Delivering on our **commitments**

urenco

enriching the future

Annual report & **accounts** 2010

URENCO's Vision, Mission and Values

URENCO believes that nuclear power will play a fundamental role in meeting the increasing future demand for sustainable global energy. URENCO is a leading supplier in the global enrichment market, with demand for the Group's services continuing to increase. "Enriching the future" is therefore our commitment, through the global deployment of our nuclear products, services and technology to support sustainable nuclear energy.

Living Our Values

The Values of Safety, Integrity, Flexibility, Development and Profitability guide everything we do at URENCO and remain a strong focus across the Group. Our Values inform both strategic and operational decision-making, alongside more everyday activities across the Group at employee level. Formally introduced in 2005, our set of relevant and robust Values are now deeply embedded in the culture of the Group, forming a solid benchmark against which our behaviours are consistently checked. Understood and accepted by all employees, the Values assist employees in the achievement of the Group's commitment of 'enriching the future'.

Safety

We will operate to the highest standards of safety, environmental and security requirements.

Integrity

We will conduct all our relationships with honesty, fairness and respect.

Flexibility

We will be responsive to the market to best meet our customers' needs through flexible deployment of our skills.

Development

We are committed to the sustainable growth of our business through the continuous development of our employees, services and products.

Profitability

We are committed to generating profits to secure our future and reward our shareholders and employees.

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Financial Highlights

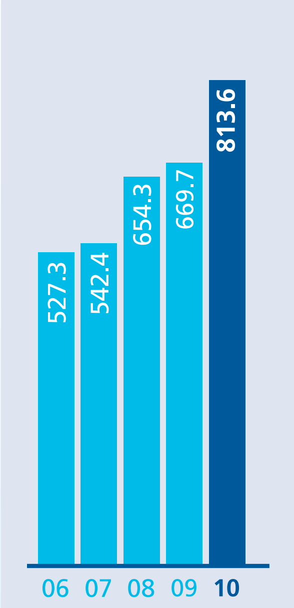
	IFRS				
	2006 €m	**2007 €m**	**2008 €m**	**2009 €m**	**2010 €m**
Revenue	893.7	1,023.8	1,129.7	1,121.0	**1,267.2**
EBITDA	527.3	542.4	654.3	669.7	**813.6**
Income from operating activities	352.8	352.8	459.0	500.4	**590.9**
Net Income	211.3	250.6	260.1	342.8	**387.1**
Capital expenditure	351.5	517.3	820.8	843.0	**703.4**
Cash generated from operations (before interest & tax)	563.4[1]	577.8	616.0	656.4	**831.6**

Key ratios

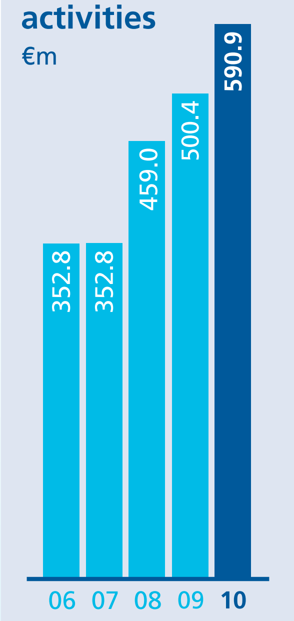
Net asset turnover[2]	1.30	1.28	1.44	1.26	**1.02**
Return on sales	23.6%	24.5%	23.0%	30.6%	**30.5%**
Return on equity[2]	30.7%	31.4%	33.3%	38.5%	**31.1%**
Basic Earnings per Share (€)	1.26	1.49	1.55	2.04	**2.30**

[1] Cash generated from operations in 2006 has been restated to include fixed asset prepayments within investing activities and provisions have been adjusted to reflect decommissioning asset additions.

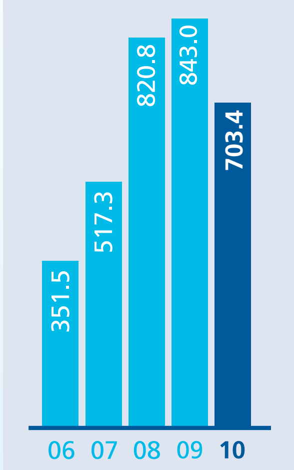
[2] Net asset turnover and return on equity have been calculated using an average of net assets and equity (excluding minorities) respectively.



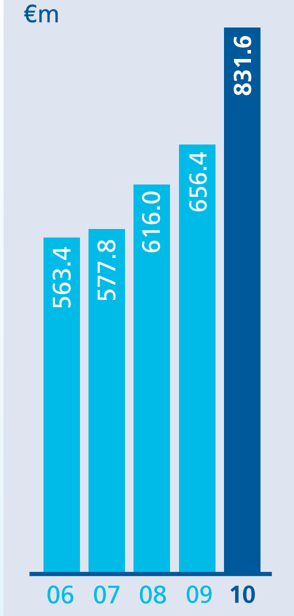
EBITDA
€m



Income from operating activities
€m



Capital Expenditure
€m



Cash generated from operations
€m

Chairman's statement

The earthquake and subsequent tsunami in Japan was a truly shocking event. Our thoughts are with all those who have been affected by the devastation caused by such a catastrophic natural disaster.

In relation to the events at the Fukushima nuclear power plant, the global nuclear industry is working together in order that appropriate actions can be taken and lessons learned.

URENCO believes that nuclear continues to be an essential part of the energy mix. The industry is confident that it can overcome the current challenges and proactively implement measures to improve safety and performance for the future.

I can report another year of solid growth for URENCO, reflecting our position as a leading supplier in the global enrichment market. The Group extended its global reach in June 2010 with the commencement of operations at our fourth enrichment facility, located in the US. This responds to demand for enriched uranium from our North American customers and demonstrates our ability to safely install and operate URENCO technology in a new territory. We also continued to invest in enrichment infrastructure at all our European sites and thereby increased capacity across the Group.

The financial performance of the Group resulted in a year on year rise of 13% in revenue based on an increased sales volume. Group EBITDA grew 21%; net income increased by 13%, marking another successful year for URENCO.

The Group has continued its steady growth with an order book extending up to and beyond 2025 and currently amounting to in excess of €21 billion of future sales. This business growth continues to be reflected in our credit rating which remains at a single 'A' level.

Investment

We continue to focus on steady growth in capacity in order to meet the demands of our customers. We are committed to providing enrichment services close to our customer base and we continue to focus our attention on delivering excellent customer service. This remains a top priority.

During the year, we have also maintained our investment in research and development, directly and indirectly via our joint venture Enrichment Technology Company (ETC), to ensure that URENCO keeps hold of its competitive edge in a changing market.

Sustainability

URENCO's business is rooted in supplying a vital service to the nuclear industry in its mission to deliver safe, affordable, low carbon energy. The industry has always been committed to safety and will continue to focus improving that wherever possible whether through design or through operation.

In this time of increasing uncertainty around energy security, we strongly believe that nuclear energy will continue to be a significant component of the energy mix. Nuclear energy is important for ensuring energy security at a stable price, while at the same time enabling countries to achieve their long term carbon reduction targets in an affordable manner.

URENCO's commitment to sustainability is reflected in many ways, an example of which is the Tails Management Facility (TMF) planned at URENCO's UK site, which continued its design and other pre-construction activities in 2010. This facility, once operational, will process URENCO's European inventory of depleted uranium tails, a by-product of the enrichment process. This is in-line with our commitment to reducing our impact on the environment.

Board

I would like to pay tribute to Bart Le Blanc for his significant contribution to URENCO over the last seven years. Bart retired from his position as Chief Financial Officer and the Board on 1 April 2011. I am pleased that he will continue to act as Chairman of ETC. I welcome Friso van Oranje as our new Chief Financial Officer.

I would like to thank all of URENCO's employees for their hard work and commitment, which contributes to the continuing success of the Group. We are justifiably proud of our first class reputation for safety, reliability and quality, and I would like to extend my thanks to all who work for URENCO as we look forward to the continuing success of the Group.

Chris Clark
Chairman

Treaty of Almelo

The 40th anniversary of the signing of the Treaty of Almelo was celebrated across the URENCO Group on 4 March 2010. This fundamental Treaty, signed by the governments of Germany, the Netherlands and the UK on 4 March 1970, established essential principles for the effective supervision of URENCO's technology, centrifuge manufacturing and operations. It marked the start of a new age in uranium enrichment for civil purposes.

Since the signing of the Treaty, URENCO has fully justified the negotiations and decisions of 1970. Four decades on, the agreement remains the cornerstone of international collaboration on non-proliferation, while URENCO has grown considerably and extended its international relationships to include the US and France. URENCO has realised the original vision of the Treaty of Almelo, becoming a model of international co-operation ensuring a safe, secure and commercially attractive supply of nuclear fuel for the peaceful use of nuclear power.

Since the signing of the Treaty, URENCO has fully justified the negotiations and decisions of 1970. Four decades on, the agreement remains the cornerstone of international collaboration on non-proliferation.

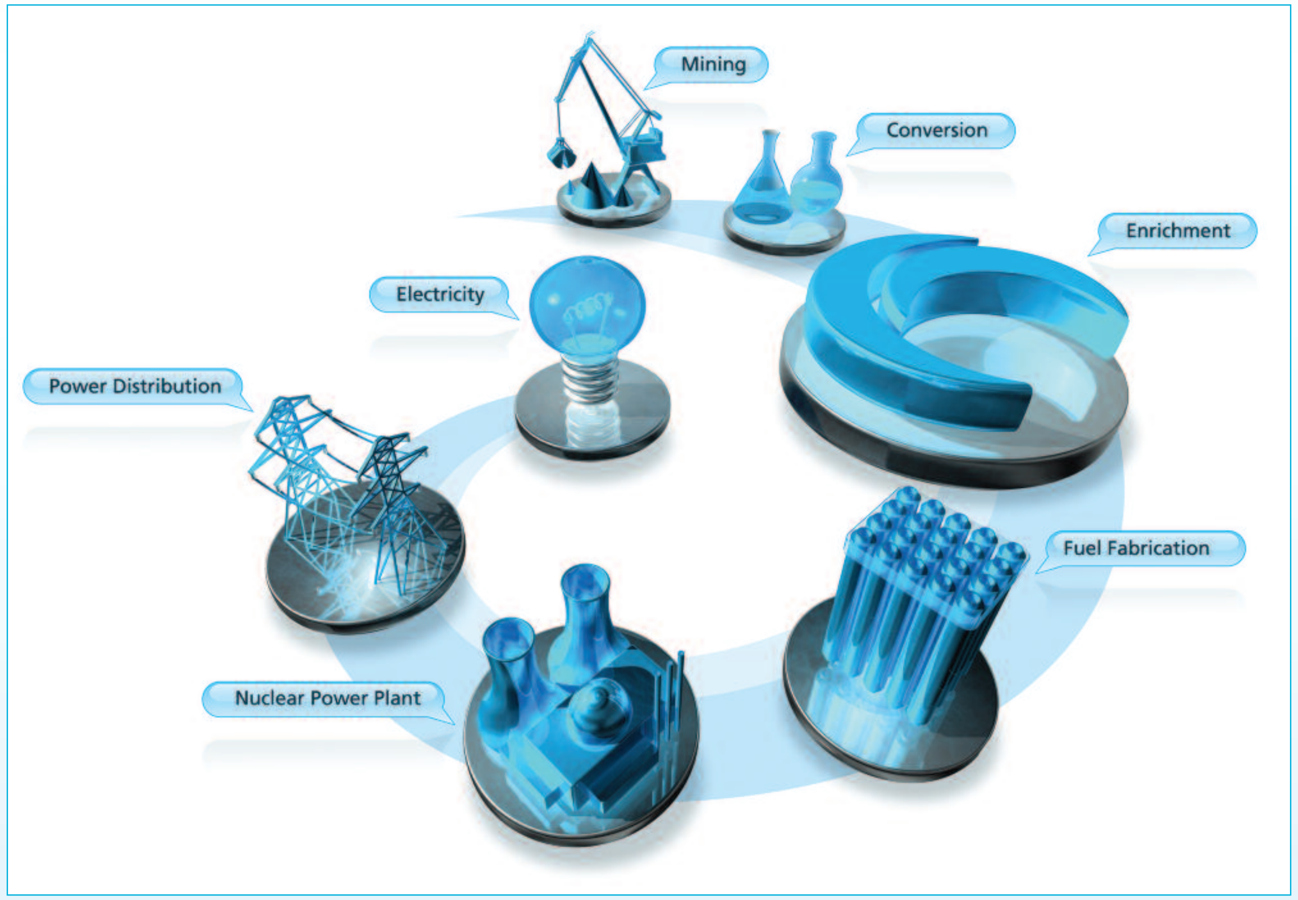
URENCO

At the heart of the world's nuclear fuel supply chain

URENCO is an independent, international energy and technology group operating in a pivotal area of the nuclear fuel supply chain, which ends with the sustainable generation of electricity for consumers worldwide.

With production from facilities in Germany, the Netherlands, the UK and the US, URENCO's focus is on providing safe, cost-effective and reliable uranium enrichment services for civil power generation, within a framework of high environmental, social and corporate responsibility standards.

The diagram below demonstrates the supply chain from the mining of uranium ore to the generation of electricity.



Chief Executive Officer's Review

Our sympathies and thoughts are extended to the people of Japan in respect of the devastating consequences of the recent earthquake and tsunami.

Although it is too early to speculate on the exact impact the consequential destruction of the Fukushima nuclear plant will have on the global nuclear industry, it certainly represents a setback. However, I am certain that the nuclear industry will take up the challenge presented by the event in Japan and will work together in developing improved design measures in order to achieve maximum future safety. We will work closely with our industry colleagues and national regulators, as safety across all our facilities remains the top priority.

In due course we will liaise with customers to determine the short, medium and long-term impact on our delivery profiles. Variations in customer demand are, to some extent, considered normal business practice for URENCO. We therefore do not currently anticipate any impact on our short-term capacity utilisation.

Continued growth and solid operating performance were achieved during 2010 by the URENCO Group, delivering strong financial results in-line with the company's expectations. URENCO achieved an increase of 13% in net income to €387 million with EBITDA increasing to €814 million. Volumes of SWU deliveries were higher than 2009 (+14%), resulting in a corresponding increase of 13% in Group revenue to €1,267 million.

URENCO's strategy remains guided by "growth through investment", whilst focusing on our ability to reliably and consistently deliver on our customer commitments. Strong demand during 2010 allowed the Group to achieve a further increase in the forward order book to €21 billion, and extend it beyond 2025.

A major achievement came in June 2010 with the inauguration and start of commercial operations at our new facility in the US. Although the project experienced some delays, this milestone event was the culmination of several years of extensive infrastructure and plant investment. It represents a significant accomplishment for both the organisation and the wider nuclear industry.

URENCO's operation in the US enables the Group to meet the needs of our customers through geographical positioning, and represents growth in both available capacity and global presence. Across the Group, capacity expansion continued in order to achieve our future enrichment targets. Capital expenditure for 2010 was €703 million, the majority of which was dedicated to enrichment expansion projects. Increasing production capacity and gaining experience of new operating environments has helped to facilitate a first class service delivery for customers and the flexibility to meet their changing needs. We believe this will enable URENCO to remain the supplier of choice for our global customer base in the years ahead.

URENCO firmly believes that the sustainable development of the nuclear industry will enable future generations to meet the increasing demand as part of a balanced energy mix.

URENCO's Values were first developed in 2005, and they are embedded in our operations and daily activities. Employees are encouraged to use the Values as a benchmark for their behavioural and operating standards, and they empower our leaders to comply with the best interests of our customers, our stakeholders and the wider industry.

Throughout 2010, we have demonstrated our resolute commitment to our Values and marked our performance against them.

A major achievement in the history of the Group came in June 2010 with the inauguration and start of commercial operations at URENCO's new facility in the US. This milestone event was the culmination of several years of extensive infrastructure and plant investment.

Achievements in 2010

Safety

Operations are governed by strict regulatory regimes which provide high levels of safety both for our employees, the environment and general public. The Group's main priority remains the safety of both our employees and operations. Each of our facilities has ambitious safety targets. We regularly reward the achievement of key safety milestones, as well as ensuring the correct training and support to enable compliance with safe working practices.

In Autumn 2010, URENCO USA achieved industry-wide recognition for its record of safety excellence. The US National Safety Council named the facility one of only 12 'Industry Leaders' within manufacturing. This was based upon a low incidence rate and millions of hours worked without a construction-related Lost Time Incident.

It was disappointing to record that a reportable incident occurred at our German facility. There was a minor release of uranium hexafluoride, which was controlled within the container preparation area. An investigative report by the German nuclear authority concluded that there were no adverse effects to either the environment or the employee's long-term health. The Group has taken all necessary steps to strengthen safety procedures in order to ensure such an incident cannot be repeated. Even though the report's conclusion that URENCO's existing emergency plan functioned appropriately, we have taken measures to enhance our emergency procedures including cooperation with regional hospitals.

Integrity

URENCO strives to operate with complete integrity. The Treaty of Almelo has allowed URENCO to create a successful business model securing Intellectual Property whilst enabling collaborative working across international boundaries.

"Delivering on our Commitments" is our focus going forwards, driving high ethical standards in dealing with our long-term customers who have placed their trust in our services.

Flexibility

URENCO prides itself on the varying skills and strengths of a diverse, worldwide team. This allows the Group to respond in innovative ways to customer requirements as their internal and external operating environments change. URENCO is also broadening its activity to meet these changing needs. Although primarily a toll enricher, the Group increased its portfolio in 2010 to include natural uranium in order to supply feed, natural uranium hexafluoride and Enriched Uranium Product.

Underpinning URENCO's future service delivery and diversification is the continued investment in research and development. This investment provides a pipeline of ideas and innovations to ensure that future operations are efficient and the Group continues to advance its technology.

Development

Following authorisation from the Nuclear Regulatory Commission in June 2010, the start of operations at URENCO USA marked a key development in the history of URENCO. This expansion into a new operating environment, as well as the capacity increase, represents a key strategic development for the Group.

Capacity expansion projects in the Netherlands, Germany and the US provided an additional 800 tSW/a, increasing capacity across the Group to more than 13,000 tSW/a.

URENCO's success is dependent on our ability to manage and mitigate the key risks facing our operations.

The successful implementation of a new Enterprise Resource Planning System (ERP) across the European facilities and corporate functions has aligned many Group processes and reinforced URENCO's "One Company" objective. This has achieved an increased amount of cross-locational and cross-functional co-operation between sites, and all employees should be justifiably proud of both their team spirit and achievement.

Employee development is a shared responsibility between our organisation and our people; 2010 saw a number of key developments by URENCO, including the introduction of an improved Performance Management System. Across URENCO's facilities, e-learning modules have been introduced and seminars held for employees to learn more about the wider context of the nuclear supply chain and the industry in which we operate.

Profitability

Our capacity expansion projects are large and complex. However, our objective is to ensure future capacity expansion projects complete on time and within budget. We are committed to controlling our operating costs in the future.

Project developments implemented across the Group in 2010 are expected to result in greater economies of scale in years to come. Examples include operations at URENCO USA, capacity expansion in Europe and the use of the "One Company" ERP system to manage site operations and functionality.

The Group continued its drive to improve efficiencies and was successful in achieving further reductions in key areas of the Group's operating costs.



Corporate Responsibility

- URENCO is committed to sustainable operations and endeavours to be a good corporate citizen. Decision-making processes prioritise corporate responsibility, and the Global Reporting Initiative standards are used to benchmark our performance.
- In June each year, URENCO publishes a Sustainability Report giving details on how we manage the impact of our operations on the environment and our contributions to local stakeholders and community projects.

Corporate Governance

- URENCO has strong corporate governance procedures, with regular and comprehensive reporting to the Board and its committees and provision of extensive background information for all matters requiring Board approval.
- Based on the principles of the Treaty of Almelo, URENCO also reports regularly to, and seeks advice from, the Joint Committee of government representatives of the UK, Germany and the Netherlands on matters relating to safeguards and non-proliferation policies.
- URENCO is committed to good corporate governance, which ensures a clear strategic direction for the Group and enables the effective assessment and management of risk.

URENCO strives to be the market leader in the supply of enrichment services throughout every aspect of our business; in the development of our leaders and teams; in managing individual performance; in the way we design, construct and operate our facilities and in our financial performance.



Risk

- URENCO's success is dependent on our ability to manage and mitigate the key risks facing our operations. In this respect, URENCO maintains a dedicated risk management function which reports directly to executive management.

Plans for the future

- Ongoing focus on safety and quality in all business areas.
- Dedication to "Deliver on our Commitments", completing projects within budget and time constraints to provide a reliable, quality service to our customers.
- Further development of our enrichment services in order to meet the changing needs of our customers.
- Ongoing investment in research and development with focus on the treatment of uranium, expansion of enrichment services, the minimisation of environmental impact and maintaining URENCO's technological advantage.
- Progression in the design and pre-construction activities of the Tails Management Facility (TMF), in order to reduce the dependence on external suppliers and provide a sustainable and retrievable storage option for our tails material.
- Continued monitoring of asset and liability mix to maintain our single 'A' credit rating.
- Development of our people to ensure the correct skills mix is maintained to meet both current and future business requirements.

URENCO strives to be a market leader in the supply and provision of enrichment services; the development of our leaders and teams; managing individual performance; the way we design, construct and operate our facilities and our financial performance.

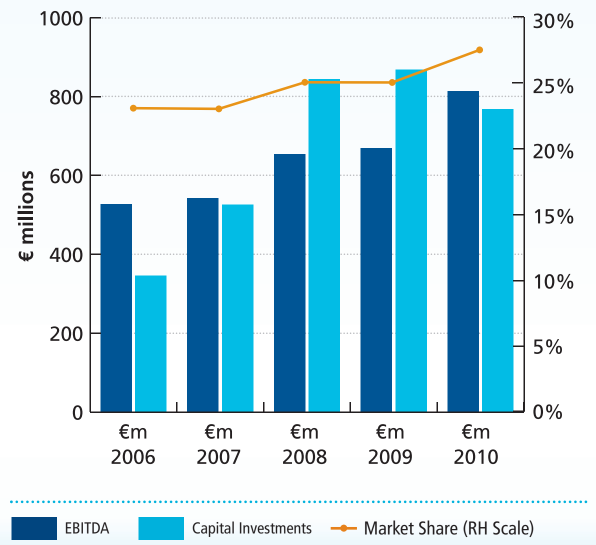
Building upon our Values and strong, proven history of quality, innovation and expertise, I would like to extend my thanks to all employees for their commitment and personal contribution to our ongoing success.

Helmut Engelbrecht
Chief Executive Officer

Business Review
URENCO Group

The 2010 financial performance shows strong revenue growth and EBITDA performance along with higher net income.

EBITDA, CAPITAL INVESTMENT & MARKET SHARE[1]



[1] Based on URENCO internal data

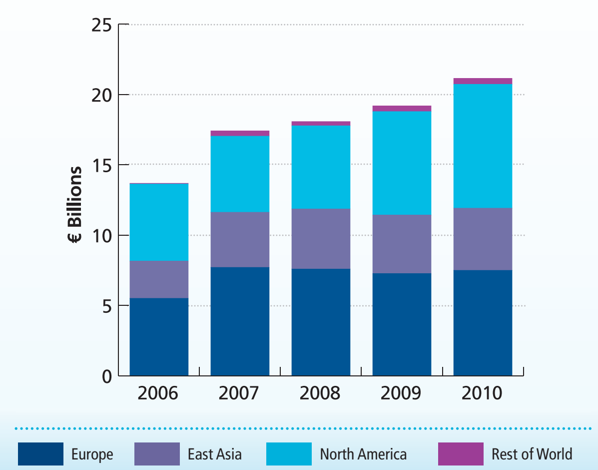
Achievements in 2010

- In 2010, URENCO delivered strong financial performance in accordance with the Group's expectations. Revenue grew to €1,267 million (2009: €1,121 million), which represents a 13% increase, due to higher customer deliveries. EBITDA for the year was €814 million (an increase of 21% on 2009), driven predominantly by increased revenue, with additional impact from foreign exchange translation gains and production economies of scale. The EBITDA result includes a charge for start-up costs for URENCO USA of €34 million. The start-up costs are expected to reduce as the US facility is now operational.
- Net income for 2010 was €387 million (2009: €343 million), an increase of 13%. Higher depreciation charges and finance costs, resulting from significant capital investments over the last few years, have led to a lower net income growth when compared to EBITDA.

- URENCO's order book grew in 2010, with an 8% increase year on year. The order book now stands in excess of €21 billion with a geographically diverse customer base (see graph below). This represents over 16 times the revenue for 2010 and underlines the strong platform on which URENCO has based its growth strategy.

Order Book

URENCO GROUP ORDER BOOK



- As part of a business transformation programme, URENCO upgraded its ERP system across its European sites in 2010. This has led to aligned processes across the Group reflecting industry best practice and will result in increased efficiency of the enrichment operations and business processes. Further optimisation will be undertaken in the future to ensure continual improvement.

URENCO's order book grew in 2010, with an 8% increase year on year. The order book now stands in excess of €21 billion with a geographically diverse customer base.

- ETC, the Group's technology joint venture, increased its centrifuge manufacturing rates in order to support its customers' needs. Manufacturing output of TC12/TC21 centrifuge models increased during the year by 19%. The Group's expansion programme is reliant on the maintenance of ETC's current manufacturing rates and reliable capacity installation and commissioning.
- Design and other pre-construction activities for the TMF continued in 2010.
- URENCO arranged a number of successful fundings, totalling €665 million during the course of 2010. These supported the expansion in the year.

Future objectives

- Safety is to remain the primary objective for all business areas. Safety targets will be maintained at each site and a high priority placed on behavioural safety through the effective training of employees and contractors.
- Continued review of the range of services and products available to ensure current and future requirements of customers are met.
- Successful implementation of the ERP system in the US to ensure application of common processes across the Group.
- Integrity will continue to be applied to all areas of the business, in accordance with the URENCO corporate values.

Risk

URENCO considers robust risk management processes to be critical in the identification and measurement of risk for strategic management decision-making. URENCO benefits from a comprehensive risk management programme, which has been reviewed and strengthened in 2010 to take account of the increasing size, diversity and complexity of URENCO's activities.

The focus continues to be on managing risks at source and using the appropriate tools to communicate and escalate any changes in the Group's risk profile to senior management and the Board. Risk registers are established on a site by site basis and are regularly monitored through Site Risk Management Forums. The top organisational risks and associated mitigation strategies are periodically reported to the Audit Committee.

Risk management also focuses on careful monitoring and review of major new build projects. To date, the larger capacity projects have experienced both cost and time overruns. The delivery of enrichment capacity projects on time and to cost is crucial to URENCO's continued success. In order to learn from the experience of building a facility in a new jurisdiction, an independent review was commissioned. Lessons learned have been incorporated into project management processes going forward.

Business Review

Enrichment Operations

The enrichment operations invested €676 million in 2010, more than 50% of that in its new facility in the US. Investment will continue for several years in order to increase capacity to meet customers' needs.

URENCO's role, as a global supplier of enrichment services, is vital in supporting its customers in meeting their changing requirements. URENCO is a market leader in the supply of centrifuge based enrichment services and is well-positioned to meet the demands of the nuclear industry.

As a key player in the enrichment industry, URENCO has a clear responsibility to promote a strong culture of safety and security for its stakeholders, and the wider communities. The physical safety of all those that work on URENCO sites, neighbours and the environment remain the main priority for all business areas.

Achievements in 2010

- More than 13,000 tSW were delivered, an increase of 14% on 2009. This is the highest volume of deliveries made by the Group to date and reflects an upward trend in both the enrichment market and URENCO's share in that market.
- URENCO continues to respond to customer demand by broadening product mix with the supply of feed uranium hexafluoride and enriched uranium product.

URENCO achieved further reductions in operating cost per SWU (after eliminating the impact of euro to sterling exchange rates on the UK cost base and changes in decommissioning provisions). The main drivers behind the unit cost reduction are:

- The ability to increase capacity without a corresponding increase in costs, particularly manpower as represented by tSW produced per enrichment employee.
- Constant control of operating costs leading to reductions in cost per SWU for energy, materials and other areas.

Year on year total cost per SWU has increased by 22%. After eliminating the non-recurring impact of foreign exchange and decommissioning provision changes in the previous year, cost per SWU has decreased by 8%.

- Major capacity investment programmes continued at the sites in the Netherlands, Germany and the US. The main milestone of the year was the first enrichment production from the US facility. This was later than anticipated, due to some commissioning delays which limited available capacity. However, issues related to commissioning delays are being resolved.

The enrichment operations invested €676 million in 2010, more than 50% of that in its new facility in the US. Investment will continue for several years in order to increase capacity to meet customers' needs.

URENCO makes full provision in its operating costs for the requirement to decommission plant and for the deconversion and storage of tails material. This is evident in the Netherlands where a new decommissioning facility was opened in 2010 and where former plants have been returned to greenfield status.

Key Performance Indicators

	2010	2009
Lost Time Incidents (including contractors)[1]	11	16
% of target SWU operational output[2]	98%	99%
tSW produced per enrichment employee[3]	16.5	15.2

1 The Group now monitors and reviews both employee and contractor Lost Time Incidents.

2 The European enrichment facilities achieved 101% of targeted output, however delays in cascade commissioning in the US meant production for the Group is below target.

3 URENCO USA employees and production are not included in this metric as the URENCO USA facility did not commence operations until mid-2010.

Future objectives

- URENCO will continue to meet its customer order book, by building on its reputation for the safe, secure and timely production of SWU, and will work together with customers to meet their changing requirements.
- URENCO will manage all investment projects closely for adherence to time and budget targets.
- Provision of continued operating support between URENCO's four sites throughout a period of ongoing capacity expansion to enhance best practice and continuous improvement.
- Continued efficiencies in production costs in order to maintain URENCO's operational margins.

URENCO ChemPlants

Depleted uranium hexafluoride (tails) is a by-product of the enrichment process. This material has strategic value through its potential for re-enrichment and, as such, is safely stored in internationally approved transport cylinders pending future re-enrichment or deconversion to a state suitable for long-term storage.

The introduction of the Tails Management Facility (TMF) will serve to reduce deconversion costs and minimise the Group's reliance on third party services. It will also reduce pressure on safeguarding licence limits, allowing greater control and flexibility of tails storage.

This facility is important in the Group's long-term strategic planning of uranium stewardship. It will be located at the Group's UK site and is expected to commence operations in 2015 servicing URENCO's European enrichment facilities. Although this date is later than originally scheduled due to key supplier delays, the Group remains confident of project completion within the new timeframe and to budget.

The TMF will comprise a UF6 tails deconversion unit and a number of associated storage, maintenance and residue processing facilities. This supports URENCO's long-term strategy for the management of tails pending future re-use.

Achievements in 2010

- Gained regulatory and planning approvals for construction of the TMF.
- Completed the land transfer process necessary to commence construction.
- Completed 90% of the site preparation works.
- Progressed the detailed design work incorporating a number of opportunities to reduce capital cost and improve operating efficiency.

Future Objectives

- Safety to remain the main priority throughout construction and once the facility becomes operational.
- Completion of construction and successful achievement of pre-commissioning works of the tails processing plant on schedule.
- Completion and commissioning of long-term retrievable Uranium oxide store in 2014.
- Develop a long-term strategy for recycling of chemical by-products.

Business Review

Stable Isotopes

Due to their versatility, URENCO's gas centrifuges are also employed in the separation of isotopes for medical, industrial and research applications. URENCO produces a variety of these isotopes and continues to research new potential applications. This business makes a positive contribution to URENCO's business in financial terms with revenue in 2010 of around €5 million.

Achievements

- The stable isotopes business operated safely in 2010 experiencing no lost time incidents.
- All customer deliveries were made on time and to quality.
- Cooperation with a number of universities has been established in order to stimulate the development of new applications for medical isotopes.
- Discussions are ongoing with several European organisations regarding the use of isotopes in research applications.

Future Objectives

- Continued safe and reliable operation of the stable isotopes business.
- Ongoing research into potential new applications for stable isotopes.
- Development of a balanced product portfolio in order to achieve profitable growth.

Research & Development

During 2010, URENCO continued to invest considerable time and resource in maintaining the world's most technologically advanced operational enrichment facilities.

The Group continues to enhance the effectiveness and reliability of operating practices and the equipment utilised across all business units, in order to maintain its competitive advantage. New and improved equipment is regularly introduced into every capacity expansion project throughout the URENCO Group. Each process is continually reviewed and evaluated to ensure a 'best in class' approach across the Group.

URENCO benefits from: the wealth of more than 40 years of operational experience from its European facilities; the design and construction of the first commercial US based centrifuge enrichment facility and highly motivated and experienced technical teams. To complement such innovation and experience, URENCO encourages every employee across the URENCO Group to create value and bring new ideas to life.

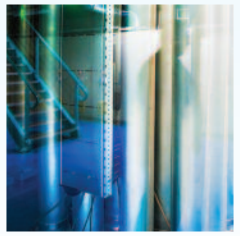
Future Objectives

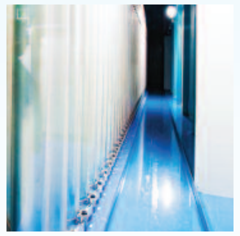
- Continued development of the Central Technology Group ensuring the optimisation and management of all operating assets, the design of each new enrichment facility and technical management support.
- Improved identification and protection of URENCO Intellectual Property Rights (IPR).

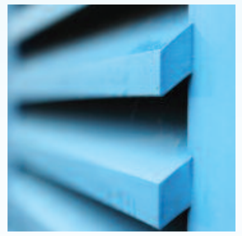
Business Review

Enrichment Technology Company

Enrichment Technology Company Limited (ETC) is a joint venture entity owned equally by URENCO and AREVA. It supplies design services and gas centrifuge technology to the enrichment subsidiaries of its shareholders, and continues to reinforce its position in the market with the development and manufacture of such technology.







ETC experienced another year of challenges in 2010. The manufacturing bottlenecks from 2009 were partly resolved in 2010 through a combination of increased capacity and investment. However, the continued pace set to meet the demands from ETC customers for accelerated plant expansion has led to delays in final delivery.

The delay in the delivery programme has caused €29 million of commissioning margin to shift into future years. This, combined with manufacturing, installation and commissioning inefficiencies from the delays, resulted in a loss for the year.

The challenges encountered in 2010 have impacted the annual results, with ETC Group revenue of €238 million (2009: €268 million), EBITDA of €29 million (2009: €29 million), and a net loss of €9 million (2009: €3 million loss).

Achievements in 2010

- Good progress was made in the construction projects for customers in the US and France during 2010, a key milestone being the transition of UUSA from a construction to an operating site. The expansion programmes at existing URENCO facilities in Germany and the Netherlands have continued to progress well.
- Increased manufacturing targets were achieved, resulting in a 19% increase in centrifuge production on the previous year.
- Growth in the order book with new supply contracts being agreed.
- Successful completion of recruitment and training, the high demand being driven by the continued pressures on resource. Management of resource will continue to be a priority for the company.

Key Performance Indicators

	2010	2009
Lost Time Incidents (including contractors)	10	7
EBITDA (€m)[1]	29	29
Production (TC12 equivalents)	62,537	52,049

1 The numbers presented for both 2010 and 2009 represent 100% of ETC's results, opposed to the 50% share consolidated in the URENCO Group accounts.

Future Objectives

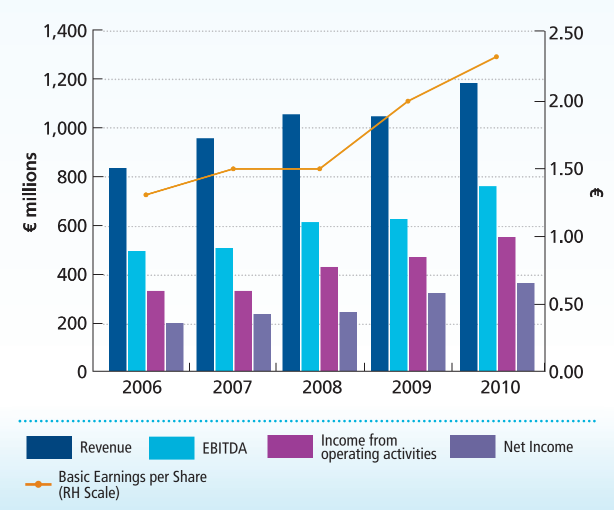
- Ensure safety remains the main priority and high levels of compliance are maintained within the areas of health, safety, environment and security.
- Execute on the strategic plan to mitigate existing delays and recover outstanding deadlines, and to ensure production output meets customer contractual requirements.
- Achieve cascade and supporting infrastructure targets within cost and schedule, with expected levels of quality and in full compliance with regulatory requirements.
- Continuing stabilisation of the manufacturing process whilst maintaining the required level of production.

Group Finance Report

The Group will continue to invest in bringing additional enrichment capacity on-line, primarily in Germany, the Netherlands and the US.

For URENCO, 2010 was another year of strong operating and financial performance. Revenue, EBITDA and net income all show considerable growth on the previous year, with higher customer deliveries being the major driver.

FINANCIAL PERFORMANCE



Achievements in 2010

- Revenue has grown by 13% to €1,267 million, largely due to additional volumes of SWU sold. Sales prices in US dollar terms were better than 2009, and the Group's average selling price measured in euro terms (after hedging results), saw further benefit due to the dollar strengthening in 2010.
- EBITDA saw significant growth, increasing by 21% to €814 million as a result of the increased revenues in the year. Further benefits were achieved through economies of scale for operating costs and foreign exchange retranslation gains on monetary assets and liabilities. These were offset in part by an increase in sterling operating costs when expressed in euros.
- In order to provide a clearer comparison of the underlying business performance, EBITDA has been adjusted to account for factors that are non-recurring. Adjusted EBITDA grew by 12% in 2010, in-line with the increase in revenues (see table).

- EBITDA was adjusted in 2010 for:
  - Start-up costs for URENCO USA. These costs were lower in 2010 as the US facility became operational during the year.
  - Specific foreign exchange gains and losses, mainly arising from retranslation of monetary assets including intercompany balances.

EBITDA Performance

	2010 €m	2009 €m	Year-on-year increase
Income from operating activities	590.9	500.4	**18%**
Add back: depreciation and amortisation	222.7	169.3	
EBITDA	813.6	669.7	**21%**
Adjustment for 'non recurring' items:			
URENCO USA/LES start-up costs	34.0	75.9	
Net foreign exchange translation (gains)/losses	(28.3)	3.7	
Provision UK operations	-	(2.2)	
Amendment to provisions	-	(19.0)	
Adjusted EBITDA	819.3	728.1	**13%**

- The US facility commenced operations in the year and therefore became a depreciating asset. This, combined with continued investments in Europe has led to a significant increase in the depreciation charge when compared to the previous year.

- Net income in 2010 was €387 million, an increase of 13% on 2009, despite increased depreciation from newly installed capacity and higher borrowing costs associated with capital investments.

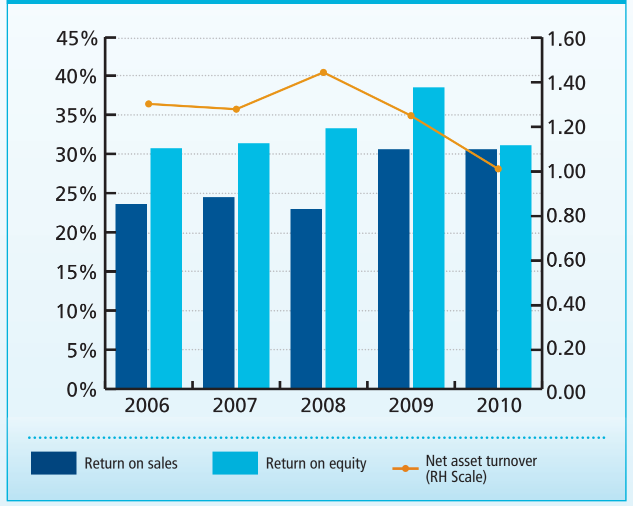
Key Performance Indicators (KPIs)

The Group's financial KPIs are summarised below:

Key Performance Indicators

	2010 €m	2009 €m	Year-on-year increase
Revenue	1,267	1,121	**13%**
EBITDA	814	670	**21%**
Adjusted EBITDA	819	728	**12%**
Net Income	387	343	**13%**

RETURN ON SALES AND EQUITY



Outlook

It is too early to assess on the exact impact that events in Japan will have on the global nuclear industry. As a global supplier to the industry, URENCO is closely monitoring the developing situation to assess potential implications for the business.

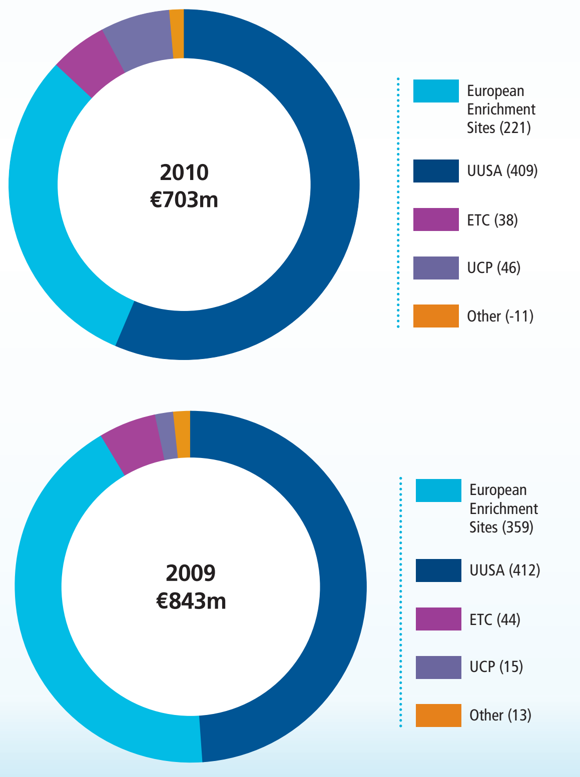
- URENCO anticipates continued growth of its operations, through further capacity expansion in 2011. Revenue and EBITDA growth is expected in 2011, although at a slower pace than 2010. This is supported by increases in sales volumes, stable selling prices and further production economies of scale. Net income is expected to be broadly static in 2011 as higher depreciation and finance costs start to impact.
- The Group will continue to invest in bringing additional enrichment capacity on-line.
- URENCO USA did not reach planned production levels in 2010 due to cascade commissioning delays. This will have an impact on production levels in 2011 and therefore its contribution to the Group's EBITDA.
- ETC is expected to commence generating revenues from its non-URENCO customer in 2011, and a proportion of these will be reflected in the URENCO Group's results (revenues for deliveries to URENCO are excluded from the Group consolidated results). The Group expects to move from proportional consolidation to Equity accounting for ETC in 2011 to more appropriately reflect the underlying enrichment business performance.
- URENCO will continue to monitor the financial markets and look for new funding opportunities to support planned capacity expansions in 2011 and 2012, whilst maintaining its single 'A' credit rating.

Group Finance Report
continued...

Capital expenditure

- The pie charts below show the capital expenditure in the year 2010 compared to the previous year. As expected, URENCO USA has increased its relative share of the Group's total investments over 2009.

CAPITAL EXPENDITURE

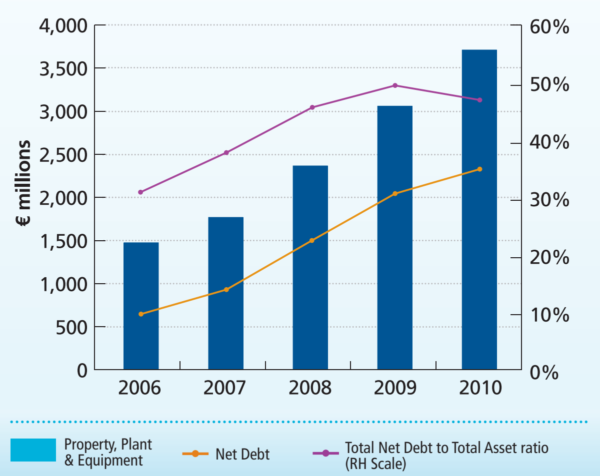


Capital structure

Customers' refuelling cycles have seasonal trading patterns, which impact the year end balance sheet. This can lead to some financial ratios appearing stretched at year end. When ratio analysis is applied on an annual average basis, the position is more representative.

- The Group's equity increased to €1,398 million during the year (2009: €1,094 million), mainly due to retained earnings (€329 million), an increase in foreign currency translation reserves (€51 million) and a decrease in hedging reserves (€76 million).
- The following graph shows that net financial debt rose as a consequence of high capital expenditure. This is in proportion to increases in property, plant and equipment. As a result, the Group's Net Debt to Total Asset ratio remained strong and below 60%, in-line with the Group's target.

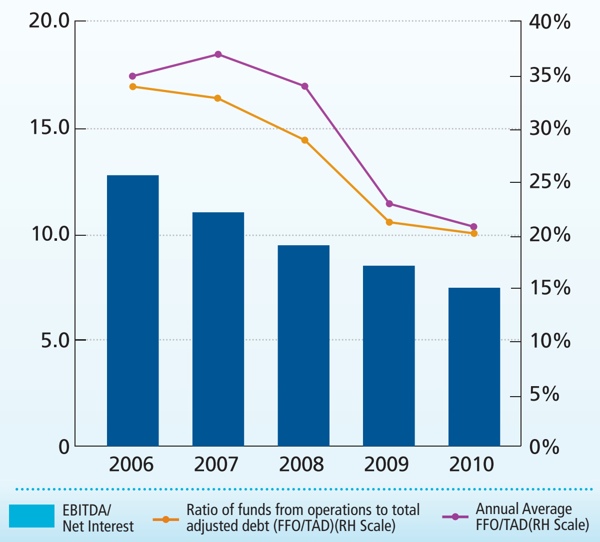
PROPERTY PLANT & EQUIPMENT VS DEBT



The Group operates a number of pension schemes for its employees, in Germany, the UK, the Netherlands and the US. These are a mixture of defined contribution and defined benefit schemes.

- The Group's capital expenditure programme resulted in a significant rise in debt levels during the last five years. This increase in debt is ahead of the commencement of income generation through operation of the newly built capacity. In the near term this will adversely affect the funding ratio FFO/TAD, which is a measure for the level of cash income (Funds from Operations) in proportion to the level of outstanding borrowings (Total Adjusted Debt). The FFO/TAD level at the end of 2010 was 20%, lower than 2009 (22%) but the Group expects this ratio to improve over the coming years, as FFO increases due to additional production capacity and deliveries.
- The graph below highlights the Group's key funding ratios over the last 5 years:

FIVE YEAR SUMMARY FUNDING RATIOS



- The Group's interest cover remains strong.
- Both EBITDA/net interest cover as well as FFO/TAD are expected to stabilise and recover over the coming years.

Group Pension Funds

The Group operates a number of pension schemes for its employees, in Germany, the UK, the Netherlands and the US. These are a mixture of defined contribution and defined benefit schemes. Entrance to the UK defined benefit scheme is now closed and the two separate UK defined benefit pension schemes were merged in 2009.

Under International Accounting Standard 19 (IAS 19), the Group records as a liability on its balance sheet any shortfall between the value of the different schemes' liabilities and the value of the assets held under the schemes, at the balance sheet date. The net liability in respect of the Group's defined benefit pension schemes at 31 December 2010 was €53 million (2009: €66 million). This liability has reduced primarily as a consequence of increased employee and company contributions, positive investment returns and an increase in interest rates, offset by rising life expectancy costs.

Following the actuarial review in 2009, a deficit recovery plan has been agreed with the UK Trustees. This includes a deficit repair payment of £1.5 million payable annually, which will be reviewed at the next triennial valuation in 2012.

Provisions for decommissioning and tails

URENCO makes provision in its balance sheet for the following obligations:

Facility decommissioning: The Group has an obligation under its operating licences to decommission safely its enrichment facilities once they reach the end of their operational life. Decommissioning provisions created in the year amounted to €21 million, compared to €7 million reported in 2009, due to more cascades being commissioned and provisions being established for URENCO USA.

Full provision has been made in 2010 for the safe and full decommissioning of the URENCO USA site. A detailed review of the decommissioning provision took place to include the provision as part of the start-up of the facility in 2010. The model used for estimating the provision is in-line with the other European plants, where some decommissioning has already taken place.

Group Finance Report

continued...

URENCO has a highly stable future revenue stream that enables it to maintain a sizeable portfolio of effective accounting hedges.

In addition to the provision, URENCO USA is also required under the Nuclear Regulatory Commission licence requirements to have a surety bond in place. This provides financial assurance for the first phase of decommissioning as well as the first three years of tails deconversion.

For the Group, facilities will be decommissioned as soon as practical after the end of operations. There are no plans to decommission major elements of plant in the foreseeable future.

Tails deconversion storage and eventual disposal: The Group provides for the costs of the ultimate deconversion of the by-product of the enrichment process (i.e. chemical conversion of tails from UF6 to U308), long-term storage and eventual disposal. Additional tails provisions recognised in the year were €102 million (2009: €98 million) and those utilised were €28 million (2009: €91 million). The amount utilised is lower than the previous year due to the reduced use of third party services in 2010. The tails provision utilised in 2010 relates to the deconversion of tails in the Netherlands and Germany to U308, for long-term storage.

Funding position

- In support of URENCO's ongoing "growth through investment" strategy, additional debt finance was obtained during the year, raising the equivalent of €665 million in new funds.
- Strong internal cash flow generation along with increased committed facilities raised through the successful bond issue at the beginning of 2010 and other new funds, URENCO has a solid funding position for future investments. On the basis of currently anticipated capital expenditure, the Group has sufficient facilities through to the second half of 2012.
- URENCO's funding position is underpinned by a strong order book, which provides the Group with clear long-term revenue visibility and robust EBITDA margins, resulting in strong cash flow generation.



Funding programme

The Group has achieved major successes in securing a number of new funding agreements during 2010, which are reflected in the following chart. These new agreements are as follows:

- €500 million seven year Eurobond.
- $100 million five year Euro Medium-Term Note ("EMTN") issued under the EMTN programme.
- $120 million two year loan facility.

At the end of 2010, the Group's total committed borrowing facilities (which exclude the Commercial Paper Programme) were €3,042 million. The split of borrowing facilities by type is shown in the following chart, as at 31 December 2010:

FINANCE FACILITIES AS AT 31 DECEMBER (€ MILLIONS)

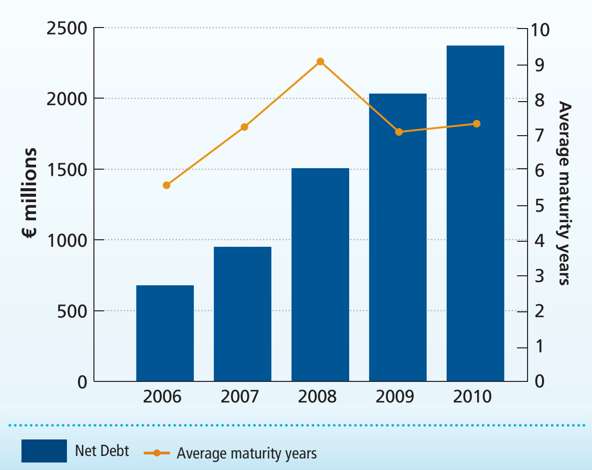


The Group has formulated the following strategic principles to guide its funding operations:

- Ensure that a single 'A' credit rating is maintained.
- Use different financial instruments and financial markets, in order to exploit attractive funding opportunities as they emerge.
- Secure a core of longer-dated debt, consistent with the long-term nature of the Group's investments and the need to maintain an optimised long-term capital structure.

The Group continues to look for opportunities to extend the maturity profile of its debt. In 2010, this increased to above seven years, having seen a reduction in 2009, due to the profile of funding.

NET DEBT VS AVERAGE MATURITY



Management of foreign currency risk

Around 60% of the Group's income is received in US dollars, whereas the Group's current cost base is predominantly in euro and sterling and the Group's reporting currency is euros. This means that the Group is structurally exposed to the risk of movements in the exchange rate between the US dollar and the euro as its reporting currency. In order to reduce the volatility of the Group's euro cash flows and income, the Group has a policy of hedging forward its net contracted US dollar exposure (i.e. the difference between the Group's contracted US dollar revenues and its US dollar cash costs).

The foreign currency hedging policy has the twin objectives of reducing volatilities in cash flows and the income statement. The sensitivity of future cash flows to exchange rate movements could be minimised by hedging net contracted US dollar exposure from a contract at the time of its signature. However, a long-term reduction of income exposure is much more difficult to achieve due to the strict requirements with respect to hedge accounting under IFRS. URENCO has a highly stable future revenue stream that enables it to maintain a sizeable portfolio of effective accounting hedges. Even so, there is always an element of uncertainty due to changes in quantities and timing of deliveries based on market movements and customers' requirements, which makes it difficult to achieve effective hedge accounting over the longer term.

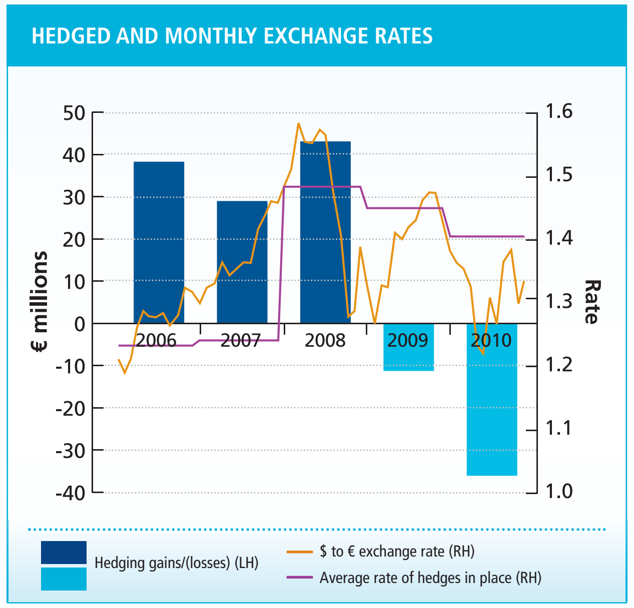
The following graph shows the performance of the effective hedges (i.e. US dollars sold forward for euro) in place versus the average euro to dollar exchange rates. It also shows the hedging gains and losses realised during the last five years on these effective hedges. The consequence of the Group's six year rolling hedging policy is that it dampens the impact of foreign exchange rate movements but does not prevent the impact of periods of weakening dollar over time, as illustrated on the following page.

Group Finance Report

continued...

URENCO benefits from the existence of a Group-wide risk management programme and the focus continues to be on managing risks where they originate.

Euro to Dollar Exchange Rates and URENCO Hedged Rates



The Group's hedging policy has been set on a 72 month rolling basis (see page 71 of the financial statements). This medium-term hedging period strikes a balance between the objective of maximising cash flow certainty (which suggests a long hedging period) and the objective of maintaining a hedge portfolio that largely qualifies for hedge accounting under IFRS (which has some restrictions in applying hedge accounting to economic hedges).

In 2010, portions of the Group's portfolio of hedging instruments were not eligible for hedge accounting. IFRS requires that the change in fair value of these instruments in the reporting period is taken through the Income Statement. The following table specifies the hedging results related to ineligible and ineffective currency hedges. URENCO will aim to minimise accounting volatility arising from hedging actions.

Ineligible / Ineffective Hedges

	2010 €m	2009 €
Gains from ineligible / ineffective hedges (reported in Finance income)	**28.1**	31.6
Losses from ineligible / ineffective hedges (reported in Finance cost)	**(33.4)**	(23.2)
Net (losses) / gains from ineligible / ineffective hedges before tax	**(5.5)**	8.4

Risk management

URENCO has a Group-wide risk management programme and the focus continues to be on managing risks where they originate. Key risks in the finance domain are listed below. The management of foreign currency exposure is discussed on page 21.

Financial risk management

The Group uses financial instruments to manage a number of different risks, such as foreign exchange (see above), and as a matter of policy does not use such instruments for speculative trading purposes.

The principal categories of risk faced by the Group, together with the financial instruments used to manage them, are set out on the following page:

Credit risk exposure

The Group is exposed to credit risk predominantly through its transactions with other participants in the nuclear fuel chain. Additional counterparty exposures are generated as a result of the Group's financing and foreign exchange management programmes. To mitigate this risk, the Group has a policy of assigning credit limits to counterparties based on a system of internally defined or published credit ratings, and approves and monitors credit exposures against those limits.

Interest rate exposure

In order to mitigate the impact of interest rate movements on the Group's interest costs, URENCO has a policy of maintaining up to 60% of its borrowings at fixed rates of interest, which also reflects its long-term asset base. The Group also uses interest rate swaps to maintain this balance where necessary.

Liquidity exposure

The Group's funding programme is designed to ensure that a prudent level of committed borrowing facilities is in place to cover the Group's forward funding requirements. Detailed cash flow forecasts are produced to ensure that this policy is met. The Group also has a policy of managing its total borrowings within the context of its single 'A' credit rating. This helps the Group gain access to the international capital markets, which further mitigates liquidity risk. The Group continually reviews the maturity profile of its borrowings and maintains a balance between long-term availability of funds and short-term flexibility, based on ten year cash flow projections.

Commodity price exposure

At present, the majority of URENCO's contracts are on a 'toll enrichment' basis, whereby uranium hexafluoride ('feed') is supplied by customers and enriched by URENCO. There are a number of contracts under which URENCO also commits to supply feed, and under these contracts URENCO can be exposed to movements in the price of uranium. To mitigate its exposure to uranium price movements, URENCO normally matches a contract for sale of feed with a 'back-to-back' contract to purchase feed from a supplier on similar terms.

Insurable risk

URENCO coordinates worldwide insurance placement from a central function allowing maximisation of economies of scale and facilitating the elimination of gaps and inconsistencies between policy coverage. URENCO holds a comprehensive suite of insurance products consistent with legal requirements, industry practice and prudent operation.

Internal audit

Each year a number of internal audits are conducted with the aim of obtaining relevant assurances. The internal audits are risk-based and support the Group in sustaining an adequate control framework. In 2010 the Internal Audit function reviewed, among other things, the following areas:

- Payroll processes across the Group.
- Project management at the new Tails Management Facility.
- Implementation of a new ERP system, which went live in the European Group companies in November 2010, and the controls within it.

URENCO addresses any areas of control improvement highlighted by these reviews.

In 2011 the Internal Audit team function will audit the following areas:

- Treasury operations.
- Stock planning & management.
- Central oversight over major capital projects.

Corporate Responsibility

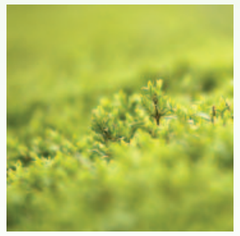
URENCO continues to believe that nuclear power will play a fundamental role in meeting the increasing future demand for sustainable global energy. URENCO is committed to supporting the development of the nuclear industry, in order to meet the sustainable energy challenges of the future.

It is widely recognised that carbon emissions need to be reduced at an international level. This must be done alongside the expansion of energy supply, as global demand for electricity increases rapidly. Nuclear power generation avoids the emission of over two billion tonnes of carbon dioxide each year[1], and provides a reliable, domestic energy supply.

URENCO continues to prioritise corporate and social responsibility across all decision-making and business areas. The five core URENCO Values of Safety, Integrity, Flexibility, Development and Profitability have been designed and implemented to guide the actions of every employee. Across the Group, these Values empower our leaders to operate in the best interests of the Company, the industry, varying stakeholders and the environment. They act as guidelines for behavioural standards and best practice.

The Group is committed to protecting the natural environment, both through providing an emission-free energy source and by operating facilities in a sustainable manner. URENCO takes its responsibilities for uranium stewardship seriously, and makes full provision for the decommissioning of enrichment facilities and the future management of depleted uranium tails. The TMF will support URENCO's long-term strategy for the management of tails, pending potential future re-use.

The Group complies with the highest industry and regulatory standards, and URENCO's centrifuge technology is verified and protected by international treaties. A strong focus is placed upon security and safeguards, and URENCO plays an active role in steering the future of nuclear safeguards with its representation at International Atomic Energy Agency (IAEA) conferences and technical meetings, alongside membership of ESARDA, the European Safeguards Research and Development Association. Through this, the Group has an important role in ensuring that civil nuclear power remains a safe, secure and reliable energy supply.



URENCO is driven by a dedication to be a good corporate citizen. This is carried out through a variety of sustainable initiatives impacting upon the communities in which URENCO operates. Community involvement rests on the strong foundations of education, culture, environment and healthy living. These guide sponsorship activities and donations, as well as initiatives organised within the localities in which URENCO operates.

From school age to leadership level, the Group recognises its responsibility in the field of science and engineering education. URENCO contributes to first class education and training, both within schools and across the nuclear industry.

Richie Enrichment, URENCO's Youth Science Ambassador, was developed in 2006 in order to assist effective communication with younger stakeholders and support an engaging educational campaign. Richie has since become a popular and well-recognised symbol of nuclear education for the Group and the wider industry.

URENCO has a Group-wide education and skills programme for employee development. For example, the Group employs a number of apprentices across all sites and takes responsibility for their professional and technical development through qualifications and mentoring. The focus for this scheme is not only on education across a wide spectrum of engineering and mechanical skills, but also developing the attitudes and behaviours that are essential for the safe and efficient operation of URENCO's enrichment facilities. A number of these apprentices have been nationally recognised for their outstanding achievements.

[1] Foratom, 'Nuclear Energy and Greenhouse Gas Emissions Avoidance in the EU', December 2010.

The Group is committed to protecting the natural environment, through both providing an emission-free energy source and by operating facilities in a sustainable manner.



Beyond school age and across the nuclear industry, URENCO provides financial and practical support to a number of professional development initiatives. The Group is a founding sponsor of the National Skills Academy for Nuclear UK, an organisation which addresses the key skills and training challenges facing the nuclear industry. URENCO is also one of the founding companies of the European Nuclear Energy Leadership Academy (ENELA). The purpose of the academy is to train young graduates and high potential employees to lead the nuclear industry and prepare them for broader responsibilities.

Alongside the Group's sustainable operating practices, a comprehensive sponsorship and donations policy is in place which supports a wide range of environmental, cultural and educational projects. Illustrating the widespread and well considered nature of URENCO's donations, some examples of sponsorship in 2010 included:

- Funds raised by URENCO employees in the Netherlands towards a new bus for the Red Cross, for use by local wheelchair users.
- Donations to four local charities as nominated by employees of URENCO UK in recognition of reaching a key safety milestone.
- The Eunice Community Foundation, established by URENCO USA to benefit local residents, donated funds to the Girl Scouts of the Desert Southwest towards an educational programme.
- URENCO's German site sponsored a family day for the local community.
- URENCO Limited sponsored the development and construction of a new Science Garden for a local school's autistic unit.

Beyond financial contributions to local organisations, URENCO employees are also encouraged to be active in their communities. Employees at URENCO's US site regularly take part in group renovation projects, improving the local area through events such as Highway Clean-ups and home improvement projects for local senior citizens. Similar projects take place across URENCO's European facilities. URENCO recognises and rewards individual employees' contributions to charitable causes and the community through the annual "Active in the Community" award.

Throughout URENCO's operations and service delivery, the Group consistently strives towards a "One Company" approach. Corporate responsibility and sustainable initiatives are therefore embedded across the Group.

To find more detailed information relating to URENCO's sustainable operations and corporate responsibility, please refer to the URENCO website where Sustainability Reports are available to view (www.urenco.com/sustainability). The URENCO Sustainability Report 2010, recording the Group's projects and activities against the Global Reporting Initiative (GRI) standards, will be published in Summer 2011.

Board Biographies

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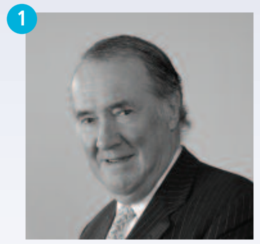
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1 Chris Clark – Chairman

Chris began his career with Johnson Matthey in 1962 and became a Director in 1990. He was appointed Chief Executive in 1998, took Johnson Matthey into the FTSE 100 in 2002, and retired two years later. Following his retirement from Johnson Matthey in 2004 he was appointed Chairman of Associated British Ports Holdings plc which was sold to a consortium of infrastructure funds in 2006. He was appointed Chairman of Severstal, the Russian steel company quoted in London, in December of 2006. He took up his position as Chairman of URENCO Limited on 1 January 2006.

2 Helmut Engelbrecht – Chief Executive Officer

Helmut graduated in mechanical engineering from the University of Aachen and has a PhD in nuclear technology. In 1986 he moved to Preussen Elektra becoming Head of Corporate Development in 1998, and was appointed Director of E.ON Benelux in 2000. He joined URENCO in 2003 as Strategic Development Director to become Managing Director of URENCO Enrichment Company in January 2004. He was appointed CEO of URENCO Limited in January 2005.

3 Bart Le Blanc – Chief Financial Officer

Bart graduated in economics from the University of Tilburg in the Netherlands and obtained a PhD in law from the University of Leyden. After working at the Prime Minister's Office in The Hague and serving as Director General of the Budget from 1980 to 1984 at the Ministry of Finance he moved into banking. He was appointed Deputy Chairman of F van Lanschot Bankiers (a private bank) followed by appointment as Vice President of the European Bank for Reconstruction and Development in London. He became Director of International Finance at the Caisse des Depots in Paris in 1997. Bart Le Blanc joined URENCO in September 2004 and retired from his position of Chief Financial Officer on 1 April 2011. He retains the position of Chairman of the Board of Directors of ETC.

4 Friso van Oranje – Chief Financial Officer

Friso graduated in aeronautical engineering from the University of Delft and in economics from Erasmus University in Rotterdam. He joined the Amsterdam office of McKinsey & Company in 1995. In 1998 he moved to Goldman Sachs' investment banking division after completing an MBA at INSEAD. Friso has been involved as an investor in a number of technology companies. He joined URENCO in January 2011 from Wolfensohn & Company and took over from Bart Le Blanc as CFO on 1 April 2011.

5 George Verberg – Deputy Chairman

George graduated from the Netherlands School of Economics of the Erasmus University. From 1971 to 1974 he was at the Ministry of Education, Culture and Science, in 1974 he moved to the Ministry of Economic Affairs where he held the positions of Director General for Trade and Services, and Director General for Energy. He joined NV Nederlands Gasunie in 1988 and was CEO from 1992 to 2004. He was appointed President of the International Gas Union from 2003 to 2006 and joined the URENCO Board in December 2003. He is also Chairman of the Remuneration and Appointments Committee.

6 Gerd Jaeger – Deputy Chairman

Gerd graduated in mechanical engineering from the University of Aachen researching in heat and power engines for his PhD. He joined Rheinisch-Westfälische Elekrtizitätswerk AG in 1977 rising to the position of Senior Vice President of the central division asset management. He became a member of the Executive Board of RWE Energie AG in 1999, and joined the Executive Board of RWE Power AG in October 2000. He joined the URENCO Board in March 2001.

7 Stephen Billingham

Stephen is Chairman of Fountains Holdings Limited, a leading environmental support services company.

Stephen was Finance Director (CFO) of British Energy Group plc, the FTSE 100 company and the UK's largest electricity generator. Prior to joining British Energy, he was the Group Finance Director (CFO) of the international engineering and design consultancy, WS Atkins plc. He was the Finance Director of the team that signed the Metronet/London Underground Public Private Partnership. He has been Group Treasurer of the engineering group BICC plc (now Balfour Beatty plc) and the utility Severn Trent plc and has held finance positions in Burmah Oil plc and British Telecom plc.

Stephen joined the URENCO Board in September 2009 and is Chairman of the Audit Committee.

8 Bernhard Fischer

Bernhard graduated in mechanical engineering from the University of Hannover. In 1982 he joined Preussen Elektra and held several positions in the power plant sector until he became Managing Director of E.ON Kraftwerke in 2000.

From 2002 until 2005 he was responsible for energy business optimisation at E.ON Energie before being appointed as a Board Member of E.ON Energie. In July 2009 he received a PhD degree (Dr. h.c.) from the University of Munich. On 1 January 2010 he was appointed as Chief Executive Officer of E.ON-Generation GmbH, being responsible for operation of the whole E.ON Generation Fleet. He joined the URENCO Board in April 2008.

9 Victor Goedvolk

Victor graduated in Economics from the Erasmus University in Rotterdam and was subsequently appointed Assistant Professor of Business Economics in the Faculty of Economics. From 1978 he was a staff member of a consultancy firm in the Benelux. In 1983 he joined the Ministry of Finance and was appointed Deputy Secretary General in 1986. From 1990 until his retirement in 2004 he was CFO of Fortis ASR and Non-executive Director of Fortis Bank. He was appointed Vice-Chairman of Ultra-Centrifuge Nederland NV and joined the URENCO Board in April 2003. He currently also holds several non-executive positions in Dutch companies and institutions.

10 Richard Nourse

Richard is a Director of Enrichment Holdings Limited, the company through which the British Government holds its shareholding in URENCO, having previously been a Director at the Shareholder Executive, part of the British Government. Richard is also Managing Partner of Novusmodus LLP, the renewable energy fund of ESB, the Irish utility. Until 2007, he held senior positions at Merrill Lynch, including Head of the EMEA Energy and Power Team. During his time at Merrill Lynch, Richard worked on a wide range of acquisitions, divestments and capital raisings for companies across the European energy, utility and waste sectors. Richard started his career in the City over 20 years ago with Morgan Grenfell. He joined the URENCO Board in January 2009.

Sarah Newby-Smith – Company Secretary

Sarah graduated from Oxford University in 1991, after which she spent several years working for the British Council overseas before changing to a career in law. After qualifying as a solicitor she spent several years in London as a corporate lawyer in private practice before joining URENCO in 2006.

Company Secretary
Sarah Newby-Smith

Registered Number
01022786

Registered Office
URENCO Limited
18 Oxford Road
Marlow
Buckinghamshire SL7 2NL

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Consolidated Group Financial Statements

For the year ended 31 December 2010

Corporate Governance

URENCO's policy on corporate governance is to meet with principles of good governance, transparent reporting and the Company's core Values. The Company has established and practises a system of full transparency with regular comprehensive reporting to the Board and provision of extensive background information for all matters requiring Board approval. All decisions of the Board are clearly minuted and recorded in a fully accessible manner. Additionally, regular meetings of the Audit Committee, Remuneration and Appointments Committee and, where required, special working groups, permit Board representatives together with external advisors as appropriate to consider in further detail issues of particular complexity.

URENCO's commitment to good corporate governance ensures clear strategic direction for the Group and enables the effective assessment, control and management of risk.

The Board and its Committees

Board composition and independence

The Board comprises the Chairman, six Non-executive Directors and two Executive Directors. Two Non-executive Directors are appointed by each of the Company's three Shareholders. An additional Non-executive Director is elected onto the Board by unanimous resolution of the Shareholders and elected into his position as Chairman of the Board. The two Executive Directors are elected into position by the Board.

The Directors of the Company in office during the 2010 financial year were:

Non-executive Directors

Chris Clark	Chairman
Gerd Jaeger	Deputy Chairman
George Verberg	Deputy Chairman
Stephen Billingham	
Bernhard Fischer	
Victor Goedvolk	
Richard Nourse	

Executive Directors

Helmut Engelbrecht	Chief Executive Officer
Bart Le Blanc[1]	Chief Financial Officer

Biographical details of the Directors and the Company Secretary are set out on page 26.

Operation of the Board

The Board manages overall control of the Group's affairs and is responsible to the Shareholders for company policies and strategic direction. It meets on a regular basis to consider matters specifically reserved for its decision. These include the approval of the strategic business plan, financing policies, budget and financial statements, major capital projects, acquisitions and disposals, major regulatory issues and major policies in respect of environmental, health and safety issues. During 2010 there were five meetings of the Board.

The Board and its Committees are provided with full and timely information well in advance of meetings. The agenda is set by the Chairman in consultation with the Executive Directors and Company Secretary. Formal minutes recording discussions and decisions of all Board and Committee meetings are prepared and circulated to the respective Board and Committee members.

The Board recognises the need for a reasonable balance between Executive and Non-executive Directors in providing judgement and advice in the process of decision-making. In addition to fulfilling their legal responsibilities as Directors, Non-executive Directors are valued by the Company for the judgment and experience they provide to the Board through their contribution at Board and Committee meetings and beyond.

During 2010, subsequent to the inauguration of URENCO's US facility, the URENCO Board appointed Charlie Pryor as a Special Advisor to advise on US matters of interest. Charlie is also Chairman of URENCO USA Inc.

Accountability and Audit

The Board has overall responsibility for internal controls, including risk management and approves appropriate policies having regard to the objectives of the Group. The Executive Directors have the responsibility for the identification, evaluation and management of both financial and non-financial risk and the implementation and maintenance of control systems in accordance with Board policies.

The Group operates an objective-driven approach aimed at satisfying its core targets set out in a strategic business plan. Its objectives are set out in an annual budget which is approved by the Board. Management reports for the Group are prepared on a quarterly basis and distributed to the Board. In addition the Board receives monthly reports containing key performance indicators. The plans and reports cover both revenue and expenditure (including capital) and financing.

The Board has reviewed the effectiveness of the Company's risk management and internal control systems for the financial year and the period to the date of approval of the financial statements.

1 Bart Le Blanc retired from the Board on 1st April 2011 and was replaced by Friso van Oranje.

Audit Committee

The Audit Committee met five times in 2010. The members of the Committee in office during the financial year were Stephen Billingham (Chairman), Victor Goedvolk, Dirk Steinheider and Thomas Beermann (who replaced Dirk Steinheider with effect from 8 April 2010*). Meetings are also attended by the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer as well as the Group's external and internal auditors. The Committee's primary responsibilities include monitoring the financial statements of the Group, along with monitoring the systems of internal control, compliance and risk management to ensure that the Audit Committee is aware of the principal risks and uncertainties facing the Group. The Audit Committee additionally provides a forum for reporting by the Group's external and internal auditors and also reviews annually the performance of the Group's auditors to ensure that an objective, professional and cost-effective relationship is maintained.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee met six times in 2010 and comprises George Verberg (Chairman), Gerd Jaeger, Bernhard Fischer and Richard Nourse, who are all Non-executive Directors. The Chairman of the Board, the Chief Executive Officer and the Group Human Resources Manager attend the Committee meetings by invitation. The Committee makes recommendations to the Board on the remuneration packages for Directors. Remuneration for Non-executive Directors is subject to final approval at the AGM.

Further details of the role and responsibilities of the Remuneration and Appointments Committee are given in the Directors' Remuneration Report on page 32.

Additional Background Information

Shareholding Structure

URENCO's shares are ultimately held one-third by the UK government (through Enrichment Holdings Limited) one-third by the Dutch government (through Ultra-Centrifuge Nederland Limited) and one-third by German utilities (through Uranit UK Limited**).

History and Wider Governance Issues

URENCO was founded in 1970 following the signing of the Treaty of Almelo by the governments of Germany, the Netherlands and the UK and was incorporated as an English private limited liability company on 31 August 1971. The Almelo Treaty establishes the fundamental principles for effective supervision of URENCO's technology and enrichment operations with respect to non-proliferation issues. A committee comprising representatives of the governments of the signatory countries (the "Joint Committee"), exercises this role but has no role in the day-to-day operations of URENCO. The Joint Committee considers all questions concerning the safeguards system (as established by IAEA and EURATOM), classification arrangements and security procedures, exports of the technology and EUP and other non-proliferation issues. In this respect the Joint Committee also considers issues connected with any changes in URENCO's ownership and transfers of technology. URENCO's Executive Management meets with the Joint Committee on a periodic basis.

Prior to the construction of URENCO's enrichment facility in the US and in order to permit the transfer into the US of classified information in respect of URENCO's proposed new facility, the US government entered into a new intergovernmental treaty (the Treaty of Washington) with the governments of Germany, the Netherlands and the UK to ensure that the same conditions that had been agreed in the Treaty of Almelo would also apply to the US. The Treaty of Washington was signed on 24 July 1992.

In order to permit the completion (in 2006) of the joint venture with Areva regarding the Group's technology business ETC, France needed to adhere to the principles of the Treaty of Almelo. A new treaty (the Treaty of Cardiff) signed by the governments of Germany, the Netherlands, the UK and France was signed on 12 July 2005. A further requirement for completion of the transaction was to obtain EC competition clearance. This was granted on 1 July 2006. The terms of the clearance require certain commitments from URENCO and Areva to ensure that URENCO and Areva remain competitors in the field of enrichment and that no commercially sensitive information about their enrichment operations passes between URENCO and Areva by virtue of their being joint shareholders of ETC.

* Stephen Billingham and Victor Goedvolk are non-executive Directors.
** Shares in its German holding company are held 50% by E.ON Kernkraft GmbH and 50% by RWE Power AG.

Remuneration Report

Remuneration and Appointments Committee

The Remuneration and Appointments Committee is composed entirely of Non-executive Directors. It is chaired by George Verberg and its other members are Gerd Jaeger, Bernhard Fischer and Richard Nourse. Meetings are also attended by the Chairman of the Board and the Chief Executive Officer.

The Committee makes recommendations to the Board on the remuneration packages for all Directors. Remuneration for all Non-executive Directors is subject to final approval at the AGM.

Remuneration Policy

The Company's policy on Executive Directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing Shareholder value. The package consists of basic salary, benefits, performance related bonuses, a long-term incentive scheme and pension, with a significant proportion based on performance and dependent upon the achievement of targets. The remuneration of the Non-executive Directors is in line with UK market standards and is reviewed every two years, other than the remuneration of the Chairman which is set at the beginning of the term of appointment.

Executive Remuneration Package

The Committee's policy is to align Executive Directors' remuneration packages to support the Company's business strategy whilst ensuring that rewards are competitive in the relevant UK market.

Basic Salary and Benefits

The salary and benefits are reviewed annually. The Executive Directors received a 3% increase in basic salary for the 2010 calendar year. This increase in basic salary was in-line with the increase for all employees throughout the Company. Benefits principally comprise a car, private healthcare and other expenses in-line with UK practice.

Total remuneration

In-line with the principles referred to above, the total remuneration levels of the Executive Directors are reviewed annually by the Committee having regard to remuneration levels of Directors of comparable companies and advice received from external independent experts. The total remuneration package of Executive Directors comprises the following components:

- **Base salary** – This is determined for each Executive Director taking into account the responsibilities of the individual and information from independent sources on the levels of salary for similar jobs in a selected group of comparable companies.
- **Bonus** – Performance related bonuses for Executive Directors are based on objective performance criteria.
- **Long-term incentive scheme** – An annual scheme which grants cash awards with the maximum potential award determined at grant. Awards only vest to the extent that certain minimum earnings per share performance targets are met over a four year performance period.
- **Contracts of service** – The Executive Directors' service agreements provide for discretionary reviews of salary and for termination on 12 months' notice by the Company or six months' notice by the Director.
- **Pensions** – The Executive Directors are members of the Group pension scheme, which provides a pension of up to two thirds base salary on retirement dependent on length of service. The scheme also provides for dependants' pensions and lump sums on death in service. The scheme is a defined benefit pension scheme, which is approved by HM Revenue and Customs.

Other benefits for the Executive Directors include:

- Private medical insurance, provision of a company car, including fuel for private mileage or equivalent salary allowance and overseas living expenses.

Directors' remuneration

The remuneration of the Directors is as follows:

	Basic salary and fees €	Benefits (i) €	Performance related bonuses €	LTIS (ii) €	Total 2010 €	Total 2009 €
Executive Directors:						
Helmut Engelbrecht	**490,145**	**105,778**	**99,003**	**465,443**	**1,160,369**	1,002,082
Bart Le Blanc	**338,386**	**23,753**	**66,907**	**184,290**	**613,336**	652,312
Non-executive Directors[2]:						
Chris Clark	**204,001**	–	–	–	**204,001**	195,662
Stephen Billingham	**46,920**	–	–	–	**46,920**	15,019
John Edwards [1]	–	–	–	–	–	30,039
Bernhard Fischer	**38,421**	–	–	–	**38,421**	36,896
Victor Goedvolk	**44,243**	–	–	–	**44,243**	42,487
Gerd Jaeger	**48,900**	–	–	–	**48,900**	46,959
Richard Nourse	**38,421**	–	–	–	**38,421**	36,896
George Verberg	**48,900**	–	–	–	**48,900**	46,959
	1,298,337	**129,531**	**165,910**	**649,733**	**2,243,511**	2,105,311

(i) Benefits paid to Executive Directors include provision of motor vehicles, medical insurance and overseas living expenses.
(ii) It is possible that some of the amounts shown above under the LTIS heading will be paid as Company contributions to Directors pension schemes.

In the event that payments are made in sterling the average rate is adopted for conversion purposes; this was set at £0.8589 to €1 for 2010 (2009: £0.8944 to €1).

1 Payments for this Non-executive Director were made directly to his employer, British Nuclear Fuels plc (BNFL) until 1 July 2008, when his employer changed to the Department for Business, Information and Skills (BIS) and payments were made directly to him.
2 Payments of Non-executive Directors fees did not increase in GBP from 2009 to 2010.

Pensions

The Executive Directors of URENCO Limited are entitled to become members of the Company's pension scheme.

Details of the pension entitlements earned by the current Executive Directors are shown below:

	Accrued pension at 31/12/2010 €	Accrued pension at 31/12/2009 €	Transfer value at 31/12/2010 €	Transfer value at 31/12/2009 €
Helmut Engelbrecht	**209,827**	190,201	**3,545,883**	2,602,418
Bart Le Blanc	**35,786**	28,282	**752,989**	489,485

Accrued pensions and transfer values are retranslated from sterling to euros at the closing rate of £0.85729 to €1 (2009: £0.8869 to €1).

Accrued pension: The deferred pension to which the Directors would have been entitled had they left the Company on 31 December 2009 and 2010 respectively.

Transfer value: The expected cost of providing the accrued pension within the Company's pension scheme calculated on the basis of guidance issued by the actuarial profession.

Long-term incentive scheme

The Executive Directors are entitled to share in the Company's long-term incentive scheme. Details of this scheme are given in the "Total Remuneration" section on page 32.

Details of the accrued entitlements earned by the Executive Directors are shown below:

	Helmut Engelbrecht €	Bart Le Blanc €	Payment vesting date
Incentive scheme accrual as at 1 January 2010	**799,781**	**587,018**	
Exchange adjustments	**27,622**	**20,275**	
LTIS paid during the year	**(507,682)**	**(791,583)**	
LTIS 2006 accrued during the year	**94,878**	**69,905**	
LTIS 2007 accrued during the year	**85,433**	**30,740**	2011
LTIS 2008 accrued during the year	**87,779**	**40,324**	2012
LTIS 2009 accrued during the year	**107,652**	**43,321**	2013
LTIS 2010 accrued during the year	**89,702**	**–**	2014
Total incentive scheme accrual at 31 December 2010	**785,165**	**–**	

The long-term incentive plan is an award of cash with the maximum potential award determined at grant. The awards are vesting no earlier than the fourth anniversary of grant with performance also measured over a period of four years.

The Executive Directors' awards vest to the extent that earnings per share (EPS) performance targets are met over the four year performance period. EPS is calculated as net income attributable to equity holder of the parent divided by the number of shares (see note 11).

The unvested awards would lapse for individuals who are dismissed or resign. For leavers by retirement, illness or caused by death these awards would usually vest at the normal time subject to performance measured over the full performance period.

Award sizes as percentage of salary for Executive Directors:

Growth in EPS achieved over 4 year period	2010 Cash award as percentage of salary	Growth in EPS achieved over 4 year period	2009 Cash award as percentage of salary	Growth in EPS achieved over 4 year period	2008 Cash award as percentage of salary	Growth in EPS achieved over 4 year period	2007 Cash award as percentage of salary
30%	**50%**	30%	50%	30%	50%	30%	30%
50%	**75%**	50%	75%	50%	75%	50%	50%
100%	**100%**	100%	100%	100%	100%	100%	75%
150%	**150%**	150%	150%	150%	150%	150%	100%

Directors' Report

The Directors present their Report and Accounts for the year ended 31 December 2010.

Results and dividends

Net income for the year attributable to equity holders of the Parent Company amounted to €387.1 million (2009: €342.8 million).

The Directors recommend a final dividend for the year of €90.0 million. There was no interim dividend declared or paid during 2010 (2009: final dividend of €75.0 million, with no interim dividend paid in 2009).

Principal activity

The URENCO Group's principal activity is the provision of a service to enrich uranium to provide fuel for nuclear power utilities, by enriching uranium provided by our customers. The Group currently achieves this in Europe through its main operating subsidiary, UEC which has three operating subsidiaries that own and operate enrichment facilities in Germany (Gronau), the Netherlands (Almelo), the UK (Capenhurst) and through another group subsidiary in the US at Eunice, New Mexico.

The Group also owns a 50% interest in ETC, a joint venture company jointly owned with Areva. ETC provides gas centrifuge technology for the Group's enrichment facilities through its subsidiaries in the UK, Germany, the Netherlands and the US. The Group accounts for its interest in ETC using the proportionate consolidation method.

URENCO Limited is the ultimate holding company and provides management and strategic support for the URENCO Group.

More information on the Group's activities is presented in the Group Business Review on page 10.

Going concern

The Group's business activities, achievements, risks and opportunities are set out in the business reviews and the Group finance report on pages 16 to 23. The Group finance review includes information on the financial position of the company as well as a description of the Group's objectives, policies and processes for managing its capital, its exposures to foreign currencies and other financial risks. URENCO's business is long-term by nature and its significant order book of committed sales provides a strong foundation for the future. The Group has adequate financial resources and its cash flow forecasts indicate that financing facilities committed and in place are sufficient to cover the Group's cash needs into the first half of 2012.

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Business review and future developments

A review of the business and the future developments of the Group are presented in the Group Business Review on page 10.

Risk management: the use of financial instruments

The Group's policies with respect to financial instrument risk management are covered on page 22 and in note 21 to the consolidated financial statements.

Research and development

Research activities within the Enrichment Group are carried out by the Central Technology Group (CTG) which carried out research and development into improving operational performance and safety.

Research activities relating to core centrifuge technology are undertaken by Enrichment Technology Company (ETC) to maintain the Group's position of technical excellence. The Group continues to seek out opportunities to exploit new markets.

Political and charitable donations

During the year, the Group made contributions of €14,600 (2009: €3,000) to local political parties outside the European Union. These were made in the US from income generated by one of URENCO's US entities. As part of the Group's commitment to the communities in which it operates, contributions totalling €870,600 (2009: €753,200) were made during the year to local charities and community projects. More information on charitable donations is included in the Corporate Responsibility section on page 24.

Events since the balance sheet date

As of 7 April 2011, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2010 financial statements.

Disabled employees

It is the policy of the Group to give full and proper consideration to applications from disabled people for employment where the job can be adequately performed by a disabled person. In the event that an existing employee becomes disabled, it is the policy of the Group to allow that person to continue their employment if possible, or to provide alternative training if necessary.

Employee involvement

During the period employees within the Group have been informed of developments through Group and local newsletters, the intranet, notices and meetings. Where appropriate formal meetings were held between local management and employee representatives as part of the ongoing process of communication.

Directors' interests

The Directors held no interests in the issued share capital of URENCO Limited either beneficially or otherwise at 31 December 2010 or at any other time during the year. The Directors have declared that they have no material interest during the year in any contract which is significant in relation to the Company's business.

Supplier payment policy and practice

The Group values its relationships with suppliers of goods and services. The Group negotiates terms and conditions of supply prior to delivery and, as a matter of policy, honours these terms once delivery has been made. At 31 December 2010, the Company had an average of 33 days purchases owed to trade creditors (2009: an average of 29 days purchases owed to trade creditors).

Statement of Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Company law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board.

Sarah Newby-Smith

Sarah Newby-Smith
Company Secretary

7 April 2011

Independent Auditors' Report

To the members of URENCO Limited

We have audited the Group financial statements of URENCO Limited for the year ended 31 December 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flow and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement (page 37), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other Matter

We have reported separately on the parent financial statements of URENCO Limited for the year ended 31 December 2010.

Graeme Dacomb
Senior statutory auditor
For and on behalf of Ernst & Young LLP, Statutory Auditor, London
7 April 2011

The maintenance and integrity of the URENCO Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

For the year ended 31 December

	Notes	2010 Results for the year €m	2009 Results for the year €m
Revenue from sales of goods and services	3	**1,267.2**	1,121.0
Work performed by the entity and capitalised		**107.4**	131.5
Changes to inventories of finished goods and work in progress		**132.4**	36.0
Raw materials and consumables used		**(166.9)**	(168.1)
Tails provision created	23	**(102.3)**	(98.1)
Revision of decommissioning provision	23	**–**	33.8
Employee benefits expense	6	**(203.1)**	(183.0)
Depreciation and amortisation		**(222.7)**	(169.3)
Other expenses	5	**(221.1)**	(203.4)
Income from operating activities	5	**590.9**	500.4
Finance income	7	**63.7**	70.6
Finance costs	8	**(134.8)**	(98.8)
Income before tax		**519.8**	472.2
Income tax expense	9	**(132.7)**	(129.4)
Net income relating to the year attributable to equity holders of the parent		**387.1**	342.8
Earnings per share		**€**	€
Basic and diluted earnings per share	11	**2.30**	2.04

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	2010 €m	2009 €m
Net income		**387.1**	342.8
Other comprehensive income:			
Cash flow hedges – transfers to revenue from sales of goods and services and capital expenditure	22	**29.8**	22.1
Cash flow hedges – mark to market		**(90.0)**	94.7
Net investment hedge – mark to market		**(29.7)**	130.1
Deferred tax on hedges	9	**14.8**	(44.6)
Current tax on hedges		**2.6**	–
Exchange differences on foreign currency translation of foreign operations		**51.8**	(54.3)
Deferred tax credit on translation exchange differences	9	**0.2**	–
Current tax credit on translation exchange differences	9	**2.4**	5.0
Exchange differences on hedge reserve		**(3.5)**	(21.1)
Actuarial gains / (losses) on defined benefit pension schemes	24	**12.2**	10.0
Deferred tax on actuarial gains / (losses)	9	**(4.4)**	(2.4)
Current tax on actuarial gains / (losses)	9	**0.7**	–
Utility partner payments		**(0.3)**	(0.2)
Deferred tax on utility partner payments	9	**5.6**	0.1
Other comprehensive income		**(7.8)**	139.4
Total comprehensive income relating to the year attributable to equity holders of the parent		**379.3**	482.2

Consolidated Statement of Financial Position

As at 31 December

	Notes	2010 €m	2009 €m
Assets			
Non-current assets			
Property, plant and equipment	12	**3,709.7**	3,098.4
Intangible assets	13	**81.7**	30.7
Long-term work in progress		**37.8**	34.0
Derivative financial instruments	22	**79.1**	78.5
Deferred tax assets	9	**127.1**	85.0
		4,035.4	3,326.6
Current assets			
Inventories	17	**419.7**	320.6
Trade and other receivables	16	**541.4**	419.3
Derivative financial instruments	22	**16.4**	22.6
Cash and cash equivalents	18	**38.6**	38.8
		1,016.1	801.3
Total assets		**5,051.5**	4,127.9
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	19	**237.3**	237.3
Additional paid in capital		**16.3**	16.3
Retained earnings		**1,313.0**	987.1
Hedging reserve		**(170.3)**	(94.3)
Foreign currency translation reserve		**1.9**	(52.5)
Total equity		**1,398.2**	1,093.9
Non-current liabilities			
Trade and other payables	25	**10.7**	9.5
Obligations under finance leases	26	**0.1**	0.4
Interest bearing loans and borrowings	22	**2,157.8**	1,540.5
Provisions	23	**572.9**	427.6
Retirement benefit obligations	24	**53.3**	65.9
Deferred income	20	**9.5**	9.4
Derivative financial instruments	22	**55.7**	38.0
Deferred tax liabilities	9	**40.3**	34.8
		2,900.3	2,126.1
Current liabilities			
Trade and other payables	25	**412.3**	313.1
Obligations under finance leases	26	**0.3**	0.7
Interest bearing loans and borrowings	22	**250.8**	528.4
Provisions	23	**1.1**	3.1
Derivative financial instruments	22	**42.7**	28.1
Income tax payable		**40.8**	34.5
Deferred Income	20	**5.0**	–
		753.0	907.9
Total liabilities		**3,653.3**	3,034.0
Total equity and liabilities		**5,051.5**	4,127.9

The financial statements were approved by the Board of Directors and authorised for issue on 7 April 2011.

They were signed on its behalf by:

Helmut Engelbrecht
Chief Executive Officer

Friso van Oranje
Chief Financial Officer

Consolidated Statement of Changes in Equity

As at 31 December

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to equity holders of the parent €m
As at 1 January 2010	**237.3**	**16.3**	**987.1**	**(94.3)**	**(52.5)**	**1,093.9**
Income for the period	–	–	387.1	–	–	**387.1**
Other comprehensive income	–	–	13.8	(76.0)	54.4	**(7.8)**
Total comprehensive income	–	–	400.9	(76.0)	54.4	**379.3**
Equity dividends paid	–	–	(75.0)	–	–	**(75.0)**
As at 31 December 2010	**237.3**	**16.3**	**1,313.0**	**(170.3)**	**1.9**	**1,398.2**

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to equity holders of the parent €m
As at 1 January 2009	237.3	16.3	711.8	(275.5)	(3.2)	686.7
Income for the period	–	–	342.8	–	–	342.8
Other comprehensive income	–	–	7.5	181.2	(49.3)	139.4
Total comprehensive income	–	–	350.3	181.2	(49.3)	482.2
Equity dividends paid	–	–	(75.0)	–	–	(75.0)
As at 31 December 2009	237.3	16.3	987.1	(94.3)	(52.5)	1,093.9

Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2010 €m	2009 €m
Income before tax		**519.8**	472.2
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:			
Depreciation and amortisation	5	**222.7**	169.3
Finance income	7	**(63.7)**	(70.6)
Finance cost	8	**134.8**	98.8
Loss on write off of property, plant and equipment		**0.6**	0.9
Impairment of property, plant and equipment		**–**	3.2
Increase / (decrease) in provisions		**92.0**	(7.3)
Operating cash flows before movements in working capital		**906.2**	666.5
Increase in inventories		**(99.7)**	(77.6)
(Increase) / decrease in receivables (i)		**(76.6)**	63.5
Increase in payables		**101.7**	4.0
Cash generated from operating activities		**831.6**	656.4
Income taxes paid		**(138.6)**	(117.1)
Net cash flow from operating activities		**693.0**	539.3
Investing activities			
Interest received		**34.8**	1.3
Proceeds from non designated derivatives		**0.7**	2.9
Purchases of property, plant and equipment		**(703.4)**	(843.0)
Increase in prepayments in respect of fixed asset purchases (i)		**(63.9)**	(85.1)
Purchase of intangible assets		**(28.0)**	(2.0)
Net cash flow from investing activities		**(759.8)**	(925.9)
Financing activities			
Interest paid		**(121.2)**	(52.4)
Payments in respect of non designated derivatives		**(14.7)**	(41.6)
Dividends paid to equity holders	10	**(75.0)**	(75.0)
Proceeds from new borrowings		**817.4**	567.3
Repayment of borrowings		**(539.2)**	(36.6)
Repayment of finance lease liabilities		**(0.7)**	(0.7)
Net cash flow from financing activities		**66.6**	361.0
Net decrease in cash and cash equivalents		**(0.2)**	(25.6)
Cash and cash equivalents at 1 January		**38.8**	64.4
Cash and cash equivalents at 31 December	18	**38.6**	38.8

(i) This includes prepayments in respect of fixed asset purchases which represent 50% of payments made to the ETC joint venture in advance of deliveries of centrifuge cascades.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. Authorisation of financial statements & compliance with IFRS

The financial statements of URENCO Limited and its subsidiaries ("the Group" – see page 29) for the year ended 31 December 2010 were authorised for issue by the Board of Directors on 7 April 2011 and the balance sheet was signed on the Board's behalf by Helmut Engelbrecht and Friso van Oranje.

URENCO Limited is a company domiciled and incorporated in the UK under the Companies Act 2006. The address of the registered office is given on page 100. URENCO Limited is the ultimate holding company of the URENCO Group. The nature of the Group's operations and its principal activities are set out in note 4, in the Group Business Review, and in the Directors' Report.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and as applied in accordance with the provisions of the Companies Act 2006.

2. Significant accounting policies

Basis of preparation and presentation

The Group consolidated financial statements have been prepared under the historical cost convention, except for those financial instruments that have been measured at fair value. The carrying values of recognised financial assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The Group consolidated financial statements are presented in euros and all values are rounded to the nearest 0.1 million (€m) except where otherwise indicated. The Group consists of entities that have functional currencies of dollar, sterling and euros. The parent company's functional currency is sterling.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures including, in some cases, revisions to accounting policies.

International Accounting Standards (IFRS/IAS)		Effective date
IFRS 1	First-time adoption of International Financial Reporting Standards – revised	1 January 2010
IFRS 2	Share-based payment – revised	1 January 2010
IFRS 3	Business combinations – revised	1 July 2010
IFRS 4	Non-current assets held for sale – revised	1 January 2010
IFRS 8	Operating segments – revised	1 January 2010
IAS 1	Presentation of financial statements – revised	1 January 2010
IAS 7	Statement of cash flows – revised	1 January 2010
IAS 17	Leases – revised	1 January 2010
IAS 27	Consolidated and separate financial statements – revised	1 July 2010
IAS 32	Financial instruments: presentation – revised	1 February 2010
IAS 36	Impairment of assets – revised	1 January 2010
IAS 39	Financial instruments: recognition and measurement – revised	1 January 2010
IAS 24	Related parties – revised (early adopted – paragraphs 25 and 26 only)	1 January 2011

IFRIC Interpretations		Effective date
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

2. Significant accounting policies – continued

New standards and interpretations

During the year, the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations which have yet to be adopted:

International Accounting Standards (IAS/IFRS)		Effective date
IFRS 1	First-time adoption of International Financial Reporting Standards – revised	1 January 2011
IFRS 9	Financial instruments: disclosures – revised	1 January 2013
IAS 1	Presentation of financial statements – revised	1 January 2011
IAS 12	Income taxes – revised	1 January 2012
IAS 24	Related parties – revised	1 January 2011
IAS 34	Interim financial reporting – revised	1 January 2011

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the consolidated financial statements in the period of initial application.

Basis of consolidation

The Group consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The financial statements also incorporate the Company's share of the results of its joint venture using the proportional consolidation method of accounting also made up to 31 December. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, either through direct or indirect ownership of voting rights. Subsidiaries continue to be consolidated until the date such control ceases to exist.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. If a subsidiary ceases to be controlled, other than by sale or exchange of shares, no income or loss will be recognised in the consolidated income statement.

Where necessary adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by the Group. The financial statements of subsidiaries and joint ventures are prepared for the same reporting year as the Parent Company.

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

Significant estimates and assumptions

In the process of applying the Group's accounting policies, the Directors have to make estimates and assumptions. There could be a risk that the carrying values of the Group's assets and liabilities could be different should these assumptions be materially incorrect. The main areas of risk are discussed below:

- Impairments of property, plant and equipment and intangible assets require an estimation of value in use for the cash generating units involved. Estimating a value in use requires Directors to make an estimate of the future cash flows from the cash generating unit and to choose a suitable discount rate to calculate the present value of those cash flows. The carrying values of property, plant and equipment and intangible assets are given in notes 12 and 13 respectively.
- Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future tax planning strategies. The carrying value of deferred tax assets at 31 December 2010 was €127.1 million (2009: €85.0 million). There are no unrecognised tax assets at 31 December 2010 (2009: €2.6 million). Further details are contained in note 9. The recognition of deferred tax assets has been based on an expectation of suitable taxable profits according to Business Plan forecasts for the period 2011 to 2020.
- The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Details of these assumptions and the Group pension liability are given in note 24.
- Depreciation charges are based on estimated useful life for the fixed assets involved. During 2010 no changes in the estimated useful life were made.
- Provision for tails disposal and for decommissioning of plant and machinery is made on a discounted basis to meet long-term liabilities. A year of discounting is unwound annually to recognise progression towards the full escalated cost estimate for eventual safe disposal or decommissioning. The final amounts of these provisions are uncertain but are evaluated based upon the planned operational activity involved in successfully achieving safe disposal or decommissioning. The provision for tails is broadly calculated as a rate applicable to the quantity of tails held at the balance sheet date. Consequently, a movement in the rate or quantity of tails held would result in a similar movement in the provision, excluding any changes to assumptions or exchange rate movements associated with translating non-euro denominated provisions to the reporting currency of euros. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to 'greenfield' status. The movement in the tails provision is taken directly to the income statement. Adjustments to the decommissioning provisions associated with property, plant and equipment result in adjustments to the value of the related asset. Where the related asset is fully written down and the provision had decreased, a gain will be taken directly to the income statement. Details of the provisions are given in note 23.

2. Significant accounting policies – continued

Judgements

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimation. The following judgements have a significant effect on the amounts recognised in the financial statements:

Licences acquired are carried initially at cost. Licence costs are amortised on a straight line basis over their useful lives. The licence in the United States was granted in 2006 and will be amortised over the licence period from the commencement of production in the United States. The first amortisation took place in 2010 when UUSA started its production.

The Group has taken out derivative instruments, many of which are designated as accounting cash flow hedges. Judgement is applied in management's assessment of the effectiveness of these hedges in particular where the probability and timing of the cash revenues or expenditures (the hedged items) is concerned to which the hedging instruments are related.

Interests in Joint Ventures

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each party has an interest. The Group recognises its interest in the entity's assets and liabilities using the proportionate consolidation method. Under this method of consolidation, the Group recognises its share of all of the joint venture's balances in the income statement and on the balance sheet. The Group statement of recognised income and expense reflects the Group's share of any income and expense recognised by the jointly controlled entity outside the income statement. The joint venture balances included in the Group consolidation are prepared using the Group accounting policies. Financial statements of jointly controlled entities are prepared for the same reporting period as the Group.

When the Group contributes or sells assets to the joint venture, any portion of the gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the income of the joint venture from the transaction until it resells the asset to an independent party. The joint venture will continue to be proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Revenue recognition

The Group operates as a supplier of enrichment services, leading to Enriched Uranium Product ("EUP").

Customers usually provide natural uranium to the Group as part of their enrichment contract for enrichment by URENCO. Customers are billed for the enrichment services, expressed as separative work units ("SWU") deemed to be contained in the EUP delivered to them. SWU is a standard unit of measurement that represents the effort required to separate a given amount of uranium into two streams: EUP having a higher percentage of U235 and depleted uranium having a lower percentage of U235. The SWU contained in EUP is calculated using an industry standard formula based on the physics of enrichment.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, excluding discounts, VAT and other sales related taxes. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is derived from the sales of the SWU component of EUP, from the sales of both the SWU and uranium content of EUP, and from sales of uranium. Revenue is recognised at the time EUP or uranium is delivered under the terms of the contracts with customers.

Some customers make advance payments to be applied against future orders or deliveries. Advances are accounted for as deferred revenue and revenue is recognised as EUP is delivered.

Interest Income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Work performed by the entity and capitalised

The Group designs its own enrichment plants and manufactures centrifuges and the associated pipe work installed in these plants. It is the Group's policy to capitalise the costs of this design and manufacture. It also capitalises those costs directly associated with obtaining operating licences.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under finance leases and hire purchase are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the income statement over the periods of the finance leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

2. Significant accounting policies – continued

Business combinations

Business combinations will usually be accounted for under IFRS 3 using the purchase method. Any excess of cost of the business combination over the Group's interest in the fair values of the identifiable assets and liabilities would be recognised in the balance sheet as goodwill and would not be amortised.

After initial recognition, goodwill would be stated at cost less any accumulated impairment losses, with the carrying value reviewed for impairment at least on an annual basis and whenever events or changes in the circumstances indicate the carrying value may be impaired.

Foreign currencies

Transactions in currencies other than an entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Gains and losses arising on retranslation are included in the income statement.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see note 22 for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's non-euro operations are translated into euros at exchange rates prevailing on the balance sheet date. Income and expenditure items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. As most of the Group's transactions are in stable currencies, the use of average rates of exchange is appropriate. However, if exchange rates were subject to significant fluctuations, translation would be made using closing rates of exchange with appropriate explanation. Exchange differences arising are classified as equity and transferred to the Group's foreign currency translation reserves.

Retirement benefit costs

The Group operates a number of pension schemes in the UK, Germany, the Netherlands and the US. Some are defined benefit schemes (four in total) which, with the exception of Germany, are funded externally; and others are defined contribution schemes. No post-retirement benefits other than pensions are provided.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in defined contribution retirement benefit schemes.

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial assessments being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the statement of recognised income and expense in the period in which they occur.

Past service cost is immediately recognised in the income statement to the extent that the benefits are already vested. Otherwise it is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligations recognised in the balance sheet represent the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The interest element of the defined benefit cost represents the change in present value of the scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the consolidated income statement.

Taxation

The tax expense represents the sum of the tax currently payable on the Group's net income for the year and attributable deferred tax.

Current income tax

The tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is also recognised in equity and not in the income statement.

2. Significant accounting policies – continued

Deferred income tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax income nor the accounting income.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity. The Group's deferred tax position is calculated using tax rates enacted or substantively enacted by the balance sheet date.

Property, plant and equipment

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and impairment losses (if any). Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their cost less accumulated depreciation and impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Borrowing costs for qualifying assets are capitalised in accordance with the Group's accounting policy. The borrowing costs capitalisation rate was 4.02% (2009: 3.62%). Depreciation of these assets commences when the assets are commissioned for use.

Office fixtures and fittings and computer equipment are stated at cost less accumulated depreciation and any recognised impairment.

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight line method, on the following basis:

Buildings	40 years
Plant and machinery	3 – 15 years
Office fixtures and fittings	12 years
Motor vehicles	4 years
Computer equipment	3 – 5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable.

2. Significant accounting policies – continued

Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:
- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably; and
- there is adequate technical, financial and other resource available to complete the development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Expenditure on development activities where the above criteria are not met is recognised as an expense in the period in which it is incurred.

Amortisation is charged so as to write off the cost or valuation of internally-generated intangible assets, over their estimated useful lives, using the straight line method, on the following basis:

Development costs	12 years

The carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Licence costs

Licences acquired are carried initially at cost. Licence costs are amortised on a straight line basis over their useful lives.

Amortisation is charged so as to write off the cost or valuation of licence costs, over their estimated useful lives, using the straight line method, on the following basis:

Licence costs over the life of the licence.

The licence in the US was granted in 2006 and will be amortised over the remaining licence period from the commencement of production in the US. The first amortisation took place in 2010 when UUSA started its production.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Other software Assets

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised following the "Go Live" of the system in November 2010.

Amortisation of these capitalised project costs takes place on a straight line basis, based on a useful economic life of 5 years, with no residual value.

Impairment of property, plant and equipment and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2. Significant accounting policies – continued

Inventories

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

Long-term work in progress: Under the terms of the cascade supply agreements, recoverable costs relating to new long-term projects are initially capitalised by ETC and will be invoiced to its customers as the relevant goods are delivered and commissioned in accordance with the cascade supply agreement's payment terms. These costs are held in the long-term work in progress category within non-current assets on the balance sheet and are transferred to current assets (Inventories) when their recovery from the customer is expected to occur within one year.

Inventory borrowings

URENCO periodically borrows SWU from third parties in order to optimise its operational efficiency and provide sufficient SWU stock. The payments made by URENCO under loan agreements are recorded in the income statement under other expenses. These payments are recorded as "non-operational expense" of cost per SWU and therefore do not form part of the direct costs that go into URENCO's valuation of own stock production. During the term of the agreement URENCO recognises both an asset and liability on its balance sheet, valued at the direct cost of production of SWU. Any movements in the Group's direct production cost would lead to revaluation of both asset and liability. At the end of the loan period URENCO should return the SWU to the lender and URENCO has the intention to source this from its own production.

Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet and consolidated cash flow statement comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Financial instruments

Financial instruments are initially recognised at fair value. Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when either the rights to receive cash flows from those assets have expired or when the Group transfers its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has transferred control of the asset. Financial liabilities are derecognised when the Group's obligations under the liability are discharged, or cancelled, or have expired.

Trade receivables

Trade receivables can carry interest in accordance with the contract conditions. Trade receivables are stated at their invoiced value as payments are invariably received within the contract terms. For these reasons, no provisions are deemed necessary for invoices not being paid in full.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently remeasured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Trade payables

Trade payables are not usually interest bearing and are stated at their nominal value.

Derivative financial instruments and hedging

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts, options and interest rate swaps to hedge these exposures. The Group does not use derivative financial instruments for trading purposes. All derivative instruments that are not designated in a hedge relationship, or do not qualify for hedge accounting purposes, are economic hedges for existing exposures.

Derivative financial instruments are initially recognised and subsequently remeasured at fair value. The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of interest rate swaps is the net present value of all expected future cash flows based on current market rates.

2. Significant accounting policies – continued

Derivative financial instruments and hedging – continued

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the consolidated income statement. Such gains or losses are recorded in finance income or finance costs.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship as follows:

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the consolidated income statement. The ineffective portion is recorded in finance income or finance costs.

Amounts deferred in equity are recognised in the consolidated income statement in the same period in which the hedged item affects net income or loss. These amounts are recorded in the same line of the income statement as the hedged item.

Fair value hedges

For an effective hedge of changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged and the gains and losses are taken to income or loss; the derivative is remeasured at fair value and gains and losses are taken to income or loss. Both the change in fair value of the hedged item and the value movement of the derivative are recorded in other costs in the income statement.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in income and loss (in finance income or finance costs). On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to income or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle that obligation which can be assessed with reasonable certainty. Where the time value of money is material, provisions are discounted using pre-tax rates applicable to the risks specific to the liability and to its geographic location. Where discounting is used, the increase in the provision due to the passage of time is recognised within finance costs.

The enrichment process generates depleted uranium ("tails"). Provisions are made for all estimated costs and for the eventual disposal of tails and are discounted to reflect the expected timing of expenditure in the future. The costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal.

The Directors intend to decommission plant as soon as possible after it has shut down. To meet these eventual decommissioning costs, provisions are charged in the accounts for all plant in operation, at a rate considered to be adequate for the purpose. Once a plant has been commissioned, the full discounted cost of decommissioning plant is recognised in the accounts as a provision. This is matched by capitalised decommissioning costs which are included in Property, plant and equipment, under Plant and machinery.

The Group's other provisions are for restructuring costs, container cleaning and overfeeding. Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions for container cleaning include cleaning costs to continue to use containers and the costs of disposal if they cannot be reused. Provisions for overfeeding represent the cost to the Group of producing SWU to replace the amounts expended, above normal levels, through overfeeding.

3. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Sales of goods and services	**1,267.2**	1,121.0

In 2010, €35.5 million of net losses (2009: net losses €31.7 million) relating to foreign currency hedging activities has been included in sales revenue (see note 22).

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision makers. The chief decision maker has been identified as the Executive Directors. Operating segments have been identified based on risk and returns of the Group's major operations. The risks and returns of the Group's operations are primarily determined by the nature of the different activities that the Group engages in, rather than by the geographical location of these operations.

The Group's operating segments are as follows:

- for the enrichment business: the provision of enrichment and associated services for the nuclear power industry. URENCO's US enrichment plant commenced commercial operations in June 2010 having received the necessary approvals from the US Nuclear Regulatory Commission.
- for the greenfield site development business: the provision of construction and project services for the Tails Management Facility at the UK site.
- for construction of centrifuges: being ETC; the research, development and manufacture of plant and equipment for the provision of enrichment services.

Segment performance is evaluated based on Net Income which is calculated on the same basis as income from operating activities in the consolidated financial statements. Finance costs and finance income are managed centrally and presented in the segment note accordingly.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment information for these businesses, based upon the accounting policies set out in note 2, is presented below:

Year ended 31 December 2010	Enrichment business €m	Greenfield site development €m	ETC €m	Corporate unallocated (i) €m	Eliminations €m	Consolidated €m
Revenue						
External sales	**1,259.4**	**–**	**7.8**	**–**	**–**	**1,267.2**
Inter-segment sales	**111.5**	**–**	**111.0**	**–**	**(222.5)**	**–**
Total Revenue	**1,370.9**	**–**	**118.8**	**–**	**(222.5)**	**1,267.2**
Result						
Income from operating activities	**637.7**	**(0.4)**	**(4.3)**	**(32.1)**	**(10.0)**	**590.9**
Finance income	**–**	**–**	**0.1**	**192.6**	**(129.0)**	**63.7**
Finance costs	**–**	**–**	**(2.4)**	**(261.4)**	**129.0**	**(134.8)**
Income before tax	**637.7**	**(0.4)**	**(6.6)**	**(100.9)**	**(10.0)**	**519.8**
Income tax	**(151.1)**	**0.2**	**1.9**	**16.3**	**–**	**(132.7)**
Net income for the year	**486.6**	**(0.2)**	**(4.7)**	**(84.6)**	**(10.0)**	**387.1**
Other information						
Depreciation and amortisation	**202.9**	**–**	**19.4**	**0.4**	**–**	**222.7**
EBITDA	**840.6**	**(0.4)**	**15.1**	**(31.7)**	**(10.0)**	**813.6**
Capital additions:						
Property, plant and equipment	**693.4**	**47.3**	**37.6**	**–**	**(10.7)**	**767.6**
Intangible assets	**23.0**	**–**	**3.0**	**2.0**	**–**	**28.0**
Segment assets	**4,564.4**	**76.6**	**535.0**	**149.4**	**(273.9)**	**5,051.5**
Segment liabilities	**2,336.9**	**78.4**	**500.2**	**948.2**	**(210.4)**	**3,653.3**

(i) Corporate unallocated comprises the corporate Head Office.

4. Segment information – continued

Year ended 31 December 2009	Enrichment business €m	Greenfield site development €m	ETC €m	Corporate unallocated (i) €m	Eliminations €m	Consolidated €m
Revenue						
External sales	1,117.6	–	3.4	–	–	1,121.0
Inter-segment sales	28.1	–	130.5	–	(158.6)	–
Total Revenue	1,145.7	–	133.9	–	(158.6)	1,121.0
Result						
Income from operating activities	606.8	(82.7)	0.3	(20.7)	(3.3)	500.4
Finance income	–	–	–	168.1	(97.5)	70.6
Finance costs	–	–	(2.0)	(194.3)	97.5	(98.8)
Income before tax	606.8	(82.7)	(1.7)	(46.9)	(3.3)	472.2
Income tax	(150.4)	33.3	0.8	3.1	(16.2)	(129.4)
Net income for the year	456.4	(49.4)	(0.9)	(43.8)	(19.5)	342.8
Other information						
Change in decommissioning provision	33.8	–	–	–	–	33.8
Depreciation and amortisation	158.3	6.8	14.1	0.3	(10.2)	169.3
EBITDA	765.1	(75.9)	14.4	(20.4)	(13.5)	669.7
Capital additions:						
Property, plant and equipment	369.4	470.3	43.9	0.1	(15.4)	868.3
Intangible assets	–	2.0	–	–	–	2.0
Segment assets	2,487.7	1,275.5	405.3	147.2	(187.8)	4,127.9
Segment liabilities	1,541.5	637.2	366.8	601.9	(113.4)	3,034.0

(i) Corporate unallocated comprises the corporate Head Office.

4. Segment information – continued

Geographical information

The Group's operations are located in the UK, Germany, the Netherlands and the US.

The following tables present revenue by location by customer and certain asset information regarding the Group's geographical segments by location, irrespective of the origin of the goods / services and assets:

Year ended 31 December 2010	UK €m	Rest of Europe €m	US €m	Rest of the World* €m	Consolidated €m
Total external revenue	**14.9**	**458.7**	**445.2**	**348.4**	**1,267.2**
Location of non-current assets					
Property, plant and equipment	**625.8**	**1,567.5**	**1,516.4**	**–**	**3,709.7**
Intangible assets	**11.6**	**42.2**	**27.9**	**–**	**81.7**

* predominantly Asia

Year ended 31 December 2009	UK €m	Rest of Europe €m	US €m	Rest of the World* €m	Consolidated €m
Total external revenue	44.6	341.9	502.4	232.1	1,121.0
Location of non-current assets					
Property, plant and equipment	638.9	1,426.2	1,033.3	–	3,098.4
Intangible assets	–	4.2	26.5	–	30.7

* predominantly Asia

5. Income from operating activities

Income from operating activities before tax and net finance costs has been arrived at after charging:	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Depreciation of property, plant and equipment (note 12)	**218.8**	168.9
Amortisation of intangible assets (note 13)	**3.9**	0.4
Employee benefits expense (note 6)	**203.1**	183.0
Operating, general and administrative costs	**232.2**	186.4
Minimum lease payments under operating leases recognised in income for the year	**3.5**	3.2
Research and development costs	**13.7**	10.1
Net foreign exchange losses / (gains) (i)	**(28.3)**	3.7
Other Expenses	**221.1**	203.4

(i) Derivatives not qualifying as effective hedges are reported in finance income and cost (see notes 7 and 8).

An analysis of auditors' remuneration throughout the Group is provided below:	€m	Year ended 31/12/10 %	€m	Year ended 31/12/09 %
Audit services:				
Fees payable to the company's auditor for the audit of the company's annual accounts	**0.6**	**30**	0.6	32
Fees payable to the company's auditor and its associates for other services:				
Auditing of accounts of subsidiaries of the company pursuant to legislation	**0.5**	**25**	0.5	26
Other services relating to taxation	**0.9**	**45**	0.7	37
Other services	**–**	**–**	0.1	5
	1.4	**70**	1.3	68
Total	**2.0**	**100**	1.9	100

Included in other and taxation related services is €0.5 million (2009: €0.6 million) relating to the Company and its UK subsidiaries.

A description of the work of the Audit Committee is set out in the Directors' Report on page 31.

6. Employee benefits expense

The average monthly number of Group employees (including Executive Directors) was:

	Year ended 31/12/10 Number	Year ended 31/12/09 Number
Technical	**2,779**	2,568
Commercial	**45**	41
Administration	**440**	406
	3,264	3,015

Their aggregate remuneration comprised:

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Wages and salaries	**171.4**	154.6
Social security costs	**18.0**	15.2
Pension costs	**13.7**	13.2
	203.1	183.0

The average monthly number of Group employees includes 100% of the employees employed by ETC, whereas the aggregate remuneration includes 50% of ETC in line with proportionate consolidation of the joint venture.

Directors' emoluments:

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Emoluments	**1.6**	1.5
Amounts receivable under long-term incentive scheme	**0.6**	0.6
Company contributions paid to a defined benefit pension scheme	**0.2**	0.2
Members of defined benefit pension schemes	**2**	2

In respect of the highest paid Director:

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Emoluments	**1.2**	1.1
Accrued pension at the end of the year	**0.2**	0.2

7. Finance income

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Interest on bank and other deposits	**1.2**	1.3
Income from non designated derivatives	**28.1**	31.6
Interest rate / cross currency interest rate swaps	**34.4**	37.7
	63.7	70.6

8. Finance costs

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Interest on bank borrowings and other loans	**102.2**	75.3
Capitalised interest cost	**(45.7)**	(42.8)
Interest rate / cross currency interest rate swaps	**23.3**	25.6
Unwinding of discount on provisions	**19.3**	13.4
Net return on defined benefit pension schemes	**2.3**	4.1
Charge to the income statement from non designated derivatives	**33.4**	23.2
	134.8	98.8

9. Income tax

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

Consolidated income statement	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Current income tax		
UK corporation tax	**69.3**	55.2
Foreign income tax	**78.5**	68.2
Adjustments in respect of current income tax of prior periods	**(2.4)**	6.5
	145.4	129.9
Deferred income tax (see Deferred income tax analysis below)		
Relating to origination and reversal of temporary differences	**(13.2)**	(0.9)
Adjustments in respect of prior periods	**1.7**	0.4
Impact of change in tax rate for deferred tax	**(1.2)**	–
	(12.7)	(0.5)
Income tax expense reported in the consolidated income statement	**132.7**	129.4

Included in the above charges is a €1.9 million credit relating to the Joint Venture (2009: €0.8 million).

Income tax related to items charged or credited directly to equity	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Current tax		
Credit on financial instruments reported in equity	**2.6**	–
Credit on translation exchange differences	**2.4**	–
Credit on actuarial loss on defined benefit pension schemes	**0.7**	–
Total current income tax	**5.7**	–
Deferred tax		
Credit / (charge) on financial instruments reported in equity	**14.8**	(44.6)
Charge on actuarial loss / (gain) on defined benefit pension schemes	**(4.4)**	(2.4)
Credit on translation exchange differences	**0.2**	5.0
Credit relating to payments under the LES partnership agreement	**5.6**	0.1
Total deferred tax	**16.2**	(41.9)
Income tax credit / (charge) reported in equity	**21.9**	(41.9)

The above figures include €0.7 million charged (2009: €0.8 million credited) to equity relating to the joint venture.

The charge for the year can be reconciled to the income per the consolidated income statement as follows:

	Year ended 31/12/10 €m	%	Year ended 31/12/09 €m	%
Income before tax	**519.8**		472.2	
Weighted at the UK statutory income tax rate of 28.0% (2009: 28.0%)	**145.5**	**28.0**	132.2	28.0
Adjustments in respect of income tax of previous years	**(0.7)**	**(0.1)**	6.9	1.4
Tax effect of non-deductible expenses	**3.5**	**0.6**	2.3	0.5
Effect of different foreign tax rates	**(14.4)**	**(2.8)**	(12.0)	(2.5)
Effect of rates changes on deferred tax	**(1.2)**	**(0.2)**	–	–
Income tax expense reported in consolidated income statement	**132.7**	**25.5**	129.4	27.4

In its June 2010 emergency budget the UK government announced that the UK corporation tax rate would reduce from 28% to 24% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was intended to be effective from 1 April 2011 and was enacted in Finance (No 2) Act 2010 which received Royal Assent on 16 December 2010. Accordingly, deferred tax on all UK temporary differences existing at 31 December 2010 and expected to reverse after 1 April 2011 has been measured at the 27% rate enacted in Finance (No 2) Act 2010 before the balance sheet date.

9. Income tax – continued

In its subsequent March 2011 budget, the UK government announced that it would reduce the UK corporation tax rate to 26% from 1 April 2011 but maintain the annual 1 percentage point UK corporation tax rate reductions thereafter. The effect of this further change will be to reduce the UK corporation tax rate to 23% from 1 April 2014. Since these tax rate changes were not substantially enacted at 31 December 2010 the deferred tax balances have not been adjusted but rather the effects are disclosed in this note: based on the UK temporary differences existing at the balance sheet date, the aggregate impact of these further reductions in the UK corporation tax rate from 27% to 23% would be to increase the Group's net deferred tax asset by approximately €1.1 million.

There was a change in the Dutch tax rate from 25.5% to 25% effective from 1 January 2011. Any Dutch tax expected to reverse after 1 January 2011 has been remeasured using the reduced rate.

Deferred income tax

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	31/12/10 €m	31/12/09 €m	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**(104.3)**	(79.8)	**(21.2)**	(17.1)
Relating to provisions	**28.9**	26.2	**2.9**	–
Relating to fair value movements on financial instruments	**27.1**	(1.4)	**5.6**	(0.1)
Tax losses carried forward	**0.4**	0.1	**0.4**	0.1
Deferred development costs	**–**	–	**–**	–
Other temporary differences	**0.2**	8.0	**–**	(13.6)
Relating to the prior year	**–**	–	**(0.9)**	(1.3)
Retirement benefit obligations	**7.4**	12.1	**(0.7)**	(1.0)
Effect of rate changes on deferred tax	**–**	–	**1.7**	–
Total deferred tax liabilities	**(40.3)**	(34.8)		
Deferred tax assets				
Retirement benefit obligations	**3.3**	3.7	**(0.1)**	(0.4)
Other temporary differences	**(2.0)**	1.1	**3.2**	2.1
Start up costs deferred for tax purposes	**95.9**	81.9	**–**	33.7
Tax losses carried forward	**35.3**	5.2	**29.5**	0.8
Relating to prior year	**–**	–	**(0.8)**	0.9
Relating to fair value movements on financial instruments	**(13.7)**	–	**(13.1)**	–
Relating to provisions	**9.8**	7.0	**2.4**	–
Accelerated depreciation for tax purposes	**(1.5)**	(12.6)	**4.3**	(3.1)
Effect of rate changes on deferred tax	**–**	–	**(0.5)**	–
Deferred development costs	**–**	(1.3)	**–**	(0.5)
Total deferred tax assets	**127.1**	85.0		
Deferred tax credit			**12.7**	0.5

The recognition of the deferred tax assets set out above is based on the expectations of suitable taxable profits in the future. In the case of the Group's US enrichment plant, URENCO USA, deferred tax assets of €123.0 million (2009: €86.3 million), relating to unused tax losses and start up costs, have been recognised based on the expectations of future taxable profits according to Business Plan forecasts in the period 2011 to 2020.

Deferred tax in the income statement includes a credit of €2.6 million in respect of tax losses of a prior period which were previously unrecognised. A deferred tax asset has been recognised because it is now expected, on the basis of future profit forecasts, that these losses will be set against future taxable profits before they expire.

There are no income tax consequences for the URENCO Group attaching to the payment of dividends by URENCO Limited to its shareholders.

10. Dividends paid and proposed

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2009 of 44.64 cents per share (2008: 44.64 cents per share)	**75.0**	75.0
No interim dividend for the year ended 31 December 2010 (2009: Interim dividend of nil cents per share)	**–**	–
	75.0	75.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2010 of 53.57 cents per share (2009: 44.64 cents per share)	**90.0**	75.0

The expected final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11. Earnings per share

Earnings per share amounts are calculated by dividing net income attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The calculation of the basic earnings per share is based on the following data:

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the parent	**387.1**	342.8
In millions of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**168.0**	168.0
In euros		
Basic earnings per share	**2.30**	2.04

There has been no movement in the number of issued ordinary shares during the year (see note 19).

No information for diluted EPS is included as there are no other shares (of any class or category) in issue and hence no dilutive impact.

12. Property, plant and equipment

2010	Freehold land & buildings €m	Plant & machinery €m	Fixtures & fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2010	**673.1**	**3,248.7**	**110.0**	**14.1**	**905.6**	**4,951.5**
Exchange adjustments	**19.3**	**35.9**	**0.9**	**0.1**	**50.1**	**106.3**
Additions	**26.2**	**155.5**	**8.3**	**2.0**	**575.6**	**767.6**
Transfers	**89.6**	**308.4**	**(24.2)**	**1.9**	**(404.2)**	**(28.5)**
Written off	**(0.1)**	**(0.9)**	**(0.8)**	**–**	**–**	**(1.8)**
Disposals	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Cost as at 31 December 2010	**808.1**	**3,747.6**	**94.2**	**18.0**	**1,127.1**	**5,795.0**
Depreciation as at1 January 2010	**158.0**	**1,639.4**	**48.5**	**7.2**	**–**	**1,853.1**
Exchange adjustments	**(2.3)**	**22.4**	**0.4**	**–**	**–**	**20.5**
Charge for the year	**30.5**	**176.0**	**9.5**	**2.8**	**–**	**218.8**
Transfers	**–**	**(0.5)**	**(2.9)**	**–**	**–**	**(3.4)**
Written off	**–**	**(2.9)**	**(0.8)**	**–**	**–**	**(3.7)**
Depreciation as at 31 December 2010	**186.2**	**1,834.4**	**54.7**	**10.0**	**–**	**2,085.3**
Carrying amount as at 1 January 2010	**515.1**	**1,609.3**	**61.5**	**6.9**	**905.6**	**3,098.4**
Carrying amount as at 31 December 2010	**621.9**	**1,913.2**	**39.5**	**8.0**	**1,127.1**	**3,709.7**

All land, buildings and other tangible fixed assets are carried at historic cost less accumulated depreciation.

The category of fixtures and fittings comprises office fixtures and fittings and computer equipment.

Fixtures & fittings held under finance leases had a net book value at 31 December 2010 of €0.4 million (2009: €0.9 million).

At 31 December 2010, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €517.9 million (2009: €670.0 million) of which €7.2 million (2009: €8.5 million) relate to the joint venture.

Included in plant and machinery are the following amounts relating to capitalised decommissioning costs:

	2010 €m	2009 €m
Cost at 31 December	**178.4**	158.3
Depreciation at 31 December	**(95.3)**	(90.4)
Carrying amount at 31 December	**83.1**	67.9

12. Property, plant and equipment – continued

2009	Freehold land & buildings €m	Plant & machinery €m	Fixtures & fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2009	356.5	2,674.4	97.1	11.1	930.6	4,069.7
Exchange adjustments	11.2	70.5	0.5	–	(24.4)	57.8
Additions	19.1	178.9	13.3	3.1	653.9	868.3
Transfers	287.0	362.7	4.5	0.3	(654.5)	–
Written off (i)	(0.6)	(31.6)	(1.5)	(0.1)	–	(33.8)
Disposals	(0.1)	(6.2)	(3.9)	(0.3)	–	(10.5)
Cost as at 31 December 2009	673.1	3,248.7	110.0	14.1	905.6	4,951.5
Depreciation as at 1 January 2009	134.6	1,481.2	44.4	5.1	–	1,665.3
Exchange adjustments	1.5	43.1	0.3	–	–	44.9
Charge for the year	19.4	137.9	9.2	2.4	–	168.9
Transfers	–	–	–	–	–	–
Written off (i)	(0.6)	(17.4)	(1.5)	(0.1)	–	(19.6)
Disposals	(0.1)	(5.4)	(3.9)	(0.2)	–	(9.6)
Impairment	3.2	–	–	–	–	3.2
Depreciation as at 31 December 2009	158.0	1,639.4	48.5	7.2	–	1,853.1
Carrying amount as at 1 January 2009	221.9	1,193.2	52.7	6.0	930.6	2,404.4
Carrying amount as at 31 December 2009	515.1	1,609.3	61.5	6.9	905.6	3,098.4

(i) The amounts written off on Plant & Machinery mainly relate to the release of decommissioning provisions (see above).

13. Intangible assets

2010	Development costs €m	Licence costs €m	Other software assets €m	Total €m
Cost as at 1 January 2010	**5.5**	**26.5**	**–**	**32.0**
Exchange adjustments	**–**	**1.9**	**(0.1)**	**1.8**
Additions	**3.0**	**–**	**25.0**	**28.0**
Transfers	**–**	**26.9**	**1.6**	**28.5**
Cost as at 31 December 2010	**8.5**	**55.3**	**26.5**	**90.3**
Amortisation as at 1 January 2010	**1.3**	**–**	**–**	**1.3**
Charge for the year	**0.5**	**2.4**	**1.0**	**3.9**
Transfers	**–**	**2.7**	**0.7**	**3.4**
Amortisation as at 31 December 2010	**1.8**	**5.1**	**1.7**	**8.6**
Carrying amount as at 1 January 2010	**4.2**	**26.5**	**–**	**30.7**
Carrying amount as at 31 December 2010	**6.7**	**50.2**	**24.8**	**81.7**

The remaining amortisation period for development costs is between 8 and 12 years.

The licence costs relate to the costs of obtaining a licence in the US. The licence was granted to LES in 2006 for a 30 year term. The costs will be amortised on a straight line basis over the remaining licence period from the date of the commencement of production in the US. The US enrichment plant commenced commercial operations in June 2010 having received the necessary approvals from the US Nuclear Regulatory Commission. The transfers in 2010 relate to a reclassification from tangible fixed assets of licence costs in Germany. These are classed as intangible assets under German Commercial Code.

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised following the "Go Live" of the system in November 2010. Amortisation of these capitalised project costs takes place on a straight line basis, based on a useful economic life of 5 years, with no residual value.

2009	Development costs €m	Licence costs €m	Total €m
Cost as at 1 January 2009	3.5	27.2	30.7
Exchange adjustments	–	(0.7)	(0.7)
Additions	2.0	–	2.0
Cost as at 31 December 2009	5.5	26.5	32.0
Amortisation as at 1 January 2009	0.9	–	0.9
Charge for the year	0.4	–	0.4
Amortisation as at 31 December 2009	1.3	–	1.3
Carrying amount as at 1 January 2009	2.6	27.2	29.8
Carrying amount as at 31 December 2009	4.2	26.5	30.7

14. Investments

Investments in Joint Venture

The Group has a 50% interest in Enrichment Technology Company Limited (ETC), a jointly controlled entity whose principal activity is in the research, development and manufacture of plant and equipment for the provision of enrichment services. At 1 January 2006, URENCO Deutschland GmbH owned a controlling interest of 28.3% of the shares in ETC and the balance of the shares were held in equal measures by the three shareholders of URENCO Limited. As ETC was controlled by URENCO, ETC was fully consolidated by the Group, with appropriate balances shown relating to the minority interest. The Joint Venture was formed on 1 July 2006, the date on which URENCO's shareholders disposed of 50% of the shares in ETC to a third party, Areva. The remaining 21.7% of the shares has been contributed to URENCO, as additional paid in capital, bringing URENCO's holding to 50%. The Group accounts for its interest in ETC using the proportionate consolidation method.

The share of the assets, liabilities and expenses of the jointly controlled entity at 31 December were:

	2010 €m	2009 €m
Share of the joint venture balance sheet		
Non-current assets	**202.8**	178.2
Current assets	**332.2**	227.1
Share of gross assets	**535.0**	405.3
Non-current liabilities	**(81.0)**	(62.5)
Current liabilities	**(419.1)**	(304.6)
Share of gross liabilities	**(500.1)**	(367.1)
Share of net assets	**34.9**	38.2

	For the year to 31/12/10 €m	For the year to 31/12/09 €m
Share of joint venture results		
External sales	**7.8**	3.4
Inter-segment sales	**111.0**	130.5
Total revenue from sales of goods and services	**118.8**	133.9
Work performed by the entity and capitalised	**8.0**	6.5
Changes to inventories of finished goods and work in progress	**149.3**	48.3
Raw materials and consumables used	**(137.5)**	(65.5)
Employee benefits expense	**(73.9)**	(67.0)
Depreciation and amortisation	**(19.4)**	(14.1)
Other expenses	**(49.6)**	(41.8)
Income from operating activities before tax and net finance costs	**(4.3)**	0.3
Finance income	**0.1**	–
Finance costs	**(2.4)**	(2.0)
Income from operating activities before tax	**(6.6)**	(1.7)
Income tax expense	**1.9**	0.8
Net loss for the year	**(4.7)**	(0.9)

On consolidation, the Group makes the necessary adjustments to the Joint Venture results to ensure that income from direct transactions with the Joint Venture are not recognised until there is direct involvement from third parties.

15. Subsidiaries

A list of the Company's significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 5 to the Company's separate financial statements.

16. Trade and other receivables (current)

	31/12/10 €m	31/12/09 €m
Trade receivables	**209.0**	158.8
Trade receivables due from related parties	**5.9**	17.6
Other receivables	**76.6**	81.9
Prepayments and accrued income	**249.9**	161.0
	541.4	419.3

The average contractual credit period taken on sales of goods and services is 30 days (2009: 30 days). Trade receivables can carry interest in accordance with contract conditions. However, trade receivables are stated at their invoiced value as payments are usually received within the contract terms. For this reason, no provisions are deemed necessary for invoices not being paid in full.

For terms and conditions relating to related party receivables, refer to note 30 on page 84.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

At the year end none of the trade receivables were past their due date and none were considered to be impaired. Out of the carrying amount of the total of trade receivables, 22% was against on a single customer with an external credit rating of A+ (S&P), 17% against a customer with an internal credit rating of BBB+, 16% against a customer with an external credit rating of A (S&P), 12% against a customer with an external credit rating of BBB (S&P) and 9% against a customer with an external credit rating of A+ (S&P).

17. Inventories

	31/12/10 €m	31/12/09 €m
Raw materials	**36.6**	71.2
Work-in-progress	**108.3**	76.9
Finished goods	**274.8**	172.5
	419.7	320.6

18. Cash and cash equivalents

	31/12/10 €m	31/12/09 €m
Cash at bank and in hand	**37.9**	35.4
Short-term deposits	**0.7**	3.4
	38.6	38.8

Cash at bank earns interest at floating rates based on money market deposits at call or for fixed periods.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

19. Share capital and reserves

	31/12/10 €m	31/12/09 €m
Authorised:		
240 million ordinary shares of £1 each		
'A' ordinary	**113.0**	113.0
'B' ordinary	**113.0**	113.0
'C' ordinary	**113.0**	113.0
	339.0	339.0
Issued and fully paid:		
168 million ordinary shares of £1 each		
'A' ordinary	**79.1**	79.1
'B' ordinary	**79.1**	79.1
'C' ordinary	**79.1**	79.1
	237.3	237.3

The 'A', 'B' and 'C' ordinary shares have identical rights.

The reserves outlined in the Comprehensive Statement of Changes in Equity are as follows:

Additional paid in capital

This represents the 21.7% shares given to URENCO Limited by its shareholders as additional paid in capital bringing the URENCO holding in ETC to 50%.

Hedging reserve

The hedging reserve is a separate component of equity used to record changes in the fair values of cash flow hedging instruments and net investment hedging in accordance with the Group's accounting policy.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and the parent entity.

20. Deferred income

Deferred income relates to payments received in advance for contracted enrichment services, which will be supplied in future periods.

	2010 €m	2009 €m
As at 1 January	**9.4**	9.3
Received during the year	**5.0**	–
Exchange difference	**0.1**	0.1
As at 31 December	**14.5**	9.4
Included in current liabilities	**5.0**	–
Included in non-current liabilities	**9.5**	9.4
	14.5	9.4

Trade and other payables contains deferred income relating to payments received by ETC in advance for contracted cascade deliveries, which will be supplied in future periods. This amounts to €314.1 million (2009: €202.5 million).

21. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise bank loans, private and publicly traded debt and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. All financial instruments, including derivatives, are unsecured. No collateral is pledged or received in respect of the Group's financial instruments.

The Group also enters into derivative transactions, principally forward currency contracts and interest rate swaps. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

The Group is exposed to credit risk, interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.

Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables and derivative financial instruments, which represent the Group's maximum exposure totalling €675.5 million (2009: €559.2 million).

The Group trades only with creditworthy third parties, who are mainly other participants in the nuclear fuel supply chain. It is the Group's policy that all customers wishing to trade on credit are subject to an internal approval process based on a system of credit scoring similar to that used by external rating agencies. Customers are assigned credit limits based on this credit score and their credit balances are monitored and managed against these limits on a monthly basis. Historically, there has been no payment default by any counterparty trading with the Group under this procedure.

With respect to credit risk arising from other financial assets of the Group, comprising cash and cash equivalents and certain financial derivative instruments, the Group's credit risk is the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Counterparties for these assets are banks with investment-grade credit ratings assigned by international credit-rating agencies and limits are set depending on the credit rating of the counterparty.

The Group has not pledged and does not hold collateral over any balances.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

In order to manage its interest costs, the Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest. Given the current low level of interest rates, the Board are comfortable if the Group exceeds the 60% limit. To manage this the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge the underlying debt obligations. At 31 December 2010, after taking into account the effect of interest rate swaps, approximately 66% of the Group's borrowings are at a fixed rate of interest (2009: 38%).

Interest rate sensitivity analysis

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined in IFRS 7.

Changes in the market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

In the case of fair value hedges designed for hedging interest rate risks, the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements balance out almost completely in the income statement in the same period. As a consequence, these financial instruments are also not exposed to interest rate risk.

The following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income from operating activities before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

If market interest rates had been 100 basis points higher / (lower) at 31 December 2010, income would have been €7.9 million higher / (lower) (31 December 2009: €12.9 million higher / (lower)).

21. Financial risk management objectives and policies – continued

Foreign currency risk

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency of the reporting entity which holds the instrument and being of a monetary value; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

The Group has transactional currency exposures as a result of approximately 56% of its revenues being denominated in US dollars, whilst currently only approximately 14% of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 25% of Group costs being denominated in sterling, whilst revenue is mainly in euro and dollar.

In order to mitigate these exposures, the Group's policy is to hedge its net contracted US dollar and sterling exposures (i.e. cash revenues less cash operating costs) using forward currency contracts and related derivative financial instruments. The Group's policy is to hedge forward its net contracted US dollar and GBP exposures to a minimum of 90% in year one, 80% in year two, 60% in year three, 40% in year four and a minimum of 20% in year five.

Foreign currency sensitivity analysis

The following sensitivity analysis addresses the effect of currency risks on the Group's financial instruments:

- A number of Group loans are denominated in US dollars and are designated as, and are effective hedges, of the Group's investments in US dollars. Any gains / losses arising on the retranslation of these US dollar loans are posted directly to equity and would be offset in equity by a corresponding loss / gain arising on the retranslation of the related hedged foreign currency net asset.
- The Group is exposed to currency risks from currency forward contracts. These are currency derivatives that are part of an effective cash flow hedge for hedging fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Any ineffectiveness or ineffective hedges affect the income statement.

The following table demonstrates the sensitivity to changes in sterling and euro against the dollar:

	Change in £ / US$ rate	Effect on income before tax €m	Effect on equity €m	Change in £ / US$ rate	Effect on income before tax €m	Effect on equity €m
2010	**+10%**	**(9.1)**	**38.6**	**+10%**	**16.2**	**107.2**
	-10%	**5.2**	**(41.1)**	**-10%**	**(30.6)**	**(126.6)**
2009	+10%	1.3	37.4	+10%	43.2	137.7
	-10%	2.6	(37.4)	-10%	(55.2)	(163.8)
2008	+10%	17.0	25.0	+10%	22.0	168.0
	-10%	(21.0)	(31.0)	-10%	(29.0)	(163.0)

21. Financial risk management objectives and policies – continued

Liquidity risk

The Group plans its funding operations and monitors the risk of a shortage of funds on a monthly basis, using a forward planning model that considers the maturity of existing borrowings, projected capital expenditure and projected cash flows from operations.

The Group manages liquidity risk through a combination of additional external borrowings, managing the Group's capital expenditure through delaying or reducing the capital spend, and general overhead cost control.

The Group seeks to achieve flexibility and continuity of funding through the active use of a range of different instruments, markets and currencies. External debt funding is sought over a range of different tenors in order to avoid a concentration of maturities. At 31 December 2010, 10% of the Group's interest bearing loans and borrowings will mature in less than one year (2009: 26%).

The table below summarises the maturity profile of the Group's financial liabilities / (assets) at 31 December based on contractual undiscounted payments:

2010	On demand €m	Less than 3 months €m	3 – 12 months €m	1 – 5 years €m	> 5 years €m	Total €m
Interest bearing loans and borrowings	–	43.3	298.1	1,385.6	1,468.2	3,195.2
Trade and other payables	–	412.3	–	–	–	412.3
Interest rate / cross currency swaps – net payment / (receipt)	–	(1.2)	8.6	32.0	(205.1)	(165.7)
Foreign exchange contracts	–	(7.7)	(18.3)	(30.7)	–	(56.7)
Options	–	–	–	–	–	–
Other financial liabilities	–	–	3.3	10.3	9.6	23.2
	–	446.7	291.7	1,397.2	1,272.7	3,408.3

2009	On demand €m	Less than 3 months €m	3 – 12 months €m	1 – 5 years €m	> 5 years €m	Total €m
Interest bearing loans and borrowings	–	233.9	357.5	463.5	1,580.8	2,635.7
Trade and other payables	–	277.0	36.1	–	–	313.1
Interest rate / cross currency swaps – net payment / (receipt)	–	(1.3)	17.7	62.2	(47.9)	30.7
Foreign exchange contracts	–	2.4	(7.3)	(0.4)	–	(5.3)
Options	–	(1.3)	(0.7)	–	–	(2.0)
Other financial liabilities	–	–	3.8	6.5	9.5	19.8
	–	510.7	407.1	531.8	1,542.4	2,992.0

21. Financial risk management objectives and policies – continued

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong investment-grade credit rating and healthy capital ratios in order to support the long-term success of the business and to maintain an appropriate level of shareholder returns.

Within the context of an investment-grade credit rating, the Group manages its capital structure in response to economic conditions and its own business objectives and capital investment plans. The principal means of adjusting the Group's capital structure is through changes in the proportion of cash reinvested in the business or returned to shareholders. While the Group's current policy is to target a dividend payout of 50% of its net recurring income for the year, the proposed dividend for the year 2010 is 23%.

The Group monitors its capital structure through the use of financial ratios, principally those of Net Debt to Total Assets and Funds from Operations to Total Adjusted Debt (FFO / TAD). The Group targets a long-term ratio of less than 60% for Net Debt to Total Assets, which the Group defines as Interest bearing loans and borrowings (current and non-current) less cash and cash equivalents divided by total assets.

The Group targets a structural FFO / TAD ratio between 30% and 35%. As expected, this target was not achieved by year end 2010 due to its current large investment programme. The Group accepts a temporary deviation from its target range but is committed to bringing FFO / TAD back to its target in the medium term.

Funds from Operations comprises operating cash flow before working capital changes. Total Adjusted Debt comprises Net Debt plus Tails and Decommissioning provisions and Retirement Benefit Obligations.

	2010 €m	2009 €m
Net Debt	**2,370.4**	2,031.2
Total Assets	**5,051.5**	4,127.9
Net Debt to Total Assets	**46.9%**	49.2%

	2010 €m	2009 (restated) €m
Operating cash flows before movements in working capital	**906.2**	666.5
Less:		
Tax paid	**(138.6)**	(117.1)
Interest paid (net)	**(86.4)**	(51.1)
Plus:		
Operating lease depreciation	**3.4**	3.0
Provisions adjustment less deferred tax	**(108.6)**	15.3
Pension normalisation	**3.0**	7.4
Funds from Operations (FFO)	**579.0**	524.0
Interest bearing loans and borrowings – current	**250.8**	528.4
Interest bearing loans and borrowings – non current	**2,157.8**	1,540.9
Total debt	**2,408.6**	2,069.3
Operating lease adjustment	**7.2**	8.1
Tails and decommissioning provisions	**512.7**	393.2
Deferred tax asset on provisions	**(36.6)**	(31.3)
Pensions deficit net of deferred tax	**42.6**	50.1
	2,934.5	2,489.4
Cash	**(38.6)**	(38.8)
Swaps	**(56.4)**	(42.4)
Total Adjusted Debt (TAD)	**2,839.5**	2,408.2
Ratio of FFO / TAD	**20.4%**	21.8%

22. Other financial assets and financial liabilities

Interest bearing loans and borrowings

At 31 December	Effective interest rate %	Maturity	2010 €m	2009 €m
Current				
Bank overdrafts:			**–**	–
Other loans:				
€500 million multicurrency revolving facility	Floating	7 Jan 11 / 8 Feb 10	**38.7**	50.0
$500 million Commercial Paper Programme			**–**	178.4
€300 million Eurobond	3.375%	7 Dec 10	**–**	300.0
€100 million Eurobond	Floating	9 Jun 11	**100.0**	–
$150 million Term Loan Agreement	Floating	26 Aug 11	**112.1**	–
			250.8	528.4
Non-current				
Other loans:				
€100 million Eurobond	Floating	9 Jun 11	**–**	100.0
$150 million Term Loan Agreement	Floating	26 Aug 11	**–**	104.7
$50 million series A Senior notes	5.82%	30 Jun 14	**37.3**	35.0
€500 million Eurobond (part)	2.68%	22 May 15	**119.1**	120.1
€500 million Eurobond (part)	Floating	22 May 15	**114.4**	114.5
€500 million Eurobond (part)	3.15%	22 May 15	**110.3**	112.7
€500 million Eurobond (part)	Floating	22 May 15	**223.6**	221.1
$50 million series A Senior notes	5.51%	12 Dec 15	**37.4**	35.0
$100 million series B Senior notes	6.47%	30 Jun 16	**74.7**	69.8
$100 million series B Senior notes	5.56%	12 Dec 16	**74.7**	69.8
$50 million series C Senior notes	5.66%	12 Dec 18	**37.4**	35.0
$100 million Senior notes	5.50%	11 May 17	**74.7**	69.8
€100 million Term facility agreement (inflation linked)	2.88% + inflation	7 Dec 17	**104.9**	103.1
€100 million European Investment Bank financing facility	4.439%	23 Mar 18	**100.0**	100.0
€100 million European Investment Bank financing facility	4.772%	17 Oct 24	**100.0**	100.0
Yen 20 billion Loan Agreement	6.24%	28 Apr 38	**184.2**	149.9
€100 million European Investment Bank financing facility	3.34%	28 Oct 27	**100.0**	–
$120 million Term Loan Agreement	Floating	07 Dec 12	**89.7**	–
€25 million Eurobond	Floating	17 Dec 15	**25.4**	–
€50 million Eurobond	3.20%	17 Dec 15	**50.0**	–
€500 million Eurobond	4.00%	05 May 17	**500.0**	–
			2,157.8	1,540.5
			2,408.6	2,068.9

As at 31 December 2010, after taking into account the effect of interest rate swaps, 66% of the Group's borrowings are at a fixed rate of interest (2009: 38%).

Amounts recognised in the income statement due to effective interest rate calculations are interest expense of €102.2 million (2009: €75.3 million) and interest income of €1.2 million (2009: €1.3 million).

Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses foreign currency denominated borrowings and forward currency contracts to manage some of its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally one to twenty four months.

22. Other financial assets and financial liabilities – continued

Cash flow hedges

Foreign currency risk

The Group has transactional currency exposures, arising mainly from sales denominated in US dollars. The Group's policy throughout 2010 was to hedge forward its net contracted US dollar exposures to a minimum of 90% in year one, 80% in year two, 60% in year three, 40% in year four and 20% in year five. US dollar costs are first utilised as natural hedges to offset contracted US dollar sales in the same period and forward sales or option products are entered into to cover the remaining exposures relating to identified US dollar and euro denominated sales. Hedges are taken out to match the amount and date of the revenues being hedged, in order to maximise hedge effectiveness. In addition, the Group hedges its exposure to sterling costs from the UK based operations. The same average targets are used for a six year hedging horizon.

At 31 December 2010, the total notional amounts of outstanding US dollar forward exchange contracts, into euros and sterling, are US $2,140.3 million (2009: US $1,798.0 million). The total notional amounts of outstanding forward Euro foreign exchange contracts into sterling are €260.4 million (2009: €332.9 million).

Cash flows from the transactions to which foreign currency hedging instruments relate are expected to occur are detailed in the table below:

	USD $m	EUR €m	2010 EUR costs €m	USD $m	EUR €m	2009 EUR cost €m
2010	–	–	–	429.0	169.1	114.0
2011	**540.3**	**115.7**	–	535.0	106.6	–
2012	**651.0**	**37.5**	–	406.0	19.0	–
2013	**460.0**	**53.0**	–	299.0	22.5	–
2014	**319.0**	**26.4**	–	129.0	15.7	–
2015	**170.0**	**27.8**	–	–	–	–
	2,140.3	**260.4**	–	1,798.0	332.9	114.0

The Group held 143 forward exchange contracts designated as hedges of expected US dollar sales and 35 of expected EUR sales to customers throughout the world. The total contract value of US dollars sold for sterling is US $547.3 million with an average rate of US $1.5904 per £1 and the total contract value of US dollars sold for euros is US $1,593.0 million with an average rate of US $1.4047 per €1. The total contract value of euros sold for sterling is €260.4 million with an average rate of €0.8896 per £1.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to €(55.4) million (2009: €4.6 million) has been deferred in equity. This movement of €(60.0) million is due to exchange differences on the opening balance of €0.2 million, mark to market movements of €(90.0) million and €29.8 million recycled from equity and transferred to revenue from sales of goods and services, and capital expenditure.

There was a net loss in respect of currency derivative contracts in effective hedging relationships maturing during 2010 of €(29.8) million (2009: loss of €(22.1) million). This net loss is comprised of a loss of €(35.5) million (2009: loss of €(31.7) million) which was transferred to the consolidated income statement and included under sales of goods and services, a gain of €0.7 million (2009: gain of €2.9 million) which was included within finance income, and a gain of €5.0 million (2009: a gain of €6.7 million) which was capitalised within fixed assets .

Net changes in the fair value of ineffective non-designated derivatives recognised in the income statement was a loss of €(5.3) million (2009: gain of €8.4 million), and included in finance income / expenses.

At 31 December 2010, the Group held currency swaps designated as cash flow hedges against foreign currency borrowings entered into in 2008. The fair value movement of the swaps was initially recorded in hedging reserves and subsequently recycled into the income statement during the year. This offset charges to the income statement that were recorded in the year due to movements in the fair value of the related foreign currency borrowing.

22. Other financial assets and financial liabilities – continued

Fair value hedges

The Group uses interest rate swaps and cross currency interest rate swaps to manage its exposure to interest rate movements on its borrowings and also to effectively hedge its net investments in foreign subsidiaries. The interest rate swaps convert fixed rate debt into floating rate debt in the same currency and the cross currency interest rate swaps convert fixed rate debt in one currency into fixed and floating rate debt in another currency. Contracts with nominal values of €721.1 million at 31 December 2010 (2009: €636.5 million) have fixed interest receipts at a current average rate of 4.89% (2009: 5.10%) for periods up until 2038 (2009: to 2038) and fixed interest payments at 5.82% (2009: 6.24%); floating interest payments at an average margin of 0.71% (2009: 0.66%) plus LIBOR or EURIBOR. Contracts with a nominal value of €205 million at 31 December 2010 (2009: €100 million) have fixed interest payments at an average rate of 2.91% for periods up until 2015 and have floating interest receipts at an average margin of 0.39%.

The fair value of swaps entered into at 31 December 2010 is estimated at €56.4 million asset (combined currency and interest rate swaps) (2009: €42.4 million asset). These amounts are based on current market rates versus URENCO actual rates at the balance sheet date.

Swaps with a fair value amounting to €31.7 million are designated and effective as fair value, net investment or cash flow hedges and the fair value thereof has been reflected in the hedging reserve or in the consolidated income statement together with the change in fair value of the underlying debt instrument. Swaps with a fair value amounting to €13.8 million were designated and effective as fair value hedges and the fair value there of has been reflected in the consolidated income statement during the year but have been de-designated at the year end. Swaps with a fair value of €10.9 million were de-designated throughout the year.

An amount of €(11.1) million (2009: €(13.5) million) has been added to / (offset against) hedged interest payments made in the year.

Hedge of net investments in foreign operations

Included in loans at 31 December 2010 were (swapped) borrowings of US $1,317.2 million (2009: US $1,353.3 million) which have been designated as hedges of the net investment in the US subsidiary, URENCO Investments Inc. In addition, borrowings of €294.0 million (2009: €194.0 million) have been designated as hedges of the net investment in the European sites. These borrowings are being used to hedge the Group's exposure to foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiary.

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements:

	Book value 2010 €m	Fair value 2010 €m	Book value 2009 €m	Fair value 2009 €m
Financial assets				
Trade and other receivables	**541.4**	**541.4**	419.3	419.3
Other financial assets				
Forward foreign exchange contracts – hedged	**29.0**	**29.0**	50.9	50.9
Forward foreign exchange contracts – non-hedged	**3.5**	**3.5**	0.4	0.4
Options / structured products	–	–	0.7	0.7
Interest rate / cross currency swaps	**63.0**	**63.0**	49.1	49.1
Cash and short-term deposits	**38.6**	**38.6**	38.8	38.8
Total	**675.5**	**675.5**	**559.2**	**559.2**
Financial liabilities				
Interest bearing loans and borrowings				
Floating rate borrowings	**808.7**	**811.7**	1,291.9	1,297.0
Fixed rate borrowings	**1,599.9**	**1,575.1**	777.0	789.9
Obligations under finance leases	**0.4**	**0.4**	1.1	1.1
Trade and other payables	**412.3**	**412.3**	313.1	313.1
Derivative financial liabilities at fair value through profit or loss				
Derivatives in designated hedges	**85.7**	**85.7**	47.2	47.2
Forward foreign exchange contracts	**6.1**	**6.1**	9.5	9.5
Options / structured products	–	–	2.7	2.7
Interest rate / cross currency swaps	**6.6**	**6.6**	6.7	6.7
Total	**2,919.7**	**2,897.9**	**2,449.2**	**2,467.2**

22. Other financial assets and financial liabilities – continued

Market values have been used to determine the fair value of the Group's listed Eurobond based on the published price and of derivative financial instruments based on valuations calculated using Bloomberg forward foreign exchange and discount rates. The fair values of all other items have been calculated by discounting the future cash flows at prevailing interest rates.

Fair value hierarchy

As at 31 December 2010, the Group held the following instruments measured at fair value:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value

	€m	Level 1 €m	Level 2 €m	2010 Level 3 €m	€m	Level 1 €m	Level 2 €m	2009 Level 3 €m
Financial assets at fair value through profit or loss								
Forward foreign exchange contracts – hedged	**29.0**	**–**	**29.0**	**–**	50.9	–	50.9	–
Forward foreign exchange contracts – non-hedged	**3.5**	**–**	**3.5**	**–**	0.4	–	0.4	–
Options / structured products	**0.0**	**–**	**0.0**	**–**	0.7	–	0.7	–
Interest rate / cross currency swaps	**63.0**	**–**	**63.0**	**–**	49.1	–	49.1	–
Total assets measured at fair value	**95.5**	**–**	**95.5**	**–**	101.1	–	101.1	–
Liabilities measured at fair values								
Forward foreign exchange contracts – hedged	**85.7**	**–**	**85.7**	**–**	47.2	–	47.2	–
Forward foreign exchange contracts – non-hedged	**6.1**	**–**	**6.1**	**–**	9.5	–	9.5	–
Options / structured products	**–**	**–**	**–**	**–**	2.7	–	2.7	–
Interest rate / cross currency swaps	**6.6**	**–**	**6.6**	**–**	6.7	–	6.7	–
Total liabilities measure at fair value	**98.4**	**–**	**98.4**	**–**	66.1	–	66.1	–

22. Other financial assets and financial liabilities – continued

Classification of Financial Instruments

2010	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	**–**	**–**	**3,709.7**	**3,709.7**
Intangible assets	**–**	**–**	**81.7**	**81.7**
Derivative financial instruments	**–**	**95.5**	**–**	**95.5**
Deferred tax assets	**–**	**–**	**127.1**	**127.1**
Trade and other receivables	**541.4**	**–**	**–**	**541.4**
Inventories	**–**	**–**	**419.7**	**419.7**
Long-term work in progress	**–**	**–**	**37.8**	**37.8**
Cash	**38.6**	**–**	**–**	**38.6**
Total	**580.0**	**95.5**	**4,376.0**	**5,051.5**

2010	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	**423.0**	**–**	**–**	**–**	**423.0**
Obligations under finance leases	**0.4**	**–**	**–**	**–**	**0.4**
Deferred income	**–**	**–**	**14.5**	**–**	**14.5**
Interest bearing loans and borrowings	**2,408.6**	**–**	**–**	**–**	**2,408.6**
Derivative financial instruments	**–**	**98.4**	**–**	**–**	**98.4**
Deferred tax liabilities	**–**	**–**	**–**	**40.3**	**40.3**
Provisions	**–**	**–**	**–**	**574.0**	**574.0**
Retirement benefit obligations	**–**	**–**	**–**	**53.3**	**53.3**
Income tax payable	**–**	**–**	**–**	**40.8**	**40.8**
Total	**2,832.0**	**98.4**	**14.5**	**708.4**	**3,653.3**

22. Other financial assets and financial liabilities – continued

Classification of Financial Instruments

2009	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	–	–	3,098.4	3,098.4
Intangible assets	–	–	30.7	30.7
Derivative financial instruments	–	101.1	–	101.1
Deferred tax assets	–	–	85.0	85.0
Trade and other receivables	419.3	–	–	419.3
Inventories	–	–	320.6	320.6
Long-term work in progress	–	–	34.0	34.0
Cash	38.8	–	–	38.8
Total	458.1	101.1	3,568.7	4,127.9

2009	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	322.6	–	–	–	322.6
Obligations under finance leases	1.1	–	–	–	1.1
Deferred income	–	–	9.4	–	9.4
Interest bearing loans and borrowings	2,068.9	–	–	–	2,068.9
Derivative financial instruments	–	66.1	–	–	66.1
Deferred tax liabilities	–	–	–	34.8	34.8
Provisions	–	–	–	430.7	430.7
Retirement benefit obligations	–	–	–	65.9	65.9
Income tax payable	–	–	–	34.5	34.5
Total	2,392.6	66.1	9.4	565.9	3,034.0

22. Other financial assets and financial liabilities – continued

The fair values of derivative financial instruments at 31 December are set out below, with the following maturities:

	Fair value asset 31/12/10 €m	Fair value liability 31/12/10 €m	Fair value asset 31/12/09 €m	Fair value liability 31/12/09 €m
Cash flow hedges				
Within one year	**13.1**	**(37.0)**	21.7	(17.5)
1 to 2 years	**9.7**	**(25.1)**	11.1	(18.4)
2 to 3 years	**2.9**	**(11.3)**	7.5	(9.7)
3 to 4 years	**1.0**	**(9.8)**	8.8	(1.1)
More than 5 years	**2.3**	**(2.5)**	1.8	(0.5)
	29.0	**(85.7)**	50.9	(47.2)
Fair value hedges				
Within one year	**–**	**–**	–	–
1 to 2 years	**–**	**–**	–	–
2 to 3 years	**–**	**–**	–	–
3 to 4 years	**–**	**–**	–	–
More than 5 years	**39.9**	**–**	42.9	–
	39.9	**–**	42.9	–
Derivative instruments designated in part as cash flow hedges and in part as net investment hedges				
Within one year	**–**	**–**	–	–
1 to 2 years	**–**	**–**	–	–
2 to 3 years	**–**	**–**	–	–
3 to 4 years	**–**	**–**	–	–
More than 5 years	**22.5**	**–**	–	(6.7)
	22.5	**–**	–	(6.7)
Derivative instruments designated in part as fair value hedges and in part as net investment hedge				
Within one year	**–**	**–**	–	–
1 to 2 years	**–**	**–**	–	–
2 to 3 years	**–**	**–**	–	–
3 to 4 years	**–**	**–**	–	–
More than 5 years	**0.6**	**(6.6)**	6.2	–
	0.6	**(6.6)**	6.2	–
Currency derivatives not designated as cash flow hedges and charged to income				
Within one year	**3.3**	**(5.7)**	0.9	(10.6)
1 to 2 years	**0.0**	**(0.3)**	0.2	(1.6)
2 to 3 years	**0.2**	**(0.1)**	–	–
3 to 4 years	**–**	**–**	–	–
	3.5	**(6.1)**	1.1	(12.2)
Total	**95.5**	**(98.4)**	101.1	(66.1)
Of which – non-current	**79.1**	**55.7**	78.5	(38.0)
Of which – current	**16.4**	**42.7**	22.6	(28.1)

23. Provisions

	Tails disposal €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2010	**197.8**	**195.4**	**37.5**	**430.7**
Additional provision in the year	**102.3**	**20.6**	**28.2**	**151.1**
Release of provision in year	**–**	**(0.3)**	**(0.9)**	**(1.2)**
Unwinding of discount	**9.9**	**9.4**	**–**	**19.3**
Utilisation of provision	**(28.4)**	**(0.9)**	**(4.5)**	**(33.8)**
Exchange difference	**4.8**	**2.1**	**1.0**	**7.9**
At 31 December 2010	**286.4**	**226.3**	**61.3**	**574.0**
Included in current liabilities				**1.1**
Included in non-current liabilities				**572.9**
				574.0

	Tails disposal €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2009	174.3	225.1	36.2	435.6
Additional provision in the year	98.1	7.4	5.1	110.6
Release of provision in year	–	(46.6)	(5.0)	(51.6)
Unwinding of discount	7.9	5.5	–	13.4
Utilisation of provision	(91.0)	(0.4)	(0.6)	(92.0)
Exchange difference	8.5	4.4	1.8	14.7
At 31 December 2009	**197.8**	**195.4**	**37.5**	**430.7**
Included in current liabilities				**3.1**
Included in non-current liabilities				**427.6**
				430.7

Provision for tails disposal

The enrichment process generates depleted uranium ("tails"). This provision has been made on a discounted basis for all estimated future costs for the eventual safe disposal of the tails. The costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal.

The final amount of the provision is uncertain but is evaluated based upon the planned operational activity involved in successfully achieving safe disposal in accordance with current regulatory requirements. The planned costs are based on historic experience and understood contract prices for the relevant parts of the disposal cycle. These costs are escalated based on current expectations of inflation and discounted to provide a present value cost per unit, or tails rate, which is applied to the quantity of tails held at the balance sheet date. Further description of the estimates and assumptions applied are given in note 2.

The applicable inflation rate of 3% per annum and discount rate of 5% per annum are unchanged from those applied in previous periods.

During the year the tails provision increased by €102.3 million due to tails generated in that period and an increase in the applied tails rate (2009: €98.1 million). This addition to the tails provision has been recognised as a cost in the Income Statement under tails provision created.

With the exception of tails currently sent to third parties for disposal, it is expected that the €62.0 million of the provision will be used within the next 30 years and €178.0 million will be used within the next 100 years.

The provision for tails disposal is dependent on certain assumptions and estimates, such as timing of disposal and the applicable discount rate. A 10% reduction of the discount rate would lead to an increase of the provision by €32.0 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €23.0 million.

23. Provisions – continued

Provision for decommissioning of plant and machinery

The Directors intend to decommission plant as soon as practically possible after it is shut down. Enrichment plant will be disassembled, decommissioned and the site returned to 'greenfield' status. To meet these eventual costs of decommissioning, provisions are charged in the accounts, for all plant in operation, at amounts considered to be adequate for the purpose.

The final amount of the provision is uncertain but is evaluated based upon the planned operational activity involved in successfully achieving full decommissioning of any land, plant or equipment used in enrichment activities, in accordance with the Directors' intention and current regulatory requirements. The planned costs are based on historic experience and price estimates for the relevant activities and processes of the decommissioning cycle, which include deconstruction, decontamination and disposal of all materials involved in the enrichment process. These costs are escalated based on current expectations of inflation and discounted to provide a present value cost based on the expected useful life of the asset in use. Further description of the estimates and assumptions applied are given in note 2.

The applicable inflation rate of 3% per annum and discount rate of 5% per annum are unchanged from those applied in previous periods.

During the year the decommissioning provision increased by €20.6 million due to the installation of additional plant and machinery (2009: €7.4 million). This addition to the decommissioning provision has been recognised as an equivalent addition to the decommissioning asset in the Balance Sheet.

In 2009 a detailed technical review of the decommissioning process was conducted. This review updated several of the assumptions underlying the decommissioning provisions and, as a result €46.6 million of the decommissioning provision was released. The carrying value of the associated decommissioning asset was reduced by €12.8 million with the remaining €33.8 million recorded as a gain in the Income Statement.

It is expected that this provision will be used over the next 30 years.

The provision for decommissioning is dependent on certain assumptions and estimates, such as timing of decommissioning and the applicable discount rate. A 10% reduction of the discount rate would lead to an increase of the provision by €11.0 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €10.0 million.

Other provisions

These comprise overfeeding provisions relating to our plants in the Netherlands and UK, personnel provisions (mainly relating to early retirement schemes in Germany) and provisions relating to the disposal and cleaning of containers.

It is expected that other provisions will be used over the next seven years.

24. Retirement benefit obligations

The Group operates a number of pension schemes in the UK, Germany, the Netherlands and the US. Some are defined benefit schemes (four in total); others are defined contribution schemes and are funded externally. The defined benefit schemes comprise both funded and unfunded schemes. No other post-retirement benefits are currently provided by the Group. ETC forms part of URENCO's defined benefit pension schemes. Assets and liabilities are allocated on a notional basis.

Valuations of the schemes are carried out at least every three years. The most recent actuarial assessments of plan assets and the present value of the defined benefit obligations were carried out at 31 December 2008. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	2010 %	2009 %
Key financial assumptions used:		
Discount rate	**4.8-5.4**	5.5-5.7
Expected return on scheme assets	**0.6-10.1**	0.5-8.0
Expected rate of salary increases	**4.3-4.5**	2.5-4.5
Future pension increases	**3.3-3.5**	1.0-3.6

24. Retirement benefit obligations – continued

In addition to the key financial assumptions shown above, the Group reviews the demographic and mortality assumptions. Mortality assumptions reflect best practice in the countries in which the Group operates (the Netherlands, UK and Germany) and have regard to the latest available published tables, adjusted where appropriate, to reflect the experience of the Group and an extrapolation of past longevity improvements into the future. The tables used and key assumptions are as follows:

Mortality assumptions:

		Netherlands		UK		Germany
	2010 years	2009 years	2010 years	2009 years	2010 years	2009 years
Life expectancy at age 60 for a male currently aged 60	**26.3**	23.4	**28.4**	28.2	**22.8**	22.7
Life expectancy at age 60 for a female currently aged 60	**28.8**	26.2	**29.6**	29.5	**27.4**	27.3
Life expectancy at age 60 for a male currently aged 40	**27.8**	25.0	**31.6**	31.4	**25.7**	25.6
Life expectancy at age 60 for a female currently aged 40	**29.5**	27.0	**31.7**	31.6	**30.0**	30.0

Mortality tables:

	Netherlands	UK	Germany
2010	**Table GBM / GBV 2005-2050 of the Dutch Actuarial Association with age setbacks and 5% loading**	**S1NA tables allowing for future improvements in line with medium cohort projections with an underpin of 1.5% p.a. for males and 1.0% p.a. for females**	**Heubeck table 2005 G**
2009	Table GBM / GBV 2005-2050 of the Dutch Actuarial Association with age setbacks and 5% loading	S1NA tables allowing for future improvements in line with medium cohort projections with an underpin of 1.5% p.a. for males and 1.0% p.a. for females	Heubeck table 2005 G

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Current service cost	**(8.8)**	(7.3)
Interest cost on benefit obligations	**(24.6)**	(22.3)
Expected return on scheme assets	**22.4**	18.2
Past service cost	**(1.7)**	(1.9)
Curtailment	**0.2**	–
	(12.5)	(13.3)

The charge for the year has been included in the consolidated income statement within employee benefits expense.

The amount charged to income in respect of defined contribution pension schemes was €3.3 million (2009:€4.0 million).

The actual return on scheme assets was €52.1 million (2009: €55.5 million).

Amounts recognised in the statement of comprehensive income in respect of these defined benefit schemes are as follows:

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Actuarial gains / (losses)	**11.9**	10.4
Exchange difference	**0.3**	(0.2)
	12.2	10.2

24. Retirement benefit obligations – continued

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit schemes is as follows:

Movement in present value of defined benefit obligation

			2010 €m			2009 €m
As at 31 December	Total	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes
At 1 January	**(427.2)**	**(405.7)**	**(21.5)**	(363.7)	(344.3)	(19.4)
Transfer	**–**	**–**	**–**	–	–	–
Current service cost	**(8.8)**	**(8.4)**	**(0.4)**	(7.3)	(6.9)	(0.4)
Past service cost	**(1.7)**	**(1.7)**	**–**	(1.9)	(1.9)	–
Interest cost	**(24.6)**	**(23.4)**	**(1.2)**	(22.3)	(21.2)	(1.1)
Curtailments	**0.2**	**–**	**0.2**	–	–	–
Actuarial gain / (loss)	**(17.0)**	**(14.9)**	**(2.1)**	(28.0)	(26.3)	(1.7)
Settlements	**–**	**–**	**–**	–	–	–
Benefits paid to members	**17.4**	**16.6**	**0.8**	13.0	11.9	1.1
Contributions by members	**(5.3)**	**(5.3)**	**–**	(2.7)	(2.7)	–
Foreign exchange	**(7.7)**	**(7.7)**	**–**	(14.3)	(14.3)	–
At 31 December	**(474.7)**	**(450.5)**	**(24.2)**	(427.2)	(405.7)	(21.5)

Movements in the fair value of plan assets

	2010 €m	2009 €m
At 1 January	**361.3**	285.5
Transfer	**–**	0.2
Expected return on plan assets	**22.4**	18.2
Actuarial gains / (loss)	**29.2**	38.4
Contributions by employer	**14.4**	17.0
Contributions by members	**3.5**	3.1
Benefits paid to members	**(16.6)**	(11.9)
Foreign exchange	**7.2**	10.8
At 31 December	**421.4**	361.3

	2010 €m	2009 €m
Present value of defined benefit obligation	**(474.7)**	(427.2)
Fair value of plan assets	**421.4**	361.3
Recognised (liability) at 31 December	**(53.3)**	(65.9)

The expected return from each major category of scheme assets and the fair value at 31 December is as follows:

		Expected return		Fair value of assets
	2010 %	2009 %	2010 €m	2009 €m
Equity instruments	**7.5**	8.0	**200.9**	160.2
Debt instruments	**4.5**	5.2	**164.4**	166.7
Other assets	**3.6**	0.5	**56.1**	34.4
			421.4	361.3

24. Retirement benefit obligations – continued

The five year history of experience adjustments is as follows:

	2010 €m	2009 €m	2008 €m	2007 €m	2006 €m
Present value of defined benefit obligations	**(474.7)**	(427.2)	(363.7)	(434.5)	(474.2)
Fair value of scheme assets	**421.4**	361.3	285.5	382.6	392.3
Net liabilities in the schemes	**(53.3)**	(65.9)	(78.2)	(51.9)	(81.9)
Experience adjustments on scheme liabilities					
Amount (€m)	**(12.2)**	(21.5)	(32.2)	(2.6)	7.4
Percentage of scheme liabilities (%)	**(2.5)**	(5.0)	(8.9)	(0.6)	1.6
Experience adjustments on scheme assets					
Amount (€m)	**22.0**	31.7	(86.6)	1.3	1.6
Percentage of scheme assets (%)	**5.2**	8.8	(30.2)	0.3	0.4

The estimated amounts of contributions expected to be paid to the schemes during the current financial year (2011) is €9.4 million.

Experience adjustments (surplus / deficits) arise where actuarial assumptions made at a previous valuation, have not been borne out in practice.

25. Trade and other payables

Current	31/12/10 €m	31/12/09 €m
Trade payables	**69.2**	67.9
Other payables	**257.5**	175.9
Accruals	**85.5**	68.8
Amounts due to joint venture	**0.1**	0.5
	412.3	313.1

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2009: 29 days).

Other payables contains deferred income relating to payments received by ETC in advance for contracted cascade deliveries, which will be supplied in future periods. This amounts to €314.1 million (2009: €202.5 million).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Non-current	31/12/10 €m	31/12/09 €m
Other payables	**10.7**	9.5
	10.7	9.5

Other payables comprises SWU borrowed from a third party for the purpose of optimising production flexibility. The SWU is expected to be returned in 2016.

26. Amounts due under finance leases

	Minimum lease payments 31/12/10 €m	Minimum lease payments 31/12/09 €m	Present value of minimum lease payments 31/12/10 €m	Present value of minimum lease payments 31/12/09 €m
Amounts payable:				
Within one year	**0.3**	0.8	**0.3**	0.7
In two to five years	**0.1**	0.4	**0.1**	0.4
	0.4	1.2	**0.4**	1.1
Less: finance charges allocated to future periods	**–**	(0.1)	**–**	–
Present value of lease obligations	**0.4**	1.1	**0.4**	1.1

27. Operating lease arrangements

The Group as lessee

The Group has entered into operating leases on certain motor vehicles and items of machinery. These leases have an average life of seven years and rentals are fixed for an average of three years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	31/12/10 €m	31/12/09 €m
Within one year	**3.0**	3.1
In the second to fifth years inclusive	**5.2**	6.1
After five years	**0.1**	0.1
	8.3	9.3

28. Contingent liabilities

There are no material contingent liabilities.

29. Events after the balance sheet date

As of 7 April 2011, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2010 financial statements.

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements.

Trading transactions

During the year, Group companies entered into the following transactions with the following related parties:

	Sales of good & services		Purchases of good & services		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/10 €m	Year ended 31/12/09 €m	Year ended 31/12/10 €m	Year ended 31/12/09 €m	31/12/10 €m	31/12/09 €m	31/12/10 €m	31/12/09 €m
DECC	**–**	–	**1.3**	1.4	**–**	–	**–**	–
E.ON	**67.7**	150.6	**12.2**	10.8	**5.9**	17.6	**–**	–
RWE	**15.3**	15.3	**2.8**	1.6	**–**	–	**–**	–
ETC	**–**	–	**111.0**	130.5	**129.4** (i)	99.4 (i)	**57.3** (i)	27.0 (i)

(i) These amounts are 100% of the amounts due from / to the Enrichment Technology Company Limited.

The Department for Energy and Climate Change (DECC), E.ON AG and RWE AG are all related parties of the Group because of their indirect shareholdings in URENCO Limited. Until 1 April 2008, BNFL plc was a related party of the Group. Enrichment Investments Limited (formerly BNFL Enrichment Limited) is now held by DECC through a new company called Enrichment Holdings Limited. Enrichment Technology Company Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of goods and services from them were made under the Group's normal trading terms.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made and no expense incurred for doubtful debts in respect of the amounts owed by related parties.

The URENCO Group funds 50% of the Enrichment Technology Company Limited. Interest is charged at market rates.

The Enrichment Technology Company Limited pension scheme is administered as part of the URENCO pension scheme. Included in URENCO's Income Statement and liabilities is 50% of the Enrichment Technology Company Limited Income Statement charges and liabilities arising from retirement benefit obligations. Included in the amounts recognised in income in respect of the defined benefit schemes is a charge of €3.4 million relating to the Joint Venture (2009: €3.0 million). Included in the recognised liability is €11.8 million relating to the Joint Venture (2009: €13.3 million). See note 24.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Remueration report on page 33.

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Short-term employee benefits	**2.2**	2.1
Post-employment benefits	**0.2**	0.2
	2.4	2.3

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for his services as a Director, covered above.

Company Financial Statements

For the year ended 31 December 2010

Statement of Directors' Responsibilities

In respect of the parent company financial statements

Statement of Directors' Responsibilities in respect of the accounts

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain that Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board.

Sarah Newby-Smith

Sarah Newby-Smith
Company Secretary

7 April 2011

Independent Auditors' Report

To the members of URENCO Limited

We have audited the parent company financial statements of URENCO Limited for the year ended 31 December 2010 which comprise the Statement of Financial Position and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement (page 88), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the company's affairs as at 31 December 2010;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of URENCO Limited for the year ended 31 December 2010.

Graeme Dacomb
Senior statutory auditor
For and behalf of Ernst & Young LLP, Statutory Auditor, London

7 April 2011

The maintenance and integrity of the URENCO Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Balance Sheet

At 31 December 2010

	Notes	2010 €m	2009 €m
Fixed assets			
Tangible assets	3	**5.4**	3.6
Investments in subsidiaries and associates	5	**1,605.3**	1,267.3
		1,610.7	1,270.9
Current assets			
Debtors – amounts falling due within one year	6	**217.5**	126.7
Debtors – amounts falling due after more than one year	7	**1,044.5**	1,170.2
Cash and cash equivalents		**16.0**	19.9
		1,278.0	1,316.8
Current liabilities			
Creditors – amounts falling due within one year	8	**504.9**	289.9
Net current assets		**773.1**	1,026.9
Total assets less current liabilities		**2,383.8**	2,297.8
Long-term liabilities			
Creditors – amounts falling due after more than one year	9	**1,523.2**	1,477.7
Net assets before retirement benefit obligations		**860.6**	820.1
Retirement benefit obligations	10	**0.1**	0.2
Net assets		**860.5**	819.9
Capital and reserves			
Share capital	11	**237.3**	237.3
Reserves	12	**623.2**	582.6
		860.5	819.9

The net income for the financial year of the Parent Company amounts to €137.0 million (2009: €94.9 million).

The financial statements were approved by the Board of Directors and authorised for issue on 7 April 2011.

They were signed on its behalf by:

Helmut Engelbrecht
Chief Executive Officer

Friso van Oranje
Chief Financial Officer

Notes to the Company Financial Statements

For the year ended 31 December 2010

1. Significant accounting policies

The separate financial statements of the Parent Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with UK GAAP.

Basis of preparation and presentation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The URENCO Limited financial statements are presented in euros and all values are rounded to the nearest million (€m) except when otherwise indicated. This is consistent with the presentation of the Group consolidated financial statements.

No income statement is presented for URENCO Limited, as permitted under section 480 of the Companies Act 2006.

Taxation

The charge for taxation is based on the net income for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable income from which the reversal of underlying timing differences can be deducted.

Operating leases

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Foreign currencies

The Company's functional currency is £ sterling and the financial statements are presented in euros. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date, with all differences being taken to the income statement. All other translation differences are taken to the income statement. The average £ sterling to Euro rate for 2010 was £0.8589 to €1 (2009: £0.8944 to €1) and the year end rate was £0.85729 to €1 (2009: £0.8869 to €1).

Tangible fixed assets and depreciation

Tangible fixed assets are included at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Freehold buildings	40 years
Plant and machinery	3 – 15 years
Office fixtures and fittings	12 years
Computer equipment	3 – 5 years

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised following the "Go Live" of the system in November 2010 within computer equipment. Depreciation of these capitalised project costs takes place on a straight line basis, based on a useful economic life of 5 years, with no residual value.

Investments

Investments in subsidiary undertakings are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such impairment exists, the Company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

1. Significant accounting policies – continued

Retirement benefit obligations

The Company operates a defined benefit pension scheme for the benefit of most employees. In accordance with FRS 17, the Company has recognised the retirement benefit obligations. The scheme, which is funded by contributions partly from the employees and partly from the Company, is administered independently.

The cost of providing benefits is determined using the projected unit credit method, with actuarial assessments being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised directly in retained earnings and included as a movement in the present value of the net defined benefit liability.

The interest element of the defined benefit cost represents the change in the present value of the scheme obligations relating to the passage of time and is determined by applying the discount rate to the opening present value of the defined benefit obligation. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets. The difference between the expected return on plan assets and the interest cost is recognised in the income statement account as other finance income or expense.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

Scheme assets are measured at fair value, which is based upon market price information, and in the case of quoted securities is the published mid-market price.

The retirement benefit obligations recognised in the balance sheet represent the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

2. Taxation

Deferred income tax

Deferred tax balances recognised at 31 December are as follows:

	2010 €m	2009 €m
Deferred tax asset relating to pension obligations	**–**	0.7
Deferred tax liability relating to fixed assets	**(0.1)**	(0.1)
Total deferred tax assets	**(0.1)**	0.6

The deferred tax asset relates to the Company's pension liability and has been netted against the pension liability in accordance with FRS 17 (see note 9).

At the balance sheet date the Company had unrecognised deferred tax assets of €0.2 million relating to unused tax losses (2009: €0.2 million). The deferred tax assets have not been recognised as there is insufficient certainty as to the availability of suitable future taxable income.

3. Tangible assets

2010	Freehold land & buildings €m	Plant & machinery €m	Fixtures & fittings €m	Computer equipment €m	Total €m
Cost as at 1 January 2010	**2.7**	**0.5**	**3.3**	**–**	**6.5**
Exchange adjustments	**–**	**–**	**0.2**	**–**	**0.2**
Additions	**–**	**–**	**–**	**2.1**	**2.1**
Transfers	**–**	**(0.5)**	**0.5**	**–**	**–**
Cost as at 31 December 2010	**2.7**	**–**	**4.0**	**2.1**	**8.8**
Depreciation as at 1 January 2010	**0.9**	**0.4**	**1.6**	**–**	**2.9**
Exchange adjustments	**–**	**–**	**0.1**	**–**	**0.1**
Charge for the year	**0.1**	**–**	**0.2**	**0.1**	**0.4**
Transfers	**–**	**(0.4)**	**0.4**	**–**	**–**
Depreciation as at 31 December 2010	**1.0**	**–**	**2.3**	**0.1**	**3.4**
Net book value as at 1 January 2010	**1.8**	**0.1**	**1.7**	**–**	**3.6**
Net book value as at 31December 2010	**1.7**	**–**	**1.7**	**2.0**	**5.4**

2009	Freehold land & buildings €m	Plant & machinery €m	Fixtures & fittings €m	Computer equipment €m	Total €m
Cost as at 1 January 2009	2.5	0.5	2.9	–	5.9
Exchange adjustments	0.2	–	0.3	–	0.5
Additions	–	–	0.1	–	0.1
Cost as at 31 December 2009	2.7	0.5	3.3	–	6.5
Depreciation as at 1 January 2009	0.7	0.4	1.3	–	2.4
Exchange adjustments	0.1	–	0.1	–	0.2
Charge for the year	0.1	–	0.2	–	0.3
Depreciation as at 31 December 2009	0.9	0.4	1.6	–	2.9
Net book value as at 1 January 2009	1.8	0.1	1.6	–	3.5
Net book value as at 31December 2009	1.8	0.1	1.7	–	3.6

Notes to the Company Financial Statements – continued

4. Investments in subsidiaries and associates

Cost and net book value	Shares in subsidiary and associated undertakings €m
At 1 January 2010	**1,267.3**
Additions	**338.0**
At 31 December 2010	**1,605.3**

Details of the Company's main subsidiaries and associates at 31 December 2010 are as follows:

	Place of Incorporation (or registration) and operation		Proportion of Ownership Interest %	Proportion of Voting Power Held %
Name of subsidiary				
URENCO Enrichment Company Limited	England		100	100
URENCO UK Limited (formerly URENCO (Capenhurst) Limited)	England	(i)	100	100
URENCO ChemPlants Limited	England		100	100
URENCO Deutschland GmbH	Germany	(i)	100	100
URENCO Nederland BV	the Netherlands	(i)	100	100
URENCO Deelnemingen BV	the Netherlands	(i)	100	100
URENCO Finance NV	the Netherlands		100	100
URENCO USA Inc.	US		100	100
URENCO Inc.	US	(i)	100	100
Louisiana Energy Services, LLC	US	(i)	100	100
Name of associate				
Enrichment Technology Company Limited	England	(i)	50	50

(i) Denotes companies / partnership whose shares are indirectly held by URENCO Limited

The Group has a 50% interest in Enrichment Technology Limited (ETC), a jointly controlled entity whose principal activity is in the research, development and manufacture of plant and equipment for the provision of enrichment services. As at 1 January 2006 URENCO Deutschland GmbH owned 28.3% of the shares in ETC and the balance of the shares were held in equal measures by the three shareholders of URENCO Limited. The joint venture was formed on 1 July 2006, the date on which URENCO's shareholders disposed of 50% of the shares in ETC to a third party, Areva. The remaining 21.7% of the shares were contributed to URENCO, as additional paid in capital, bringing URENCO's holding to 50%. The group accounts for its interest in ETC using the proportionate consolidation method.

5. Debtors – amounts falling due within one year

	31/12/10 €m	31/12/09 €m
Amounts due from Group undertakings	**151.5**	79.7
Other debtors	**1.8**	0.2
Income tax receivable	**40.4**	26.0
Prepayments and accrued income	**23.8**	20.8
	217.5	126.7

6. Debtors – amounts falling due after more than one year

	31/12/10 €m	31/12/09 €m
Amounts due from Group undertakings	**1,044.5**	1,170.2

7. Creditors – amounts falling due within one year

	31/12/10 €m	31/12/09 €m
Short-term bank borrowings	**150.8**	50.0
Trade creditors	**0.1**	0.1
Amounts due to Group undertakings	**338.7**	228.5
Other taxes and social security costs	**0.8**	0.5
Accruals	**14.5**	10.8
	504.9	289.9

8. Creditors – amounts falling after more than one year

	31/12/10 €m	31/12/09 €m
Bank and other loans repayable:		
Between 2 and 5 years:		
$50m at fixed rates of interest (2009:$35.0m)	**37.4**	35.0
$150m at floating rates of interest (2009:$150.0m)	**–**	104.7
After more than 5 years:		
€300m at fixed rates of interest (2009: €200m)	**300.0**	200.0
$720m at fixed rates of interest (2009: $595m)	**572.7**	415.8
Total Bank and other loans repayable	**910.1**	755.5
Amounts due to Group undertakings	**610.0**	718.3
LTIS accrual	**3.0**	3.8
Deferred tax	**0.1**	0.1
	1,523.2	1,477.7

9. Retirement benefit obligations

The Company operates a defined benefit scheme and the pension cost relating to the defined benefit scheme is assessed in accordance with the advice of independent, professionally qualified actuaries using the projected unit credit method.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation and updated by the actuaries as at 31 December 2010 to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2010. Scheme assets are stated at their market values at the balance sheet dates.

Main Assumptions:	2010	2009
Discount rate	**5.4%**	5.7%
Salary increases	**4.3%**	4.5%
Pension increases	**3.3%**	3.5%
Price inflation	**3.3%**	3.5%

The assets and liabilities of the scheme and the expected rates of return at 31 December are:

	Long-term expected rate of return (pa) 2010 %	Market value 2010 €m	Long-term expected rate of return (pa) 2009 %	Market value 2009 €m
Equities	**7.5**	**15.4**	8.0	13.3
Bonds	**4.5**	**8.5**	5.2	7.6
Total market value of scheme assets		**23.9**		20.9
Present value of scheme liabilities				
Funded scheme		**(24.2)**		(21.8)
Pension liability before deferred tax		**(0.1)**		(0.9)
Related deferred tax asset		**–**		0.7
Net pension liability		**(0.1)**		(0.2)

9. Retirement benefit obligations – continued

An analysis of the defined benefit cost for the year is as follows:

	Year ended 31/12/10 €m	Year ended 31/12/09 €m
Current service cost	**(0.5)**	(0.4)
Past service cost	**–**	(0.1)
Total operating charge	**(0.5)**	(0.5)
Expected return on pension scheme assets	**1.4**	0.9
Interest on pension scheme liabilities	**(1.3)**	(1.0)
Total other finance income	**0.1**	(0.1)
Actual return less expected return on scheme assets	**0.8**	1.4
Experience gains and losses on liabilities	**(0.4)**	(0.7)
Changes in assumptions	**–**	(0.8)
Actuarial gain recognised	**0.4**	(0.1)

Analysis of movements in deficit during the year	2010 €m	2009 €m
At 1 January	**(0.9)**	(1.5)
Transfer	**–**	0.4
Total operating charge	**(0.5)**	(0.5)
Total other finance (cost) / income	**0.1**	(0.1)
Actuarial (loss) / gain	**0.4**	(0.1)
Contributions	**0.8**	0.9
Exchange difference	**(0.2)**	–
At 31 December	**(0.3)**	(0.9)

History of experience gains and losses	2010 €m	2009 €m	2008 €m	2007 €m	2006 €m
Difference between actual and expected return on assets	**0.8**	1.4	(2.8)	0.6	0.6
% of scheme assets	**3.2%**	7.3%	(18.5)%	2.8%	2.6%
Experience gains / (losses) arising on scheme liabilities	**(0.4)**	(0.7)	0.1	(1.2)	–
% of scheme liabilities	**(1.6)%**	(3.4)%	(0.8)%	(5.2)%	0.0%
Total actuarial gain / (loss) recognised	**0.4**	(0.1)	(0.9)	1.4	0.2
% of scheme liabilities	**1.6%**	0.3%	(5.2)%	6.0%	0.7%

10. Called up share capital

	31/12/10 €m	31/12/09 €m
Authorised		
Ordinary Share Capital, 240 million ordinary shares of £1 each:		
'A' Ordinary Shares	**113.0**	113.0
'B' Ordinary Shares	**113.0**	113.0
'C' Ordinary Shares	**113.0**	113.0
	339.0	339.0
Issued		
Allotted, called up and fully paid, 168 million ordinary shares of £1 each:		
'A' Ordinary Shares	**79.1**	79.1
'B' Ordinary Shares	**79.1**	79.1
'C' Ordinary Shares	**79.1**	79.1
	237.3	237.3

The 'A', 'B' and 'C' ordinary shares have identical rights.

11. Movements on reserves

	Income statement €m
Reserves as at 1 January 2009	590.2
Net income retained for the year 2009	19.9
Actuarial loss on retirement benefit obligation	(0.1)
Deferred tax on actuarial loss	0.1
Net exchange effect on defined benefit obligation	(0.1)
Exchange effect on net assets	(27.3)
At 31 December 2009	**582.6**
Net income retained for the year 2010	**62.0**
Actuarial loss on retirement benefit obligation	**0.4**
Deferred tax on actuarial loss	**(0.6)**
Net exchange effect on defined benefit obligation	**0.3**
Exchange effect on net assets	**(21.5)**
At 31 December 2010	**623.2**

12. Obligations under leases

Annual commitments under non-cancellable operating leases are as follows:

	31/12/10 €m	31/12/09 €m
Other operating leases which expire:		
In the second to fifth years inclusive	**0.3**	0.3

13. Related party transactions

At the balance sheet date amounts due from Group undertakings were €1,196.0 million (2009: €1,249.9 million) comprising current assets of €151.5 million (2009: €79.7 million) and long-term loans of €1,044.5 million (2009: €1,170.2 million).

At the balance sheet date amounts due to Group undertakings were €948.7 million (2009: €946.8 million).

14. Contingent liabilities

The Company is party to a number of composite guarantees of borrowings by certain of its subsidiaries which at the balance sheet date amounted to €1,402.7 million (2009: €1,300.9 million). The Directors do not expect any liability to arise under these guarantees.

Glossary of Terms

Areva
The French energy and connectors Group.

Capital expenditure
Purchases of property, plant and equipment.

Cascade
The arrangement of centrifuges connected in parallel and in series is termed a "cascade". In a uranium enrichment plant several cascades are operated in parallel to form an "operational unit" producing one U235 assay. Various operational units form one enrichment plant.

ChemPlants
URENCO ChemPlants, a subsidiary company of URENCO, is responsible for the construction and operation of the Tails Management Facility at URENCO's UK site at Capenhurst.

Deconversion
This is the process of removing the volatile fluorine component from uranium hexafluoride to make stable uranium oxide (U308). URENCO has chosen to use U308 as the long-term retrievable storage form of uranium.

EBITDA
Earnings before interest (including other finance costs), taxation, depreciation and amortisation (or income from operating activities plus depreciation and amortisation).

Enrichment
The step taken in the nuclear fuel cycle that increases the concentration of U235, relative to U238 in order to make uranium usable as a fuel for light water reactors.

ETC
Enrichment Technology Company Limited.

Euratom
The European Atomic Energy Community, established in 1957 by members of the European Union.

EUP
Enriched Uranium Product, i.e. UF6 enriched, typically, to between 3% and 5% U235 content.

Feed
Natural or reprocessed uranium, previously converted to UF6.

FFO / TAD
The ratio of Funds From Operations (FFO) to Total Adjusted Debt (TAD), where FFO is operating cash flow before working capital changes, and TAD is Net Debt plus Decommissioning and Tails provisions and Retirement Benefit Obligations.

FRS
Financial Reporting Standards

Gas centrifuge
Gas centrifugation is a uranium enrichment process which uses porous barriers to increase the proportion of the useful U235 isotope.

Gaseous diffusion
Gaseous diffusion is a uranium enrichment process which uses porous barriers to increase the proportion of the useful U235 isotope.

Global Reporting Initiative (GRI)
The GRI is the reporting framework which provides guidance on sustainability performance reporting.

IAEA
International Atomic Energy Agency.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards.

Joint Committee
The committee of representatives of the Governments of the Netherlands, the United Kingdom and Germany that oversees URENCO's compliance with the Treaty of Almelo.

Louisiana Energy Services LLC
Parent company for URENCO USA; 100% owned by the URENCO Group.

Net assets
Total assets less total liabilities.

Net debt
Loans and Borrowings (current and non-current) plus obligations under finance leases less cash and cash equivalents.

Net finance costs
Finance costs less finance income.

Net income
Income for the year attributable to equity holders of the parent.

Net interest
Net finance costs excluding income and costs on non designated hedges and excluding capitalised borrowing costs.

Nuclear fuel supply chain
The multiple steps that convert uranium as it is extracted from the earth to nuclear fuel for use in power plants. Uranium enrichment is one step in the nuclear fuel supply chain.

NRC
Nuclear Regulatory Commission – the United States Nuclear regulator.

Order book
Contracted and agreed business.

Supplier of Choice
Increasing available capacity and experience of new operating environments facilitates first class service delivery and the flexibility to meet the changing needs of our customers. This enables URENCO to remain the "supplier of choice" to our customers. The results of a recent Ipsos Mori poll supported this assertion.

SWU
Separative Work Unit. The standard measure of the effort required to increase the concentration of the fissionable U235 isotope.

Tails (Depleted UF6)
Uranium hexafluoride that contains a lower concentration than the natural concentration (0.711%) of the U235 isotope.

Tails Management Facility
Managed by URENCO ChemPlants, the Tails Management Facility is currently under construction at URENCO's UK facility at Capenhurst. The facility will comprise a UF6 tails deconversion plant and a number of associated storage, maintenance and residue processing facilities to support URENCO's long-term strategy for the management of tails, pending future re-use.

Toll enrichment
A proposed arrangement whereby customer owned uranium can be enriched in U235 content in facilities upon payment of a service charge by the suppliers.

Treaty of Almelo
In the early 1970s the German, Dutch and British Governments signed the Treaty of Almelo, an agreement under which the three partners would jointly develop the centrifuge process of uranium enrichment.

Treaty of Cardiff
In July 2005 the German, Dutch, British and French Governments signed the Treaty of Cardiff, an agreement between the four Governments to supervise the collaboration between URENCO and Areva in their Joint Venture, ETC.

Treaty of Washington
In July 1992 the German, Dutch, British and United States of America Governments signed the Treaty of Washington, an agreement which was required in order to permit the establishment of the National Enrichment Facility.

tSW
Tonnes of Separative Work.

tSW/a
Tonnes of Separative Work per annum.

Turnover
Revenue from the sale of goods and services.

UEC
URENCO Enrichment Company Limited.

UK GAAP
The Generally Accepted Accounting Practice in the UK.

Uranium
A fairly abundant metallic element. Approximately 993 of every 1,000 uranium atoms are U238. The remaining seven atoms are U235 (0.711%), which is used in today's nuclear power stations to generate energy by fission.

Uranium Hexafluoride (UF6)
All enrichment processes today work with gaseous material; therefore uranium is converted to UF6.

URENCO USA
URENCO's fourth enrichment facility in New Mexico, US, owned and operated by Louisiana Energy Services LLC.

USEC
USEC Inc, based in the US.

U308
Uranium oxide, the most stable form of uranium.

Working capital
Inventories, Trade and other receivables, and Cash and cash equivalents, less the current portion of Trade and other payables.

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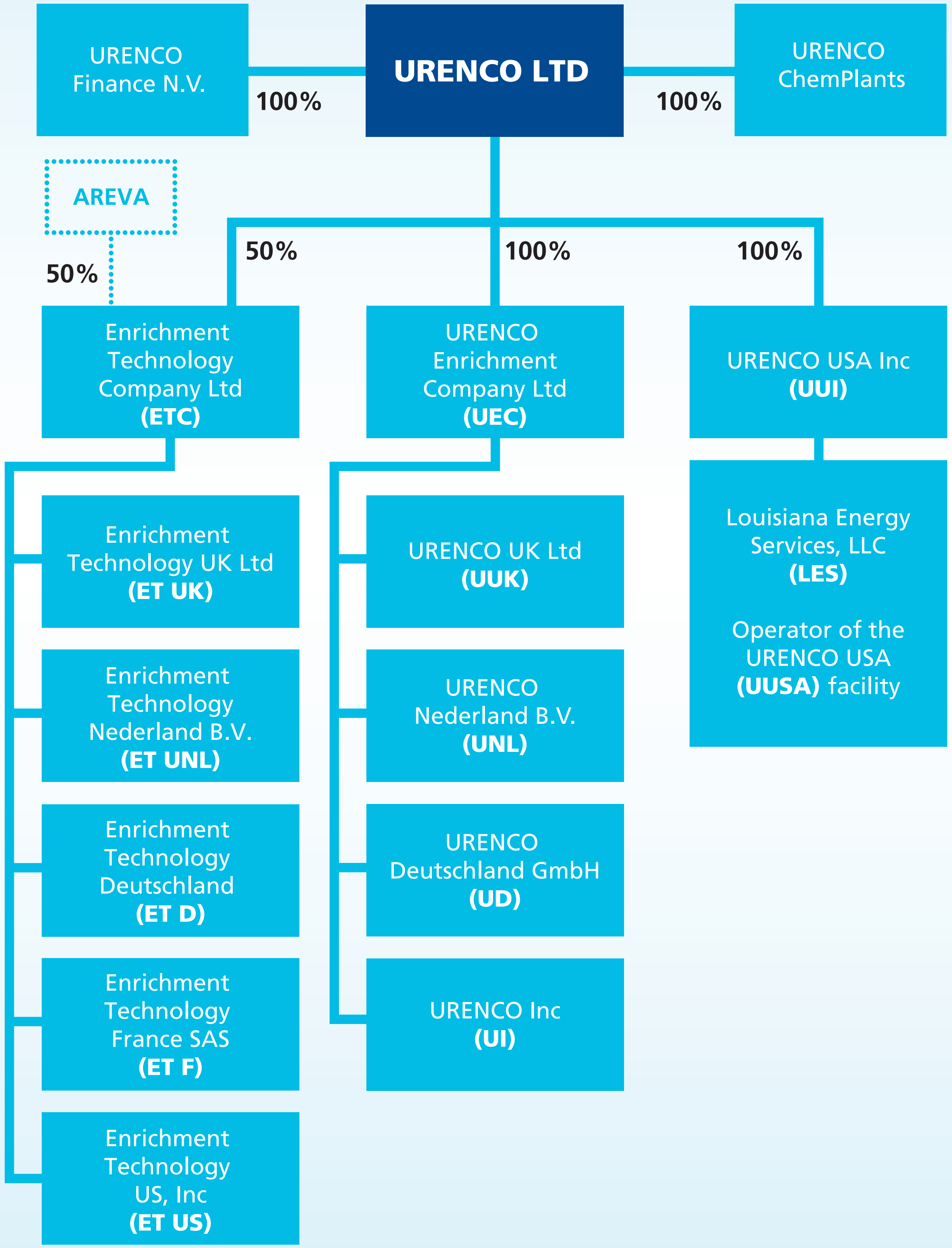

Notes

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