AECL
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ATOMIC ENERGY OF CANADA LIMITED

Second Quarter Financial Report

Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the three and six months ended September 30, 2013 and September 30, 2012

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1 MESSAGE FROM THE PRESIDENT

The second quarter of 2013-2014 was another period of solid progress for AECL. Our employees continue to deliver according to AECL's Program plans, on budget and on schedule, supporting Government of Canada priorities for a clean and healthy environment, healthy Canadians, a safe and secure Canada, and an innovative and knowledge-based economy.

AECL's 2013-2014 Corporate Plan is the compass that guides these efforts. As we move into the second half of this fiscal year, our Programs remain aligned with the Government of Canada's long-term vision for the Nuclear Laboratories.

This quarter, AECL made progress against its strategic improvement initiative, an area of significance in AECL planning and crucial to restructuring success. In particular, AECL continued to sharpen its focus on nuclear safety, implement productivity enhancements, and stimulate business innovation through its science and technology activities.

On the topic of nuclear safety, AECL emergency responders conducted a drill this quarter to assess the effectiveness of AECL's emergency water supply response measures under Fukushima-like conditions. The scenario consisted of a simulated seismic event in which the infrastructure in and around the NRU reactor was postulated to be heavily damaged. These exercises are important to AECL's culture of continuous improvement as we learn from the events in Japan.

Progress on nuclear safety extended to AECL facilities in Q2. AECL's Integrated Implementation Plan (IIP) is being executed as planned. IIP is AECL's improvement plan to enhance the safety and reliability of the NRU reactor and is a condition of the Chalk River Laboratories operating licence. A long-term IIP support contract was also awarded this quarter, which will provide AECL with high-quality, consistent reporting to ensure the plan is properly executed.

AECL continued to support the broader nuclear sector this quarter. On behalf of Candu Energy Inc., AECL responded to an urgent request from a Canadian nuclear power station to refurbish its online fuelling machine. AECL personnel were able to resolve the issue in an efficient manner using unique AECL technology, demonstrating the important role our organization plays in addressing technological challenges that arise from the industry.

With respect to industry engagement, AECL once again hosted the annual Organization of Canadian Nuclear Industries (OCI) Suppliers Day trade show. With more than 50 member companies in attendance, Suppliers Day welcomed representatives from across Canada who play an important role in the success of the nuclear industry. These events present AECL with opportunities to establish relationships with the nuclear supply chain and to explore commercial and technology development opportunities.

From a business development perspective, AECL signed an agreement with an industrial partner to develop technologies for tritium-powered batteries that generate greater power outputs than currently available. AECL's unique facilities for handling and manufacturing components containing large concentrations of tritium are central to the development of this technology, which has a variety of applications across a number of different industries.

AECL also continued to inform public policy in Canada this quarter, a key component of its value proposition. AECL signed a Memorandum of Understanding with the CNSC to support the regulator in establishing a position on small reactor remote monitoring and control via satellite communication technologies. AECL also completed a comparison study that has important implications for the disposal of advanced fuels in Canada’s Deep Geological Repository (DGR) concept. All of this work benefits Canadians.

Finally, tthrough the completion of a number of important projects and activities, AECL continues to ensure that its sites are clean and healthy environments, and that our organization is fully committed to responsible environmental stewardship.

The completion of all of this work supports AECL restructuring, which is proceeding as scheduled with key milestones reached over the past three months. Among other activities, AECL hosted a number of private-sector firms from around the world in Q2 to see a cross-section of the science, waste and operational activities and infrastructure at AECL’s Chalk River and Whiteshell sites.

Once completed, the AECL restructuring process will ensure that AECL can better compete in the global marketplace, reduce taxpayer financial exposure and create better conditions for the entire Canadian nuclear industry to succeed.

I’m very pleased with the progress that AECL has made this quarter, but we have a lot of work ahead of us before the end of this fiscal year. I am confident that we will continue to demonstrate the important role our programs play in the Canadian nuclear industry by executing against our plans. With our Corporate Plan to guide us, AECL will ensure that it effectively serves Canadians as the nation’s premiere nuclear science and technology organization.

Once again, I’d like to thank the AECL Board of Directors, our management team and AECL personnel for another successful period. You continue to establish the conditions for our ongoing success, and your contributions are critical to ensuring that the nuclear industry in Canada remains safe, productive and prosperous.

Robert Walker
President & Chief Executive Officer

2 MANAGEMENT'S NARRATIVE DISCUSSION

2.1 Introduction

Management's Narrative Discussion is designed to provide the reader with a greater understanding of AECL's business, its business strategy and performance, its expectations of the future, and how the Corporation manages risk and capital resources. It is also intended to enhance the understanding of the unaudited interim condensed consolidated financial statements for the second quarter and for the first six months of 2013-2014 and accompanying notes. Management's Narrative Discussion should therefore be read in conjunction with these documents, in addition to the 2012-2013 AECL Annual Financial Report for the year ended March 31, 2013 and the First Quarter Financial Report for the three-month period ended June 30, 2013.

Unless otherwise indicated, all financial information presented in Management's Narrative Discussion, including tabular amounts, is in Canadian dollars and is prepared in accordance with International Financial Reporting Standards (IFRS).

Management's Narrative Discussion was authorized for issue by the Board of Directors on November 14, 2013.

2.2 Our Business

AECL is an agent Crown corporation reporting to Parliament through the Minister of Natural Resources Canada. AECL is headquartered at Chalk River, Ontario and employs more than 3,300 full-time staff.

AECL provides value to Canadians as: an advisor to, and agent of, the Government of Canada for public policy purposes; an enabler of business innovation and technology transfer; and a generator of highly-qualified people.

AECL's vision is to be a global partner in nuclear innovation. The Corporation's overriding objective or "strategic outcome" is 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.

Management organizes its business activities and evaluates its financial results through its Nuclear Laboratories, which is responsible for achieving the business goals established in AECL's Corporate Plan. Management also maintains a small staff complement in Oakville, Ontario under the Wrap-Up Office to manage retained liabilities related to AECL's Commercial Operations business as at the date of its sale in October 2011.

AECL receives federal funding through appropriations and contracts that enable it to: be an advisor to and agent of the Government of Canada in matters of public policy related to nuclear safety and security, to the production of medical isotopes, and to the management on behalf of the Government of Canada of legacy and historic wastes from the past development of nuclear technology in Canada.

AECL also generates revenue from the provision of nuclear science and technology and related testing services. This includes medical isotopes; support for CANDU-related technology; nuclear research and development and testing services for COG, individual CANDU utilities, Candu Energy Inc. and other third parties; and commercial waste management services for hospitals and universities.

AECL undertakes a series of Programs, identified below, that have been established to fulfil the Corporation's strategic outcome. These Programs are aligned with and support the Government of Canada's priorities for a clean and healthy environment; healthy Canadians; a safe and secure Canada; and an innovative and knowledge-based economy.

Nuclear Industry Capability	Ensures that the Canadian nuclear sector remains safe and productive with access to science and technology resources to address emergent technological challenges, and that Canada maintains a strong nuclear power sector.
Nuclear Safety & Security	Ensures that federal activities, regulations and policies, related to nuclear or radiological issues, are supported by the necessary expertise and facilities.
Clean, Safe Energy	Involves the development of energy technologies that make a beneficial impact on Canada's use of clean energy.
Health, Isotopes & Radiation	Ensures that Canadians experience health benefits from nuclear science and technology.
Nuclear Environmental Stewardship	Ensures that Canada's federal nuclear sites are clean and healthy environments.
Nuclear Innovation Networks	Ensures that the Canadian science and technology communities can advance their innovation agendas through access to federal nuclear innovation infrastructure and expertise.
Mission-Ready Science & Technology Infrastructure	Ensures that scientists and engineers from AECL and its partner organizations have access to licensed facilities and services that enable nuclear innovation and production in a safe campus environment that is fully compliant with all legislation for conducting nuclear-related activities.
Internal Services	Provides the business and administrative support functions and infrastructure to enable the efficient and effective delivery of the above programs.

2.3 Highlights of Second Quarter 2013-2014

2.3.1 Health, Safety, Security and Environment

- AECL's lost-time injury (LTI) frequency rate for Q2 was tracking below target against the frequency target set for the fiscal year.

- AECL initiated the Request for Proposal (RFP) process to acquire Disability Management (DM) consultant support to ensure AECL's DM programs and processes are competitive, meet legal obligations and are aligned with AECL business objectives.

- AECL submitted a revised Strategic Emergency Management Plan to Public Safety Canada (PSC) that aligns appropriately with federal criteria. AECL received a "strong" rating from PSC, meeting 44 out of 44 criteria for its updated plan.

- An ISO 14001 accreditation audit was conducted at AECL's Chalk River and Whiteshell sites. ISO 14001 represents the core set of standards used by organizations for designing and implementing an effective environmental management system. Both AECL sites were successful in the accreditation process.

2.3.2 Program Activities

Nuclear Industry Capability

- On behalf of Candu Energy Inc., AECL successfully responded to an urgent request from a Canadian nuclear power station to refurbish seals for its online fuelling machine. The work demonstrates the important role AECL plays in ensuring Canada's nuclear sector has access to science and technology resources to address emergent technological challenges.

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

Nuclear Safety and Security

- AECL's Fire & Emergency Services conducted a drill to assess the effectiveness of its NRU Qualified Emergency Water Supply (QEWS) response measures under emergency conditions. The focus of the exercise was the interoperability between responding organizations and the results provided AECL with valuable information into its emergency response capabilities.

- AECL successfully completed the installation of its prototype cargo inspection system, which uses naturally occurring cosmic rays to detect contraband nuclear materials hidden inside shipping containers. In the coming months, AECL will continue to develop the technology to support international efforts for the non-proliferation of nuclear weapons and weapons-grade materials.

Clean, Safe Energy

- AECL signed a Memorandum of Understanding with the Canadian Nuclear Safety Commission (CNSC) to assist the CNSC in establishing a regulatory position for small reactor remote monitoring and control via satellite communication technologies. AECL has completed and issued its initial findings report to the CNSC and has been invited to participate in a Canadian Standards Association (CSA) Committee on Cyber Security for Nuclear Power Plants and Reactor Facilities.

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

- AECL successfully completed a comparison study of the dose rates from spent advanced fuels with those from natural uranium fuels with comparable levels of electricity production, demonstrating that dose rates are comparable. This work has important implications for Canada’s Deep Geological Repository (DGR) concept. If Canada implements an advanced proliferation-resistant fuel cycle in the future, the long-term storage behaviour of these used fuels in the repository must be adequately understood.

Health, Isotopes and Radiation

- AECL continued to support the global health community in Q2 through the reliable supply of molybdenum medical isotopes. During the quarter, AECL met 97 per cent of molybdenum isotope orders.

- AECL’s Integrated Implementation Plan (IIP) continues to be executed as planned. IIP is AECL’s improvement plan to enhance the safety and reliability of the NRU reactor and is a condition of the Chalk River Laboratories operating licence. A long-term IIP support contract was also awarded this quarter, which will provide AECL with high-quality, consistent reporting of IIP progress.

- AECL successfully developed a remote mechanical tool designed for the NRU reactor that improves AECL capabilities in ensuring the integrity of the NRU Vessel. The tool has been successfully demonstrated and is now in the final stages of acceptance by the Technical Standards & Safety Authority (TSSA).

Nuclear Environmental Stewardship

- AECL made strong progress in the remediation and control of contaminated groundwater on the Chalk River site in Q2. This included the completion of a passive in-ground water treatment system to remove selected contaminants, the installation of a geomembrane cover over an AECL Waste Management Area to limit contaminant transport, and the initiation of a conceptual design for a replacement Pump & Treat system to address contamination associated with legacy liquid waste disposal in the Waste Management Area. These milestones represent important progress in ensuring AECL sites are clean and healthy environments, and underscores AECL's commitment to responsible environmental stewardship.

Nuclear Innovation Networks

- This quarter, AECL selected 10 successful submissions from its external Call for Proposals for collaborations with third-parties that support AECL's science and technology (S&T) priorities. In total, 16 proposals were received as part of an initiative intended to bring together university researchers, small-medium enterprise companies and government laboratories to advance nuclear S&T in support of AECL's value proposition and to increase private-public sector collaborations. To enable this, AECL is providing in-kind support through access to unique AECL facilities, technologies and expert advice. Through these and other collaboration initiatives, AECL is supporting the development of highly qualified people and private sector innovation.

Mission-Ready Science & Technology Infrastructure

- In Q2, the Canadian Nuclear Safety Commission (CNSC) conducted two Type II inspections of AECL's research and development facilities. The results of both inspections were positive, and no opportunities for improvements were identified as part of the process. Combined with AECL's internal self-assessment program, these inspections have driven improvements within all of AECL's science and technology facilities.

- The Analytical Chemistry branch within AECL's Reactor Safety Division has been officially accredited to ISO / IEC 17025 for a wide range of radiological and environmental testing. This accreditation is recognition of the level of rigour and proficiency exhibited by this AECL group, and it increases the marketability of these AECL services, as certification to this standard is often necessary for vendor qualification.

Internal Services

- AECL hosted the annual Organization of Canadian Nuclear Industries (OCI) Suppliers Day trade show, attended by more than 50 OCI member companies, and led a commercialization workshop to showcase AECL technologies to OCI members. The events were an excellent opportunity to engage and build relationships with representatives from the Canadian nuclear supply chain and to explore commercial and technology development opportunities.

- This quarter, AECL and Nordion reached a settlement that resolves all outstanding legal matters related to the production and distribution of molybdenum-99 to the global health community. The settlement aligns with the Government of Canada's international policy commitments among isotope producing nations.

2.3.3 Commercial Operations (Discontinued Operations)

- AECL's Wrap-Up Office continues to address outstanding obligations arising from its Commercial Operations (Discontinued Operations), including the commercial and legal work required to defend, assert and settle outstanding claims. The Wrap-Up Office also continues to manage its outstanding obligations related to the life extension projects through its subcontractor, Candu Energy Inc.

2.3.4 Financial

- AECL's comprehensive income was $319 million in Q2 2013-2014 compared to a $50 million comprehensive income in the same period of the previous year. The $269 million variance relates primarily to the quarterly revaluation of the decommissioning and waste management liability.

  As per AECL reporting standards, the decommissioning and waste management liability is re-valued quarterly on a discounted or net present value basis using the interest rate in effect at the end of the quarter. When the interest rate decreases, the liability increases. Conversely, when the interest rate increases, the liability decreases. In both cases, the change in liability impacts the Corporation's reported net income or net loss, but is a non-cash income or expense and does not impact AECL's funding requirements for the reporting year.

  The interest rate at September 30, 2013 was 0.18% higher than the previous quarter-end rate while the interest rate at September 30, 2012 was 0.01% lower than the June 30, 2012 rate. As a result, AECL's reported liability decreased by $293 million in Q2 2013-2014 compared to an increase in the liability of $23 million in Q2 2012-2013.

- The Government of Canada provided funding to allow AECL to move forward with its respective planned activities in accordance with its Corporate Plan. Several of the more significant funded initiatives during the quarter were:

  - $118 million to support ongoing Chalk River site operations and regulatory, health, safety and environmental needs; science and technology activities; and Project New Lease (infrastructure renewal) and the Isotope Supply Reliability Program (ISRP - NRU operations and licence requirements) initiatives.

  - $51 million for decommissioning and waste management activities.

- The 2013-2014 year-to-date results are generally comparable to the planned results presented and approved in AECL's 2013-2014 Corporate Plan. As such, AECL is on track to meet its commitments, within budget, and the financial performance measures for the current fiscal year as outlined in its 2013-2014 Corporate Plan.

2.3.5 Outlook

- 2013-2014 major priorities and deliverables are described in AECL's 2012-2013 annual financial report in the "Management's Discussion and Analysis" section. These priorities and deliverables have not materially changed in the first six months of 2013-2014.

2.4 Forward-Looking Statements

This Management's Narrative Discussion has been reviewed by AECL's Audit Committee and approved by AECL's Board of Directors. It provides comments on the performance of AECL for the quarter ended September 30, 2013 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes.

The Management's Narrative Discussion contains forward-looking statements with respect to AECL based on assumptions that management considers reasonable at the time of preparation. 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.

2.5 Financial Review by Organization

2.5.1 Nuclear Laboratories

Nuclear Laboratories	Three Months Ended September 30,				Six Months Ended September 30,			
		2013		*2012*		***2013***		*2012*
($ millions)								
Revenue and Funding								
Revenue	**$**	**21**	$	23	**$**	**42**	$	40
Cost recoveries from third parties and other		**5**		6		**11**		10
Amortization of Deferred capital funding		**4**		3		**7**		6
Decommissioning and waste management funding		**51**		29		**93**		56
Total revenue and funding	**$**	**81**	$	61	**$**	**153**	$	112
Gross margin	**$**	**10**	$	12	**$**	**18**	$	18
Operating expenses	**$**	**81**	$	100	**$**	**171**	$	194
Financial expenses	**$**	**53**	$	36	**$**	**103**	$	73
Net income (loss) before Revaluation on decommissioning and waste management and other	**$**	**36**	$	(18)	**$**	**30**	$	(41)

2.5.1.1 Revenue

In Q2 2013-2014, the Nuclear Laboratories generated $21 million in revenue related to its support for the nuclear industry capability program, compared to $23 million in Q2 2012-2013. On a year-to-date basis, revenues increased to $42 million in 2013-2014 from $40 million in the first six months of 2012-2013. Revenue included isotope sales, commercial technology sales, nuclear waste management, and research and development activities performed for the CANDU Owners Group. The decrease in revenue in Q2 2013-2014 compared to the second quarter in the prior year is the result of reduced work performed for the CANDU Owners Group during this period. The improved year-to-date results can be attributed primarily to increased revenue earned on work performed under contract for Candu Energy Inc.

2.5.1.2 Cost Recoveries from Third Parties and Other

Nuclear Laboratories manages historic low-level radioactive wastes through the Low-Level Radioactive Waste Management Office and the Port Hope Area Initiative Management Office on a cost recovery basis for Natural Resources Canada. These activities represent the majority of AECL's cost recoveries. Funding of $5 million in Q2 2013-2014 and $11 million for the year-to-date period was provided through Natural Resources Canada to support the Low-Level Radioactive Waste Management Office and the Port Hope Area Initiative Management Office. This level of funding is generally comparable to the second quarter and year-to-date amounts received for the same periods in the previous fiscal year.

2.5.1.3 Decommissioning Funding

Decommissioning funding recognized during Q2 2013-2014 was $51 million, compared to $29 million in Q2 2012-2013. On a year-to-date basis, $93 million in funding was recognized, compared to $56 million in 2012-2013. These variances are reflective of the increased environmental remediation and decommissioning activities performed in 2013-2014, compared to 2012-2013, with the largest increase being $19 million year-to-date for activities related to the repatriation of Highly Enriched Uranium. The decommissioning funding enables AECL to provide sound environmental stewardship in addressing its decommissioning and waste management liabilities.

2.5.1.4 Gross Margin

Gross margins decreased from $12 million in Q2 2012-2013 to $10 million in Q2 2013-2014. On a year-to-date basis, gross margins were consistent at $18 million in both the current and prior year. The quarter and year-to-date results are largely consistent with those of the prior year.

2.5.1.5 Operating Expenses

Total operating expenses for the Nuclear Laboratories were $81 million in Q2 2013-2014 compared to $100 million in Q2 2012-2013. On a year-to-date basis, operating expenses decreased to $171 million from $194 million in 2012-2013. These variances relate mostly to an $8 million increase in the Employee benefits liability resulting from the elimination of the voluntary termination compensation recorded in the second quarter of the prior year. The variances also reflect the impact of costs incurred in the first six months of 2012-2013 related to contracted expertise to defend legal disputes adjudicated in Q2 2012-2013.

2.5.1.6 Financial Expenses

Financial expenses in Q2 2013-2014 of $53 million, which primarily include the increase in the net present value of the Decommissioning and waste management provision (due to the passage of time), were greater than the $36 million reported in Q2 2012-2013. On a year-to-date basis, financial expenses were $103 million, compared to $73 million in 2012-2013. These variances are attributable to the higher Decommissioning and waste management provision following the re-estimate undertaken in the fourth quarter of 2012-2013.

2.5.1.7 Net income (loss) before revaluation on decommissioning and waste management

Nuclear Laboratories reported a net income before revaluation on decommissioning and waste management of $36 million in Q2 2013-2014 compared to an $18 million net loss in Q2 2012-2013. On a year-to-date basis, a net income before revaluation on decommissioning and waste management of $30 million was reported compared to a net loss of $41 million in 2012-2013. These variances result mainly from the changes in funding and expenses as described above as well as an increase in Parliamentary appropriations related to working capital requirements.

2.5.2 Commercial Operations (Discontinued Operations)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	*2012*	**2013**	*2012*
($ millions)				
Total revenue	**$ (1)**	$ 37	**$ 19**	$ 65
Total gross margin	**$ (4)**	$ 53	**$ 19**	$ 57
Operating expenses	**$ 9**	$ 8	**$ 21**	$ 18
(Loss) income from discontinued operations	**$ (13)**	$ 45	**$ (3)**	$ 39

2.5.2.1 Revenue

AECL continued to earn revenue from certain life extension projects retained by AECL as at the date of the sale of the Commercial Operations business to Candu Energy Inc. Revenue recorded in 2013-2014 relates to recognition of contract revenue with customers resulting from the close out of each of its life extension projects.

2.5.2.2 Gross Margin

Gross margin of $19 million in 2013-2014 reflects the revenue recorded in the year, as described above, with no associated costs as these costs had been recorded in prior years and carried on the balance sheet as a contract loss provision. Additionally, certain costs recorded in previous periods have been reversed as a result of a reduction in the estimated costs to close out the life extension projects.

2.5.2.3 Operating Expenses

Operating expenses were $9 million in Q2 2013-2014 compared to $8 million in Q2 2012-2013. On a year-to-date basis, operating expenses increased to $21 million from $18 million in 2012-

2013. These increases are mostly attributable to the use of third-party service providers to support legal disputes and costs to support the completion of the Enhanced CANDU Reactor development program.

2.6 Consolidated Cash Flow and Working Capital (Before Discontinued Operations)

SOURCES AND USES OF CASH

	Three Months Ended September 30,		Six Months Ended September 30,	
($ millions)	***2013***	*2012*	***2013***	*2012*
Cash from operating activities	**$ 33**	$ 25	**$ 59**	$ 32
Cash used in investing activities	**(15)**	(14)	**(36)**	(15)
Cash				
Increase	**18**	11	**23**	17
Balance at beginning of the period	**41**	41	**36**	35
Balance at end of the period	**$ 59**	$ 52	**$ 59**	$ 52

Overall, AECL's Q2 2013-2014 closing cash position increased to $59 million from the Q2 2012-2013 level of $52 million.

2.6.1 Operating Activities

Operating activities generated a net cash inflow of $33 million in Q2 2013-2014 compared to $25 million in Q2 2012-2013. On a year-to-date basis, operating activities resulted in a net cash inflow of $59 million compared to $32 million in the same period the previous year. The second quarter variance is a result of increased cash received from customers, partially offset by decreased cash received from Parliamentary appropriations and increased cash paid to suppliers. The year-to-date variance is a result of increased cash received from customers and decreased cash paid to suppliers, partially offset by decreased cash received from Parliamentary appropriations.

2.6.2 Investing Activities

Investing activities used cash of $15 million in Q2 2013-2014 which is comparable to the $14 million expenditure in Q2 2012-2013. On a year-to-date basis, investing activities used cash of $36 million compared to $15 million in the same period the previous year. This increase results mostly from increased spending to renew capital infrastructure at the Chalk River Laboratories. The year-to-date 2012-2013 figure includes a cash receipt of $6 million relating to the sale of AECL's Commercial Operations.

2.7 Highlights of the Consolidated Balance Sheets

($ millions)	**September 30, 2013**	March 31, 2013	Variance In $	Variance By %
Assets	**$ 1,031**	$ 1,140	$ (109)	-10%
Liabilities	**7,665**	8,796	(1,131)	-13%
Shareholder's deficit	**6,634**	7,656	(1,022)	-13%

AECL closed Q2 2013-2014 with Assets of $1,031 million, which represents a $109 million decrease in assets from March 31, 2013. The decrease is mainly the result of the adjustment to reflect the agreement to settle a legal dispute with Hydro Quebec.

The decrease in Liabilities of $1,131 million can be attributed primarily to the change in the Decommissioning and waste management provision of $1 billion, which mainly resulted from an increase in the interest rate used to estimate the reported liability. Also contributing to this decrease was the above mentioned adjustment to reflect the legal settlement.

2.8 Funding

2.8.1 Parliamentary Appropriations

	Three Months Ended September 30,		Six Months Ended September 30,	
($ millions)	***2013***	*2012*	***2013***	*2012*
Parliamentary appropriations - operating				
Nuclear Laboratories	**$ 98**	$ 65	**$ 171**	$ 132
Discontinued Operations	**-**	39	**-**	179
Total Parliamentary appropriations - operating	**98**	104	**171**	311
Parliamentary appropriations - capital				
Capital infrastructure refurbishment project funding	**20**	12	**32**	20
Total Parliamentary appropriations - capital	**20**	12	**32**	20
Total Parliamentary appropriations	**$ 118**	$ 116	**$ 203**	$ 331

AECL receives Parliamentary appropriations to support planned activities. In Q2 2013-2014, the Corporation received and recognized a sum of $118 million. In Q2 2012-2013, the Corporation received a sum of $130 million, of which $116 million was recognized in the quarter and the balance of $14 million, relating to future expenditures, was deferred. On a year-to-date basis the Corporation received and recognized $203 million in Parliamentary appropriations. In the comparable period of the previous year, $345 million in Parliamentary appropriations was received and $331 million was recognized.

Funding is applied to the Nuclear Laboratories programs that are aligned with federal science and technology priorities. Funding is also utilized to address the retained liabilities associated with the life extension projects.

The second quarter and year-to-date variances are mainly related to reduced spending on AECL's life extension projects resulting from the close out of these projects and are partially offset by increased Parliamentary appropriations received by Nuclear Laboratories in the current year for working capital requirements.

There were no Parliamentary appropriations receivable as at September 30, 2013.

2.8.2 Other Funding

	Three Months Ended September 30,		Six Months Ended September 30,	
($ millions)	**2013**	*2012*	**2013**	*2012*
Other funding				
Cost recoveries from third parties and other	**$ 5**	$ 6	**$ 11**	$ 10
Amortization of Deferred capital funding	**4**	3	**7**	6
Decommissioning and waste management	**51**	29	**93**	56
Total Other Funding	**$ 60**	$ 38	**$ 111**	$ 72

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. Amortization of Deferred capital funding is recorded simultaneously with the depreciation of the related asset in AECL's Interim Condensed Consolidated Statements of Comprehensive Income (Loss).

2.9 Management of Risks and Uncertainties

Risks and uncertainties are described in AECL's 2012-2013 Annual Financial Report under the section "Management's Discussion and Analysis." Risks and uncertainties associated with the Nuclear Laboratories and retained Commercial Operations liabilities as noted in the 2012-2013 Annual Financial Report have not materially changed in the first six months of 2013-2014.

3 MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with the Treasury Board of Canada "Standard on Quarterly Financial Reports for Crown Corporations," and for such internal controls as Management determines is necessary to enable the preparation of condensed consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed consolidated quarterly financial statements.

Based on our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed consolidated quarterly financial statements.

Robert Walker
President & Chief Executive Officer
November 29, 2013
Chalk River, Canada

Steven Halpenny
Chief Financial Officer
November 29, 2013
Chalk River, Canada

4 UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(thousands of Canadian dollars)	Notes		**September 30, 2013**		March 31, 2013
Assets					
Current					
Cash		**$**	**58,868**	$	35,461
Trade and other receivables	10		**188,925**		330,143
Current portion of long-term receivables			**23,217**		22,566
Inventory			**28,946**		26,150
			299,956		414,320
Long-term receivables			**93,142**		105,031
Investments held in trust			**41,934**		42,477
Heavy water inventory			**287,366**		290,107
Property, plant and equipment	4		**307,430**		286,371
Intangible assets			**1,287**		1,511
		$	**1,031,115**	$	1,139,817
Liabilities					
Current					
Trade and other payables	7,10	**$**	**118,093**	$	141,281
Customer advances and obligations	10		**38,156**		167,774
Provisions	5,10		**60,321**		74,409
Current portion of decommissioning and waste management provision	6		**185,000**		205,000
Restructuring provision	10		**3,595**		3,873
			405,165		592,337
Decommissioning and waste management provision	6		**6,785,442**		7,765,040
Deferred capital funding	8		**264,335**		238,860
Deferred decommissioning and waste management funding			**183,758**		171,508
Employee benefits	7		**26,795**		27,975
			7,665,495		8,795,720
Shareholder's deficit					
Share capital			**15,000**		15,000
Contributed capital			**249,861**		264,071
Deficit			**(6,899,241)**		(7,934,974)
			(6,634,380)		(7,655,903)
		$	**1,031,115**	$	1,139,817

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(thousands of Canadian dollars)	Notes	Three Months Ended September 30 2013	2012	Six Months Ended September 30 2013	2012
Nuclear Laboratories					
Revenue		**$ 20,753**	$ 22,604	**$ 42,436**	$ 40,342
Cost of sales		**11,183**	10,366	**24,420**	22,071
Gross margin		**9,570**	12,238	**18,016**	18,271
Funding	8	**60,266**	37,541	**111,259**	71,451
Operating expenses		**81,090**	100,111	**171,486**	194,303
Operating loss		**(11,254)**	(50,332)	**(42,211)**	(104,581)
Financial income	9	**1,867**	2,338	**3,750**	4,329
Financial expenses	9	**53,024**	35,545	**102,837**	72,592
Net loss before Parliamentary appropriations and Revaluation gain (loss) on decommissioning and waste management and other		**$ (62,411)**	$ (83,539)	**$ (141,298)**	$ (172,844)
Parliamentary appropriations	8	**98,218**	65,268	**170,977**	132,234
Net income (loss) before Revaluation on decommissioning and waste management and other		**$ 35,807**	$ (18,271)	**$ 29,679**	$ (40,610)
Revaluation gain (loss) on decommissioning and waste management provision and other	6	**296,516**	(15,561)	**1,008,739**	(494,546)
Net income (loss) from continuing operations before discontinued operations		**$ 332,323**	$ (33,832)	**$ 1,038,418**	$ (535,156)
Discontinued Operations (Note 10)					
Operating (loss) income from discontinued operations	10	**(13,253)**	44,927	**(2,685)**	39,188
Parliamentary appropriations	8	**-**	39,302	**-**	178,602
(Loss) income from discontinued operations		**(13,253)**	84,229	**(2,685)**	217,790
Net income (loss)		**$ 319,070**	$ 50,397	**$ 1,035,733**	$ (317,366)
Other comprehensive income (loss)					
Other employee benefit plan actuarial (loss) gains		**-**	-	**-**	-
Other comprehensive (loss) income		**-**	-	**-**	-
Total comprehensive income (loss)		**$ 319,070**	$ 50,397	**$ 1,035,733**	$ (317,366)

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

Interim Condensed Consolidated Statements of Changes in Shareholder's Deficit
(Unaudited)

(thousands of Canadian dollars)

For the three months ended September 30, 2013

	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
Balance at June 30, 2013	**$ 15,000**	**$ 257,299**	**$ (7,218,311)**	**$ (6,946,012)**
Net income attributable to Shareholder for the period	-	-	319,070	319,070
Transfer to deferred decommissioning and waste management funding	-	(6,320)	-	(6,320)
Transfer to repayable contributions	-	(1,118)	-	(1,118)
Balance at September 30, 2013	**$ 15,000**	**$ 249,861**	**$ (6,899,241)**	**$ (6,634,380)**

For the three months ended September 30, 2012

	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
Balance at June 30, 2012	**$ 15,000**	**$ 285,225**	**$ (6,208,658)**	**$ (5,908,433)**
Net income attributable to Shareholder for the period	-	-	50,397	50,397
Transfer to deferred decommissioning and waste management funding	-	(6,320)	-	(6,320)
Transfer to repayable contributions	-	(866)	-	(866)
Balance at September 30, 2012	**$ 15,000**	**$ 278,039**	**$ (6,158,261)**	**$ (5,865,222)**

For the six months ended September 30, 2013

	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
Balance at March 31, 2013	**$ 15,000**	**$ 264,071**	**$ (7,934,974)**	**$ (7,655,903)**
Net income attributable to Shareholder for the period	-	-	1,035,733	1,035,733
Transfer to deferred decommissioning and waste management funding	-	(12,250)	-	(12,250)
Transfer to repayable contributions	-	(1,960)	-	(1,960)
Balance at September 30, 2013	**$ 15,000**	**$ 249,861**	**$ (6,899,241)**	**$ (6,634,380)**

For the six months ended September 30, 2012

	Share Capital	Contributed Capital	Deficit	Total Shareholder's Deficit
Balance at March 31, 2012	**$ 15,000**	**$ 291,867**	**$ (5,840,895)**	**$ (5,534,028)**
Net loss attributable to Shareholder for the period	-	-	(317,366)	(317,366)
Transfer to deferred decommissioning and waste management funding	-	(12,250)	-	(12,250)
Transfer to repayable contributions	-	(1,578)	-	(1,578)
Balance at September 30, 2012	**$ 15,000**	**$ 278,039**	**$ (6,158,261)**	**$ (5,865,222)**

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

Interim Condensed Consolidated Cash Flow Statements
(Unaudited)

(thousands of Canadian dollars)	Three Months Ended September 30 **2013**	2012	Six Months Ended September 30 **2013**	2012
Operating activities				
Cash receipts from customers	**$ 30,345**	$ (12,488)	**$ 98,592**	$ (27,680)
Cash receipts from Parliamentary appropriations	**118,143**	130,845	**203,143**	345,145
Cash receipts for decommissioning and waste management activities	**36,973**	27,570	**96,992**	66,044
Cash paid to suppliers and employees	**(101,024)**	(92,834)	**(246,524)**	(288,486)
Cash paid for decommissioning activities	**(51,598)**	(28,533)	**(93,484)**	(55,554)
Payment of proceeds on disposal of discontinued operations to Shareholder	**-**	-	**-**	(7,734)
Interest received on investments (net)	**124**	283	**226**	335
Interest and bank charges paid	**(10)**	(11)	**(21)**	(18)
Cash from operating activities	**32,953**	24,832	**58,924**	32,052
Thereof from discontinued operations	**17,790**	18,274	**6,502**	20,286
Investing activities				
Proceeds on disposal of discontinued operations	**-**	-	**-**	6,134
Acquisition of property, plant and equipment and intangible assets	**(15,442)**	(13,804)	**(35,517)**	(21,695)
Cash used in investing activities	**(15,442)**	(13,804)	**(35,517)**	(15,561)
Thereof from discontinued operations	**-**	-	**-**	6,134
Cash:				
Increase	**17,511**	11,028	**23,407**	16,491
Balance at beginning of the period	**41,357**	40,902	**35,461**	35,439
Balance at end of the period	**$ 58,868**	$ 51,930	**$ 58,868**	$ 51,930

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six-month periods ended September 30, 2013

(Expressed in thousands of Canadian dollars)

(UNAUDITED)

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, 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 interim condensed consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on November 14, 2013.

2. Restructuring and Corporate Plan

The Government of Canada completed the first phase of its restructuring plan for AECL in 2011-2012 when it sold AECL's Commercial Operations to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin. This first restructuring phase has resulted in the presentation of Commercial Operations as discontinued operations (Note 10).

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

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

Natural Resources Canada is leading the restructuring on behalf of the Minister of Natural Resources. A procurement process is currently underway to procure the services of a private-sector contractor to manage the Nuclear Laboratories, under a GoCo model. The services of nuclear and financial advisors have been selected by Natural Resources Canada to help guide the decision-making as the restructuring process moves ahead in the coming year.

AECL's 2013-2014 Corporate Plan received Governor in Council approval in the first quarter of the 2013-2014 fiscal year. The Corporate Plan is aligned with the restructuring direction provided by the Shareholder and these interim condensed consolidated 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.

3. Basis of Preparation

a) Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34. As permitted under IAS 34, these interim condensed consolidated financial statements do not include all of the disclosures required for annual consolidated financial statements, and should be read in conjunction with the Corporation's audited consolidated financial statements for its fiscal year ended March 31, 2013 and the unaudited interim condensed consolidated financial statements for the three-month period ended June 30, 2013.

The Corporation's interim condensed consolidated financial statements have been prepared based on International Financial Reporting Standards (IFRS) issued and effective as of the balance sheet date.

b) Basis of Presentation

The Corporation's interim condensed consolidated 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 interim condensed 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) Basis of Consolidation

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the Corporation's financial statements from the date that control commences until the date that control ceases. These interim condensed 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 (as defined in Note 4(d) of the Corporation's audited annual consolidated financial statements for its fiscal period ended March 31, 2013). All inter-company transactions have been eliminated upon consolidation.

d) Critical Accounting Estimates, Assumptions and Judgments

The preparation of financial statements in conformity with IAS 34 guidelines 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. 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3(c) of the Corporation's audited annual consolidated financial statements for the year ended March 31, 2013.

e) Significant Accounting Policies

Significant accounting policies applied in these interim condensed consolidated financial statements are disclosed in Note 4 of the Corporation's audited annual consolidated financial statements for the year ended March 31, 2013. The accounting policies have been applied consistently to the current and comparative quarters with the exception of the presentation of Parliamentary appropriations and certain reclassifications as disclosed in Note 12.

4. Property, Plant and Equipment

(thousands of Canadian dollars)		**September 30, 2013**		March 31, 2013
Balance - Beginning of period	**$**	**286,371**	$	263,277
Additions and transfers		**33,861**		98,530
Disposals and transfers		**(1,987)**		(40,264)
Other changes		**(2,123)**		(8,968)
Depreciation		**(8,692)**		(21,502)
Impairment		**-**		(4,702)
Balance - End of period	**$**	**307,430**	$	286,371

5. Provisions

(thousands of Canadian dollars)		**September 30, 2013**		March 31, 2013
Contract loss	**$**	**31,272**	$	31,558
Other provisions		**29,049**		42,851
	$	**60,321**	$	74,409

6. Decommissioning and Waste Management Provision

(thousands of Canadian dollars)		**September 30, 2013**		March 31, 2013
Carrying amount - Beginning of period	**$**	**7,765,040**	$	5,543,030
Carrying amount - Beginning of period, current portion		**205,000**		135,500
Liabilities settled		**(96,450)**		(135,342)
Unwinding of discount		**102,294**		145,952
Effect of change in discount rate		**(1,011,526)**		227,508
Revision in estimate and timing of expenditures		**-**		2,064,173
Revision in estimate and timing of expenditures affecting Property, plant and equipment		**-**		(10,781)
Waste, decommissioning and site restoration costs from ongoing operations		**6,084**		-
Carrying amount - End of period		**6,970,442**		7,970,040
Less current portion		**(185,000)**		(205,000)
	$	**6,785,442**	$	7,765,040

The provision is re-valued at the current interest rate in effect at each balance sheet date.

The provision as at September 30, 2013 was discounted using a rate of 3.07%. The opening balance as at March 31, 2013 was discounted using a rate of 2.50%.

The effect of a change in the interest rate on the provision is recognized in Revaluation gain (loss) on decommissioning and waste management provision and other in the Interim Condensed Consolidated Statements of Comprehensive Income (Loss). The total gain, relating to the interest rate change, for the second quarter was $296,531 (Q2 2012-2013: $15,687 charge) and for the year-to-date was $1,011,526 (year-to-date 2012-2013: $500,764 charge).

7. Employee Benefits

a) Pension Plan

Employees of the Corporation participate in the Public Service Pension Plan (PSPP). The PSPP is 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. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution.

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

	Three Months Ended September 30		Six Months Ended September 30	
(thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Payments by employees	**$ 4,977**	$ 4,342	**$ 9,899**	$ 8,646
Payments by employer	**$ 8,785**	$ 8,270	**$ 17,134**	$ 16,102

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, multiplied by the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and are indexed to inflation.

b) Employee Benefits

The Corporation provides certain voluntary termination compensation (VTC) and other post-employment benefits as described in Note 4(m) of the audited annual consolidated financial statements dated March 31, 2013. 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 of $35.3 million (March 31, 2013: $40.2 million) of which $26.8 million (March 31, 2013: $28.0 million) is recorded as Employee benefits under long-term liabilities and $8.5 million (March 31, 2013: $12.2 million) is recorded as Trade and other payables.

The VTC included in the reported Employee benefits liability is $18.2 million (March 31, 2013: $21.9 million) and is payable in instances of future voluntary resignations and retirements. Consistent with Government of Canada expectations of federal agencies or Crown corporations, AECL began eliminating this benefit in fiscal 2012-2013.

As the elimination of the VTC is agreed upon and implemented, employees eligible for payment of the accrued benefits are offered three options with respect to the timing of the payments. An estimate of the amounts expected to be paid in 2013-2014 is based on the Corporation's most recent actuarial valuation and is included in Trade and other payables.

The Corporation's total expense for employee benefits was $1.2 million for this quarter (Q2 2012-2013: $1.2 million). On a year-to-date basis, the total expense for employee benefits was $2.5 million (year-to-date 2012-2013: $2.6 million).

8. Funding

a) Parliamentary Appropriations

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

For the three and six months ended September 30, 2013, Parliamentary appropriations were recognized as follows:

	Three Months Ended September 30		Six Months Ended September 30	
(thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Parliamentary appropriations - operating				
Nuclear Laboratories	**$ 98,218**	$ 65,268	**$ 170,977**	$ 132,234
Discontinued Operations	**-**	39,302	**-**	178,602
Parliamentary appropriations - operating	**98,218**	104,570	**170,977**	310,836
Parliamentary appropriations - capital				
Capital infrastructure refurbishment project funding	**19,925**	11,875	**32,166**	19,909
Total Parliamentary appropriations	**$ 118,143**	$ 116,445	**$ 203,143**	$ 330,745

While $130,845 of Parliamentary appropriations was received in Q2 2012-2013 (year-to-date 2012-2013: $345,145), $116,445 has been recognized (year-to-date 2012-2013: $330,745) with the difference of $14,400 recorded as Deferred funding. All Parliamentary appropriations received in 2013-2014 have been recognized.

There were no Parliamentary appropriations receivable as at September 30, 2013.

b) Other Funding

Other funding was recognized as follows:

(thousands of Canadian dollars)	Three Months Ended September 30 2013	2012	Six Months Ended September 30 2013	2012
Operating funding				
Cost recoveries from third parties and other	**$ 5,496**	$ 5,487	**$ 11,315**	$ 9,575
Amortization of Deferred capital funding	**3,352**	3,367	**6,691**	6,262
	8,848	8,854	**18,006**	15,837
Decommissioning and waste management	**51,418**	28,687	**93,253**	55,614
	$ 60,266	$ 37,541	**$ 111,259**	$ 71,451

c) Deferred Capital Funding

Deferred capital funding was provided to the Corporation through appropriations from its Shareholder as follows:

(thousands of Canadian dollars)	September 30, 2013
Deferred capital funding	
Deferred capital funding as at March 31, 2013	**$ 238,860**
Capital funding recognized during the period	**32,166**
Amortization of Deferred capital funding	**(6,691)**
Deferred capital funding as at September 30, 2013	**$ 264,335**

(thousands of Canadian dollars)	March 31, 2013
Deferred capital funding	
Deferred capital funding as at March 31, 2012	$ 192,314
Capital funding recognized	59,483
Amortization of Deferred capital funding	(12,937)
Deferred capital funding as at March 31, 2013	$ 238,860

9. Financial Income and Expenses

(thousands of Canadian dollars)	Three Months Ended September 30 **2013**	2012	Six Months Ended September 30 **2013**	2012
Financial income				
Interest on long-term receivables	**$ 1,743**	$ 2,054	**$ 3,524**	$ 3,993
Interest on investments and other	**124**	284	**226**	336
	$ 1,867	$ 2,338	**$ 3,750**	$ 4,329
Financial expenses				
Interest on long-term payables	**$ -**	$ 23	**$ -**	$ 79
Unwinding of discount on decommissioning and waste management provision net of trust fund income	**53,024**	35,522	**102,837**	72,513
	$ 53,024	$ 35,545	**$102,837**	$ 72,592

10. Discontinued Operations

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

The sale involved certain AECL-owned assets to Candu Energy Inc. and an exchange of undertakings among the three parties (AECL, SNC-Lavalin and the Government of Canada). A suite of agreements executed at the close of the transaction covers such matters as intellectual property and the 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 the AECL-owned assets was adjusted for closing working capital balances as at the date of the transaction. All proceeds from the sale of the assets were remitted to the Receiver General of Canada.

On the 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. A Restructuring provision was recorded for $36.5 million, of which $32.9 million has been paid as of September 30, 2013 (March 31, 2013: $32.6 million) and $3.6 million remained to complete the process (March 31, 2013: $3.9 million).

The Commercial Operations are considered a discontinued operation. Income and cash flows for the Commercial Operations (Discontinued Operations) are reported separately in these interim condensed consolidated financial statements in accordance with IFRS 5.

Results of Discontinued Operations

	Three Months Ended September 30		Six Months Ended September 30	
(thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Revenue	**$ (1,241)**	$ 36,896	**$ 19,422**	$ 64,637
Cost of sales	**2,586**	(15,969)	**771**	7,283
Gross margin	**(3,827)**	52,865	**18,651**	57,354
Operating expenses	**9,426**	7,938	**21,336**	18,166
Operating (loss) income from discontinued operations	**$ (13,253)**	$ 44,927	**$ (2,685)**	$ 39,188

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

(thousands of Canadian dollars)	**September 30, 2013**	March 31, 2013
Assets		
Trade and other receivables	**$ 116,514**	$ 263,811
Liabilities		
Trade and other payables	**$ 19,132**	$ 19,220
Customer advances and obligations	**34,626**	165,230
Provisions	**57,321**	57,909
Restructuring provision	**3,595**	3,873

11. Commitment and Contingency

As part of the sale of AECL's Commercial Operations, the Government of Canada, through AECL, began providing Candu Energy Inc. with up to $75 million to support the completion of the Enhanced CANDU Reactor development program. As at September 30, 2013, $66 million (Q2 2012-2013: $30 million) of this amount had been expensed and $58 million (Q2 2012-2013: $27 million) had 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 costs.

On July 8, 2008, Nordion (Canada) Inc. ("Nordion") commenced legal proceedings against AECL and the Government in connection with AECL's isotope business, consisting of a civil action and arbitration. In the quarter, AECL and Nordion settled the litigation and arbitration proceedings pertaining to this action and arrived at a settlement that resolves all outstanding legal matters related to the parties' commercial relationship.

12. Change in Accounting Policy and Reclassification

In the second quarter of the 2013-2014 fiscal year, the Corporation voluntarily changed its accounting policy relating to the disclosure of Parliamentary appropriations in its Interim Condensed Consolidated Statements of Comprehensive Income (Loss) in accordance with IAS 8. As a result, the 2012-2013 Parliamentary appropriations recognized in income ($311 million: year-to-date; and $104 million: second quarter) have been allocated and disclosed separately in the Nuclear Laboratories and Discontinued Operations sections of the Interim Condensed Consolidated Statements of Comprehensive Income (Loss). This change in policy has been made in order to better reflect the use of the funds received.

Additionally, the Corporation has reclassified certain figures in the Nuclear Laboratories section of the Interim Condensed Consolidated Statements of Comprehensive Income (Loss) in accordance with IAS 1. In this instance the Corporation has grouped the Funding (Q2 year-to-date 2012-2013: $56 million; Q2 2012-2013: $29 million) and Financial expenses (Q2 year-to-date 2012-2013: $73 million; Q2 2012-2013: $36 million) related to Decommissioning and waste management with those disclosed under Nuclear Laboratories. These reclassifications have been made to provide a clearer presentation of the Corporation's operational results. For both Funding and Financial expenses, the details of these grouped amounts remain available in Notes 8 and 9 of AECL's interim condensed consolidated financial statements, respectively.

These changes did not have a material impact on the Interim Condensed Consolidated Statements of Comprehensive Income (Loss) and did not have any impact on the Interim Condensed Consolidated Balance Sheets. The result of the change in policy and reclassification on the September 30, 2012 comparative figures is as follows:

(thousands of Canadian dollars)	Three Months Ended September 30 2012	Three Months Ended September 30 **2012 Restated**	Six Months Ended September 30 2012	Six Months Ended September 30 **2012 Restated**
Funding - Nuclear Laboratories	$ 8,854	**$ 37,541**	$ 15,837	**$ 71,451**
Funding - Decommissioning and Waste Management	28,687	**-**	55,614	**-**
	$ 37,541	**$ 37,541**	$ 71,451	**$ 71,451**
Financial Expenses - Nuclear Laboratories	$ 23	**$ 35,545**	$ 79	**$ 72,592**
Financial Expenses - Decommissioning and Waste Management	35,522	**-**	72,513	**-**
	$ 35,545	**$ 35,545**	$ 72,592	**$ 72,592**
Parliamentary appropriations	$ 104,570	**$ -**	$ 310,836	**$ -**
Parliamentary appropriations - Nuclear Laboratories	-	**65,268**	-	**132,234**
Parliamentary appropriations - Discontinued Operations	-	**39,302**	-	**178,602**
	$ 104,570	**$ 104,570**	$ 310,836	**$ 310,836**
Net Loss from continuing operations	$ (99,100) (1)	**$ (33,832)** (2)	$ (667,390) (1)	**$ (535,156)** (2)
Net Income from Discontinued Operations	44,927 (1)	**84,229** (2)	39,188 (1)	**217,790** (2)
Total Comprehensive Income (Loss)	$ 50,397 (2)	**$ 50,397** (2)	$ (317,366) (2)	**$ (317,366)** (2)

(1) Before Parliamentary appropriations
(2) After Parliamentary appropriations

13. Comparative Figures

Certain of the September 30, 2012 comparative figures have been reclassified to conform to the financial statement presentation of AECL's March 31, 2013 annual audited consolidated financial statements. In the September 30, 2012 comparative figures for the six months then ended, $6.3 million has been reclassified from Operating expenses to Revaluation gain (loss) on decommissioning and waste management provision and other. Additionally, in the Q2 2012-2013 figures, $8.0 million has been reclassified from the Operating expenses of Discontinued Operations to the Operating expenses of Nuclear Laboratories. These reclassifications do not have any impact on AECL's Interim Condensed Consolidated Balance Sheets or Total comprehensive income (loss) in any period.

Atomic Energy of
Canada Limited
Chalk River Laboratories
Chalk River, Ontario
Canada   K0J1J0
Tel: 613.584.3311

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

Visit Our Website
www.aecl.ca

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