and the relevant experience and capabilities offered by respondents. This process will allow the Government to benefit from the experiences of domestic and international organizations involved in the management or restructuring of nuclear science and technology organizations or radioactive waste management.

The information gathered through the RFEOI will help inform the restructuring process, a critical step to further strengthen Canada's nuclear industry while reducing taxpayers' exposure to financial risks in this sector. The Government will decide on the future of the Laboratories in the coming months, focusing on the long-term mandate, governance and management structure.

The Corporation submitted its 2012–2013 to 2016–2017 Corporate Plan to the Government of Canada prior to fiscal year-end. On April 5, 2012, subsequent to year-end, Governor in Council approval was obtained for the 2012–2013 period. The Corporate Plan and these financial statements have been prepared without making any assumptions as to the outcomes of the second phase of the restructuring. As such, they do not contemplate any changes to AECL's existing activities. Should the Government of Canada's decisions relating to AECL's Phase 2 restructuring affect the Corporation's structure, mandate or future financial situation, there may be a need to revisit the strategies outlined in the Corporate Plan and the related financial statement preparation (Note 3). Any future impact resulting from the second phase of the restructuring which may cause the existing activities of the Corporation to be classified as held for sale, are not reflected in these financial statements.

3. Basis of Preparation

a) Statement of Compliance

As a result of amendments to the scope of Public Sector Accounting Standards approved by the Public Sector Accounting Board (PSAB) in October 2009, the Corporation was permitted to self-select between International Financial Reporting Standards ("IFRS") or Public Sector Accounting Standards as its basis of accounting for the 2011–2012 fiscal year and beyond. AECL has determined that IFRS is the more appropriate basis.

The consolidated financial statements of the Corporation have been prepared by management in accordance with IFRS. These represent the Corporation's first consolidated financial statements prepared in accordance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1").

The disclosures required by IFRS 1 relating to the transition from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS are provided in Note 31, which includes reconciliations of deficit and total comprehensive income (loss) for comparative periods reported under Canadian GAAP against amounts reported under IFRS.

The preparation of these consolidated financial statements in accordance with IFRS resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under Canadian GAAP. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in Note 31.

Subject to certain transition elections and exemptions disclosed in Note 31, the IFRS accounting policies were consistently applied to all periods presented. They were also applied in preparing the IFRS consolidated balance sheet as at April 1, 2010 for the purpose of transition to IFRS, as required by IFRS 1. The policies applied in the consolidated financial statements are based on IFRS issued and effective as of the balance sheet date.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3(c).

b) Basis of Measurement

The Corporation's financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments and derivative financial instruments, which are measured at fair value.

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 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 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 are two CGUs, one for Commercial Operations (Discontinued Operations) and the other for Nuclear Laboratories (Notes 4(i), 10 and 11).

ii. Research and Development

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

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

iii. Decommissioning and Waste Management Provision

The Decommissioning and waste management provision is recorded based on the discounted value of the estimated future decommissioning and waste management expenditures to the extent that they can be reasonably estimated. Estimated future decommissioning and waste management costs require that assumptions be made about the regulatory environment, health and safety considerations, the desired end state, technology to be employed and, in some cases, research and development 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 estimates, 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 programs 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 15). Also, changes to the discount rate used to estimate the liability can have a material impact on the reported financial results.

iv. Revenue Recognition – Life Extension Projects

The most significant assumptions and estimates impacting revenue recognition are required for AECL's fixed-price CANDU life extension contracts. The accuracy of the Corporation's revenue and Consolidated Statement of Comprehensive Income (Loss) in a given period is largely dependent on the accuracy of its estimates of the cost to complete each of these projects.

There are a number of factors that can contribute to changes in estimates of contract cost and profitability. The most significant of these include the completeness and accuracy of the original bid, costs associated with scope changes, complex technical issues arising from the nature of these first-of-a-kind projects, subcontractor performance issues, changes in productivity expectations, site conditions that differ from those assumed in the original bid (to the extent contract remedies are unavailable) and the availability and skill level of workers in the geographic location of the project.

Incorporated in the Corporation's forecast are the best estimates of the financial impact of these project uncertainties prior to their resolution, which may vary materially from the actual amounts realized. Substantial changes in cost estimates, particularly in these larger, more complex projects have had, and can in future periods have, a material effect on the Corporation's Consolidated Statement of Comprehensive Income (Loss) (Notes 4(o), 21).

v. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment, and intangible assets are reviewed for impairment and estimated useful life at each reporting date and 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 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(i), 10, 11).

Assets or disposal groups held for sale are measured at the lower of carrying value and the fair value less selling costs. Assets are not amortized from the time when they are classified as held for sale. Impairment losses from the initial classification as held for sale and gains or losses from subsequent measurement at the lower of carrying value and fair value less selling costs are recognized in the Consolidated Statement of Comprehensive Income (Loss). Gains are not recognized in excess of any cumulative losses.

vi. Heavy Water Inventory

Heavy water inventory is recorded at the lower of average cost and net realizable value. Net realizable value is the estimated cost of detritiation and upgrading of inventory and is based on Management's best estimate of future events and, accordingly, actual net realizable value could differ from these estimates (Note 7).

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 turnover. 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 17).

viii. Restructuring Cost Estimate
The restructuring cost is based on Management's best estimate of the total costs to be incurred relating to the termination of employees, and accordingly, actual costs could differ from these estimates.

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

Factors affecting these assumptions include the nature of the provision, the existence of a claim amount, the opinion or views of legal counsel and other advisers, and any decision of Management as to how AECL intends to handle the obligation. The actual amount and timing of outflows may deviate from the assumptions, and the difference might materially affect future financial statements, with an adverse impact upon the consolidated results of operation, financial position and liquidity (Notes 14, 19(d)).

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS Balance Sheet at April 1, 2010 for the purpose of the transition to IFRS.

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

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

ii. Special Purpose Entities
A special purpose entity (SPE) 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 SPE's managers. The sponsor of an SPE may control the SPE by virtue of receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities and retaining the majority of the residual or ownership risks related to the SPE or its assets, even though it may own little or none of the SPE's equity.

The Corporation has examined its business arrangements and has concluded that there is no significant interest in SPEs with the exception of the *Nuclear Fuel Waste Act* 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 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 Statement of Comprehensive Income (Loss).

c) Financial Instruments
Recognition and Measurement
The following table presents the classification of AECL's financial instruments into various categories:

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

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

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

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

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities and the corporation has the positive intention and ability to hold to maturity.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Statement 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 Statement of Comprehensive Income (Loss).

d) Cash and Cash Equivalents

Investments with original maturities of 90 days or less from the date of purchase are presented as cash equivalents. Cash equivalents are recorded at fair value on the date of trade.

e) Investments Held in Trust – Trust Fund

The Trust Fund is an SPE 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, Management has determined that the Corporation, in substance, controls the Trust Fund.

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

f) Inventory

Heavy water, 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. 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.

g) 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 Statement of Comprehensive Income (Loss) as incurred.

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

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

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

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

h) Intangible Assets and Research and Development Activities

Expenditures on research activities are expensed as incurred.

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

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

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

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

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

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

Software costs	3 years

i) 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 at each reporting date and 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.

j) 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 advance payments). 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for which the related work has not started are recognized as Customer advances in accordance with the Corporation's revenue recognition policy.

k) Decommissioning and Waste Management Provision

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

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

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

l) 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.

m) 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.

n) Employee Benefits

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

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

i) Non-Pension Post-Employment Benefit Plans

The Corporation's net obligation with respect to these 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 the Consolidated Statement of Comprehensive Income (Loss) in the period in which they arise, and reports them in Shareholder's 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 Statement 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.

o) Revenue Recognition

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

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

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

Long-Term Contracts

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 Statement of Comprehensive Income (Loss) in the current period.

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

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

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

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

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

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

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

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

Appropriations restricted by legislation and related to expenses of future periods are deferred and recognized as funding in the period in which the related expenses are incurred; and appropriations used for the depreciable purchase of property, plant and equipment or finite lived development costs are recorded as deferred capital funding or deferred development 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 proceeds were transferred from contributed capital to deferred decommissioning funding and were 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.

q) 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.

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

s) 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 rate method.

Financial expenses are comprised of interest expense on long-term payables and the unwinding of the discount on provisions and long-term payables.

t) EC6 Development Expenses
EC6 development costs are amounts billed by Candu Energy Inc. in accordance with the Commercial Operations Asset Purchase Agreement. These expenses are recorded on an accrual basis based on monthly billings and will not exceed $75 million.

u) Standards and Interpretations Issued to be Adopted at a Later Date
The following standards and amendments to the existing standards have been issued by the International Accounting Standards Board and have been assessed as having a possible effect on the Corporation in the future:

- IFRS 9, Financial Instruments, covers the classification and measurement of financial assets and financial liabilities and requires mandatory implementation for annual periods beginning on or after January 1, 2015 with earlier application permitted.
- IFRS 10, Consolidated Financial Statements, ("IFRS 10") and IFRS 12, Disclosure of Interests in Other Entities, ("IFRS 12"). IFRS 10 replaces IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, and establishes principles for identifying when an entity controls other entities. IFRS 12 establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles. These standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted if adopted concurrently.
- IFRS 13, Fair Value Measurement, provides a single source of fair value measurement and disclosure requirements in IFRS. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.
- Amendments to IAS 1, Presentation of Financial Statements, require entities to group items within other comprehensive income that may be reclassified to net income. This amendment is effective for years beginning on or after July 1, 2012, with earlier adoption permitted.
- Amendments to IAS 19, Employee Benefits, to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for years beginning on or after January 1, 2013, with earlier adoption permitted.
- Amendments to IFRS 7, Financial Instruments, to enhance disclosure requirements for the offsetting of financial assets and liabilities. This amendment is effective for years beginning on or after January 1, 2013, with earlier adoption permitted.

The Corporation is currently evaluating the impact of adopting these standards and amendments on its financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Cash and Cash Equivalents

Bank deposits are maintained at levels required to meet daily operating needs. Any surplus deposits are invested in the short-term money market. The investing strategy is based on a conservative risk assessment. All instruments mature within a year and are rated as R1 Low or higher by the Dominion Bond Rating Service and as A1 or higher by Standard and Poor's. Cash and cash equivalents are comprised of the following:

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Cash and current accounts	**35,439**	18,563	8,835
Cash equivalents	**—**	—	38,998
	35,439	18,563	47,833

Cash equivalents consist primarily of short-term money market instruments.

6. Trade and Other Receivables

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Trade receivables	**249,800**	156,480	50,801
Less: allowance for doubtful accounts	**—**	(1,141)	(898)
Net trade receivables	**249,800**	155,339	49,903
Other receivables:			
Unbilled revenue	**27,689**	73,258	32,730
Prepaid expenses	**11,580**	4,195	5,111
Consumption taxes receivable	**8,128**	8,977	13,843
Other receivables	**40,924**	20,984	20,187
	338,121	262,753	121,774

Billings collected in excess of revenue recognized and advances for which the related work has not started are presented as Customer advances and obligations.

Other receivables include insurance proceeds receivable for the Point Lepreau life extension project, advances on life extension projects and the net proceeds receivable from Candu Energy Inc. resulting from the sale of AECL's Commercial Operations (Note 28(b)).

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

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Current	**19,159**	42,312	34,310
Less than 1 month	**19,657**	27,632	7,306
1 to 2 months	**35,992**	11,958	2,533
2 to 3 months	**32,434**	18,333	1,866
More than 3 months	**142,558**	56,245	4,786
	249,800	156,480	50,801

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 change in allowance for doubtful accounts was as follows:

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Balance at beginning of year	**1,141**	898	1,223
Charges	**—**	243	—
Write-offs	**(102)**	—	(325)
Reversals	**(1,039)**	—	—
Balance at end of year	**—**	1,141	898

The Corporation's exposure to market risks related to Trade and other receivables, including unbilled revenues, is disclosed in Note 26.

7. Inventory

	March 31			March 31			April 1		
(thousands of Canadian dollars)	**2012**			2011			2010		
	Gross	**Allowance**	**Net**	Gross	Allowance	Net	Gross	Allowance	Net
	$	**$**	**$**	$	$	$	$	$	$
Consignment inventory	**210**	**—**	**210**	210	—	210	210	—	210
Raw materials	**1,789**	**—**	**1,789**	1,938	—	1,938	3,406	—	3,406
Work in progress	**7,965**	**—**	**7,965**	9,035	—	9,035	8,860	—	8,860
Finished products	**4,146**	**—**	**4,146**	3,515	—	3,515	4,695	—	4,695
Reactor fuel	**14,110**	**—**	**14,110**	14,698	—	14,698	17,171	—	17,171
Spare parts and store supplies	**15,110**	**(41)**	**15,069**	16,093	(1,809)	14,284	14,818	(1,624)	13,194
	29,220	**(41)**	**29,179**	30,791	(1,809)	28,982	31,989	(1,624)	30,365
Heavy water inventory	**305,470**	**(14,871)**	**290,599**	305,845	(14,871)	290,974	306,530	(14,829)	291,701
	334,690	**(14,912)**	**319,778**	336,636	(16,680)	319,956	338,519	(16,453)	322,066

The cost of inventory for reactor fuel, spare parts and store supplies recognized as an expense and included in Cost of sales was $29.4 million (2011 – $23.0 million). The total amount of inventory written down in 2012 was $4.5 million (2011 – $0.4 million).

In addition to internal consumption of heavy water at the Chalk River Laboratories, the cost of inventory for heavy water recognized as an expense and included in Cost of sales was $0.2 million (2011 – $0.3 million). The total amount of heavy water written down in 2012 was Nil (2011 – Nil).

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

8. Long-Term Receivables

(thousands of Canadian dollars)	March 31 2012	2011	April 1 2010
	$	$	$
Contract receivables from customers in respect of the financing of products and services, maturing through 2019 at fixed repayment amounts	149,283	169,918	189,252
Current portion	(21,319)	(20,141)	(19,028)
	127,964	149,777	170,224

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 in 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 Statement and are due as follows:

(thousands of Canadian dollars)	March 31 2012	2011	April 1 2010
	$	$	$
Less than one year	21,319	20,141	19,028
Between one and five years	98,497	93,054	87,912
More than five years	29,467	56,723	82,312
	149,283	169,918	189,252

9. 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 the 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. As required by the Act, AECL's initial deposit to its Trust Fund was $10 million on November 25, 2002. Subsequent annual deposits of approximately $2 million have been made as required, and will continue until the obligation ceases or the amount is modified by the Government of Canada once certain requirements stipulated in the Act are met by the NWMO.

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 15 and 25). Quoted market values of the instruments are estimated at $39.3 million as at March 31, 2012 (March 31, 2011 – $34.9 million; April 1, 2010 – $29.7 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. Therefore, yield on the instruments is variable. These investments are comprised of the following:

(thousands of Canadian dollars)	Maturities	March 31 2012	Yield	2011	Yield	April 1 2010	Yield
		$	%	$	%	$	%
Cash equivalents*	Not applicable	1,438	0.0	1,940	0.0	6	0.0
Canadian government bonds**	April 2012 – December 2025	27,227	3.6	26,455	4.0	22,610	4.2
Corporate bonds	June 2012 – January 2017	10,640	3.2	6,544	3.6	7,055	3.6
		39,305		34,939		29,671	

*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.

10. Property, Plant and Equipment

2012

(thousands of Canadian dollars)	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
	$	$	$	$	$
Commercial Operations					
Cost at March 31, 2011	3,291	1,536	23,894	38,453	67,174
Additions and transfers	621	—	1,262	787	2,670
Disposals and transfers (Note 28)	(3,912)	(1,138)	(15,734)	(36,802)	(57,586)
Cost at March 31, 2012	—	398	9,422	2,438	12,258
Depreciation at March 31, 2011	—	292	14,653	25,730	40,675
Increase in depreciation	—	31	486	1,677	2,194
Impairment	—	163	2,251	5,431	7,845
Disposals (Note 28)	—	(446)	(11,862)	(31,406)	(43,714)
Depreciation at March 31, 2012	—	40	5,528	1,432	7,000
Net carrying amount at March 31, 2011	3,291	1,244	9,241	12,723	26,499
Net carrying amount at March 31, 2012	—	358	3,894	1,006	5,258
Nuclear Laboratories					
Cost at March 31, 2011	50,714	50,081	241,025	329,922	671,742
Additions and transfers	45,339	239	1,082	23,662	70,322
Disposals and transfers	(26,734)	—	—	(3,249)	(29,983)
Other changes	—	—	18,376	—	18,376
Cost at March 31, 2012	69,319	50,320	260,483	350,335	730,457
Depreciation at March 31, 2011	—	29,859	164,591	265,056	459,506
Increase in depreciation	—	1,820	3,556	9,216	14,592
Impairment	—	—	—	795	795
Disposals	—	—	—	(2,455)	(2,455)
Depreciation at March 31, 2012	—	31,679	168,147	272,612	472,438
Net carrying amount at March 31, 2011	50,714	20,222	76,434	64,866	212,236
Net carrying amount at March 31, 2012	69,319	18,641	92,336	77,723	258,019
Total at March 31, 2011	54,005	21,466	85,675	77,589	238,735
Total at March 31, 2012	69,319	18,999	96,230	78,729	263,277

2011

(thousands of Canadian dollars)	Construction in progress	Land and land improvements	Buildings	Reactors, Machinery and Equipment	Total
	$	$	$	$	$
Commercial Operations					
Cost at April 1, 2010	4,198	1,174	19,888	36,526	61,786
Additions and transfers	6,865	362	4,006	2,916	14,149
Disposals and transfers	(7,772)	—	—	(246)	(8,018)
Other changes	—	—	—	(743)	(743)
Cost at March 31, 2011	3,291	1,536	23,894	38,453	67,174
Depreciation at April 1, 2010	—	273	14,402	24,771	39,446
Increase in depreciation	—	19	528	1,669	2,216
Disposals	—	—	—	(246)	(246)
Other changes	—	—	(277)	(464)	(741)
Depreciation at March 31, 2011	—	292	14,653	25,730	40,675
Net carrying amount at April 1, 2010	4,198	901	5,486	11,755	22,340
Net carrying amount at March 31, 2011	3,291	1,244	9,241	12,723	26,499
Nuclear Laboratories					
Cost at April 1, 2010	53,847	47,019	234,082	317,202	652,150
Additions and transfers	18,912	3,062	7,516	12,328	41,818
Disposals and transfers	(22,045)	—	(573)	(350)	(22,968)
Other changes	—	—	—	742	742
Cost at March 31, 2011	50,714	50,081	241,025	329,922	671,742
Depreciation at April 1, 2010	—	28,279	161,210	254,202	443,691
Increase in depreciation	—	1,580	3,556	10,953	16,089
Disposals	—	—	(453)	(563)	(1,016)
Other changes	—	—	278	464	742
Depreciation at March 31, 2011	—	29,859	164,591	265,056	459,506
Net carrying amount at April 1, 2010	53,847	18,740	72,872	63,000	208,459
Net carrying amount at March 31, 2011	50,714	20,222	76,434	64,866	212,236
Total at April 1, 2010	58,045	19,641	78,358	74,755	230,799
Total at March 31, 2011	54,005	21,466	85,675	77,589	238,735

Depreciation of property, plant and equipment for the year ended March 31, 2012 was $16.9 million (2011 – $18.4 million). Fully depreciated property, plant and equipment with a gross carrying value of $387.4 million (March 31, 2011 – $407.8 million; April 1, 2010 – $403.8 million) is still in use.

Property, plant and equipment are reviewed for potential impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Impairment charges of $8.6 million were recorded in 2012. Of this total, $7.8 million is included in Discontinued operations and $0.8 million, relating to Nuclear Laboratories, is included in Operating expenses. No impairment charges were recorded in 2011 and 2010.

11. Intangible Assets

2012

(thousands of Canadian dollars)

	ACR-1000 Development	Software	Total
	$	**$**	**$**
Cost/Gross amount at March 31, 2011	**—**	**10,101**	**10,101**
Additions	—	2,104	2,104
Disposals	—	(10,101)	(10,101)
Cost/Gross amount at March 31, 2012	**—**	**2,104**	**2,104**
Amortization at March 31, 2011	**—**	**7,494**	**7,494**
Increase in amortization	—	932	932
Impairment	—	741	741
Disposals (Note 28)	—	(8,756)	(8,756)
Amortization at March 31, 2012	**—**	**411**	**411**
Net carrying amount at March 31, 2011	—	2,607	2,607
Net carrying amount at March 31, 2012	**—**	**1,693**	**1,693**

2011

(thousands of Canadian dollars)

	ACR-1000 Development	Software	Total
	$	$	$
Cost/Gross amount at April 1, 2010	175,349	10,101	185,450
Additions	29,404	—	29,404
Impairment	204,753	—	204,753
Cost/Gross amount at March 31, 2011	—	10,101	10,101
Amortization at April 1, 2010	—	5,410	5,410
Increase in amortization	—	2,084	2,084
Amortization at March 31, 2011	—	7,494	7,494
Net carrying amount at April 1, 2010	175,349	4,691	180,040
Net carrying amount at March 31, 2011	—	2,607	2,607

Total Research and Development costs for the current year were $384.1 million (2011 – $441.9 million), of which none (2011 – $ Nil) met the criteria for capitalization. This included other commercial research and development costs under Commercial Operations of $23.6 million (2011 – $72.5 million). Under Nuclear Laboratories, CANDU technology research and development costs were $69.7 million (2011 – $58.2 million) and Facilities, nuclear operations and support costs were $290.8 million (2011 – $311.2 million).

The recoverable amount of capitalized development costs reviewed for impairment is determined based on value-in-use calculations. Key assumptions relating to this valuation include the discount rate and cash flows used to determine value-in-use. Forecast data for the entire period, from development to marketing of the corresponding products, are used in estimating future cash flows.

Intangible assets are reviewed for potential impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Impairment charges of $0.7 million were recorded in 2012 and are included in Discontinued Operations.

As at April 1, 2010, $175.3 million was capitalized with respect to Advanced CANDU Reactor® (ACR-1000®) development costs. Additional costs of $29.4 million were capitalized during the period between April 1, 2010 and December 31, 2010. As a result of uncertainty in realizing cash flows from the Corporation's investment in the development of the Generation III+ reactor, AECL reviewed the recoverability of the ACR-1000 development costs. Effective January 1, 2011, an impairment charge of $204.8 million was identified to reduce the carrying amount to zero.

Key assumptions used in the value-in-use calculation for the purposes of impairment testing for capitalized development costs asset were the following:

	March 31		April 1
	2012	2011	2010
Years forecast data	20	20	20
Discount rate	2.66%	3.74%	3.92%
Inflation rate	1.70%	1.70%	1.70%

These tests resulted in the recognition of impairment noted above. In addition, sensitivity analyses showed that a 1% change in discount or inflation rate from the above-noted rates would not have resulted in a change in the impairment recognized in all periods.

12. Trade and Other Payables

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Trade payables	**34,530**	10,431	58,208
Other payables and accrued expenses	**69,127**	60,301	86,188
Accrued payroll liabilities	**29,033**	38,734	52,072
Current portion of employee benefits (Note 17)	**6,153**	9,977	9,551
Amounts due to related parties	**10,838**	9,407	15,592
Amounts due to Shareholder	**8,745**	—	—
	158,426	128,850	221,611

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 include Royalty revenues and the net proceeds from the sale of AECL's Commercial Operations. The Amounts due to related parties represent cash proceeds from the sales of heavy water (Note 20).

13. Customer Advances and Obligations

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Customer advances and unearned revenue	**316,601**	423,314	440,872

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

14. Provisions

2012

(thousands of Canadian dollars)

	Contract Loss Provision	Other	**Total**
	$	**$**	**$**
Balance at March 31, 2011	**205,435**	**17,554**	**222,989**
Additions	86,589	7,521	94,110
Utilized in year	(135,812)	(2,404)	(138,216)
Reduction from remeasurement	(56,573)	(810)	(57,383)
Balance at March 31, 2012	**99,639**	**21,861**	**121,500**
Less: Due within one year or less	(99,639)	(21,861)	(121,500)
Due after more than one year	—	—	—

2011

(thousands of Canadian dollars)

	Contract Loss Provision	Other	**Total**
	$	$	$
Balance at April 1, 2010	212,038	5,102	217,140
Additions	120,746	15,044	135,790
Utilized in year	(127,349)	(2,592)	(129,941)
Balance at March 31, 2011	205,435	17,554	222,989
Less: Due within one year or less	(205,435)	(17,554)	(222,989)
Due after more than one year	—	—	—

Completion of certain life extension projects and near completion of others and decreases in estimated costs to complete these projects have resulted in a decrease of $105.8 million (2011 – $6.6 million) in contract loss provision.

Other provisions include exposure to claims related to life extension projects as well as warranties, disputes with suppliers and an onerous lease.

15. 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 obligation relates to liabilities that were incurred 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.

Previously, AECL retained proceeds from heavy water sales to fund the decommissioning program (Note 20). 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, 2012, $92.1 million (March 31, 2011 – $54.2 million; April 1, 2010 – $40.9 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)	**2012**	2011
	$	$
Carrying amount – Beginning of period	**4,117,635**	3,607,674
Carrying amount – Beginning of period, current portion	**136,900**	131,200
Liabilities settled	**(124,311)**	(126,516)
Unwinding of discount	**152,388**	151,406
Effect of change in discount rate	**1,218,705**	272,635
Revision in estimate and timing of expenditures	**164,107**	209,653
Revision in estimate and timing of expenditures affecting Property, plant and equipment	**1,062**	686
Waste, decommissioning and site restoration costs from ongoing operations	**12,044**	7,797
Carrying amount – End of period	**5,678,530**	4,254,535
Less current portion	**(135,500)**	(136,900)
	5,543,030	4,117,635

The decommissioning plan projects undiscounted expenditures of $7,408.6 million (March 31, 2011 – $7,201.8 million; April 1, 2010 – $6,873.6 million) in current dollars until 2090. The provision is revalued at the current discount rate in effect at each balance sheet date.

The provision as at March 31, 2012 was discounted using a rate of 2.66%. The balances as at March 31, 2011 and April 1, 2010 were discounted using rates of 3.75% and 4.07% respectively.

The effect of a change in the discount rate on the provision is recognized in Revaluation loss on decommissioning and waste management liability and other in the Consolidated Statement of Comprehensive Income (Loss). The total charge for the year was $1,218.7 million (2011 – $272.6 million).

Other costs included in Revaluation loss on decommissioning and waste management liability and other, totalling $149.3 million (2011 – $211.5 million) are new liabilities generated from ongoing operations and revisions in the timing and estimates of expenditures.

Key assumptions used in determining the provision:

	March 31		April 1
	2012	2011	2010
Discount period	**78 years**	79 years	75 years
Discount rate	**2.66%**	3.75%	4.07%
Inflation rate	**1.70%**	1.70%	1.70%

The following table outlines the sensitivity of a 1% change in the discount rate used to calculate the obligation.

	March 31		April 1
(millions of Canadian dollars)	**2012**	2011	2010
	$	$	$
1% increase	**(1,153)**	(780)	(674)
1% decrease	**1,687**	1,105	953

16. Deferred Funding

Deferred capital funding and deferred development funding were provided to the Corporation through appropriations from its Shareholder (Notes 22, 25) as follows:

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Deferred capital funding			
Deferred capital funding, opening balance	**156,973**	147,002	104,615
Capital funding received during the year	**45,427**	17,167	47,066
Amortization of deferred capital funding	**(10,086)**	(7,196)	(4,679)
Deferred capital funding, closing balance	**192,314**	156,973	147,002
Deferred development funding			
Deferred development funding, opening balance	**—**	175,348	96,255
Development funding received during the year	**—**	29,404	79,093
Deferred development funding recognized during the year	**—**	(204,752)	-
Deferred development funding, closing balance	**—**	—	175,348

17. Employee Benefits

a) Pension Plan

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

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

Contributions to the Plan

For the year ended	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Payments by employees	**22,071**	27,460	25,971
Payments by employer	**43,129**	54,917	51,252

The Corporation's rate of contribution to the Public Service Superannuation Account equals the employee contributions and the Public Service Pension Fund account is a 1.74 multiple of the employee contributions (March 31, 2011 – 1.86; April 1, 2010 – 1.94). The contribution to the Retirement Compensation Arrangement account for calendar year 2012 is a multiple of 8.95 of the employee contributions (calendar year 2011 – 9.5; calendar year 2010 – 8.9). The multiple is subject to change based on revaluation by the Public Service Pension Plan administration.

Substantially all of the employees of the Corporation are covered by the Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general employer contribution rate effective during the year was 13.5% of employee salaries (2011 – 13.5%). Total contributions of $43.1 million (2011 –$54.9 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 and other post-employment benefits as described in Note 4(n). 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 measurement date of the defined benefit obligation is March 31, 2012, and the latest actuarial valuation of these benefits was performed at that date. The following summarizes the activity in the post-employment and other long-term benefit plans:

For the year ended	March 31	
(thousands of Canadian dollars)	**2012**	2011
	$	$
Defined benefit obligation, beginning of year	**67,407**	67,410
Defined benefit obligation, beginning of year – current portion*	**9,977**	9,551
Current service cost	**4,134**	4,655
Interest on defined benefit obligation	**3,074**	3,933
Benefits paid	**(6,072)**	(8,123)
Reduction due to restructuring**	**(20,122)**	—
Actuarial losses (gains)	**1,615**	(42)
Defined benefit obligation, end of year	**60,013**	77,384
Current portion, defined benefit obligation*	**(6,153)**	(9,977)
Net defined benefit obligation	**53,860**	67,407

*The current portion of the Defined benefit obligation is included in Trade and other payables.

**The reduction due to restructuring relates to the decrease in employees included in the non-pension defined benefit plan as a result of the Phase 1 restructuring of AECL (Notes 2 and 28).

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

For the year ended	March 31	
(thousands of Canadian dollars)	**2012**	2011
	$	$
Net benefit plan cost		
Current service cost	**4,134**	4,655
Interest cost	**3,074**	3,933
Actuarial losses (gains)	**3,691**	(727)
Annual benefit plan (income) expense	**10,899**	7,861

The Annual benefit plan expense relating to Nuclear Laboratories employees is recognized in Cost of sales and Operating expenses in the Consolidated Statement 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 28).

The cumulative actuarial gains recorded in Other Comprehensive Income (Loss) as of March 31, 2012 is $1.4 million (2011 – $0.7 million loss).

The Corporation expects $6.2 million in contributions to be paid to its defined benefit plans in 2013.

The following table summarizes the experience adjustments arising on plan liabilities:

For the year ended	March 31	
(thousands of Canadian dollars)	**2012**	2011
	$	$
Experience gains arising on plan liabilities	**4,403**	994

The significant actuarial assumptions adopted in measuring the Corporation's defined benefit obligation are summarized as follows:

Actuarial assumptions

	March 31	
	2012	2011
Discount rate	**3.90%**	4.95%
Rate of increase in salaries	**2.00%**	2.15%
Inflation rate	**2.50%**	2.50%
Health care cost trend	**5.00%**	5.00%

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

18. Long-Term Payables

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Long-term payable	**6,660**	19,348	31,608
Unsecured, non interest bearing, maturing September 2012			
Amount is recorded net of discount of $1.7 million at 4.08%			
	6,660	19,348	31,608
Less current portion	**(6,660)**	(13,319)	(13,319)
	—	6,029	18,289

Required payments over subsequent years are as follows:

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Less than one year	**6,660**	13,319	13,319
Between one and five years	**—**	6,660	19,979
	6,660	19,979	33,298

Long-term payables relate to inventory purchased from MDS (Canada) Inc. in February 2006. AECL entered into an agreement with MDS (Canada) Inc. whereby AECL acquired beneficial ownership of the Dedicated Isotope Facilities, comprised of two medical isotope-producing reactors (MAPLE 1 and 2) and their related processing facility. Additionally, AECL acquired $53 million of isotopes production related inventory with a deferred payment obligation of 48 monthly instalments of $1.1 million, commencing in October 2008. The value of the inventory and the related deferred obligation were recorded at $41.7 million (Fuel and Targets), and $2.5 million (Spare parts), the present value of these future payments.

An imputed interest expense of $0.6 million (2011 – $1.1 million), related to the discount on the long-term payable, was included in Financial expenses in the Consolidated Statement of Comprehensive Income (Loss) (Note 24). Required payments are disclosed at the undiscounted amount.

19. Commitments, Contingencies and Obligations

a) Operating Leases and Other Commitments

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

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Less than one year	**41,710**	83,163	60,613
Between one and five years	**8,671**	34,945	40,328
More than five years	**4,433**	15,206	21,433
	54,814	133,314	122,374

The Corporation leases office space under operating leases with various expiration dates. The leases contain an escalation clause providing for additional rent. The Corporation also enters into other non-cancellable agreements facilitating operations and project requirements. During the year ended March 31, 2012, an amount of $9.2 million (2011 – $18.0 million) was recognized as an expense in Comprehensive Income (Loss) in respect of operating leases.

The total value of future sublease payments to be received is $4.9 million.

b) Regulatory Obligations

To ensure compliance with CNSC site licence conditions and other regulatory requirements, the Corporation has undertaken major investment in building and facilities infrastructure at the Chalk River site. The Corporation's planned expenditure on these initiatives for 2012–2013 is $74.1 million. These obligations are funded through Parliamentary appropriations.

c) Performance Guarantees and Liquidated Damages

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

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

The aggregate amount of the Corporation's potential exposure under the performance guarantees is estimated to be approximately $150 million (2011 – $213 million). Liquidated damages penalties are estimated at $60 million at March 31, 2012 (2011 – $96 million). As described in Note 4(o), on an ongoing basis, management reviews the progress on long-term projects (such as life extension projects, Note 14) 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.

Subsequent to March 31, 2012, with respect to a performance guarantee on one of AECL's life extension projects, $75 million was drawn on by a customer of AECL (Note 29(b)).

d) Lawsuits and Legal Claims

On July 8, 2008, MDS (Canada) Inc. commenced legal proceedings against AECL and the Government of Canada in connection with AECL's isotope business, consisting of a civil action and arbitration. The proceedings are currently in the arbitration stage. The amount claimed against AECL and the Government is $1.6 billion. No provision has been made in these financial statements for any potential obligations relating to this arbitration, as AECL is of the view that it should not have exposure in the arbitration claim. With respect to the civil action, no statement of defence has been filed, nor have there been any discoveries or production of documents. Accordingly, no reliable estimate of the obligation (if any) as it relates to the civil action can be made at this point in time.

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

e) EC6 Development

During the year ended March 31, 2012, AECL entered into a contract with Candu Energy Inc. to provide, from the Government of Canada, up to $75 million to support the completion of the EC6 development program. As at March 31, 2012, $18 million of this amount has been expensed and $12 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.

20. Contributed Capital and Deferred Decommissioning Funding

Included in contributed capital is approximately $109 million (March 31, 2011 – $135 million; April 1, 2010 – $161 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 funding, which was used to fund ongoing decommissioning activities.

An amount equivalent to the proceeds from sales made during the 10-year arrangement received after April 1, 2006 (Notes 8 and 4(p)) is transferred from contributed capital to deferred decommissioning 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 repayable contributions to the Government and are presented in Trade and other payables (Note 12) on the Corporation's Consolidated Balance Sheet.

21. Revenue

	Commercial Operations		Nuclear Laboratories		Total	
(thousands of Canadian dollars)	**2012**	2011	**2012**	2011	**2012**	2011
	$	$	**$**	$	**$**	$
Life extension projects	**223,121**	324,148	**—**	—	**223,121**	324,148
Services	**54,506**	121,757	**49,013**	30,533	**103,519**	152,290
Sales of goods	**—**	—	**26,196**	20,991	**26,196**	20,991
Royalties	**—**	—	**1,011**	—	**1,011**	—
	277,627	445,905	**76,220**	51,524	**353,847**	497,429

Commercial Operations are recorded as Discontinued Operations (Note 28).

Information on construction contracts recognized according to the percentage of completion method that were in progress is as follows:

	March 31	
(thousands of Canadian dollars)	**2012**	2011
	$	$
Costs incurred and profits recognized, net of losses recognized	**1,779,459**	1,618,918
Customer advances	**312,910**	407,588

22. Funding

a) Parliamentary Appropriations

AECL segregates its Parliamentary appropriations, which include Governor General Special Warrants and 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 Nuclear Legacy Liabilities Program and workforce adjustments. Governor General Special Warrants include amounts for facilities, research and development and support of Commercial business. 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)	**2012**	2011
	$	$
Parliamentary appropriations – operating	**673,603**	775,439
Parliamentary appropriations – capital		
Capital infrastructure refurbishment project funding	**45,427**	17,167
ACR-1000 development	**—**	29,404
ACR-1000 impairment	**—**	(29,404)
Total Parliamentary appropriations – capital	**45,427**	17,167
Total Parliamentary appropriations	**719,030**	792,606

All amounts received in fiscal 2012 relating to operations were recognized in income. In the year ended March 31, 2011, $815 million was received and $793 million had been recognized with the difference recorded as repayable to the Government and included in Amounts due to related parties (Note 12). All work is expected to be completed within a year.

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

- Research and related infrastructure funding to support base operating funding for AECL's Chalk River Laboratories.
- Government funding was used to place the Dedicated Isotope Facilities into an extended shutdown state.
- 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 Generation III+ reactor and EC6 reactor.

b) Other Funding

During the year, Other funding was recognized as follows:

(thousands of Canadian dollars)	**2012**	2011
	$	$
Operating funding		
Cost recoveries from third parties and other	**18,126**	14,450
Amortization of deferred capital funding	**10,086**	7,196
Deferred development funding recognized in income during the year	**—**	204,752
Decommissioning and waste management	**136,693**	125,804
	164,905	352,202

23. Additional Information by Type of Expense

(thousands of Canadian dollars)	2012	2011
	$	$
Payroll expenses	428,682	567,293
Operating leases	9,161	17,979
Net gains (losses) due to changes in foreign currency exchange rates	112	376

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 Statement of Comprehensive Income (Loss). The expenses relating to Commercial Operations are recognized in Cost of sales and Operating expenses in Discontinued Operations (Note 28).

24. Financial Income and Expenses

(thousands of Canadian dollars)	2012	2011
	$	$
Financial income		
Interest on long-term receivables	9,174	10,298
Interest on investments and other	589	288
	9,763	10,586
Financial expenses		
Interest on long-term payables	552	1,062
Unwinding of decommissioning and waste management provision net of trust fund income	149,378	149,856

25. 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 10, 11, 12, 14, 15, 16, 17, 18, 20, 22 and 28 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.
- In the normal course of business, the Corporation also enters into various transactions with the Government, its agencies and other Crown corporations.

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

Remuneration of Key Management Personnel

(thousands of Canadian dollars)	2012	2011
	$	$
Salaries and other short-term benefits	8,821	7,029
Termination benefits	3,000	—
	11,821	7,029

26. Financial Instruments and Financial Risk Management

Financial assets and liabilities

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

(thousands of Canadian dollars)	Assets/liabilities at fair value through profit or loss	Held to maturity	Loans and receivables	Other financial liabilities	Total
	$	$	$	$	$
March 31, 2012					
Cash and cash equivalents*	—	35,439	—	—	35,439
Investments held in trust*	39,305	—	—	—	39,305
Trade and other receivables	—	—	338,121	—	338,121
Long-term receivables	—	—	149,283	—	149,283
Trade and other payables	—	—	—	(158,426)	(158,426)
Customer advances and obligations	—	—	—	(316,601)	(316,601)
Other financial liabilities – current**	—	—	—	—	—
Long-term payables	—	—	—	(6,660)	(6,660)
Total	39,305	35,439	487,404	(481,687)	80,461

*Held for trading

**Included in Provisions

(thousands of Canadian dollars)	Assets/liabilities at fair value through profit or loss	Held to maturity	Loans and receivables	Other financial liabilities	Total
	$	$	$	$	$
March 31, 2011					
Cash and cash equivalents*	—	18,563	—	—	18,563
Investments held in trust*	34,939	—	—	—	34,939
Trade and other receivables	—	—	262,753	—	262,753
Long-term receivables	—	—	169,918	—	169,918
Trade and other payables	—	—	—	(128,850)	(128,850)
Customer advances and obligations	—	—	—	(423,314)	(423,314)
Other financial liabilities – current**	—	—	—	—	-
Long-term payables	—	—	—	(19,348)	(19,348)
Total	34,939	18,563	432,671	(571,512)	(85,339)

*Held for trading

**Included in Provisions

(thousands of Canadian dollars)	Assets/liabilities at fair value through profit or loss	Held to maturity	Loans and receivables	Other financial liabilities	Total
	$	$	$	$	$
April 1, 2010					
Cash and cash equivalents*	—	47,833	—	—	47,833
Investments held in trust*	29,671	—	—	—	29,671
Trade and other receivables	—	—	121,774	—	121,774
Long-term receivables	—	—	189,252	—	189,252
Trade and other payables	—	—	—	(221,611)	(221,611)
Customer advances and obligations	—	—	—	(440,872)	(440,872)
Other financial liabilities – current**	—	—	—	—	-
Long-term payables	—	—	—	(31,608)	(31,608)
Total	29,671	47,833	311,026	(694,091)	(305,561)

*Held for trading

**Included in Provisions

The carrying amounts shown in the tables are included in the Consolidated Balance Sheet under the indicated captions.

Fair value represents Management's estimate of the market value at the reporting date. The carrying value of all financial assets and financial liabilities approximates fair value as at March 31, 2012, March 31, 2011 and April 1, 2010, with the exception of Long-term receivables and Long-term payables and bonds. The fair value of the long-term portion of the long-term receivables is $144 million (March 31, 2011 – $164.3 million; April 1, 2010 – $185.7 million) and is valued using the long-term interest rate in effect at the end of the reporting period. The fair value of the long-term payable is equal to its carrying value.

Fair value hierarchy

The following table analyzes financial instruments carried at fair value, by valuation method. The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments:

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).

(thousands of Canadian dollars)	March 31, 2012				March 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$	$	$	**$**	$	$	$	$
Assets measured at fair value								
Cash and current accounts	**35,439**	—	—	**35,439**	18,563	—	—	18,563
T-bills	—	—	—	—	—	—	—	—
Term deposits	—	—	—	—	—	—	—	—
Bankers acceptance	—	—	—	—	—	—	—	—
Bonds	—	**37,867**	—	**37,867**	—	32,999	—	32,999
Derivatives designated as hedging instruments:	—	—	—	—	—	—	—	—
Foreign exchange forward contracts	—	—	—	—	—	—	—	—
Total assets	**35,439**	**37,867**	—	**73,306**	18,563	32,999	—	51,562

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 and cash equivalents, Investments held in trust, Trade receivables, Unbilled revenue and Long-term receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets as disclosed in the tables above. The maximum exposure to credit risk is $501.5 million (March 31, 2011 – $452 million; April 1, 2010 – $349.4 million).

Cash and Cash Equivalents

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

- Monitoring at the appropriate levels of management.
- Applying a conservative investment strategy.
- Ensuring that all instruments mature within a year.

As of March 31, 2012, all instruments are rated as R1 Low or higher by the Dominion Bond Rating Service and as A1 or higher by Standard and Poor's.

Trade Receivables

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

Three customers (March 31, 2011 – five; April 1, 2010 – eight), each representing greater than 4% (March 31, 2011 – 4%; April 1, 2010 – 4%) of the total accounts receivable, comprise an aggregate 94% (March 31, 2011 – 83%; April 1, 2010 – 87%) 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 commitments and obligations. A major risk facing the Corporation is related to securing a sustainable source of funds to safely maintain its nuclear capabilities. The Corporation's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. As a Schedule III Part I Crown corporation, AECL is restricted from borrowing funds to meet its obligations. The Corporation is dependent on funding from its Shareholder to meet its obligations.

AECL manages liquidity risk by:

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

In 2012, AECL's liquidity risk management objectives were unchanged from those in 2011. However, additional funding was required from the Government to meet obligations. As of March 31, 2012, the Corporation was holding cash and cash equivalents of $35.4 million (March 31, 2011 – $18.6 million; April 1, 2010 – $ 47.8 million) (Note 5). Accounts payable and accrued liabilities of $158.4 million (March 31, 2011 – $128.9 million; April 1, 2010 – $221.6 million) (Note 12) are due within the year. Long-term payables (Note 18) of $6.7 million are due within one year (March 31, 2011– $13.3 million; April 1, 2010 – $13.3 million).

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, 2012 and March 31, 2011, had the exchange rate (CAN$/US$) been 5% higher or lower, Comprehensive Income (Loss) for the year would have remained unchanged.

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 discount rates associated with the decommissioning and waste management provision. Changes in the discount rate are based on a credit adjusted risk-free rate that is sensitive to interest rate fluctuations (see Sensitivity Analysis in Note 15).

AECL's exposure is reduced by:

- Limited transactions dealing with interest payments.
- Financial instruments invested in relatively conservative instruments.
- Investing in reputable institutions.

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 2012, AECL's regulatory risk management objectives were unchanged from those in 2011.

27. Capital Management

The authorized share capital of the Corporation is comprised of 75,000 common shares with no par value. As at March 31, 2012, March 31 2011 and April 1, 2010, 54,000 shares were issued for $15,000,000.

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

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

The Corporation's objective in managing capital is to provide sufficient liquidity to support its financial obligations and its operating and strategic plans, as well as to safeguard its ability to continue as a going concern. This is managed through periodic funding received from the Government, the volume of cash received from operations and the portfolio of highly liquid investments or instruments readily convertible into cash with high-quality counterparties. In 2012, AECL's capital management objectives were unchanged from those in 2011.

Capital for the reporting periods is summarized as follows:

	March 31		April 1
(thousands of Canadian dollars)	**2012**	2011	2010
	$	$	$
Shareholder's deficit	**(5,534,028)**	(4,348,451)	(4,019,074)
Long-term payables	**6,660**	19,348	31,608
Deferred capital funding	**192,314**	156,973	147,002
Deferred development funding	**—**	—	175,348
Deferred decommissioning and waste management funding	**147,007**	122,506	100,644
Decommissioning and waste management provisions	**5,678,530**	4,254,535	3,738,874
	490,483	204,911	174,402

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.

28. Discontinued Operations

The Government of Canada announced on June 29, 2011 that a binding agreement was signed for the sale of AECL's Commercial Operations to SNC-Lavalin subsidiary, Candu Energy Inc. The transaction closed on October 2, 2011, 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 new 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.

The sale price for these certain AECL-owned assets was $15 million, to be adjusted for closing working capital balances as at the date of the transaction. All proceeds from the sale of the assets are remitted to the Receiver General of Canada.

On the October 2, 2011 closing date, Candu Energy Inc. hired 1,522 Commercial Operations personnel, including full-time and contract employees, and 390 AECL employees received termination notices from AECL. Restructuring provision was recorded for $36.5 million of which $30.5 million has been paid as of March 31, 2012 and $6.0 million of the provision remained to complete the process. The restructuring provision consists mainly of estimated termination benefits for affected employees.

The restructuring expense recognized for the year ended March 31, 2012 is $31.4 million, which includes $36.5 million of restructuring provision reduced by $5.1 million for certain benefits forfeited on termination previously accrued as employee benefits.

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.

a) Results of Discontinued Operations

(thousands of Canadian dollars)	2012	2011
	$	$
Revenue	277,627	445,905
Cost of sales	247,115	537,196
Gross margin	30,512	(91,291)
Operating expenses	126,366	155,435
Commercial Operations loss before Parliamentary appropriations and product development	(95,854)	(246,726)

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

(thousands of Canadian dollars)	
	$
Assets	
Trade and other receivables	278,603
Property, plant and equipment	5,258
Liabilities	
Trade and other payables	61,730
Customer advances and obligations	313,218
Provisions	120,000
Restructuring provision	6,026
Deferred capital funding	187

b) Net Proceeds of Transaction

Carrying the assets at fair value less costs to sell in accordance with IFRS 5 resulted in an impairment charge in the year ended March 31, 2012 of $8.6 million.

The purchase price of the assets is $15 million compared to a carrying value of $15 million, for a net gain on sale equal to zero.

As a result of finalizing working capital adjustments, net cash transferred to AECL at the sale closing was $1.6 million with a further $6.1 million received subsequent to March 31, 2012. As required by legislation, the $7.7 million to be received from Candu Energy Inc. will be remitted to the Corporation's Shareholder subsequent to year-end and have been accrued in Trade and other payables.

29. Subsequent Events

a) Employee Benefits

Included in the reported Employee Benefits liability is a $42.3 million voluntary termination compensation (VTC) benefit payable in instances of future voluntary resignations and retirements. Consistent with Government of Canada expectations of Agencies or Crown corporations, AECL plans to eliminate this benefit commencing in fiscal 2012–2013. Subsequent to year-end, several bargaining units comprising approximately 1,200 employees ratified agreements with AECL that included the elimination of the VTC in the 2012–2013 fiscal year. Under the terms of the ratified agreements, the benefit accrued to the effective date of elimination will be paid out to employees deemed eligible under the agreements. Also subsequent to year-end, the Corporation communicated its plan to eliminate the VTC for non-unionized staff effective October 2012. It is the Corporation's intention to negotiate the elimination of the VTC for the remaining bargaining units, the agreements for which have not yet been negotiated or ratified.

As the elimination of the VTC is agreed upon and implemented, employees eligible for payment of the accrued benefits will be offered three options in terms of the timing of the payment: receive the entire payment in 2012–2013; the entire payment at the time of termination of employment; or a combination of the first two options. The timing of the payments impacts the reported net present value of the Employee benefits liability. However, as affected staff will have up to six months to decide on their payment option, it is not yet possible to calculate the impact of the payment options selected by employees. The greatest potential impact would be experienced if all employees selected the entire payment in 2012–2013. Under this scenario AECL has determined, through actuarial evaluation, that the increase in AECL's reported Employee Benefit obligation for all employees would be as much as $10.7 million greater.

b) Performance Guarantee

On May 14, 2012, AECL received a notice from a customer instructing it to suspend all work on one of AECL's life extension projects. Additionally, on May 16, 2012, with respect to a performance guarantee (Letter of Credit) on this contract, as referenced in Note 19(c), $75 million was drawn on by the customer. At March 31, 2012, and in the periods preceding and following, it is AECL's position that it has worked in accordance with the terms of the contract. Accordingly, no amounts have been recorded in these financial statements at March 31, 2012 relating to the performance guarantee. AECL disputes the circumstances under which the customer asserted its claim to this performance guarantee and is working to resolve these matters with the customer.

30. Comparative Figures

Certain of the March 31, 2011 comparative figures have been reclassified to conform to the financial statement presentation adopted in the 2011–2012 fiscal year.

31. Explanation of Transition to IFRS

The accounting policies in Note 4 have been applied in preparing the consolidated financial statements for the years ended March 31, 2012, March 31, 2011 and the preparation of an opening IFRS Balance Sheet on April 1, 2010, the Transition Date.

In preparation of these consolidated financial statements, the financial statements for the year ended March 31, 2011 and all comparative periods have been adjusted from amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. As specifically required by IFRS, estimates made by the Corporation in accordance with IFRS at the date of transition, as well as for all comparative periods, are consistent with estimates made for the same date in accordance with previous Canadian GAAP.

First-time Adoption of IFRS

Mandatory Exceptions IFRS 1 prescribes mandatory exceptions to the retrospective application requirements of IFRS. The following exception applies to the Corporation:

- Estimates made in accordance with IFRS at transition date, and in the comparative period of the first IFRS financial statements, were consistent with those determined under Canadian GAAP with adjustments made only to reflect any differences in accounting policies. Under IFRS 1, the use of hindsight is not permitted to adjust estimates made in the past under Canadian GAAP that were based on the information that was available at the time the estimate was determined. Any additional estimates that are required under IFRS, that were not required under Canadian GAAP, are based on the information and conditions that exist at the transition date and in the comparative period of the first IFRS financial statements.

In preparing these consolidated financial statements, the Corporation has elected to apply the following optional exemptions permitted by IFRS 1, *First-time Adoption of International Financial Reporting Standards*:

i. The Corporation has elected to apply exemption from full retrospective application of Decommissioning and waste management provisions. Accordingly, the Corporation has re-measured the provisions as at April 1, 2010 under IAS 37, estimated the amount to be included in the cost of the related property, plant and equipment by discounting the provision to the date at which it first arose, using best estimates of the rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Accumulated depreciation related to these costs has been recalculated under IFRS accordingly, using the depreciation policy described in Note 4(g).
ii. Actuarial gains and losses of Employee Future Benefit Plans have been recognized in full in Shareholder's deficit at April 1, 2010.

iii. Experience adjustments to the Employee Benefits plan are determined for each accounting period and are disclosed prospectively from the date of transition to IFRS.
iv. Business combinations effected before April 1, 2010 have not been restated.

Reconciliation of Canadian GAAP to IFRS

An explanation of how the transition from Canadian GAAP to IFRS has affected the Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income (Loss) is set out in the following statements.

Reconciliation of Consolidated Balance Sheet as at April 1, 2010 – Transition Date

(thousands of Canadian dollars)

Canadian GAAP Accounts	Notes	Canadian GAAP Balance	IFRS Adjustments	IFRS Reclassifications	IFRS Balance	IFRS Accounts
		$	$	$	$	
Assets						
Current						Current
Cash and cash equivalents		47,833	—	—	47,833	Cash and cash equivalents
Accounts receivable and unbilled revenue		121,774	—	—	121,774	Trade and other receivables
Current portion of long-term receivables		19,028	—	—	19,028	Current portion of long-term receivables
Inventory		30,365	—	—	30,365	Inventory
		219,000	—	—	219,000	
Long-term receivables		170,224	—	—	170,224	Long-term receivables
Trust fund		29,671	—	—	29,671	Investments held in trust
Heavy water inventory		291,701	—	—	291,701	Heavy water inventory
Property, plant and equipment	a	231,360	(561)	—	230,799	Property, plant and equipment
Intangible assets		180,040	—	—	180,040	Intangible assets
		1,121,996	(561)	—	1,121,435	
Liabilities						
Current						Current
Accounts payable and accrued liabilities	c	206,019	—	15,592	221,611	Trade and other payables
Customer advances and obligations		440,872	—	—	440,872	Customer advances and obligations
Current portion of provisions	c	232,732	—	(15,592)	217,140	Current portion of provisions
Current portion of decommissioning and waste management provision		131,200	—	—	131,200	Current portion of decommissioning and waste management provision
Current portion of long-term payables		13,319	—	—	13,319	Current portion of long-term payables
		1,024,142	—	—	1,024,142	
Decommissioning and waste management provision	a	2,953,699	653,975	—	3,607,674	Decommissioning and waste management provision
Deferred capital funding		147,002	—	—	147,002	Deferred capital funding
Deferred development funding		175,348	—	—	175,348	Deferred development funding
Deferred decommissioning and waste management funding		100,644	—	—	100,644	Deferred decommissioning and waste management funding
Employee future benefits	b	61,501	5,909	—	67,410	Employee benefits
Long-term payables		18,289	—	—	18,289	Long-term payables
		4,480,625	659,884	—	5,140,509	
Shareholder's deficit						
Capital stock		15,000	—	—	15,000	Share capital
Contributed capital		350,872	—	—	350,872	Contributed capital
Deficit	a,b	(3,724,501)	(660,445)	—	(4,384,946)	Deficit
Accumulated other comprehensive income		—	—	—	—	Accumulated other comprehensive income
		(3,358,629)	(660,445)	—	(4,019,074)	
		1,121,996	(561)	—	1,121,435	

Reconciliation of Consolidated Balance Sheet as at March 31, 2011

(thousands of Canadian dollars)

Canadian GAAP Accounts	Notes	Canadian GAAP Balance	IFRS Adjustments	IFRS Reclassifications	IFRS Balance	IFRS Accounts
		$	$	$	$	
Assets						
Current						Current
Cash and cash equivalents		18,563	—	—	18,563	Cash and cash equivalents
Accounts receivable and unbilled revenue		262,753	—	—	262,753	Trade and other receivables
Current portion of long-term receivables		20,141	—	—	20,141	Current portion of long-term receivables
Inventory		28,982	—	—	28,982	Inventory
		330,439	—	—	330,439	
Long-term receivables		149,777	—	—	149,777	Long-term receivables
Trust fund		34,939	—	—	34,939	Investments held in trust
Heavy water inventory		290,974	—	—	290,974	Heavy water inventory
Property, plant and equipment	a	239,238	(503)	—	238,735	Property, plant and equipment
Intangible assets		2,607	—	—	2,607	Intangible assets
		1,047,974	(503)	—	1,047,471	
Liabilities						
Current						Current
Accounts payable and accrued liabilities	c	118,690	—	10,160	128,850	Trade and other payables
Customer advances and obligations		423,314	—	—	423,314	Customer advances and obligations
Current portion of provisions	c	232,396	—	(9,407)	222,989	Current portion of provisions
Current portion of decommissioning and waste management provision		136,900	—	—	136,900	Current portion of decommissioning and waste management provision
Current portion of long-term payables		13,319	—	—	13,319	Current portion of long-term payables
		924,619	—	753	925,372	
Decommissioning and waste management provision	a	3,220,146	897,489	—	4,117,635	Decommissioning and waste management provision
Deferred capital funding		156,973	—	—	156,973	Deferred capital funding
Deferred development funding		—	—	—	—	Deferred development funding
Deferred decommissioning and waste management funding		122,506	—	—	122,506	Deferred decommissioning and waste management funding
Employee future benefits	b	61,967	6,193	(753)	67,407	Employee benefits
Long-term payables		6,029	—	—	6,029	Long-term payables
		4,492,240	903,682	—	5,395,922	
Shareholder's deficit						
Capital stock		15,000	—	—	15,000	Share capital
Contributed capital		325,533	—	—	325,533	Contributed capital
Deficit	a,b	(3,784,799)	(903,500)	—	(4,688,299)	Deficit
Accumulated other comprehensive income	b	—	(685)	—	(685)	Accumulated other comprehensive income
		(3,444,266)	(904,185)	—	(4,348,451)	
		1,047,974	(503)	—	1,047,471	

Reconciliation of Consolidated Statement of Operations and Comprehensive Income (Loss) for the Year Ended March 31, 2011

(thousands of Canadian dollars)

Canadian GAAP Accounts	Notes	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	Restructuring Reclassifications	IFRS	IFRS Accounts
		$	$	$	$	$	
Commercial Operations							**Discontinued Operations**
Revenue							
Nuclear products and services		**447,637**	—	—	(1,732)	—	
Interest on long-term receivables	d	**10,298**	—	(10,298)	—	—	
Interest on investments and other	d	**288**	—	(288)	—	—	
		458,223	—	(10,586)	(1,732)	—	Revenue
Funding							
Parliamentary appropriations		**408,510**	—	(408,510)	—	—	
		408,510					
Expenses							
Cost of sales and operating expenses	e	**653,316**	(122)	(114,986)	(708)	—	Cost of sales
		653,316	(122)	(114,986)	(708)	—	
		—	—	448,820	(448,820)	—	Funding
	a	—	(43)	155,478	(304)	—	Operating expenses
Commercial Operations net income before Product Development		**213,417**	165	(10,768)	(449,540)	**(246,726)**	**Operating loss from discontinued operations**
Investment in Product Development							
Parliamentary appropriations		**40,310**	—	(40,310)	—	—	
Development costs		**(40,492)**	—	40,492	—	—	
Recognition of deferred development funding		**204,752**	—	—	—	**204,752**	Recognition of deferred development funding
Impairment of intangible assets		**(204,752)**	—	—	—	**(204,752)**	Impairment of intangible assets
	d	—	—	10,586	(10,586)	—	Financial income
Commercial Operations net income		**213,235**	165	—	(460,126)	**(246,726)**	**Loss from discontinued operations**
Nuclear Laboratories							**Nuclear Laboratories**
Research and Technology Operations							
Revenue		**49,792**	—	—	1,732	**51,524**	Revenue
Funding							
Parliamentary appropriations		**292,926**	—	(292,926)	—	—	
Cost recovery from third parties and other		**14,450**	—	(14,450)	—	—	
Amortization of deferred capital funding		**7,196**	—	(7,196)	—	—	
		314,572	—	(314,572)	—	—	
Expenses							
Cost of sales and operating expenses	a	**385,721**	(727)	(348,977)	727	**36,744**	Cost of sales
Interest on long-term payables	d	**1,062**	—	(1,062)	—		
		386,783	(727)	(350,039)	727	36,744	
						14,780	**Gross margin before government funding**
				348,265	(348,265)	—	Funding
		—	—	—	21,646	**21,646**	**Funding**
		—	—	—	—	**36,426**	**Gross margin**
	a	—	(886)	370,421	285	**369,820**	Operating Expenses
Research & Technology Division net loss before Dedicated Isotope Facilities		**(22,419)**	1,613	13,311	(325,899)	**(333,394)**	**Operating loss**
Dedicated Isotope Facilities							
Parliamentary appropriations		**33,693**	—	(33,693)	—	—	
Expenses		**21,444**	—	(21,444)	—	—	
		—	—		10,586	**10,586**	Financial income
	d	—	—	1,062	—	**1,062**	Financial expenses
Research & Technology Operations net loss		**(10,170)**	1,613	—	(315,313)	**(323,870)**	**Net loss before decommissioning and Parliamentary appropriations**
Liability Management Unit							**Decommissioning**
Funding							
Decommissioning funding		**125,804**	—	—	—	**125,804**	Funding
		125,804	—	—	—	125,804	
Expenses							
Revision in estimate and timing of expenditures	a	**236,257**	247,326	561	—	**484,144**	Loss on revaluation of liability and other
		236,257	247,326	561	—	484,144	
		—	—	—	—	**(358,340)**	**Decommissioning loss before financial expenses**
Accretion and other expenses	a, d	**152,910**	(2,493)	(561)	—	**149,856**	Financial expenses
		389,167	244,833	—	—	—	
Liability Management Unit net income (loss)		**(263,363)**	(244,833)	—		**(508,196)**	**Decommissioning net loss before Parliamentary appropriations**
Nuclear Laboratories net (loss) income		**(273,533)**	(243,220)	—	(315,313)	—	
						(832,066)	**Net loss from continuing operations**
Net loss		**(60,298)**	(243,055)	—	(775,439)	**(1,078,792)**	**Net loss before Parliamentary appropriations**
					775,439	**775,439**	**Parliamentary appropriations**
Other comprehensive income (loss)	f						Other comprehensive income (loss)
	b	—	(685)	—	—	**(685)**	Other employee benefit plan actuarial loss
Other comprehensive (loss) income		—	(685)	—	—	**(685)**	Other comprehensive (loss) income
Comprehensive income (loss)		**(60,298)**	(243,740)	—	—	**(304,038)**	**Total comprehensive loss**

Notes

In addition to the IFRS 1 exemptions that have been applied in the conversion from Canadian GAAP to IFRS, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS accounting policies applied by the Corporation. Only the differences that have an impact on AECL are described below. Relative to the impacts on AECL, the descriptive caption next to each numbered item below corresponds to the same numbered and descriptive caption in the tables above, which reflect the quantitative impacts from each change. Unless a quantitative impact is noted below, the impact from the change is not material to AECL.

(a) Decommissioning and Waste Management Provision

As noted above, the Corporation applied the exemption in IFRS 1 for decommissioning liabilities included in the cost of property, plant and equipment, such as the Decommissioning and waste management provision.

Adjustments to Decommissioning and Waste Management Provision

Canadian GAAP – The discounted value of the future cash flows related to the Corporation's Decommissioning and waste management provision is not adjusted for changes in the discount rate. Increased estimates resulting from new liabilities or increases in the spending profile are discounted at a current discount rate while decreases use a blended discount rate.

IFRS – Under IAS 37, a change in the current market-based discount rate will result in a change in the measurement of the entire provision. Accordingly, the provision recorded at the Transition Date and at fiscal period ends has been remeasured using the discount rate in effect at the respective year-ends.

Property, plant and equipment

Due to the above-noted adjustments to the Decommissioning and waste management provision, the cost of Property, plant and equipment is different in accordance with IFRS than in accordance with Canadian GAAP. As a result, even though depreciation is calculated in the same manner, the amount of depreciation differs.

The impact arising from the change is summarized as follows:

For the year ended	March 31
(thousands of Canadian dollars)	2011
	$
Consolidated Statement of Comprehensive Income (Loss)	
Increase (decrease) in Cost of sales	(716)
Increase (decrease) in Operating Expenses	246,666
Increase (decrease) in Financial Expense	(2,493)
Total adjustment decrease to Comprehensive Income	243,457

	March 31	April 1
(thousands of Canadian dollars)	2011	2010
	$	$
Consolidated Balance Sheet		
Increase (decrease) in Property, plant and equipment	(503)	(561)
Increase (decrease) in Decommissioning and waste management provision	897,489	653,975
Increase (decrease) in Deficit	(897,992)	(654,536)

Financial Expenses
Canadian GAAP – The increase in the carrying value of the provision to reflect the passage of time is denoted as "accretion expense" and is included as an operating item (Accretion and other expenses) in Net income (loss).

IFRS – The increase in the carrying value of the provision is viewed as a borrowing cost (Interest expense) and included in Financial expenses in Net and Comprehensive Income (Loss).

(b) Employee Benefits
As noted above, the Corporation elected to recognize all cumulative actuarial gains and losses that existed at the Transition Date in opening Shareholder's deficit for all employee benefits, except for the Pension plan, which is accounted for as a defined contribution plan. The amount recognized in opening Shareholder's deficit included obligations for long-term service awards and continuation of medical and dental care benefits during long-term disability that were not recognized previously.

Canadian GAAP – Actuarial gains and losses that arise in calculating the present value of the employee future benefit obligation are recognized on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. Cumulative gains or losses in excess of 10% of the accrued benefit obligation are amortized over the expected average remaining service of active members expected to receive benefits.

IFRS – For non-pension post-employment benefit plans, the Corporation has adopted a policy of recognizing actuarial gains and losses in Other comprehensive income in the period in which they occur. For other long-term employee benefits, any actuarial gains and losses are recognized in Comprehensive Income (Loss) in the period in which they arise.

The impact arising from the change is summarized as follows:

For the year ended	March 31
(thousands of Canadian dollars)	2011
	$
Consolidated Statement of Comprehensive Income (Loss)	
Increase (decrease) in Cost of sales	(133)
Increase (decrease) in Operating Expenses	(269)
Decrease (increase) in Other Comprehensive Income	685
Total adjustment decrease to Comprehensive Income	283

	March 31	April 1
(thousands of Canadian dollars)	2011	2010
	$	$
Consolidated Balance Sheet		
Increase (decrease) in Employee benefits (liability)	6,193	5,909
Increase (decrease) in Deficit	(5,508)	(5,909)
Increase (decrease) in Accumulated other comprehensive income	(685)	—

Presentation Reclassifications
Certain items on the Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income (Loss) have been reclassified to conform to the presentation adopted under IFRS.

c) Due to Shareholder
Canadian GAAP – Amounts due to Shareholder were included in Provisions.

IFRS – Amounts due to Shareholder do not constitute a provision. Accordingly, these amounts have been included in Trade and other payables on the Consolidated Balance Sheet.

d) Interest Income and Expenses
Canadian GAAP – Various items of interest income (including Interest on long-term receivables and Interest on investments and other) are included in Revenue. Interest expense is included with other expenses.

IFRS – Financial income and expenses are presented in a separate section of the Consolidated Statement of Comprehensive Income (Loss)

e) Cost of Sales and Other Operating Expenses
Canadian GAAP – The Corporation's Consolidated Statement of Operations classifies expenses using a combined grouping by their function and nature.

IFRS – Expenses are classified by either function or nature. The Corporation has elected to present expenses by function.

f) Other Comprehensive Income (Loss)
Canadian GAAP – Comprehensive income is presented, using a two-statement approach, with Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income (Loss).

IFRS – The Corporation has adopted a one statement approach, presenting Consolidated Comprehensive Income (Loss) in a Consolidated Statement of Comprehensive Income (loss).

Restatement of Cash Flow Statement from Canadian GAAP to IFRS
The restatement from Canadian GAAP to IFRS had no significant effect on the reported cash flows generated by the Corporation. The reconciling items between Canadian GAAP presentation and IFRS presentation have no net effect on the cash flows generated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Board of DIRECTORS

Peter Currie

Appointed Chair of the Board, October 2011

AECL, Chalk River, Ontario

Director, Intelius Inc., ViXS Systems Inc.

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, 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. Appointed member of the Board in October 2008.

Committees: Chair, Audit (April-October 2011); Member, Audit (ex-officio, October 2011-March 2012), Special Advisory (April-October 2011), and Human Resources & Governance (ex-officio, October 2011-March 2012).

Robert Walker

Appointed President and Chief Executive Officer, October 2011

AECL, Chalk River, Ontario

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. Chair of the Board of the MEOPAR Network of Centers of Excellence and former Chair of the NATO Research and Technology Board. Holds a physics degree from Acadia University, and a Master of Engineering (engineering physics) and a PhD (electrical engineering) from McMaster University. A graduate of the National Defence College and a Fellow of the Canadian Academy of Engineering. Joined AECL in November 2010.

Committees: Member, Audit (ex-officio, October 2011-March 2012), and Human Resources & Governance (ex-officio, October 2011-March 2012).

Richard Boudreault

President and Chief Executive Officer, Orbite Aluminae Inc.

Former Vice-President of Technologies, Orbite Aluminae Inc. Current Board member of Mechtronix Systems Inc. and member of the consulting committee on research and development for the National Optical Institute, in Québec city. Former Director of Oerlikon-Burhle, CEO and founder of Centrede Technologies Aerospatiales research centre, and Professor of Aerospace Engineering, Université de Sherbrooke. A Fellow of the Canadian Academy of Engineering, the International Aeronautic Academy, the Space and Aeronautic Institute of Canada and the World Academy of Arts & Sciences. Associate Fellow of the American Institute for Aeronautics and Astronautics, senior member of the Institute of Electrical and Electronics Engineers, and member of scientific research society Sigma Xi. Holds a physics degree from the University of Montreal, a Master of Engineering from Cornell University and an MBA from the Université de Sherbrooke. Appointed December 2007.

Committees: Member, Audit (2011–2012), Science, Technology & Nuclear Oversight (April-October 2011), and Special Advisory (April-October 2011).

Dr. Claude Lajeunesse

President Emeritus, Ryerson University, Toronto, Ontario

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

Committees: Chair, Human Resources & Governance (October 2011-March 2012), and Science, Technology & Nuclear Oversight (April-October 2011); Member, Project Risk Review (April-October 2011), and Special Advisory (April-October 2011).

Dr. John Luxat

Professor and NSERC/UNENE Industrial Research Chair in Nuclear Safety Analysis, McMaster University

Former Vice-President and Board Director of Nuclear Safety Solutions Limited with 32 years of experience in the Canadian nuclear industry. Past-President and Treasurer of the Canadian Nuclear Society. Principal Investigator, Nuclear Ontario research network. Member of the Canadian and American Nuclear Societies and of the Advisory Board of the International Association for Structural Mechanics in Reactor Technology. Holds a PhD in electrical engineering from the University of Windsor. Appointed October 2008.

Committees: Member, Science, Technology & Nuclear Oversight (April-October 2011), and Human Resources & Governance (October 2011-March 2012)

Stella Thompson

Chair, Genome Alberta and Alberta WaterSMART

Vice-Chair, First Calgary Financial and Balancing Pool

Current directorships include: the Alberta Provincial Audit Committee, Calgary Airport Authority. Former Vice-President at Petro-Canada. Recipient of the ICD.D certification granted by the Institute of Corporate Directors and, in 2005, was recognized by the Women's Executive Network and the University of Western Ontario's Richard Ivey School of Business as one of Canada's Top 100 Most Powerful Women. Appointed September 2002.

Committees: Chair, Human Resources & Governance (April-October 2011); Member, Audit (2011–2012), Human Resources & Governance (October 2011-March 2012), and Project Risk Review (April-October 2011).

Barbara Trenholm

Professor Emerita, Faculty of Business Administration, University of New Brunswick

A Fellow Chartered Accountant, current directorships include Plazacorp Retail Properties Ltd. Member of the Institute of Corporate Directors. Awards include the National Post/PricewaterhouseCoopers Leaders in Management Education Award, the Global Teaching Excellence Award, and University of New Brunswick Merit Award and Dr. Allan P. Stuart Award for Excellence in Teaching. Former member of the Canadian Institute of Chartered Accountant's Board of Directors, Past-President of the New Brunswick Institute of Chartered Accountants, and former Acting Dean of the University of New Brunswick's Faculty of Business Administration. Appointed June 2002.

Committees: Chair, Audit (October 2011-March 2012); Member, Audit (April-October 2011), and Project Risk Review (April-October 2011).

OFFICERS

As of March 31, 2012

Peter Currie
Chair of the Board

Robert Walker
President and Chief Executive Officer

Lynne Campbell
Vice-President, Human Resources

Richard Coté
Vice-President, Commercial, Nuclear Laboratories

Richard Fujarczuk
Vice-President, General Counsel & Corporate Secretary

Steven Halpenny
Vice-President & Chief Financial Officer

Allan Hawryluk
Senior Vice-President, Strategic Contracting

William Kupferschmidt
Vice-President, Research & Development

Randy Lesco
Vice-President, Operations & Chief Nuclear Officer

Jon Lundy
Senior Vice-President & General Manager, Wrap-Up Office

Joan Miller
Vice-President, Decommissioning & Waste Management

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

Corporate GOVERNANCE

The corporate governance structure of AECL is similar to that of other corporations incorporated pursuant to the *Canada Business Corporations Act* with the exception that AECL's Directors, the Board Chair and the President and Chief Executive Officer are appointed by the Government of Canada by Order-in-Council.

In 2011–2012, the Board provided direction, input and evaluation of AECL's strategic plans and approved major contracts and initiatives. During the first half of the fiscal year, a major focus for the Board and its Special Advisory Committee was the provision of effective governance over the restructuring of AECL. This was effected by the divestiture of the Commercial Operations business, including the provision of due diligence in relation to the Government of Canada's efforts to secure investors/owners for the Commercial Operations. In the second half of the fiscal year, the Board's focus turned to the oversight of AECL's transition into a stand-alone science and technology organization.

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

In 2011–2012, 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:

- Re-designed the structure and composition of advisory committees to the Board to accommodate the reduction in the Board's size to seven members, as well as the changes attendant on the divestiture of the Commercial Operations.
- Ensured that the two retained committees (Audit and Human Resources and Governance) exercised oversight on all matters addressed under the previous committee structure and provided appropriate levels of oversight over business risk and other related risks.
- Provided significant due diligence and perspectives as the Government of Canada moved to the second phase of its restructuring of AECL.
- Provided appropriate oversight as AECL adopted a new regime of financial reporting in conformity with IFRS.
- Continued to provide regular reporting to the Minister of Natural Resources Canada with respect to the Board's fulfillment of its governance role and accountabilities.

The Board

During the first half of the fiscal year, the Board had 11 appointed members, 10 of whom were independent in the sense that they were not management, nor did they have any interest, business or other relationship with the company. As of October 1, 2011, the Board had seven members, six of whom were independent from the company.

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.

CORPORATE GOVERNANCE

The following table sets forth the record of attendance for Board and Committee meetings for each of the Directors over the past fiscal year. The compensation of the Board complies with the Remuneration Guidelines for part-time Governor in Council Appointees. Prior to his departure from the Board, Hugh MacDiarmid, President and CEO of AECL, was considered a non-independent Director, and as such did not receive compensation as a Director. With his appointment as President and CEO of AECL in October 2011, Robert Walker was also considered a non-independent Director and as a result, did not receive compensation as a Director.

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

Directors' Attendance at Board and Committee Meetings, 2011–2012

Director	Audit (5 meetings)	Science, Technology & Nuclear Oversight (3 meetings) [4]	Human Resources & Governance (9 meetings)	Project Risk Review (7 meetings) [4]	Special Advisory (5 meetings) [4]	Board of Directors (13 meetings)
P. Currie [1/5]	5/5	–	3/3	–	5/5	13/13
G. Carr [3]	3/3	2/3	5/6	6/7	5/5	5/5
R. Walker [2/5]	2/2	3/3	2/2	–	–	8/8
H. MacDiarmid [3]	3/3	3/3	6/6	7/7	5/5	5/5
M. Aubut [3]	–	–	2/6	–	–	3/5
R. Boudreault	5/5	2/3	–	–	4/5	11/13
C. Lajeunesse	–	3/3	3/3	7/7	5/5	13/13
J. Luxat	–	3/3	3/3	–	–	12/13
C. Perry [3]	–	–	6/6	7/7	5/5	5/5
G. Shaw [3]	–	3/3	6/6	–	–	5/5
S. Thompson	4/5	–	8/9	5/7	4/5	10/13
B. Trenholm	5/5	–	–	7/7	–	12/13

1 Appointed Chair of the Board in October 2011, replacing G. Carr.

2 Appointed member of the Board and President and CEO in October 2011, replacing H. MacDiarmid.

3 Resigned from the Board in October 2011.

4 Committee dissolved in October 2011.

5 Ex-Officio Members of Human Resources & Governance Committee and Audit Committee subject to limits on role of CEO.

Five-Year CONSOLIDATED FINANCIAL SUMMARY

(Unaudited)

(millions of dollars)	**2012**	2011*	2010*	2009*	2008*
	$	$	$	$	$
Nuclear Laboratories					
Revenue	**76**	52	33	65	58
Funding	**28**	22	12	8	7
Interest revenue	**10**	11	11	14	17
Impairment charge	**—**	—	—	—	(247)
Net loss before decommissioning and waste management	**(311)**	(324)	(315)	(247)	(419)
Decommissioning and Waste Management					
Funding	**137**	126	115	105	96
Revaluation loss on decommissioning and waste management liability and other and financial expenses	**(1,518)**	(634)	(86)	(182)	(168)
Net loss from continuing operations	**(1,692)**	(832)	(286)	(324)	(491)
Commercial Operations (Discontinued Operations)					
Revenue	**278**	446	428	322	541
Operating loss from discontinued operations	**(96)**	(247)	(491)	(469)	(54)
Impairment of long-lived assets	**9**	205	—	—	—
Restructuring charge	**31**	—	—	—	—
Net loss from discontinued operations	**(136)**	(452)	(491)	(469)	(54)
Parliamentary Appropriations					
Operating and capital	**719**	793	822	528	198
Recognition of deferred development funding	**—**	205	—	—	—

Financial Position	**2012**	2011*	2010*	2009*	2008*
Cash, cash equivalents and short-term investments	**35**	19	48	33	65
Heavy water inventory	**291**	291	292	294	295
Capital expenditures	**45**	39	50	51	111
Property, plant and equipment	**263**	239	231	191	142
Decommissioning and waste management provision	**5,679**	4,255	3,085	3,100	3,008
Long-term payables (excludes current portion)	**—**	6	18	30	41
Other					
Export revenues	**80**	147	163	105	136
Number of full-time employees	**3,214**	4,830	4,957	4,891	4,728

*Certain amounts have been reclassified to conform to the 2012 Financial Statement presentation. The amounts reflected for 2008, 2009 and 2010 are reported under previous Canadian GAAP.

AECL Offices

Head Office

Chalk River Laboratories
Chalk River, Ontario
Canada K0J 1J0

Sheridan Park
2251 Speakman Drive
Mississauga, Ontario
Canada L5K 1B2

Whiteshell Laboratories
Pinawa, Manitoba
Canada R0E 1L0

Port Hope Area Initiative
Management Office
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

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

Low-Level Radioactive
Waste Management
1900 City Park Drive
Suite 200
Ottawa, Ontario
Canada K1J 1A3

Inquiries

Public requests for information
Toll free: 1-866-513-AECL (2325)
Email: Site&CommunityAffairs@aecl.ca

Visit Our Website
www.aecl.ca

Version française
La version française du rapport
annuel sera fournie sur demande.

Canada

MIX
Paper from responsible sources
FSC® C103348

PRINTED IN CANADA • IMPRIMÉ AU CANADA
CC1-3/2012E-PDF • ISSN: 1929-3941
CATALOGUE #: CW-502400-REPT-007 Rev.0

Atomic Energy of Canada Limited

Chalk River Laboratories
Chalk River, Ontario
Canada K0J 1J0

Tel: 613.584.3311
Fax: 613.584.8272

www.aecl.ca

AECL