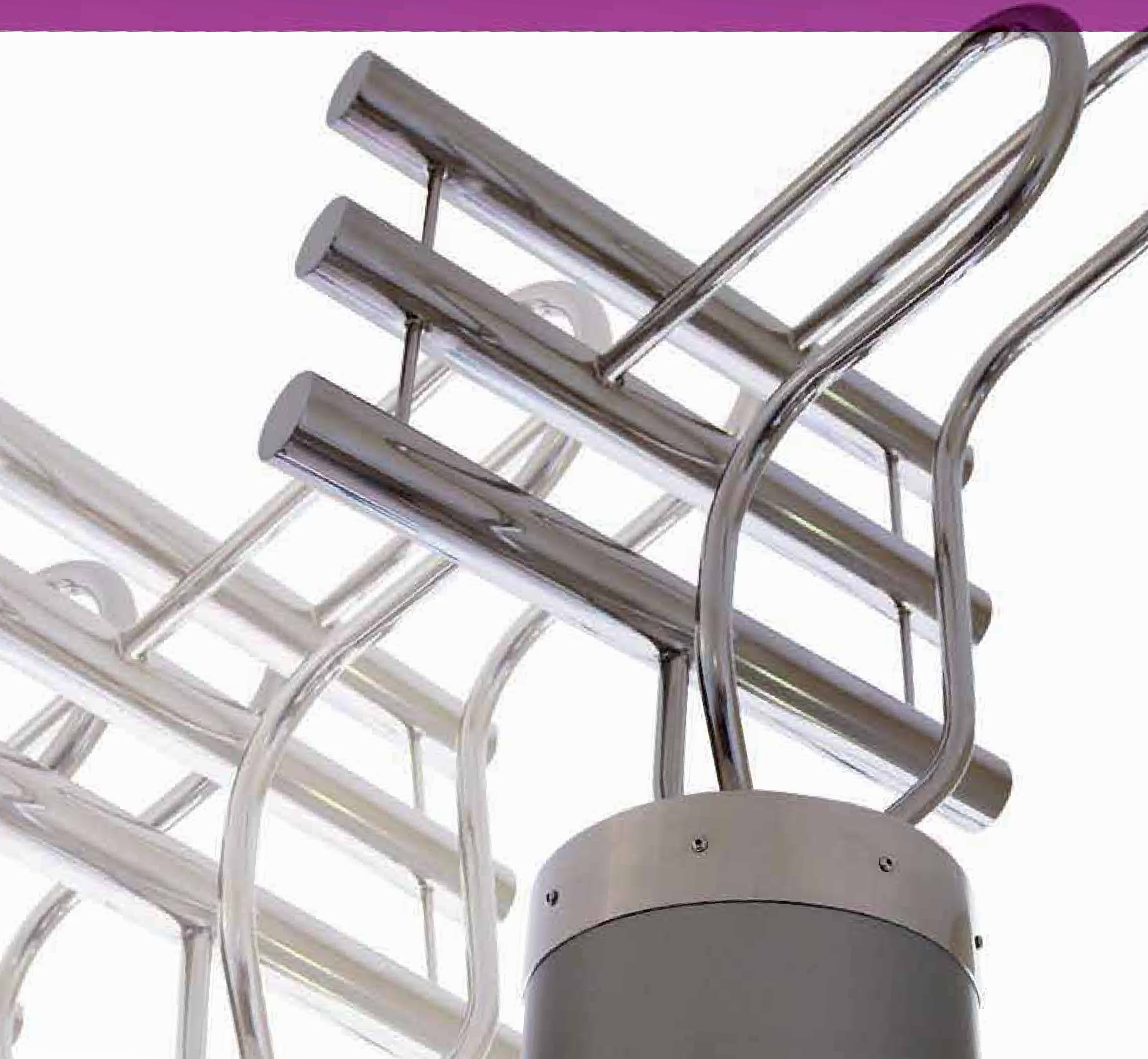
Annual report and accounts 2011

enriching the future

Annual report and accounts
2011

urenco



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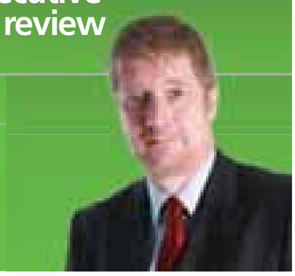

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Welcome to the URENCO annual report.

Introduction

We supply enriched uranium for nuclear power generation using our world leading centrifuge technology.

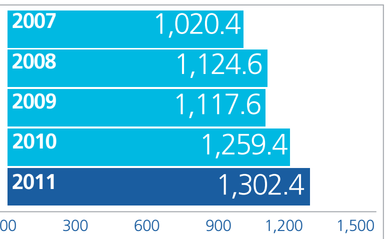
We have four uranium enrichment facilities operating in Germany, the Netherlands, the United Kingdom and the USA. With annual revenues in excess of €1 billion, we employ 1,400 people and supply more than 50 customers in 17 countries.

Our aim is to be the supplier of choice for enrichment services within the nuclear fuel supply chain and a key contributor to low carbon energy production.

Growing revenues and earnings

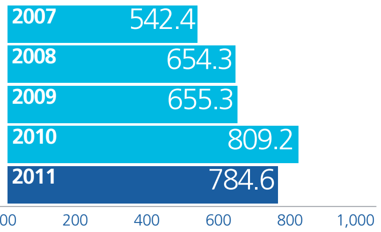
Financial and operational highlights

Revenue
(€million)



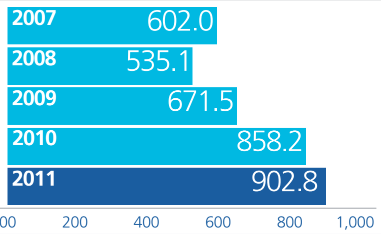
€1,302.4m

EBITDA
(€million)



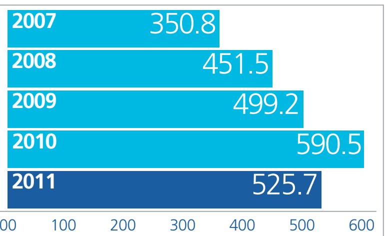
€784.6m

Cash generated from operations
(€million)



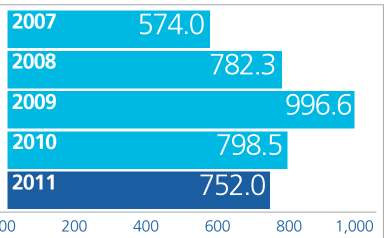
€902.8m

Income from operating activities
(€million)



€525.7m

Capital expenditure
(€million)



€752.0m

Global capacity at the end of 2011 compared to 13,000 tSW/a at the end of 2010, representing good progress on our long-term capacity target of 18,000 tSW/a by 2015.

14,600

To demonstrate our commitment to quality, all our enrichment facilities currently have or are committed to obtaining, certification to ISO 9001: 2001.

ISO 9001

Delivery commitments met.

100%

Lost Time Injuries to employees and contractors in 2011, well below the 11 recorded in 2010.

3

Order book extends beyond 2025, with opportunities to continue to develop our long-term portfolio.

€20 billion

Market share across the world, making URENCO a world leader in the enrichment market.
(Source: URENCO)

29%

One year on from events in Japan, we remain confident in the future of URENCO, both as a supplier of enrichment services within the nuclear fuel supply chain and as a key contributor to a low carbon energy mix.

Chairman's statement

John Hood Chairman

The Japanese earthquake and subsequent tsunami in March 2011 was a natural disaster of catastrophic scale, the consequences of which had a major impact on the operations of the Fukushima nuclear power plant and led to a re-evaluation of nuclear power globally.

A number of countries reassessed their position on nuclear power as part of their future energy mix. National policy on nuclear power varies greatly, with some nations choosing to phase-out their nuclear power plants while others are choosing to focus on new build programmes. The USA, China and India have determined that nuclear power will continue to play an integral role in their future energy provision.

In response to Fukushima, the industry is focusing on improving design and safety measures in order to achieve the security of its operations in the future. URENCO has continued to engage with industry regulators and national governments in this period of detailed review post Fukushima. URENCO remains committed to operating its facilities to the highest safety, security and safeguards standards.

Although some countries have repositioned their stance on nuclear power, URENCO has a strong forward order book diversified across many geographies. Emerging markets such as the Middle East, India, China and South East Asia represent key opportunities in the coming decades. They can more than replace falling demand from those countries that have decided to phase out nuclear power.

Despite a challenging and complex operating environment in 2011, URENCO continues to meet the commitments made to all its customers and is able to report an increase in revenue, market share and capacity for the year. This is a considerable achievement.

Solid foundations

URENCO is built upon the solid foundations created by the Treaty of Almelo of 1970, which provided the principles for the effective supervision of URENCO's technology and control of proliferation, centrifuge manufacturing and operations. As the Group has grown, it has extended its international co-operation with treaties to include the USA and France, so that today the Group is a model of international collaboration.

Progress on investments

URENCO USA was the first nuclear facility in 30 years to receive a licence to construct and operate in the USA and is the first to commercially use centrifuge technology. The business is working together with USA regulators to bring capacity on-line.

The initial challenges of moving from a construction project into an operational enrichment facility have been overcome.

The Tails Management Facility, which is under construction in the UK, is of great strategic importance as it gives the Group control of the cost and storage of depleted uranium ("tails"), the by-product of the enrichment process. I am pleased to report that the project is on schedule, with the facility planned to begin operations in 2015.

One URENCO

The Group's values play a fundamental role in unifying URENCO and delivering a consistency of service to customers wherever they are in the world.

Being new to URENCO, I have been impressed by the professional approach of employees at all our locations to running the business. The Group's culture is deeply embedded and supports continuous improvement, innovation and a commitment to share knowledge.

Looking to the future

This has been a year of hard work and adaptability for URENCO. The Group has responded well to external challenges and has continued to focus on expanding capacity to meet the needs of both existing customers and new markets.

Board

In this, my first year as Chairman, I would like particularly to thank Chris Clark, CBE for his six years as Chairman of URENCO and recognise his contribution to the development of the Company. I also thank all of my Board colleagues for their work during the past year.

We were deeply saddened by the tragic accident involving Friso van Oranje, our Chief Financial Officer. Our thoughts have been very much with his family throughout this difficult time. The Board of URENCO appointed Bart Le Blanc, Friso's predecessor, to take up the role of interim CFO.

I extend my gratitude to all employees for their individual contributions to a solid performance. The potential for further growth in new markets will provide additional opportunities; I am confident URENCO's employees will address this with their customary professionalism and success.

John Hood
Chairman

We are a leading supplier in the nuclear fuel market, respected for our values and our track record in safe, reliable, high quality supply. We operate at the heart of the nuclear fuel supply chain.

What we do

Key statistics

Enrichment facilities

4

Employees

1,400

Customers (More than)

50

Customer countries

17

Production capacity target by 2015 (tSW/a)

18,000

What we do

We supply uranium enrichment and associated services for nuclear power generation using our world leading centrifuge technology.

Centrifuge technology is the world's preferred uranium enrichment technology, and URENCO is recognised as a leading provider of enrichment services globally with a market share of 29% (source: URENCO).

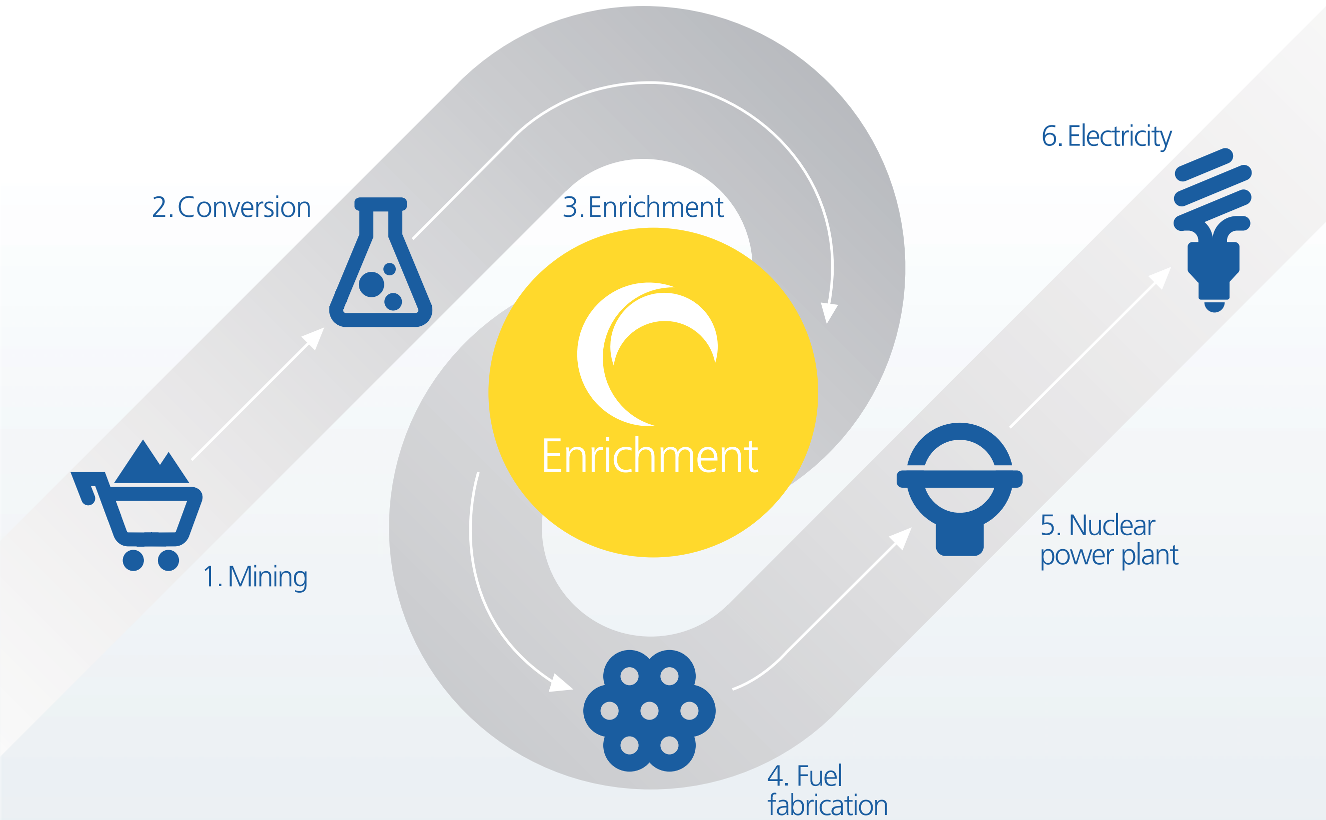
We have a total of four uranium enrichment facilities operating in Germany, the Netherlands, the United Kingdom and the USA.

Our strong forward order book allows us to plan production volumes many years in advance, aligning with customer needs. We invest in capacity in line with our contracted order book. We have the ability to supply enriched uranium from four geographically diverse locations.

Our operations and customers

We hold a significant position in the nuclear fuel supply chain.

Where we fit into the nuclear supply chain



1 Mining

Uranium ore is extracted, purified and milled to become uranium oxide, also known as 'yellow cake'.

2 Conversion

Ore concentrate is chemically converted into uranium hexafluoride (UF6) and transported to one of URENCO's enrichment facilities.

3 Enrichment

UF6 is heated to turn it into a gas and fed into URENCO's gas centrifuges. The centrifuge enrichment process separates the two isotopes contained in uranium, U235 and U238. The lighter U235 is generally enriched to a level up to 5%, which is sufficient to sustain a continuous fission reaction in a nuclear power facility.

4 Fuel fabrication

Once the uranium is enriched it is transported to fuel fabricators, where it is converted into pellets then loaded into fuel rods.

5 Nuclear power plant

The fuel rods are transported to nuclear power station to generate electricity that is supplied to homes, schools, hospitals, offices and industry.

6 Electricity

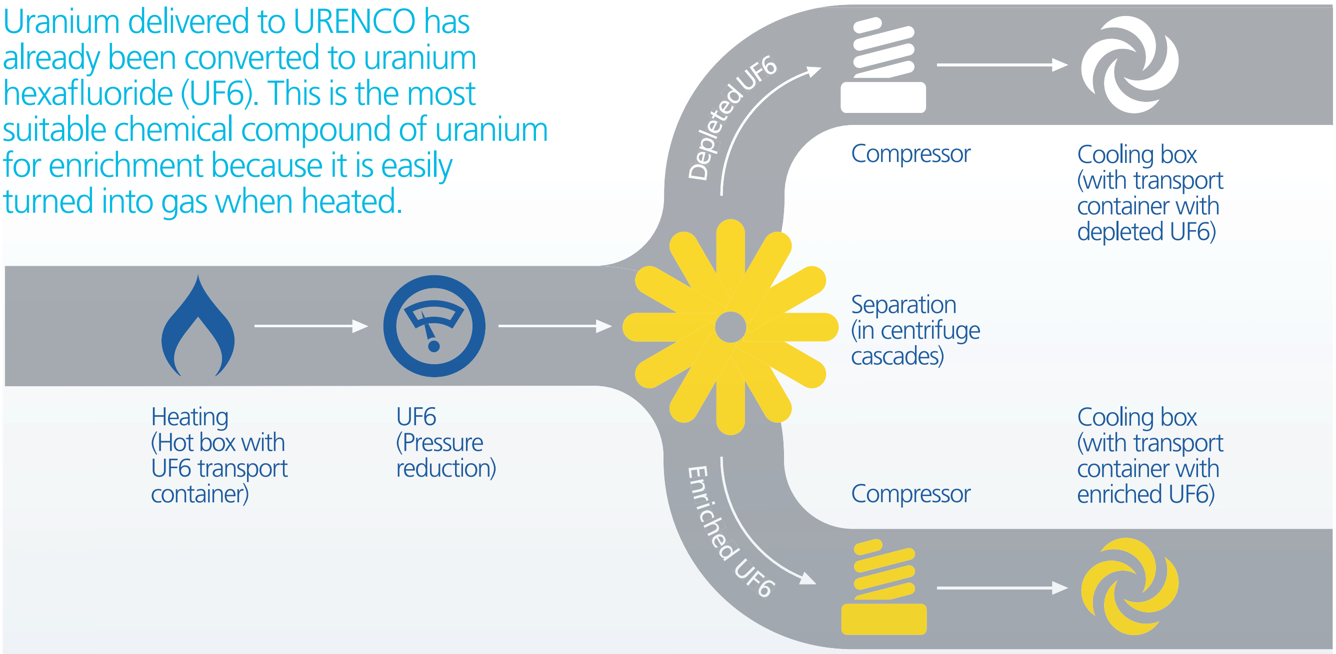
A low carbon and secure source of energy for all types of consumers worldwide.

Throughout every process we maintain the highest standards for the safe handling of uranium.

How we do business

The uranium enrichment process

Uranium delivered to URENCO has already been converted to uranium hexafluoride (UF6). This is the most suitable chemical compound of uranium for enrichment because it is easily turned into gas when heated.



Heating to vaporise UF6

UF6 is solid at ambient temperature. Once in the enrichment facility, the transport container holding UF6 is connected to the plant feed system. It is then heated in order to vaporise the UF6 and turn it into gas at sub atmospheric pressure.

Uranium is delivered to URENCO in internationally recognised and standardised transport containers by approved suppliers. Our suppliers are audited on a regular basis to ensure standards are maintained and periodic improvements applied.

Separation of uranium isotopes

Gaseous UF6 is fed into a centrifuge casing containing a cylindrical rotor which spins at high speed, separating uranium's two isotopes. The heavier isotope U238 is forced closer to the wall of the rotor than the lighter U235, making the gas closer to the wall depleted in U235, compared to the gas nearer the rotor axis which is slightly enriched in U235. To achieve the desired levels of enrichment in U235, the process is repeated over and over again.

Enriched uranium is compressed and cooled

Enriched uranium (UF6 containing up to 5% of the U235 isotope) is fed from centrifuge cascades into a compressor and then into a cooling box. During the cooling process the UF6 vapour solidifies in containers. The containers are homogenised and sampled to check the enrichment level before being delivered to customers. Customers specify the level of enrichment they require up to 5%.

All containers are accurately weighed and analysed to comply with the accounting and tracking requirements of the European Atomic Energy Community (Euratom) and the International Atomic Energy Agency (IAEA). All UF6 shipments to and from URENCO are made in approved containers which meet international standards.

Depleted uranium is stored

The uranium gas closer to the wall in the centrifuge is depleted in U235 and this by-product is known as 'tails'. Tails are collected and cooled in sub-atmospheric containers and weighed to ensure all material can be accounted for. Tails still contain 30-50% of the natural uranium 235 concentration and have the potential for re-enrichment.

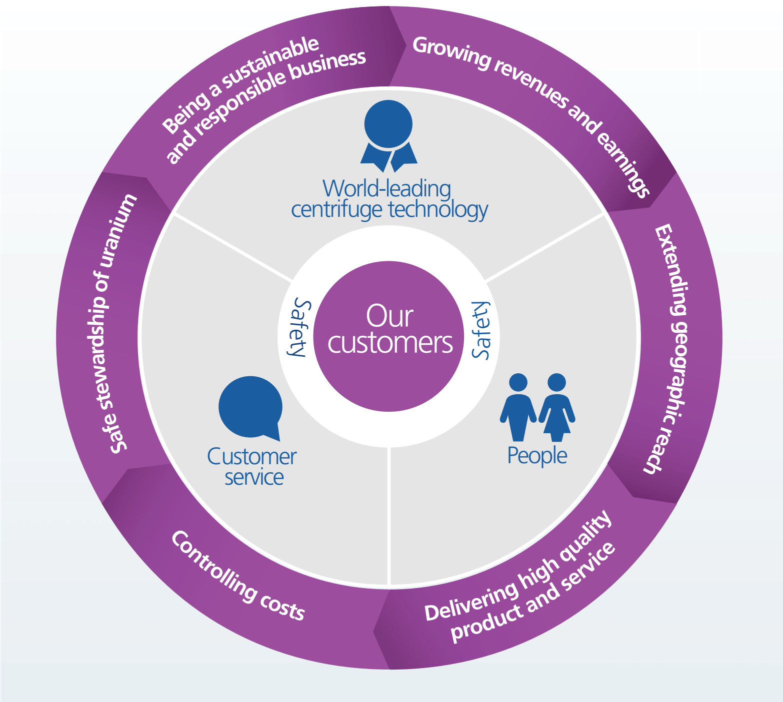
Tails are stored at our facilities in internationally approved cylinders pending future re-enrichment or conversion to a chemically stable form for long-term storage e.g. uranium oxide (U3O8). In addition to storing tails at URENCO facilities, we currently contract third parties to chemically transform depleted UF6 into U3O8. This process creates valuable hydrofluoric acid which is a chemical used by UK and EU industry. Some depleted U3O8 is stored with a third party supplier e.g. in the case of our Dutch facility, transferred to COVRA, the Dutch Central Organisation for storing radioactive materials.

The diverse geographic spread of our facilities enables URENCO to provide a reliable, flexible and responsive service to our customers' requirements.

Read more »

Business model

We can build capacity well within the timescales it takes to construct a nuclear reactor and our close relationships with our customers enable us to anticipate and plan for changes in demand.



Safety

We always put safety first: for the protection of our employees, the communities where we operate, the suppliers we work with and the customers we supply.

People

Our workforce is made up of very talented people who operate with great integrity in a highly regulated industry. They are directly responsible for the success of our business.

World-leading centrifuge technology

Centrifuge technology is the world's preferred uranium enrichment technology and is recognised as the most cost effective, proven form of enrichment globally.

Customer service

We benefit from close relationships with all our customers and consider integrity and 100% delivery against commitments as paramount. We have built a reputation for quality and reliability, and continuously strive to improve our processes to maintain this.

How we operate

Confidence in our standards and delivery

URENCO benefits from more than four decades of expertise in the development and provision of enrichment technology and services. Our diverse supply base, operating many different generations of centrifuge and supported by sustained research and development, gives customers confidence in the continuity and quality of our supply.

Our independent 2011 Customer Survey by Ipsos MORI confirms URENCO as the most favourably regarded company in the sector, a status we are committed to maintain on all fronts.

Our strategy

URENCO is a long-term business with the flexibility to effectively manage short-term changes in market conditions.

Our strategy is focused on eight key areas:

1. **Growing revenues**
2. **Responding to customer requirements**
3. **Commitment to the delivery of key projects**
4. **Extending geographical reach**
5. **Delivering high quality product and service**
6. **Controlling costs**
7. **Committed to safety**
8. **Being a sustainable and responsible businesss**

1 Growing revenues

Despite a challenging and complex operating environment in 2011, URENCO continues to meet the commitments made to all its customers and is able to report an increase in revenue, market share and capacity for the year. We expect growth in 2012 and we remain confident in URENCO's ability to provide enrichment services to the nuclear industry with an order book in excess of €20 billion extending beyond 2025. This good visibility of future revenues underpins URENCO's strategy.

Revenues (€million)

€1,302.4m

Income from operating activities (€million)

€525.7m

2 Responding to customer requirements

We benefit from close relationships with all our customers and consider integrity and 100% delivery against commitments as paramount. During the year we have continued to meet customer expectations, proving our ability to manage our capacity in line with customer needs. Continued expansion of our facilities in Germany, the Netherlands and the USA increased capacity by 12% and we are on track for our target of 18,000 tSW/a by 2015. Furthermore, the flexibility of our operations enabled us to utilise our capacity for the production of feed material as a substitute for separative work.

Delivery commitments met

100%

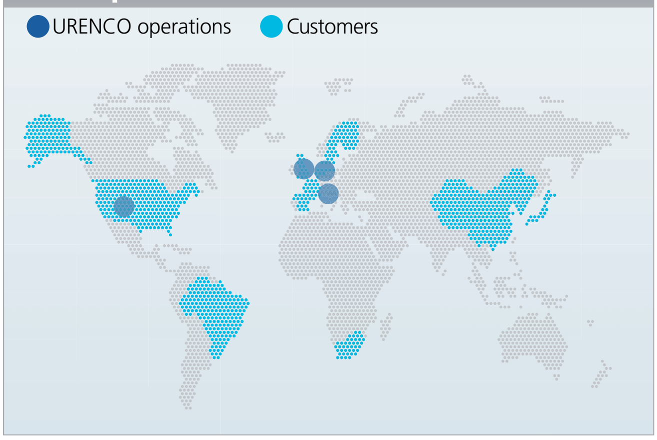
3 Commitment to the delivery of key projects

In 2011 our USA enrichment facility moved from a construction project to an operational enrichment facility and in 2012 we plan to complete design of the next phase of investment. At our Tails Management Facility front end engineering design was completed, enabling us to move into detailed design, and two principal contracts were signed, meaning pre-construction work could begin. This project is on schedule, with the facility planned to begin operations in 2015.

4 Extending geographical reach

New nuclear programmes are being established to meet future energy demands and URENCO has an important role to play in the provision of enrichment and related services. New market opportunities are quickly developing in the Middle East, India, China and South East Asia, as well as some 60 new countries who have expressed their interest in the introduction of nuclear power. We have the capacity to provide enriched uranium to an extended set of customers with whom we will guarantee the same standards of operation and high levels of engagement we deliver to our existing customers.

Our operations and customers



5 Delivering high quality product and service

Our reputation is built upon quality and service. Our recent independent Customer Survey confirmed we have a strong reputation in both of these areas, exemplified by the fact that our customer relations scored consistently highly. Whilst the survey results are a good base, we will continue to improve everything we do. Our research and development investment is focused on maintaining our technological advantage, expansion of the enrichment services we provide and the minimisation of environmental impacts. We seek continuous improvements in the technology underpinning the success of our business.

Customer satisfaction rate

100%

Source: Ipsos MORI poll, 2011

6 Controlling costs

A major URENCO strength is that we can manage capacity at each of our facilities through forward sight of sales contracts, typically 10 years or more, and plan accordingly. This means maintaining the close individual relationships we have with our customers so we are aware of changes in demand as far in advance as possible. In 2011, we saw the benefits of the implementation of URENCO's Enterprise Resource Planning SAP platform across Europe. In 2012 we plan to reduce the capital costs of our enrichment facilities, through drawing on previous experience and will continue to manage our operational cost base across the Group driving efficiency and innovation.

Total debt to net asset ratio (€million)

47%

7 Committed to safety

Safety is our priority: for the protection of our employees, the communities where we operate, the suppliers we work with and the customers we supply. Throughout every process we maintain the highest standards for the safe handling of uranium. Our health and safety training is continuous to ensure practices become embedded and every employee is fully trained according to their role in our operations. This approach has a positive impact on our Lost Time Incident rate, with just three Lost Time Incidents this year compared to 11 in 2010, both figures are inclusive of URENCO employees and contractors.

LTI's to employees and contractors (2011)

3

Compared to 11 recorded in 2010

8 Being a sustainable and responsible business

We want to be considered a good corporate citizen by all of the communities we operate in. Being a responsible company is an integral part of our core values and standards.
Our corporate responsibility strategy helps us make progress against our goals and covers: managing health and safety performance; minimising our environmental impact; maintaining our position as an employer of choice; and supporting education and cultural projects.

Employee satisfaction rate

86.2%

Source: URENCO Employee Survey, 2011

URENCO is a long-term business with the flexibility to effectively manage short-term changes in market conditions.

Chief Executive Officer's review

Helmut Engelbrecht Chief Executive Officer

I am pleased to report that URENCO's response to the change of circumstances over the past year has demonstrated the responsive nature of our business model and we expect continued growth in 2012.

The consequences of the Japanese earthquake and subsequent global re-evaluation of nuclear power have created challenges for the URENCO Group. These had some impact on URENCO's results, however URENCO's market position, order book and revenue remain strong.

URENCO's response to the change of circumstances over the past year has demonstrated the strength of our business model with new growth expected in 2012. We remain confident in URENCO's ability to provide enrichment services to the nuclear industry, with an order book in excess of €20 billion extending beyond 2025.

This year, we had a number of key achievements in line with our objectives:

- Fulfilled contractual agreements for the supply of enriched uranium, thereby meeting commitments to all customers.
- Brought additional capacity online ahead of schedule at our German and Dutch enrichment facilities.
- Achieved Group capacity of 14,600 tSW/a, despite some delays in the USA, in line with our target of 18,000 tSW/a by 2015.
- Received a new nuclear licence enabling future investment in capacity at our Dutch enrichment facility.
- Achieved scheduled milestones for delivery of our Tails Management Facility.
- Continued focus on safety resulting in a further reduction in Lost Time Incidents across the Group.
- Managed cash flow to ensure the continued reliable and efficient operations of our enrichment facilities.

Performance overview

Revenues

In 2011, we continued to meet all our commitments, fulfilling the terms of contracts established five or more years ago. The impact of Fukushima was limited despite demand from Japan and Germany decreasing with immediate effect. Revenue grew by 3.4% in 2011, achieving €1,302.4 million compared to €1,259.4 million in 2010. EBITDA is slightly lower than 2010 at €784.6 million (2010: €809.2 million). This reduction is due to higher operating costs as a result of some structural factors, such as energy costs, as well as ongoing USA build-up costs. In addition margin pressure resulted from some substitution of SWU with feed sales. Whilst EBITDA margins are down this year compared to 2010, they remain robust and result in strong cash flow generation. Net income for the year is €359.1 million (2010: €387.1 million) which also takes into account the increased depreciation charges as newly installed capacity comes on-line.

Production and capacity

We have met customer expectations, proving our ability to manage our capacity in line with customer needs. Continued expansion of our facilities in Germany, the Netherlands and the USA provided an additional 1,600 tSW/a, increasing capacity by 12% across the Group to more than 14,600 tSW/a by the end of 2011. We are on track for our target of 18,000 tSW/a by 2015.

Following events in Japan, the German Government took the decision to phase-out nuclear power by 2022. This policy did not include operations at URENCO's enrichment facility in Germany which continue as planned.

We are on track for our target of 18,000 tSW/a by 2015.

Read more »

Some customer requirements changed post-Fukushima. We were able to reschedule deliveries in line with our customer needs. Furthermore, the flexibility of our operations enabled us to utilise our capacity for the production of feed material as a substitute for separative work (SWU).

Projects

At our USA enrichment facility we have moved from a construction project to an operational enrichment facility, although commissioning issues continued to cause delays in bringing additional capacity online. However, progress is evident with additional cascades being brought online with increased frequency. The impact from slower than planned progress at URENCO's USA facility on the Group's capacity has been mitigated by additional capacity in Europe.

The Tails Management Facility is an important project for URENCO, as it will provide increased control over the cost of tails management, reduce dependency on external suppliers and ensure safe and sustainable stewardship of depleted uranium. During the year, we made good progress in this area. Front end engineering design was completed, enabling us to move into detailed design, and two principal contracts were signed, meaning pre-construction work could begin. I am pleased to report that the project is on schedule, with the facility planned to begin operations in 2015.

New markets

There is no doubt the demand for global energy will increase as the world's population continues to grow and new markets develop. New nuclear programmes are being established to meet future demand and URENCO has an important role to play in the provision of enrichment and related services.

New market opportunities are quickly developing in the Middle East, India, China and South East Asia, as well as some 60 new countries who have expressed their interest in the introduction of nuclear power to the International Atomic Energy Agency. We have the capacity to provide enriched uranium to an extended set of customers with whom we will guarantee the same standards of operation and high levels of engagement we deliver to our existing customers.

We are enhancing our knowledge base of potential new markets, gaining exposure to the political environment and making contact with the key influencers and decision makers. Our engagement with potential new customers creates an understanding of the services provided by URENCO and the values that underpin our operations. Our service is consistently high in every market we supply.

Order book

Our order book stands in excess of €20 billion and extends beyond 2025. This good visibility of future revenues underpins URENCO's strategy. We expect growth in 2012.

Delivering high quality product and service

URENCO's reputation is built upon quality and service. Our recent independent Customer Survey confirmed we have a strong reputation in both of these areas, exemplified by the fact that our customer relations scored consistently highly. In addition, our diversity of production facilities and financial and political stability were considered key positive attributes for our customers. The survey results are a good base. We will continue to improve everything we do, to ensure our reputation is strengthened with existing and new customers.

Our research and development investment is focused on maintaining our technological advantage, expansion of the enrichment services we provide and the minimisation of environmental impacts. Our centralised research and development function and our 50% share in the Enrichment Technology Company bring more than 40 years of experience to the development of our components and centrifuges. We seek continuous improvements in the technology underpinning the success of our business.

We view health and safety management as an absolute priority and a matter requiring continuous focus.

Chief Executive Officer's review continued

01 The URENCO Group's Head Office in the UK

02 One of the enrichment plants at URENCO's UK enrichment facility

03 A cylinder is brought into the Container Receipt and Dispatch Building

Controlling costs

The ability to be responsive to our markets is a major URENCO strength. We manage capacity at each of our facilities through forward sight of sales contracts, typically for ten years or more, and plan accordingly. Ensuring we continue to operate effectively means maintaining the close individual relationships we have with our customers so we are aware of changes in demand as far in advance as possible.

In 2011, we saw the benefits of the implementation of URENCO's Enterprise Resource Planning SAP platform across Europe. Through this and other initiatives, we have streamlined our internal processes and brought added efficiencies to our operations and administration of customer deliveries. During 2012, our enrichment facility in the USA will fully implement the SAP platform, providing further improvements in efficiency.

01


02


03


Safe stewardship of uranium

We are committed to meet all the health and safety standards we set for ourselves and which we commit to our regulators. Continuous checking and improvement of our procedures is embedded in how we do business at URENCO and consequently we have a highly respected track record. On the rare occasions that incidents do occur, they are addressed with the highest priority and investigated thoroughly. Preventative measures are put into place to ensure future recurrences are avoided, with the necessary training to ensure lessons are learned.

We view health and safety management as an absolute priority and a matter requiring continuous focus. Our procedures meet all regulatory requirements and we ensure our own best practices are shared across the Group. Our health and safety training is continuous to ensure practices become embedded and every employee is fully trained according to their role in our operations.

I am convinced this approach has a positive impact on our Lost Time Incident rate. I am able to report just three Lost Time Incidents this year compared to 11 in 2010; both figures are inclusive of URENCO employees and contractors. All employees and contractors deserve recognition for this improvement.

Being a sustainable and responsible business

Education has been the focal point of our corporate responsibility programme this year. We have welcomed many visits to our enrichment facilities from local interest and community groups, customers and suppliers with the aim of profiling our industry, technology and safety standards and responding to questions. Through this, our aim is to provide accurate and honest information about our industry in order to enable a better understanding and informed opinions.

04

05

04

Electrical checks are made on site

05

Laboratory technicians check samples in Chemistry Services

We have delivered our commitment to transparency, addressing concerns that have arisen since Fukushima, and continue to actively support the nuclear industry. I would like to thank all of our employees who have enabled this activity to thrive and shown a clear commitment to our Company.

One URENCO

We are a company of 1,400 employees operating on a large international stage in a high profile industry. Our progress in new markets and continued growth of existing ones has benefited from employing common systems and processes across our business that are both efficient and effective, enabling us to retain our competitive edge.

Flexibility

During a year of change, we have demonstrated the benefits of our flexible business model. The impact of events in Japan and the phase-out of reactors in Germany, whilst not without consequence for our financial performance, will only be a consideration in the short term as opportunities in new markets begin to fill the gap.

Technology

Centrifuge technology has become the preferred technology for uranium enrichment. We therefore anticipate that the way we deliver our service will increasingly differentiate us from our competitors and we have made good progress this year strengthening the service we provide.

Plans for the future

Looking ahead to 2012 there are a number of initiatives we will progress in order to maintain our leading position in uranium enrichment services. In addition to positively promoting the nuclear industry as an essential source of low carbon and secure energy, we will:

- Complete design of the next phase of investment at URENCO USA.
- Make plans for future capacity based on knowledge of our forward order book and anticipated future demand from new markets.
- Reduce the capital costs of our new enrichment facilities, through drawing on previous experience.
- Manage our operational cost base across the Group, driving efficiency and innovation.
- Deliver key milestones in the TMF build programme.

I would like to extend my thanks to all employees for their intelligent responses during a challenging year in the history of nuclear energy. Every individual's contribution is highly valued. I would like to reinforce my personal belief in the important role nuclear energy has in our future energy mix. I encourage employees to continue to meet all commitments to our customers, as they have done in the past year.

Helmut Engelbrecht
Chief Executive Officer

URENCO is a global business with a diverse spread of utility customers across a range of continents. The Group is committed to providing capacity in accordance with forward demand, including new reactor builds, in order to ensure a reliable source of enriched uranium.

Our markets

01
URENCO employs a highly talented, skilled workforce of 1,400 people

02
Employees walk through an enrichment hall at URENCO's UK enrichment facility

A stable source of energy

Currently, nuclear energy satisfies 15% of worldwide electricity demand. It is recognised as a very stable source of energy, and more than 15 countries rely on nuclear power for 25% or more of their electricity. Nuclear power stations are generally designed to operate continuously for long periods of time (between 12 and 24 months) before they need refuelling, making nuclear the most reliable source of base-load electricity.

02


01


Number of customers	Market share
50	29%

Nuclear power stations are fuelled by uranium which is in plentiful supply. Identified uranium reserves have been calculated as sufficient to meet worldwide demands for at least another century (source: World Nuclear Association).

Uneven distribution, depleting supplies and rising costs of fossil fuels, together with increasing demand for affordable access to energy, have contributed to concerns national governments have for future security of power supply. In order to gain greater control over supply and cost, governments look to reduce dependency on energy imports from other nations. Nuclear energy as a domestic supply, with its low operating costs and capacity to meet long-term demand, is a logical solution for them. These are important considerations for countries in the process of determining future nuclear reactor builds and those making decisions about entering into nuclear power for the first time.

Europe

Nuclear energy provides around 30% of EU electricity demand. Orders from European customers made up 39% of our deliveries in 2011. European policies on nuclear power vary greatly, with some nations choosing to phase-out their nuclear power plants while others are focusing on new build programmes. The German Government has decided to phase-out nuclear reactors by 2022; this contrasts with the UK's decision to move forward with nuclear new build projects.

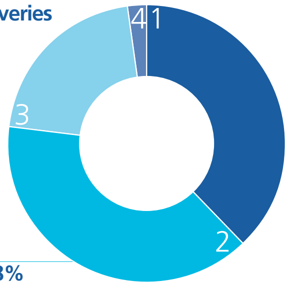
North America

Organised via our marketing division in Washington DC, sales to North American customers represent 38% of our SWU deliveries. Our enrichment facility in New Mexico is able to provide customers in the USA with a domestic supply of enriched uranium, whilst benefiting from more than 40 years of URENCO's operating expertise. At full capacity, it is anticipated that URENCO USA can produce sufficient enriched uranium for nuclear fuel to provide approximately 10% of the USA's electricity need.

Nuclear power remains a significant source of energy in the USA, supplying around 20% of the total electricity generated. The USA is currently the world's largest producer of nuclear power with a number of new reactors planned, and the administration continues to support the expansion of nuclear power.

As a market leader in enrichment services, we supply more than 50 customers in 17 countries.

URENCO SWU deliveries by region 2011 (%)



1 North America **38%**
2 EU27 & Switzerland **39%**
3 East Asia **21%**
4 Rest of World **2%**

Asia & the Middle East

Asia accounted for around 21% of our SWU deliveries in 2011. It is the main region in the world where electricity generating capacity and nuclear power in particular is growing significantly. By 2050, at least half the world's new nuclear power stations are likely to be built in Asia, most of which will be built in China, India, Korea and Vietnam. A number of other countries are also evaluating nuclear power programmes.

In the Middle East, the United Arab Emirates is already progressing with nuclear build and other countries such as Saudi Arabia, Jordan and Egypt are considering build programmes.

South America & Africa

We will continue our long-term relationships with customers in Brazil and South Africa. Both countries have ambitions to increase their use of nuclear energy and will, by doing so, support nuclear power as a future energy source.

New markets

Across Asia, the Middle East and a number of new markets we are responding to the interest shown by governments in diversifying their energy supply to meet increased future energy demand. Planning is already underway in a number of countries to include nuclear energy in the future energy mix, exemplified by the fact that at the end of 2011, some 60 countries had expressed their interest in nuclear power to the International Atomic Energy Agency (IAEA). Our progress in any new market is governed by an absolute commitment to IAEA regulations relating to the supply of enriched uranium and nuclear energy production.

Our customers

As a market leader in enrichment services, we supply more than 50 customers in 17 countries. With new markets emerging, the need for nuclear power will continue to grow. URENCO has the ability to meet this demand.

Benefiting from close relationships with all our customers, URENCO considers integrity and 100% delivery against commitments as paramount. The contracts we sign with our customers typically have durations of 10 years or more. We have built a reputation for quality and reliability, and continuously strive to improve our processes to maintain this.

Our forward planning, including building capacity at our European and USA enrichment facilities, has ensured that URENCO consistently delivers on time and to schedule. Capacity expansion projects over the last year have provided an additional 1,600 tSW/a, increasing capacity across the Group to more than 14,600 tSW/a. Our longer term target is to achieve 18,000 tSW/a by 2015. This capacity expansion is supported by the upgrade of our integrated 'one company' SAP platform and IT systems, which enable Company-wide production scheduling to meet customer needs and enhance inventory management.

Customer feedback

Our most recent independent Customer Survey by Ipsos MORI confirms URENCO is by far the "most favourably regarded company in the sector". The survey said that all opinions are positive, with 93% of existing customers saying they have a favourable opinion towards the organisation. These results show us that overall our reputation in commitment to standards and reliability is recognised very positively amongst customers.

Capacity tSW/a

	2007	2008	2009	2010	**2011**
URENCO Deutschland	1,800	2,200	2,750	3,200	**4,200**
URENCO Nederland	3,600	3,800	4,400	4,600	**5,000**
URENCO UK	4,200	5,000	5,050	5,000	**5,000**
URENCO USA	–	–	–	200	**400**
Total capacity tSW/a	9,600	11,000	12,200	13,000	**14,600**

URENCO's success is dependent upon our ability to manage and mitigate the potential challenges facing our organisation and the industry in general.

Exposure management

01
Apprentices are trained in a Control Room

02
Inside a URENCO enrichment plant

The Group maintains a dedicated risk management function which reports to Executive Management. URENCO focuses on managing and overcoming all identified risks at source.

Safety
We are committed to continuous improvement in the area of health and safety. Our four enrichment facilities and subsidiaries comply fully with all regulatory requirements to ensure the safe handling of uranium and other chemicals. The safety culture embedded across the Group is maintained through regular training of employees across all operational areas. There are clear lines of responsibility for the management of health and safety issues and emergency procedures to ensure the most effective response to incidents in the unlikely event that they should occur.

01


02


Safeguards
International safeguards is a system of verification of peaceful use of nuclear materials. URENCO is proud of its leadership in the development of effective international safeguards, actively steering policy and procedures. We work closely with governments and organisations such as Euratom, the International Atomic Energy Agency, the European Safeguards Research & Development Association and the US Nuclear Regulatory Commission to create and comply with safeguards regimes. Our commitment has assisted the implementation of international safeguards in the area of enrichment in other countries to the high standards set by the URENCO Group.

Security
URENCO processes many thousands of tonnes of uranium each year, using a very sensitive gas centrifuge enrichment technology. We have in place a very strict system of security across the whole URENCO Group, to ensure that the uranium and technology is neither stolen nor sabotaged. We fully comply with all regulatory security requirements. We are actively involved in assisting the International Atomic Energy Agency and the World Institute for Nuclear Security to develop international guidelines for the security of nuclear material and technology.

Transport
URENCO manages third party suppliers who transport feed and enriched UF6 on our behalf for customers. We recognise that the safe behaviour of our transportation partners when handling uranium is heavily influenced by the standards we set at URENCO. We maximise transportation safety by placing contracts with approved companies that strictly adhere to regulation, use trained employees and have robust emergency responses in place. We also commit to audit our transportation partners every three years.

Following more than 40 years of safe and successful operations, URENCO has built a strong reputation amongst our stakeholders.

Reputation

Following more than 40 years of safe and successful operations, URENCO has built a strong reputation amongst our stakeholders. This reputation for excellence in quality and service, and being considered a good corporate citizen, is key to our future success. We actively work to protect and further strengthen our reputation by maintaining an open dialogue with all our stakeholders.
We conduct ourselves with the utmost integrity. Our aim is to proactively engage with our stakeholders and provide clarity of URENCO's vision, position and strategy, communicating with honesty and transparency. Furthermore, we work with our industry to improve understanding of nuclear energy and the operations that make up the nuclear supply chain.

Policy

URENCO remains committed to its mission of 'enriching the future' and believes that nuclear will play a fundamental role in meeting the future global energy challenges. We monitor and manage the opportunities and challenges that arise from changes in governmental policy. In this respect we actively engage with appropriate opinion formers and policy makers within national governments and supranational organisations providing expert advice, guidance and support as required.

Regulation

We have strong relationships with industry regulators and take pride in meeting the stringent regulatory requirements of each country we operate in and supply. Our focus on continuous improvement and innovation, along with regular performance reports to regulatory bodies, enable us to share best practice in operations and processes across our industry.

Foreign exchange

A significant percentage of the Group's income is received in US dollars, whereas the Group's cost base is predominantly in euros and sterling and the Group's reporting currency is euros. We manage our portfolio of currency hedges to reduce the volatility of the Group's euro cash flows and income by hedging forward some of our net contracted US dollar exposure. We mitigate foreign exchange exposure with the diversification of our production base and aligning our costs and revenue.

Interest rate

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 enters into interest rate swaps. As a result, 60% of the Group's borrowings are at a fixed rate of interest at the end of 2011.

Liquidity

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.

Credit

The Group is exposed to credit risk predominantly through its transactions with other participants in the nuclear supply chain. Additional counterparty exposures are generated as a result of the Group's financing and foreign exchange management.
We mitigate this risk by continuing to assign credit limits to counterparties based on our system of internally defined or published credit ratings, and approve and monitor credit exposures against the defined limits.

We want to be considered a good corporate citizen by all the communities we operate in and have developed a strategy for corporate responsibility to help us make progress against our goals.

Corporate responsibility

Being a responsible company is an integral part of our core values and standards.

As a leading supplier in the global enrichment market, we are respected for the values we are guided by and our track record in safe, reliable, high quality supply. We hold a significant position in the nuclear fuel supply chain and in common with our customers, we strongly believe that nuclear power has a fundamental role to play in meeting increasing future demand for low carbon, sustainable energy worldwide.

Nuclear power can ensure there is sufficient capacity to meet a country's demand for electricity. It reduces reliance on depleting fossil fuels which, in contrast to nuclear power, produce high levels of carbon dioxide emissions.

At URENCO we will continue to maintain our commitment to transparency to explain our enrichment process and the industry we supply, to help all our stakeholders understand the contribution that nuclear power makes towards low carbon energy provision.

Corporate responsibility strategy

Our corporate responsibility strategy covers: managing health and safety performance; minimising our environmental impact; maintaining our position as an employer of choice and supporting education and cultural projects. The governance around our sustainability reporting is reviewed by our Audit Committee, and we disclose our sustainability performance guided by the Global Reporting Index (GRI). In 2010, URENCO self-declared a 'level B' against this index, and we will detail our sustainability framework for 2011 in our Sustainability Report which will be published in June 2012.

We always put safety first: for the protection of our employees, the communities where we operate, the suppliers we work with and the customers we supply. We have made significant progress in our development of safety in these key areas, resulting from our commitment to analyse our 'near-miss' data as well as scrutinising events leading to incidents. Understanding near-miss data will help us to determine further preventative measures that can stop a near-miss becoming an actual incident. Consequently, we can report just three Lost Time Incidents in 2011, considerably lower than 11 in 2010.

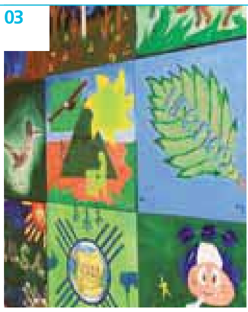
Our workforce is made up of very talented people who operate with great integrity in a highly regulated industry. They are directly responsible for the success of our business. We aim to reward and recognise our employees accordingly and work to ensure they remain engaged in our business through interesting careers.

01

URENCO sponsors a range of cultural activities such as this Shakespeare workshop for children

02

'Kunsten op straat', a street theatre festival, is supported by URENCO each year

03


04


05


03
Employees take part in an 'environmental' painting challenge

04
Each year, URENCO hosts hundreds of visits across the Group

05
A URENCO employee visits a local primary school to talk about life in the nuclear industry

Read more »

We need to encourage and motivate talented young people into the nuclear industry, starting with promoting science at a young age and developing talented people throughout their careers. We support science and education initiatives in the local communities where we operate, but also have close involvement with universities and international science education programmes.

Our aim with all four elements of our corporate responsibility strategy is to earn respect as a good corporate citizen so we can continue to operate with the support of our stakeholders and achieve our goals.

Our commitment to safety underpins everything we do

We report there have been three employee and contractor Lost Time Incidents across the URENCO Group in 2011, reflecting our continued focus on preventative training, clear procedures and defined lines of responsibility.

Employee LTIs 2007-2011

	Number of LTIs
2011	3*
2010	11*
2009	16*
2008	2
2007	3

* Employee and contractor LTIs

Safety is managed at source, with each of our enrichment facilities managing the continuous training programmes and safety procedures that ensure both compliance and embedded behaviours. Our facilities follow the overarching principles set at Group level but meet the requirements of their local jurisdictions.

Employer of choice

We employ 1,400 people and operate on a global stage. Employees are motivated by their working environment and the new challenges both the Group and the industry provide. We actively aim to align employees' personal ambitions with URENCO's business goals in order to ensure employee satisfaction remains high whilst meeting the needs of the business.

In early 2011, we completed our third Group employee engagement survey achieving a high response rate of 86.2%. A very high proportion of employees are proud of URENCO as an employer and feel they are supported in fitting into the business. We have worked hard in recent years to improve management communication. As a result we can report a higher rating this year of employee understanding and support of the Group strategy. Further achievements this year include recognition for the work we have carried out in the area of safety, and enabling good working relationships with line managers and colleagues. This positive feedback is supported by our low staff turnover.

Training at URENCO is managed largely at a site level where local HR teams are best placed to address employee needs. At Group level we run regular Nuclear Fuel Cycle seminars for new employees. Knowledge sharing happens on both a formal and informal basis throughout the Group, utilising tools such as the latest IT technology and our new intranet portal. The eagerness to learn demonstrated by our employees is a very positive asset to the Group.

Thousands of school children have participated in URENCO's science workshops, which aim to make science engaging and interesting from a young age.

One URENCO

Our employees are involved in developing innovative processes and greater efficiencies to ensure URENCO operates at its competitive best. Integral to this programme is our ambition to continually align as 'One URENCO', with a common set of behaviours and systems.

Education programmes

Through a number of education programmes we are supporting the key skills and training requirements of the nuclear industry, whilst also seeking to broaden general understanding of how the nuclear industry operates.

We provide the opportunity to visit our enrichment facilities, giving URENCO the chance to explain the benefits of nuclear power and the role uranium enrichment has in the supply chain. In 2011, we hosted hundreds of visits from local interest and community groups, industry peers and customers.

Thousands of school children have participated in URENCO's science workshops, which aim to make science engaging and interesting from a young age. URENCO's youth ambassador, Richie Enrichment, gives the pupils who attend these workshops a helping hand to understand the enrichment process and how this links into nuclear energy and the wider concepts of energy and electricity.

Across the Group, our connections with universities are extensive. These include research programmes at Oxford University and lecturing programmes at Manchester and Salford Universities. We are also heavily involved in the World Nuclear Association's University initiative. Our enrichment facility in the Netherlands is a key supporter of research at the Technical University of Delft, and we offer annual scholarships at New Mexico Junior College, USA for students pursuing an Associate of Applied Science in Energy Technology. URENCO was also a founding sponsor of the European Nuclear Energy Leadership Academy (ENELA), which aims to strengthen and expand the European expertise pool in the fields of nuclear energy management and leadership.

Community matters

Alongside the Group's proactive approach to sustainability management and educational support, URENCO also maintains a comprehensive sponsorship and donations portfolio to support local communities and wider regional initiatives. The four pillars of our policy are: education, environment, healthy living and culture. These areas guide our decision making and ensure we reflect our core values in the donations we make.

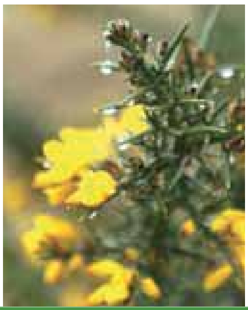
Beyond these financial and practical commitments, the Group also actively encourages employees to be active in their own communities, exemplified by such campaigns as the 'Active in the Community' award for employees who are involved in charitable or community activities outside of the workplace.

01


02


01 URENCO Deutschland donates school diaries to local Carl-Sonnenschein Realschule

02 Richie Enrichment, URENCO's science ambassador, attends a range of community events



03

03
URENCO's science workshops have impacted more than 15,000 children worldwide since their introduction in 2005

A positive year for Stable Isotopes

Whilst the core of our work is uranium enrichment for nuclear power utilities, the Stable Isotopes arm of our business uses our centrifuge technology to produce a variety of other isotopes for medical, industrial and research applications. This work makes a positive financial contribution to our business and at the same time provides useful insights into the potential of our centrifuge technology since it is being used to produce isotopes of elements other than uranium.

This year, Stable Isotopes continued its growth in sales and profit and there have been some notable operational highlights. There are currently four cascades in operation, one of which has been refurbished in 2011 and which has now doubled its output. This additional capacity will ensure Stable Isotopes' ability to deliver on its commitments, supplying a large quantity of Selenium 82 to a group of scientists conducting neutrino research.

This year we have seen an increase in demand for Xenon 124, an isotope used for the production of an imaging agent for the detection of Alzheimer's disease that has recently been approved for use in humans.

A proportion of our capacity is dedicated to the production of depleted Zinc 64 for nuclear reactors, for which we supply the majority of the world market. It is added to cooling water at nuclear facilities, reducing the "dose rate" for maintenance employees and reducing corrosion in steel piping.

It is also important to recognise that demand for a particular isotope can fluctuate and that our contracts tend to be flexible regarding quantities and deliveries. We have made good progress expanding the range of products in our portfolio making us less exposed to the lifecycles of individual isotopes. Our product range consists of several dozen isotopes of more than 10 elements and we are conducting research into a number of other isotopes, to balance our portfolio even further.

In the near term, our goal is continued growth achieved through solid volume supply of different isotopes to each market segment.

Events in Japan have impacted URENCO, resulting in reduced demand and shifting delivery requirements from some customers.

Group finance report

Friso van Oranje Chief Financial Officer

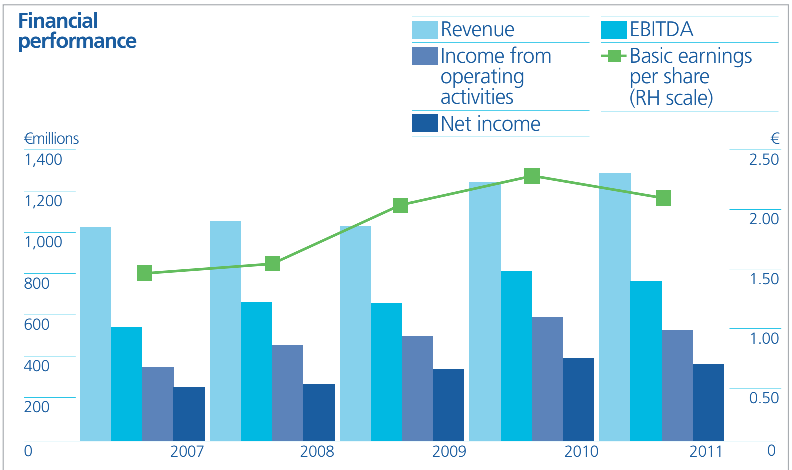
URENCO has reacted to a reduction in SWU demand by utilising spare enrichment capacity to generate feed resales.

Results for 2011

Key financial performance indicators

The Group's financial KPIs are summarised below:

	2011 €m	2010 €m	% Increase/ (Decrease)
Revenue	**1,302.4**	1,259.4	**3%**
EBITDA	**784.6**	809.2	**(3)%**
Net income	**359.1**	387.1	**(7)%**



Revenue

- Despite a challenging and complex operating environment in 2011, revenue has risen by 3.4% for the year to €1,302.4 million (2010: €1,259.4 million). SWU sales dropped as deliveries were rescheduled in the aftermath of Fukushima, but this was partially offset by additional feed sales.

EBITDA / income from operating activities

- EBITDA was slightly lower than 2010 at €784.6 million (2010: €809.2 million). This is mainly due to higher operating costs as a result of some structural factors e.g. energy costs, s well as ongoing USA build-up costs, when compared to 2010. In addition, the substitution of SWU with feed sales provided a lower margin than core SWU sales.

EBITDA performance

	2011 €m	2010 €m	Year-on-year increase/ (decrease)
Income from operating activities	**525.7**	590.5	**(11)%**
Add back: depreciation and amortisation	**248.1**	203.3	
Add back: Share of results of joint venture	**10.8**	15.4	
EBITDA	**784.6**	809.2	**(3)%**

Despite a challenging and complex operating environment in 2011, URENCO is able to report a 3.4% rise in revenue.

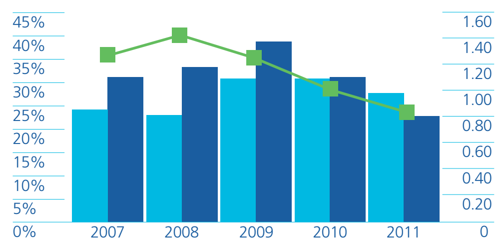
Read more »

Net income

- Net income for the year was €359.1 million (2010: €387.1 million). This reduction in net income is a consequence of reduced EBITDA and a higher depreciation charge following newly installed capacity coming on-line, partly offset by a lower taxation charge.
- The higher depreciation is driven by new capacity coming on line in Europe and the USA.

Cash flow

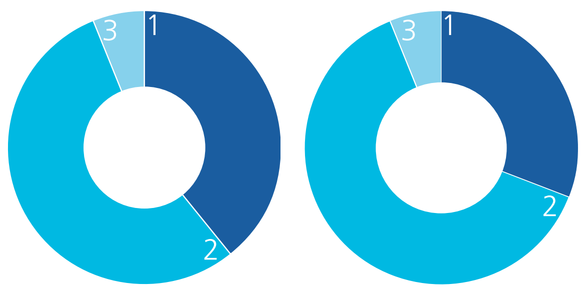
- Cash generation from operations was €902.8 million (2010: €858.2 million), an increase of 5%. The major drivers for this are an increase in revenues partly offset by an increase in other expenses, movements of year-on-year trade receivables and prepayments for fixed assets reported under cash flow from operating activities. Tax paid in the period was €117.0 million (2010: €142.2 million), increasing net cash flow from operating activities to €785.8 million, a 10% increase on 2010.



Capital expenditure[i]

- URENCO's investment programme is a long-term programme of capacity expansion across different sites. The 2011 capital expenditure was €752.0 million (2010: €798.5 million).
- The pie charts below show the capital expenditure in 2011 compared to the previous year.

Capital expenditure



2011		2010	
1 European enrichment sites	**295.6**	**1** European enrichment sites	**248.2**
2 UUSA	**411.9**	**2** UUSA	**503.5**
3 UCP	**44.5**	**3** UCP	**46.8**

(i) Capital expenditure reflects investment in property, plant and equipment plus the prepayments in respect of fixed asset purchases for the year.

URENCO's order book remains strong, in excess of €20 billion extending beyond 2025.

Group finance report
continued

Capital structure

The Funds From Operations (FFO)/Total Adjusted Debt (TAD) ratio applied on a year average (for TAD) is 18.7%.

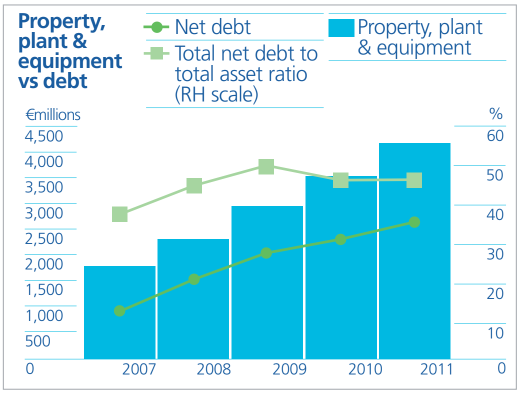
- The Group's equity increased to €1,656.0 million during the year (2010: €1,398.2 million), mainly due to retained earnings, €255.0 million, an increase in foreign currency translation reserves, €53.9 million, and a decrease in hedging reserves, (€51.1) million.
- The graph (page 27 top left) shows that Net Debt rose as a consequence of additional capital expenditure. The Group's Net Debt to Total Asset ratio remained strong and, at 47.0%, in line with the Group's target ratio of less than 60.0%.
- The Group's capital expenditure programme has resulted in a rise in debt levels over the last five years. This increase in debt is ahead of the commencement of income generation through operation of the newly built capacity. In recent years this has affected the funding ratio of FFO/TAD.
- The modest reduction of FFO in 2011, combined with a limited increase in Net Debt of 10%, have resulted in a decrease of the FFO/TAD ratio in 2011.
- The Group expects the FFO/TAD ratio to improve over the coming years. As additional enrichment capacity comes on line, FFO increases and Net Debt will start to decline.
- The graph (page 27 top right) represents the FFO/TAD ratio at the end of the year.
- Although there was a small decrease, the Group's interest cover remains strong.
- Both EBITDA/net interest cover as well as FFO/TAD are expected to improve over the coming years.

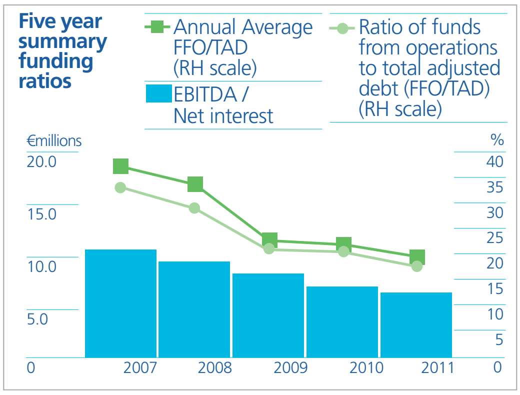
Group pension funds

The Group operates a number of pension schemes for its employees in Germany, the Netherlands, the UK and the USA. These are a mixture of defined contribution and defined benefit schemes. Entrance to the German and UK defined benefit schemes are now closed.

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 2011 was €57.9 million (2010: €41.5 million). This liability has increased primarily as a consequence of rising life expectancy assumptions.

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.





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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 €8.3 million, compared to €20.5 million in 2010. The majority of the reduction in decommissioning provision created during the year is attributable to decommissioning provisions created in the USA where these provisions are made in advance of capacity coming on line.

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 facility 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 U3O8), long-term storage and eventual disposal. Additional tails provisions recognised in the year were €117.2 million (2010: €102.3 million) with the increase over 2010 due to higher operational production, and those utilised were €53.9 million (2010: €28.4 million) due to increased deconversion activities.

Funding position

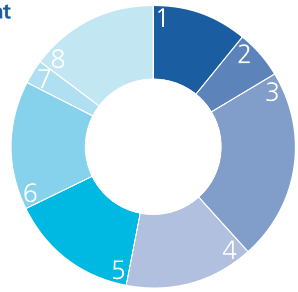
- In support of URENCO's investment projects, additional debt finance was obtained during the year, raising the equivalent of €325 million in new funds, which includes a €250 million increase in our bank facilities.
- Strong internal cash flow generation, along with increased committed facilities raised through 2011 and other new funds, means that URENCO has a strong funding position for future investments. On the basis of currently anticipated capital expenditure, the Group has sufficient facilities through to 2014. This translates into a headroom in excess of €200 million.
- 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.

During the course of making improvements to our business this year, we have continued to meet every commitment to our existing customer base.

Funding programme

At the end of 2011, the Group's total committed borrowing facilities (which exclude the Commercial Paper Programme) were €2.9 billion. The split of borrowing facilities by type is shown in the following chart, as at 31 December 2011:

Finance facilities as at 31 December 2011 (€million)



- **1** EIB €376m
- **2** European Private Placements €184m
- **3** Committed and Bilateral Bank Facility €750m (drawn €177m)
- **4** US Private Placements €496m
- **5** Eurobond 2017 €500m
- **6** Eurobond 2015 €500m
- **7** Bilateral Loans €93m
- **8** Commercial Paper Programme €500m (drawn €242m)

The Group has formulated the strategy to guide its funding operations:

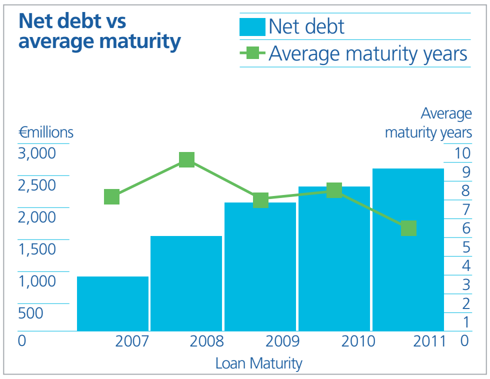
- Use different financial instruments and financial markets, in order to exploit attractive funding opportunities as they emerge.
- Secure a core of longer-dated debt, consistent with the long-term nature of the Group's investments and the need to maintain an optimised long-term capital structure.

The Group continues to look for opportunities to extend the maturity profile of its debt. In 2011, it was approximately 5.5 years.

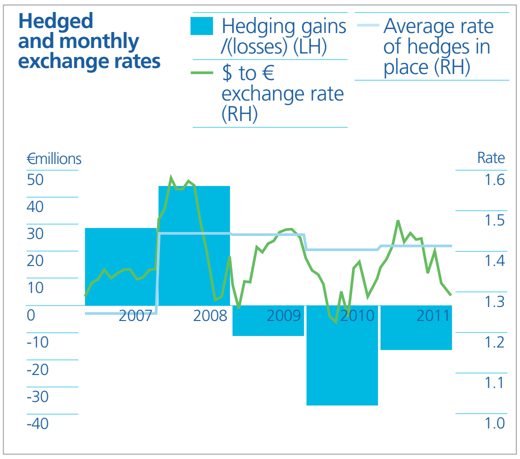
Management of foreign currency risk

The foreign currency hedging policy has the twin objectives of reducing volatilities in cash flows and income. 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 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 opposite graph (left column page 29) 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 opposite.



Euro to dollar exchange rates and URENCO hedged rates (effective hedges)



The Group's hedging policy has been set on a 72 month rolling basis (see page 76 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 2011, 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 continue aiming to minimise accounting volatility arising from hedging actions.

Ineligible/ineffective hedges

	2011 €m	2010 €m
Gains from ineligible/ineffective hedges (reported in Finance income)	**25.9**	28.1
Losses from ineligible/ineffective hedges (reported in Finance cost)	**(28.8)**	(33.4)
Net gains/(losses) from ineligible/ineffective hedges before tax	**(2.9)**	(5.3)

Outlook

We want to be recognised as world leaders within our industry and for our customers to have a seamless experience, whichever part of the business they deal with.

Currently, forward orders stand at more than €20 billion and extend beyond 2025. This good visibility of future revenues successfully underpins URENCO's strategy. We expect growth in output, revenue and earnings in 2012.

We continue to invest according to plan in 2012 in the USA and in the Netherlands in our enrichment facilities as well as the Tails Management Facility.

Board Biographies

Chris Clark
Chairman (until 31 December 2011)

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 held the position as Chairman of URENCO Limited from 1 January 2006 until 31 December 2011.

1
John Hood
Chairman (from 1 January 2012)

John took up the post of Chairman of the URENCO Group in January 2012. John was previously the Vice-Chancellor of the University of Oxford. He currently holds a Non-Executive Directorship at BG Group plc and is President and CEO of the Robertson Foundation. John attended the University of Oxford from 1976 as a Rhodes Scholar to read Management Studies, having completed a PhD in Civil Engineering in New Zealand. He subsequently pursued a successful business career, principally in the Fletcher Challenge group, prior to his appointment as Vice-Chancellor at the University of Auckland. John has chaired or served on many government, sporting, educational, business and community bodies, and currently holds the role of Chairman of the Study Group, Matakina Technology Limited and the Rhodes Trust.

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
Friso van Oranje
Chief Financial Officer (from 1 April 2011)

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.

Bart Le Blanc
Chief Financial Officer (until 31 March 2011)

Bart graduated in economics from the University of Tilburg in the Netherlands and obtained a PhD in law from the University of Leiden. 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 Dépôts in Paris in 1997. Bart 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. As from 15 March 2012 Bart was appointed to take up the position of interim CFO.

4
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.

5
Gerd Jaeger
Deputy Chairman

Gerd graduated in mechanical engineering from the University of Aachen researching heat and power engines for his PhD. He joined Rheinisch-Westfälische Elektrizitätswerk 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. Since 1 January 2012 he has been acting as advisor for RWE AG. He joined the URENCO Board in March 2001.

6
Stephen Billingham

Stephen is Chairman of Punch Taverns plc, one of the UK's largest leased Public House operators. Stephen was Finance Director 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 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.

7
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 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.

8
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.

9
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 advisor to ESB Novusmodus LP, 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. Richard started his career in the City over 20 years ago with Morgan Grenfell. He joined the URENCO Board in January 2009.

Company Secretary
Nicholas Bucksey

Registered Number
01022786

Registered Office
URENCO Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
Buckinghamshire SL2 4JS

Auditors
Deloitte LLP
2 New Street
London EC4A 3BZ

Consolidated Group Financial Statements
For the year ended 31 December 2011

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 2011 financial year were:

Non-executive Directors

Chris Clark[1]	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[2]	Chief Financial Officer
Friso van Oranje[2]	Chief Financial Officer

Biographical details of the Directors are set out on page 30.

[1] Chris Clark retired from the Board on 31 December 2011 and was succeeded by John Hood on 1 January 2012.

[2] Bart Le Blanc retired from the Board on 1 April 2011 and was succeeded by Friso van Oranje.

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 2011 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 judgement and experience they provide to the Board through their contribution at Board and Committee meetings and beyond.

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.

The Board is also responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Audit Committee

The Audit Committee met five times in 2011. The members of the Committee in office during the financial year were Stephen Billingham (Chairman), Victor Goedvolk and Thomas Beermann*. Meetings are also attended by invitation 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. As a result of the periodic evaluation of audit provision, the Board tendered and appointed a new external auditor.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee met twice in 2011 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 Annual General Meeting.

Further details of the role and responsibilities of the Remuneration and Appointments Committee are given in the Remuneration Report on page 36.

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 supervisory 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) was signed on 12 July 2005 by the governments of Germany, the Netherlands, the UK and France. 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.

* Thomas Beermann is an appointee of RWE & E.ON onto the Audit Committee.

** 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 Chief Executive Officer does not attend the meetings during which his remuneration is discussed.

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 Annual General Meeting.

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.

Basic Salary and Benefits

The salary and benefits are reviewed annually. The Executive Directors received a 4.7% increase in basic salary for the 2011 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 (EPS) 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. The scheme also provides for dependants' pensions and lump sums on death in service. The scheme has a defined benefit pension section, which is approved by HM Revenue and Customs and a defined contribution section.

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 €	Total 2011 €	Total 2010 €
Executive Directors:						
Helmut Engelbrecht	**509,618**	**82,038**	**122,307**	**350,609**	**1,064,572**	1,160,369
Bart Le Blanc	**87,163**	**4,081**	**–**	**–**	**91,244**	613,336
Friso van Oranje	**217,690**	**100**	**65,995**	**41,438**	**325,223**	–
Non-executive Directors[1]:						
Chris Clark	**200,504**	**1,933**	**–**	**–**	**202,437**	204,001
Stephen Billingham	**46,173**	**–**	**–**	**–**	**46,173**	46,920
Bernhard Fischer	**37,809**	**–**	**–**	**–**	**37,809**	38,421
Victor Goedvolk	**43,538**	**–**	**–**	**–**	**43,538**	44,243
Gerd Jaeger	**48,121**	**–**	**–**	**–**	**48,121**	48,900
Richard Nourse	**37,809**	**–**	**–**	**–**	**37,809**	38,421
George Verberg	**48,121**	**–**	**–**	**–**	**48,121**	48,900
	1,276,546	**88,152**	**188,302**	**392,047**	**1,945,047**	2,243,511

(i) Benefits paid to Executive Directors include provision of motor vehicles, medical insurance and overseas living expenses.

In the event that payments are made in sterling the average rate is adopted for conversion purposes; this was set at £0.8728 to €1 for 2011 (2010: £0.8589 to €1).

1 Payments of non-Executive Director fees did not increase in GBP from 2010 to 2011.

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:

Defined benefit pension scheme

	Accrued pension at 31/12/2011 €	Accrued pension at 31/12/2010 €	Transfer value at 31/12/2011 €	Transfer value at 31/12/2010 €
Helmut Engelbrecht	**173,297**	209,827	**3,597,159**	3,545,883
Bart Le Blanc	**–**	35,786	**–**	752,989

Accrued pensions and transfer values are retranslated from sterling to euros at the closing rate of £0.83371 to €1 (2010: £0.85729 to €1).

Accrued pension: The deferred pension per annum to which the Directors would have been entitled had they left the Company on 31 December 2011 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.

Defined contribution pension scheme

During 2011, €28,300 was paid into a defined contribution scheme on behalf of Friso van Oranje.

Remuneration Report continued

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 36.

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

	Helmut Engelbrecht €	Bart Le Blanc[i] €	Friso van Oranje €	Payment vesting at 31 December
Incentive scheme accrual as at 1 January 2011	785,165	–	–	
Exchange adjustments	22,207	–		
LTIS paid during the year	(287,732)	–		
LTIS 2007 accrual adjustment during the year	39,739	–	–	2011
LTIS 2008 accrued during the year	113,347	–	–	2012
LTIS 2009 accrued during the year	55,302	–	–	2013
LTIS 2010 accrued during the year	67,374	–	–	2014
LTIS 2011 accrued during the year	74,847	–	41,438	2015
Total incentive scheme accrual at 31 December 2011	**870,249**	–	**41,438**	

[i] All amounts due to Bart Le Blanc were paid by 31 December 2010.

The long-term incentive plan is an award of cash with the maximum potential award determined at grant. The awards vest no earlier than the fourth anniversary of grant. Performance is measured on the increase in EPS from year of grant to year of vest.

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 to the consolidated financial statements).

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:

2011		2010		2009		2008	
Growth in EPS achieved over 4 year period	**Cash award as percentage of salary**	Growth in EPS achieved over 4 year period	Cash award as percentage of salary	Growth in EPS achieved over 4 year period	Cash award as percentage of salary	Growth in EPS achieved over 4 year period	Cash award as percentage of salary
30%	**50%**	30%	50%	30%	50%	30%	50%
50%	**75%**	50%	75%	50%	75%	50%	75%
100%	**100%**	100%	100%	100%	100%	100%	100%
150%	**150%**	150%	150%	150%	150%	150%	150%

Directors' Report

The Directors present their Report and Accounts for the year ended 31 December 2011.

Results and dividends

Net income for the year attributable to equity holders of the Parent Company amounted to €359.1 million (2010: €387.1 million).

The Directors recommend a final dividend for the year of €90.0 million. There was no interim dividend declared or paid during 2011 (2010: final dividend of €90.0 million, with no interim dividend paid or declared in 2010).

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 Equity Accounting 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 Overview and Business review from page 4.

Going concern

The Group's business activities, achievements, risks and opportunities are set out in the Business review and the Group finance report on pages 24 to 29. 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 (€20 billion extending beyond 2025) 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 to beyond December 2013, including all committed capital expenditure.

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 Business review on page 4.

Risk management: the use of financial instruments

The Group's policies with respect to financial instrument risk management are covered on page 28 and in note 22 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 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 €1,400 (2010: €14,600) 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 €840,500 (2010: €870,600) were made during the year to local charities and community projects.

Events since the balance sheet date

As of 4 April 2012, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2011 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 2011 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 2011, the Company had an average of 31 days purchases owed to trade creditors (2010: an average of 33 days purchases owed to trade creditors).

Auditors

In May 2011 the Company appointed Deloitte LLP as auditors and Ernst & Young LLP resigned pursuant to sections 485 – 488 of the Companies Act 2006. A resolution to reappoint Deloitte LLP as auditors will be put to the annual general meeting on 4 April 2012.

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, International Accounting Standards require the Directors 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;
- make judgements and estimates that are reasonable and prudent; and
- make an assessment of the Group's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board.

Nicholas Bucksey
Company Secretary

4 April 2012

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 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 31. 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 auditor

As explained more fully in the Statement of Directors' Responsibilities the Directors are responsible for the preparation of the Group 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 (APB'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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 of 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.

Ross Howard FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London

4 April 2012

Consolidated Income Statement

For the year ended 31 December

	Notes	**2011 Results for the year €m**	2010 Results for the year (restated(i)) €m
Revenue from sales of goods and services	3	**1,302.4**	1,259.4
Work performed by the entity and capitalised		**12.7**	14.5
Changes to inventories of work in progress and finished goods		**(9.3)**	(16.9)
Raw materials and consumables used		**(39.8)**	(32.8)
Tails provision created	24	**(117.2)**	(102.3)
Employee benefits expense	6	**(133.8)**	(129.2)
Depreciation and amortisation		**(248.1)**	(203.3)
Other expenses	5	**(230.4)**	(183.5)
Share of results of joint venture	14	**(10.8)**	(15.4)
Income from operating activities	5	**525.7**	590.5
Finance income	7	**66.2**	63.6
Finance costs	8	**(131.6)**	(132.4)
Income before tax		**460.3**	521.7
Income tax expense	9	**(101.2)**	(134.6)
Net income relating to the year attributable to equity holders of the parent		**359.1**	387.1
Earnings per share		**€**	€
Basic and diluted earnings per share	11	**2.1**	2.3

(i) The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	2011 €m	2010 (restated[i]) €m
Net income		**359.1**	387.1
Other comprehensive income:			
Cash flow hedges – transfers to revenue from sales of goods and services and capital expenditure	23	**16.4**	29.8
Cash flow hedges – mark to market		**(28.4)**	(90.0)
Net investment hedge – mark to market		**(44.5)**	(29.7)
Current tax on hedges	9	**0.2**	2.6
Deferred tax on hedges	9	**10.0**	14.8
Exchange differences on foreign currency translation of foreign operations		**53.9**	51.8
Current tax credit on translation exchange differences	9	**–**	2.4
Deferred tax credit on translation exchange differences	9	**–**	0.2
Exchange differences on hedge reserve		**(4.8)**	(3.5)
Actuarial (losses)/gains on defined benefit pension schemes	25	**(13.0)**	12.2
Surplus on defined benefit pension schemes	25	**(6.4)**	–
Change in the asset restriction on defined benefit pension schemes	25	**0.8**	–
Current tax on actuarial (losses)/gains	9	**1.3**	0.7
Deferred tax on actuarial (losses)/gains	9	**3.4**	(4.4)
Utility partner payments		**(0.3)**	(0.3)
Deferred tax on utility partner payments	9	**0.1**	5.6
Other comprehensive income		**(11.3)**	(7.8)
Total comprehensive income relating to the year attributable to equity holders of the parent		**347.8**	379.3

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Consolidated Statement of Financial Position

At 31 December

	Notes	2011 €m	2010 (restated[i]) €m	2009 (restated[i]) €m
Assets				
Non-current assets				
Property, plant and equipment	12	**4,285.3**	3,555.9	2,963.4
Intangible assets	13	**95.2**	75.1	26.5
Investments	14	**45.7**	34.9	38.5
Financial assets	16	**4.2**	3.1	1.0
Derivative financial instruments	23	**60.4**	79.1	78.5
Deferred tax assets	9	**189.6**	122.4	80.1
		4,680.4	3,870.5	3,188.0
Current assets				
Inventories	17	**174.5**	139.3	155.5
Trade and other receivables	18	**596.0**	737.9	547.7
Derivative financial instruments	23	**10.2**	16.4	22.6
Cash and cash equivalents	19	**80.2**	35.1	37.4
		860.9	928.7	763.2
Total assets		**5,541.3**	4,799.2	3,951.2
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	20	**237.3**	237.3	237.3
Additional paid in capital		**16.3**	16.3	16.3
Retained earnings		**1,568.0**	1,313.0	987.1
Hedging reserve		**(221.4)**	(170.3)	(94.3)
Foreign currency translation reserve		**55.8**	1.9	(52.5)
Total equity		**1,656.0**	1,398.2	1,093.9
Non-current liabilities				
Trade and other payables	26	**49.0**	10.7	9.5
Obligations under finance leases	27	**0.1**	0.1	0.4
Interest bearing loans and borrowings	23	**2,164.0**	2,157.8	1,540.5
Provisions	24	**687.5**	568.9	424.2
Retirement benefit obligations	25	**57.9**	41.5	52.6
Deferred income	21	**9.6**	9.5	9.4
Derivative financial instruments	23	**79.5**	55.7	38.0
Deferred tax liabilities	9	**58.5**	39.7	34.3
		3,106.1	2,883.9	2,108.9
Current liabilities				
Trade and other payables	26	**169.2**	176.6	153.8
Obligations under finance leases	27	**0.2**	0.3	0.7
Interest bearing loans and borrowings	23	**520.0**	250.8	528.4
Provisions	24	**0.1**	1.1	3.1
Derivative financial instruments	23	**39.3**	42.7	28.1
Income tax payable		**50.4**	40.6	34.3
Deferred Income	21	**–**	5.0	–
		779.2	517.1	748.4
Total liabilities		**3,885.3**	3,401.0	2,857.3
Total equity and liabilities		**5,541.3**	4,799.2	3,951.2

[i] The December 2010 and December 2009 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Registered Number 01022786

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2012.
They were signed on its behalf by:

Helmut Engelbrecht
Chief Executive 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 2011	**237.3**	**16.3**	**1,313.0**	**(170.3)**	**1.9**	**1,398.2**
Income for the period	**–**	**–**	**359.1**	**–**	**–**	**359.1**
Other comprehensive income	**–**	**–**	**(14.1)**	**(51.1)**	**53.9**	**(11.3)**
Total comprehensive income	**–**	**–**	**345.0**	**(51.1)**	**53.9**	**347.8**
Equity dividends paid	**–**	**–**	**(90.0)**	**–**	**–**	**(90.0)**
As at 31 December 2011	**237.3**	**16.3**	**1,568.0**	**(221.4)**	**55.8**	**1,656.0**

	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	2011 €m	2010 (restated[i]) €m
Income before tax		**460.3**	521.7
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:			
Share of joint venture results	14	**10.8**	15.4
Depreciation and amortisation	5	**248.1**	203.3
Finance income	7	**(66.2)**	(63.6)
Finance cost	8	**131.6**	132.4
Loss on write-off of property, plant and equipment		**0.5**	0.6
Increase in provisions		**65.1**	90.2
Operating cash flows before movements in working capital		**850.2**	900.0
Increase in inventories		**4.8**	18.0
Decrease/(increase) in receivables		**62.0**	(86.5)
(Decrease)/increase in payables		**(14.2)**	26.7
Cash generated from operating activities		**902.8**	858.2
Income taxes paid		**(117.0)**	(142.2)
Net cash flow from operating activities		**785.8**	716.0
Investing activities			
Interest received		**36.4**	34.7
Proceeds from non designated derivatives		**4.0**	0.7
Purchases of property, plant and equipment		**(548.7)**	(511.4)
Prepayments in respect of fixed asset purchases[ii]		**(203.3)**	(287.1)
Purchase of intangible assets		**(26.6)**	(25.0)
Net cash flow from investing activities		**(738.2)**	(788.1)
Financing activities			
Interest paid		**(125.7)**	(119.6)
Payments in respect of non designated derivatives		**(3.7)**	(14.7)
Dividends paid to equity holders	10	**(90.0)**	(75.0)
Proceeds from new borrowings		**556.2**	817.4
Repayment of borrowings		**(340.1)**	(539.2)
Repayment of finance lease liabilities		**(0.3)**	(0.7)
Net cash flow from financing activities		**(3.6)**	68.2
Net increase/(decrease) in cash and cash equivalents		**44.0**	(3.9)
Cash and cash equivalents at 1 January		**35.1**	37.4
Effect of foreign exchange rate changes		**1.1**	1.6
Cash and cash equivalents at 31 December	19	**80.2**	35.1

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.
[ii] This represents prepayments in respect of fixed asset purchases 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 2011

1. Authorisation of financial statements and compliance with IFRS

The financial statements of URENCO Limited and its subsidiaries ("the Group") for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 4 April 2012 and the balance sheet was signed on the Board's behalf by Helmut Engelbrecht.

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 109. 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 and pension obligations 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 US 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 except as follows:

The Group has accounted for the results of its Enrichment Technology Company (ETC) joint venture using the equity method under IAS 31 *Interests in Joint Ventures* from 1 January 2011, whereas previously the proportional consolidation method was used. The change to the joint venture accounting policy was taken to enable the Group financial statements to better reflect the Group's core activity of uranium enrichment by separating ETC's financial position and performance from the enrichment results. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy has been applied retrospectively and has resulted in a restatement of comparative periods. The impact on prior and current year results when accounted for using the equity method is detailed on page 48.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

2. Significant accounting policies continued

Consolidated Income Statement

	2011 Results for the year (using equity method) €m	2011 Results for the year (using proportional consolidation) €m	2010 Results for the year (restated) €m	2010 Results for the year €m	2009 Results for the year (restated) €m	2009 Results for the year €m
Revenue from sales of goods and services	**1,302.4**	1,428.8	1,259.4	1,267.2	1,117.6	1,121.0
Work performed by the entity and capitalised	**12.7**	168.2	14.5	107.4	12.4	131.5
Changes to inventories of work in progress and finished goods	**(9.3)**	(31.4)	(16.9)	132.4	(18.2)	36.0
Raw materials and consumables used	**(39.8)**	(109.6)	(32.8)	(166.9)	(68.7)	(168.1)
Tails provision created	**(117.2)**	(117.2)	(102.3)	(102.3)	(98.1)	(98.1)
Revision of decommissioning provision	**–**	–	–	–	33.8	33.8
Employee benefits expense	**(133.8)**	(216.9)	(129.2)	(203.1)	(116.0)	(183.0)
Depreciation and amortisation	**(248.1)**	(286.6)	(203.3)	(222.7)	(155.2)	(169.3)
Other expenses	**(230.4)**	(304.6)	(183.5)	(221.1)	(197.5)	(203.4)
Share of results of joint venture	**(10.8)**	–	(15.4)	–	(10.9)	–
Income from operating activities	**525.7**	530.7	590.5	590.9	499.2	500.4
Finance income	**66.2**	64.7	63.6	63.7	70.6	70.6
Finance costs	**(131.6)**	(133.1)	(132.4)	(134.8)	(96.8)	(98.8)
Income before tax	**460.3**	462.3	521.7	519.8	473.0	472.2
Income tax expense	**(101.2)**	(103.2)	(134.6)	(132.7)	(130.2)	(129.4)
Net income relating to the year attributable to equity holders of the parent	**359.1**	359.1	387.1	387.1	342.8	342.8
Earnings per share	**€**	€	€	€	€	€
Basic and diluted earnings per share	**2.1**	2.1	2.3	2.3	2.0	2.0

2. Significant accounting policies continued

Consolidated Balance Sheet

	2011 (using equity method) €m	2011 (using proportional consolidation) €m	2010 (restated) €m	2010 €m	2009 (restated) €m	2009 €m
Assets						
Non-current assets						
Property, plant and equipment	**4,285.3**	4,391.1	3,555.9	3,709.7	2,963.4	3,098.4
Intangible assets	**95.2**	101.6	75.1	81.7	26.5	30.7
Investments	**45.7**	–	34.9	–	38.5	–
Financial assets	**4.2**	4.2	3.1	3.1	1.0	1.0
Long-term work in progress	**–**	–	–	37.8	–	34.0
Derivative financial instruments	**60.4**	60.4	79.1	79.1	78.5	78.5
Deferred tax assets	**189.6**	194.3	122.4	127.1	80.1	85.0
	4,680.4	4,751.6	3,870.5	4,038.5	3,188.0	3,327.6
Current assets						
Inventories	**174.5**	473.2	139.3	419.7	155.5	320.6
Trade and other receivables	**596.0**	506.3	737.9	541.4	547.7	419.3
Derivative financial instruments	**10.2**	10.2	16.4	16.4	22.6	22.6
Cash and cash equivalents	**80.2**	81.0	35.1	35.5	37.4	37.8
	860.9	1,070.7	928.7	1,013.0	763.2	800.3
Total assets	**5,541.3**	5,822.3	4,799.2	5,051.5	3,951.2	4,127.9
Equity and liabilities						
Equity attributable to equity holders of the parent						
Share capital	**237.3**	237.3	237.3	237.3	237.3	237.3
Additional paid in capital	**16.3**	16.3	16.3	16.3	16.3	16.3
Retained earnings	**1,568.0**	1,568.0	1,313.0	1,313.0	987.1	987.1
Hedging reserve	**(221.4)**	(221.4)	(170.3)	(170.3)	(94.3)	(94.3)
Foreign currency translation reserve	**55.8**	55.8	1.9	1.9	(52.5)	(52.5)
Total equity	**1,656.0**	1,656.0	1,398.2	1,398.2	1,093.9	1,093.9
Non-current liabilities						
Trade and other payables	**49.0**	48.9	10.7	10.7	9.5	9.5
Obligations under finance leases	**0.1**	0.1	0.1	0.1	0.4	0.4
Interest bearing loans and borrowings	**2,164.0**	2,164.0	2,157.8	2,157.8	1,540.5	1,540.5
Provisions	**687.5**	689.9	568.9	572.9	424.2	427.6
Retirement benefit obligations	**57.9**	72.5	41.5	53.3	52.6	65.9
Deferred income	**9.6**	9.6	9.5	9.5	9.4	9.4
Derivative financial instruments	**79.5**	79.5	55.7	55.7	38.0	38.0
Deferred tax liabilities	**58.5**	57.4	39.7	40.3	34.8	34.3
	3,106.1	3,121.9	2,883.9	2,900.3	2,108.9	2,126.1
Current liabilities						
Trade and other payables	**169.2**	432.8	176.6	412.3	153.8	313.1
Obligations under finance leases	**0.2**	0.2	0.3	0.3	0.7	0.7
Interest bearing loans and borrowings	**520.0**	520.0	250.8	250.8	528.4	528.4
Provisions	**0.1**	0.1	1.1	1.1	3.1	3.1
Derivative financial instruments	**39.3**	39.3	42.7	42.7	28.1	28.1
Income tax payable	**50.4**	52.0	40.6	40.8	34.3	34.5
Deferred Income	**–**	–	5.0	5.0	–	–
	779.2	1,044.4	517.1	753.0	748.4	907.9
Total liabilities	**3,885.3**	4,166.3	3,401.0	3,653.3	2,857.3	3,034.0
Total equity and liabilities	**5,541.3**	5,822.3	4,799.2	5,051.5	3,951.2	4,127.9

There is no impact on Net Income or Net Assets from moving to the equity method of consolidation.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

2. Significant accounting policies continued

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.

International Accounting Standards (IFRS/IAS)		Effective date
IFRS 1	First-time adoption of International Financial Reporting Standards – revised	1 January 2011
IFRS 7	Financial Instruments: Disclosures – revised	1 January 2011
IAS 1	Presentation of Financial Statements – revised	1 January 2011
IAS 24	Related Parties – revised	1 January 2011

IFRIC interpretations		Effective date
IFRIC 13	Customer Loyalty Programmes	1 January 2011
IFRIC 14	IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction	1 July 2010

New standards and interpretations

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

International Accounting Standards (IFRS/IAS)		Effective date
IFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	1 January 2015
IFRS 9	Financial Instruments: Accounting for Financial Liabilities and Recognition	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Financial Statements – revised	1 July 2012
IAS 12	Income Taxes – revised	1 January 2012
IAS 19	Employees Benefits – revised	1 January 2013
IAS 27	Consolidated and Separate Financial Statements – revised	1 January 2013
IAS 28	Investments in Associates – revised	1 January 2013
IAS 32	Financial Instruments: Presentation	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Directors have not yet evaluated the impact of the adoption of these standards and interpretations 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 equity method 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.

2. Significant accounting policies continued

Significant estimates, assumptions and judgements

In the process of applying the Group's accounting policies, the Directors have to make estimates, assumptions and judgements. 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 the 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.
- Depreciation of centrifuges is calculated based on their expected operational life and is charged so as to write off the cost of assets over their estimated useful lives down to their residual value. During 2011 no changes in the estimated useful life were made.
- 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 judgement 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 2011 was €189.6 million (2010: €122.4 million). There are no unrecognised tax assets at 31 December 2011 (2010: €nil 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 2012 to 2021.
- 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 25.
- 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 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 due to translation of non-euro denominated provisions to the reporting currency of euros. The movement in the tails provision is taken directly to the income statement.

  Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to "greenfield" or "brownfield" status. 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 has decreased, a gain will be taken directly to the income statement. The Directors intend to decommission plant used in the enrichment process as soon as practicably possible after it is shut down.

  The cash flows have been discounted at 2% per annum, net of assumed 3% inflation increase, to take account of the time value of money, in accordance with industry practice. The fundamental assumptions underlying these provisions are reviewed on a triennial basis. The last triennial review was carried out in 2009. Details of the provisions are given in note 24.
- 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 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. 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 uses the purchased assets to sell enrichment services to an independent party.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

2. Significant accounting policies continued

The Group has accounted for the results of its Enrichment Technology Company (ETC) joint venture using the equity method under IAS 31 *Interests in Joint Ventures* where previously the results of ETC were proportionally consolidated. The change to the joint venture accounting policy was taken to enable the Group financial statements to better reflect the Group's core activity of uranium enrichment by separating ETC's financial position and performance from the enrichment results. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the change in accounting policy has been applied retrospectively and has resulted in a restatement of comparative periods. The prior years were consolidated using the proportionate method. See page 47 for further details.

Revenue recognition

The Group operates as a supplier of uranium enrichment services.

Customers usually provide natural uranium to the Group as part of their contract for enrichment with URENCO. Customers are billed for the enrichment services, expressed as separative work units ("SWU") deemed to be contained in the Enriched Uranium Product ("EUP") delivered. 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.

The Group also generates revenue from the sale of uranium to customers.

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 services and goods provided in the normal course of business, excluding discounts, VAT and other sales related taxes.

Customers may make advance payments to be applied against future orders or deliveries. Advances are accounted for as deferred revenue and revenue is recognised on provision of the service or transfer of legal title to the goods.

Sale of services

Revenue is derived from the sales of the SWU component of EUP arising from the enrichment service provided. Revenue is recognised at the time the service is provided under the terms of the contract with customers. This is the earlier of allocation of the enrichment activity (SWU) to the customer's book account (either held at a third party or with URENCO) or physical delivery by URENCO of the SWU component of EUP.

Sale of goods

Revenue is derived from the sale of the uranium component of EUP and from uranium that is owned by URENCO. Revenue is recognised at the time legal title to the material is transferred under the terms of the contract with customers. This may be at physical delivery or transfer to a customer's book account held by a third party or with URENCO.

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

Costs for project management during construction of enrichment facilities is capitalised and credited to the income statement at cost. Cost includes direct materials and labour, plus attributable overheads. It is the Company's policy to capitalise the costs of facility construction and installing capacity. 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 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

The consolidated financial statements are presented in euros which is the Group's presentational currency. The items included in these consolidated financial statements relating to the Group companies are measured using their functional currency, that is the currency in the main environment in which they operate.

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. The functional currencies across the Group are sterling, US dollar, and the euro.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see page 57 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

2. Significant accounting policies continued

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.

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 are carried at cost including professional fees, less any recognised impairment loss. Borrowing costs for qualifying assets are capitalised in accordance with the Group's accounting policy. The borrowing costs capitalisation rate of assets under construction was 3.53% (2010: 4.02%). 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	12 – 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.

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.

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.

Other software assets

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised following "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 five years, with no residual value.

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

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

2. Significant accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. For raw materials, work-in-progress and finished goods costs comprise direct material costs and, where applicable, direct labour and production costs, and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated predominantly by 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.

Inventory borrowings

URENCO periodically borrows SWU or feed from third parties in order to optimise its operational efficiency and provide sufficient SWU or feed stock. The interest payments made by URENCO under loan agreements are recorded in the income statement under other expenses. These payments are recorded as "non-operational expense" 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 cost of production of SWU or feed. 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 returns the SWU or feed 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.

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.

2. Significant accounting policies continued

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 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.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

2. Significant accounting policies continued

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. 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 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 used in the enrichment process as soon as practicably 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. Provisions for overfeeding represent the cost to the Group of re-enriching low assay feed in the future, in order to separate the natural feed and tails from which it comprises.

3. Revenue

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

	Year ended 31/12/11 €m	Year ended 31/12/10 (restated[(i)]) €m
Sales of goods and services	**1,302.4**	1,259.4
Interest income	**66.2**	63.6
Total revenue	**1,368.6**	1,323.0

[(i)] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interest in Joint Ventures*, refer to note 2.

In 2011, €16.4 million of net losses (2010: net losses €35.5 million) relating to foreign currency hedging activities has been included in sales revenue (see note 23).

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision makers. The chief decision makers have been identified as the Executive Directors. Operating segments have been identified based on the 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.
- for the greenfield site development business: the construction of the Tails Management Facility at the UK site.
- for construction of centrifuges: being ETC; the research, development, manufacture and installation 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 2011	Enrichment business €m	Greenfield site development €m	ETC €m	Corporate unallocated[i] €m	Eliminations €m	Consolidated €m
Revenue						
External sales	1,302.4	–	–	–	–	1,302.4
Total revenue	1,302.4	–	–	–	–	1,302.4
Result						
Income from operating activities	521.5	12.0	4.7	(15.4)	2.9	525.7
Finance income	–	–	–	210.8	(144.6)	66.2
Finance costs	–	–	–	(276.2)	144.6	(131.6)
Income before tax	521.5	12.0	4.7	(80.8)	2.9	460.3
Income tax	(112.8)	(5.4)	–	17.0	–	(101.2)
Net income for the year	408.7	6.6	4.7	(63.8)	2.9	359.1
Other information						
Depreciation and amortisation	252.9	0.2	–	1.4	(6.4)	248.1
EBITDA	774.5	12.2	–	(14.0)	11.9	784.6
Capital additions:						
Property, plant and equipment	832.0	47.0	–	2.8	(13.6)	868.2
Intangible assets	25.2	0.9	–	0.5	–	26.6
Segment assets	5,212.8	152.9	45.7	227.6	(97.7)	5,541.3
Segment liabilities	1,509.9	145.8	–	2,265.6	(36.0)	3,885.3

[i] Corporate unallocated comprises the corporate Head Office.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

4. Segment information continued

Year ended 31 December 2010 (restated[ii])	Enrichment business €m	Greenfield site development €m	ETC €m	Corporate unallocated[i] €m	Eliminations €m	Consolidated €m
Revenue						
External sales	1,259.4	–	–	–	–	1,259.4
Total revenue	1,259.4	–	–	–	–	1,259.4
Result						
Income from operating activities	637.7	(0.4)	(4.7)	(32.1)	(10.0)	590.5
Finance income	–	–	–	192.6	(129.0)	63.6
Finance costs	–	–	–	(261.4)	129.0	(132.4)
Income before tax	637.7	(0.4)	(4.7)	(100.9)	(10.0)	521.7
Income tax	(151.1)	0.2	–	16.3	–	(134.6)
Net income for the year	486.6	(0.2)	(4.7)	(84.6)	(10.0)	387.1
Other information						
Depreciation and amortisation	210.7	–	–	0.4	(7.8)	203.3
EBITDA	848.4	(0.4)	–	(31.7)	(7.1)	809.2
Capital additions:						
Property, plant and equipment	693.4	47.3	–	–	(10.7)	730.0
Intangible assets	23.0	–	–	2.0	–	25.0
Segment assets	4,636.2	76.6	34.9	149.4	(97.9)	4,799.2
Segment liabilities	2,408.8	78.4	–	948.2	(34.4)	3,401.0

[i] Corporate unallocated comprises the corporate Head Office.
[ii] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

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 2011	**UK €m**	**Rest of Europe €m**	**US €m**	**Rest of the World* €m**	**Consolidated €m**
Total external revenue	**34.3**	**554.8**	**471.4**	**241.9**	**1,302.4**
Location of non-current assets					
Property, plant and equipment	**647.7**	**1,676.7**	**1,960.9**	**–**	**4,285.3**
Intangible assets	**15.4**	**36.5**	**43.3**	**–**	**95.2**

* predominantly Asia

Year ended 31 December 2010 (restated[i])	UK €m	Rest of Europe €m	US €m	Rest of the World* €m	Consolidated €m
Total external revenue	14.9	454.8	441.3	348.4	1,259.4
Location of non-current assets					
Property, plant and equipment	624.4	1,434.6	1,496.9	–	3,555.9
Intangible assets	11.6	35.6	27.9	–	75.1

* predominantly Asia

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

5. Income from operating activities

Income from operating activities before tax and net finance costs has been arrived at after charging:

	Year ended 31/12/11 €m	Year ended 31/12/10 (restated[i]) €m
Depreciation of property, plant and equipment (note 12)	**233.4**	200.0
Amortisation of intangible assets (note 13)	**14.7**	3.3
	248.1	203.3
Employee benefits expense (note 6)	**133.8**	129.2
Operating, general and administrative costs	**233.6**	203.0
Minimum lease payments under operating leases recognised in income for the year	**2.7**	3.2
Research and development costs	**7.4**	5.3
Net foreign exchange gains[ii]	**(13.3)**	(28.0)
Other expenses	**230.4**	183.5

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.
[ii] 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:

	Year ended 31/12/11 €m	Year ended 31/12/10 (restated[i],[ii]) €m
Audit of Company	**0.1**	0.5
Audit of subsidiaries	**0.3**	0.2
Total audit fees	**0.4**	0.7
Audit related assurance services	**0.1**	–
Total assurance services	**0.1**	–
Tax compliance service	**–**	0.7
Tax advisory services	**0.3**	0.1
Services related to taxation	**0.3**	0.8
Internal audit services	**–**	0.1
Total other non-audit services	**–**	0.1
Total non-audit services	**0.4**	0.9
Total fees	**0.8**	1.6

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.
[ii] The December 2010 fees paid relate to services provided by Ernst & Young LLP, whereas December 2011 fees are in respect of services provided by Deloitte LLP.

A description of the work of the Audit Committee is set out in the Corporate Governance report on page 35.

6. Employee benefits expense

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

	Year ended 31/12/11 Number	Year ended 31/12/10 (restated[i]) Number
Technical	**1,094**	1,011
Commercial	**41**	40
Administration	**249**	281
	1,384	1,332

Their aggregate remuneration comprised:

	Year ended 31/12/11 €m	Year ended 31/12/10 (restated[i]) €m
Wages and salaries	**109.2**	108.6
Social security costs	**10.8**	10.2
Pension costs	**13.8**	10.4
	133.8	129.2

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Directors' emoluments (see page 37):

	Year ended 31/12/11 €m	Year ended 31/12/10 €m
Emoluments	**1.5**	1.6
Amounts receivable under long-term incentive scheme	**0.4**	0.6
Company contributions paid to a defined benefit pension scheme	**–**	0.2
Members of defined benefit pension schemes	**1**	2
Company contributions paid to a defined contribution pension scheme	**–**	–
Members of defined contribution schemes	**1**	–

In respect of the highest paid Director:

	Year ended 31/12/11 €m	Year ended 31/12/10 €m
Emoluments	**1.1**	1.2
Accrued pension at the end of the year	**0.2**	0.2

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

7. Finance income

	Year ended 31/12/11 €m	Year ended 31/12/10 (restated[i]) €m
Interest on bank and other deposits	**4.9**	1.1
Income from non-designated derivatives	**25.9**	28.1
Interest rate/cross currency interest rate swaps	**35.0**	34.4
Net return on defined benefit pension schemes	**0.4**	–
	66.2	63.6

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

8. Finance costs

	Year ended 31/12/11 €m	Year ended 31/12/10 (restated[i]) €m
Interest on bank borrowings and other loans	**99.0**	100.3
Capitalised interest cost	**(48.3)**	(45.7)
Interest rate/cross currency interest rate swaps	**26.0**	23.3
Unwinding of discount on provisions	**25.4**	19.3
Net return on defined benefit pension schemes	**–**	1.8
Surety bond	**0.7**	–
Charge to the income statement from non-designated derivatives	**28.8**	33.4
	131.6	132.4

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

9. Income tax

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

Consolidated income statement	**Year ended 31/12/11 €m**	Year ended 31/12/10 (restated[i]) €m
Current income tax		
UK corporation tax	**68.7**	69.2
Foreign income tax	**56.2**	78.3
Adjustments in respect of current income tax of prior periods	**6.2**	(1.0)
	131.1	146.5
Deferred income tax (see Deferred income tax analysis below)		
Relating to origination and reversal of temporary differences	**(20.3)**	(11.3)
Adjustments in respect of prior periods	**(9.4)**	0.7
Impact of change in tax rate for deferred tax	**(0.2)**	(1.3)
	(29.9)	(11.9)
Income tax expense reported in the consolidated income statement	**101.2**	134.6

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Income tax related to items charged or credited directly to equity	**Year ended 31/12/11 €m**	Year ended 31/12/10 (restated[i]) €m
Current tax		
Credit on financial instruments reported in equity	**0.2**	2.6
Credit on translation exchange differences	**–**	2.4
Credit on actuarial loss on defined benefit pension schemes	**1.3**	0.7
Total current income tax	**1.5**	5.7
Deferred tax		
Credit on financial instruments reported in equity	**10.0**	14.8
Charge on actuarial loss/(gain) on defined benefit pension schemes	**3.4**	(4.4)
Credit on translation exchange differences	**–**	0.2
Credit relating to payments under the LES partnership agreement	**0.1**	5.6
Total deferred tax	**13.5**	16.2
Income tax credit/(charge) reported in equity	**15.0**	21.9

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

9. Income tax continued

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

	Year ended 31/12/11 €m	**Year ended 31/12/11** %	Year ended 31/12/10 (restated[i]) €m	Year ended 31/12/10 (restated[i]) %
Income before tax	**460.3**		521.7	
Weighted at the UK statutory income tax rate of 26.5% (2010: 28.0%)	**122.0**	**26.5**	146.1	28.0
Adjustments in respect of income tax of previous years	**(3.2)**	**(0.7)**	(0.3)	–
Tax effect of non-deductible expenses	**(12.8)**	**(2.7)**	4.7	0.9
Effect of different foreign tax rates	**(4.6)**	**(1.0)**	(14.6)	(2.8)
Effect of rates changes on deferred tax	**(0.2)**	**(0.1)**	(1.3)	(0.3)
Income tax expense reported in consolidated income statement	**101.2**	**22.0**	134.6	25.8

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

It has been announced that the UK rate of corporation tax will reduce from 28% to 23% over a period of four years by April 2014. The first reduction from 28% to 26% was substantively enacted on 29 March 2011 and was effective from 1 April 2011. The reduction in the rate of UK corporation tax from 26% to 25% was substantively enacted on 5 July 2011 and will be effective from 1 April 2012. It is anticipated that all timing differences will reverse at this rate. The effect of this rate change has been recognised in the deferred tax charge and deferred tax liability at the year end. The impact of a future reduction from 25% to 23% would further reduce the deferred tax liabilities by approximately €0.9 million.

9. Income tax continued

Deferred income tax

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	31/12/11 €m	31/12/10 (restated[i]) €m	**Year ended 31/12/11 €m**	Year ended 31/12/10 (restated[i]) €m
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**(132.1)**	(103.3)	**(33.7)**	(20.6)
Relating to provisions	**31.3**	28.9	**3.6**	2.9
Relating to fair value movements on financial instruments	**(2.9)**	27.1	**(2.9)**	5.6
Other temporary differences	**34.9**	0.2	**(2.1)**	–
Relating to the prior year	**–**	–	**(4.6)**	(1.1)
Retirement benefit obligations	**10.3**	7.4	**(0.3)**	(0.7)
Effect of rate changes on deferred tax	**–**	–	**1.7**	1.7
Total deferred tax liabilities	**(58.5)**	(39.7)		
Deferred tax assets				
Retirement benefit obligations	**1.2**	1.2	**(0.1)**	–
Other temporary differences	**(2.3)**	–	**13.9**	4.0
Start up costs deferred for tax purposes	**101.5**	95.8	**(5.4)**	–
Tax losses carried forward	**165.9**	30.0	**92.8**	24.9
Relating to prior year	**–**	–	**14.0**	0.4
Relating to fair value movements on financial instruments	**(20.2)**	(13.7)	**(6.5)**	(13.1)
Relating to provisions	**10.3**	9.3	**4.9**	2.4
Accelerated depreciation for tax purposes	**(66.8)**	(0.2)	**(44.0)**	6.0
Effect of rate changes on deferred tax	**–**	–	**(1.4)**	(0.5)
Total deferred tax assets	**189.6**	122.4		
Deferred tax credit			**29.9**	11.9

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

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 €172.0 million (2010: €123.0 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 2012 to 2021.

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

10. Dividends paid and proposed

	Year ended 31/12/11 €m	Year ended 31/12/10 €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 2010 of 53.57 cents per share (2009: 44.64 cents per share)	**90.0**	75.0
	90.0	75.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2011 of 53.57 cents per share (2010: 53.57 cents per share)	**90.0**	90.0

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 31/12/11	Year ended 31/12/10
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the parent	**359.1**	387.1
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	**2.1**	2.3

There has been no movement in the number of issued ordinary shares during the year (see note 20).

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

2011	Freehold land & buildings €m	Plant & machinery €m	Fixtures & fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2011	**757.7**	**3,593.6**	**56.1**	**8.3**	**1,113.5**	**5,529.2**
Exchange adjustments	**20.6**	**54.4**	**2.1**	**–**	**51.9**	**129.0**
Additions	**81.4**	**467.7**	**26.9**	**0.3**	**291.9**	**868.2**
Transfers (see note 13)	**25.8**	**92.1**	**(5.5)**	**0.1**	**(120.6)**	**(8.1)**
Written off	**(0.7)**	**–**	**–**	**–**	**–**	**(0.7)**
Cost as at 31 December 2011	**884.8**	**4,207.8**	**79.6**	**8.7**	**1,336.7**	**6,517.6**
Depreciation as at 1 January 2011	**163.2**	**1,774.9**	**30.0**	**5.2**	**–**	**1,973.3**
Exchange adjustments	**2.5**	**25.2**	**0.5**	**–**	**–**	**28.2**
Charge for the year	**30.8**	**193.1**	**8.3**	**1.2**	**–**	**233.4**
Transfers (see note 13)	**–**	**–**	**(2.4)**	**–**	**–**	**(2.4)**
Written off	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**
Depreciation as at 31 December 2011	**196.3**	**1,993.2**	**36.4**	**6.4**	**–**	**2,232.3**
Carrying amount as at 1 January 2011	**594.5**	**1,818.7**	**26.1**	**3.1**	**1,113.5**	**3,555.9**
Carrying amount as at 31 December 2011	**688.5**	**2,214.6**	**43.2**	**2.3**	**1,336.7**	**4,285.3**

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 and fittings held under finance leases had a net book value at 31 December 2011 of €0.4 million (2010: €0.4 million).

At 31 December 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €635.7 million (2010: €510.7 million) principally in relation to cascades and related enrichment equipment and buildings.

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

	2011 €m	2010 €m
Cost at 31 December	**190.3**	178.4
Depreciation at 31 December	**(100.7)**	(95.3)
Carrying amount at 31 December	**89.6**	83.1

Included in property, plant and equiment are the following amounts relating to capitalised interest costs:

	2011 €m	2010 €m
Cost at 31 December	**198.5**	143.8
Depreciation at 31 December	**(16.0)**	(8.7)
Carrying amount at 31 December	**182.5**	135.1

Notes to the Consolidated Financial Statements continued

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12. Property, plant and equipment continued

2010 (restated[i])	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
Prior year adjustment	(40.7)	(118.8)	(33.6)	(7.8)	(27.5)	(228.4)
Cost as at 1 January 2010 – restated	632.4	3,129.9	76.4	6.3	878.1	4,723.1
Exchange adjustments	19.2	35.8	0.9	0.1	50.1	106.1
Additions	18.5	122.8	4.0	0.1	584.6	730.0
Transfers (see note 13)	87.7	305.8	(24.6)	1.9	(399.3)	(28.5)
Written off	(0.1)	(0.7)	(0.6)	0.0	–	(1.4)
Disposals	–	–	–	(0.1)	–	(0.1)
Cost as at 31 December 2010	757.7	3,593.6	56.1	8.3	1,113.5	5,529.2
Depreciation as at 1 January 2010	158.0	1,639.4	48.5	7.2	–	1,853.1
Prior year adjustment	(20.9)	(47.3)	(22.1)	(3.1)		(93.4)
Depreciation as at 1 January 2010 – restated	137.1	1,592.1	26.4	4.1	–	1,759.7
Exchange adjustments	(2.3)	22.4	0.4	–	–	20.5
Charge for the year	28.4	163.8	6.7	1.1	–	200.0
Transfers (see note 13)	–	(0.5)	(2.9)	–	–	(3.4)
Written off	–	(2.9)	(0.6)	–	–	(3.5)
Disposals	–	–	–	–	–	–
Depreciation as at 31 December 2010	163.2	1,774.9	30.0	5.2	–	1,973.3
Carrying amount as at 1 January 2010	495.3	1,537.8	50.0	2.2	878.1	2,963.4
Carrying amount as at 31 December 2010	594.5	1,818.7	26.1	3.1	1,113.5	3,555.9

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures,* refer to note 2.

13. Intangible assets

2011	Development costs €m	Licence costs €m	Other software assets €m	Total €m
Cost as at 1 January 2011	–	**55.3**	**26.5**	**81.8**
Exchange adjustments	–	**(2.2)**	**5.6**	**3.4**
Additions	–	–	**26.6**	**26.6**
Transfers (see note 12)	–	–	**8.1**	**8.1**
Cost as at 31 December 2011	–	**53.1**	**66.8**	**119.9**
Amortisation as at 1 January 2011	–	**5.0**	**1.7**	**6.7**
Exchange adjustments	–	**0.1**	**0.8**	**0.9**
Charge for the year	–	**2.8**	**11.9**	**14.7**
Transfers (see note 12)	–	–	**2.4**	**2.4**
Amortisation as at 31 December 2011	–	**7.9**	**16.8**	**24.7**
Carrying amount as at 1 January 2011	–	**50.3**	**24.8**	**75.1**
Carrying amount as at 31 December 2011	–	**45.2**	**50.0**	**95.2**

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.

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 five years, with no residual value.

2010 (restated[i])	Development costs €m	Licence costs €m	Other software assets €m	Total €m
Cost as at 1 January 2010	5.5	26.5	–	32.0
Prior year adjustment	(5.5)	–	–	(5.5)
Cost as at 1 January 2010 – restated	–	26.5	–	26.5
Exchange adjustments	–	1.9	(0.1)	1.8
Additions	–	–	25.0	25.0
Transfers (see note 12)	–	26.9	1.6	28.5
Cost as at 31 December 2010	–	55.3	26.5	81.8
Amortisation as at 1 January 2010	1.3	–	–	1.3
Prior year adjustment	(1.3)	–	–	(1.3)
Depreciation as at 1 January 2010 – restated	–	–	–	–
Charge for the year	–	2.3	1.0	3.3
Transfers (see note 12)	–	2.7	0.7	3.4
Amortisation as at 31 December 2010	–	5.0	1.7	6.7
Carrying amount as at 1 January 2010	–	26.5	-	26.5
Carrying amount as at 31 December 2010	–	50.3	24.8	75.1

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

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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, manufacture and installation 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 was contributed to URENCO, as additional paid in capital, bringing URENCO's holding to 50%. The Group accounts for its interest in ETC using the equity accounting method (see note 2).

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

	2011 €m	2011 €m
Share of the joint venture balance sheet		
Non-current assets	**116.9**	202.8
Current assets	**363.1**	332.2
Share of gross assets	**480.0**	535.0
Non-current liabilities	**(43.7)**	(81.0)
Current liabilities	**(390.6)**	(419.1)
Share of gross liabilities	**(434.3)**	(500.1)
Group's share of net assets	**45.7**	34.9

	For the year to 31/12/11 €m	For the year to 31/12/10 €m
Share of joint venture results		
Total revenue	**369.9**	118.8
Group's share of profit/(loss) for the year	**4.7**	(4.7)
Consolidation adjustments	**(15.5)**	(10.7)
Share of results of joint venture	**(10.8)**	(15.4)

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.

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. Financial assets

	31/12/11 €m	31/12/10 (restated(i)) €m
Restricted cash	**4.2**	3.1

(i) The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Restricted cash primarily represents two items:

- An amount which is held in an Escrow account for an agreement for relocation of a pipeline dated August 2006. The Escrow agreement terminates on the earlier of the 50th anniversary of or receipt by the Escrow Agent of written notice of termination executed by Trinity Pipeline, L.P. and LES.
- A money market account. The money market account is an account for the purpose of an employee contractual commitment.

17. Inventories

	31/12/11 €m	31/12/10 (restated[(i)]) €m
Raw materials	**12.9**	6.0
Work-in-progress	**159.4**	131.2
Finished goods	**2.2**	2.1
	174.5	139.3

[(i)] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Work-in-progress comprises SWU inventory which has been re-categorised from finished goods to work-in-progress in the current and prior year, consistent with the revenue recognition accounting policy which is based upon a service based sales model.

18. Trade and other receivables (current)

	31/12/11 €m	31/12/10 (restated[(i)]) €m
Trade receivables	**201.4**	208.8
Trade receivables due from related parties (see note 31)	**6.1**	72.1
Other receivables	**15.0**	33.3
Prepayments and accrued income	**373.5**	423.7
	596.0	737.9

[(i)] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

The average contractual credit period taken on sales of goods and services is 30 days (2010: 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. The average age of these trade receivables is 18 days (2010: 25 days).

For terms and conditions relating to related party receivables, refer to note 31 on page 93.

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, 42% was against three customers with an external credit rating of A+ (S&P), 10% against a customer with an external credit rating of A (S&P), 17% against three customers with internal credit ratings of BBB-, 13% against a customer with an internal credit rating of AA- and 10% against a customer with an internal credit rating of BBB. All amounts due at 31 December 2011 were collected by 31 January 2012.

Prepayments and accrued income contains prepayments relating to payments to ETC in advance of contracted cascade deliveries, which will be supplied in future periods. This amounts to €271.8 million (2010: €351.4 million).

19. Cash and cash equivalents

	31/12/11 €m	31/12/10 (restated[(i)]) €m
Cash at bank and in hand	**80.2**	34.8
Short-term deposits	**–**	0.3
	80.2	35.1

[(i)] The December 2010 results have been restated for a change in accounting policy under IAS 31 Interests in Joint Ventures, refer to note 2.

Cash at bank earns interest at floating rates based on money market deposits at call or within three months

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

20. Share capital and reserves

	31/12/11 €m	31/12/10 €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% in 2006.

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 instruments 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 certain foreign subsidiaries and the parent entity.

21. Deferred income

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

	2011 €m	2010 €m
As at 1 January	**14.5**	9.4
Movement during the year	**(4.7)**	5.0
Exchange difference	**(0.2)**	0.1
As at 31 December	**9.6**	14.5
Included in current liabilities	**–**	5.0
Included in non-current liabilities	**9.6**	9.5
	9.6	14.5

22. 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 €374.0 million (2010: €444.8 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 2011, after taking into account the effect of interest rate swaps, 60% of the Group's borrowings are at a fixed rate of interest (2010: 66%).

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 a matching effect on the Group's equity.

If market interest rates had been 100 basis points higher/(lower) at 31 December 2011, income would have been €10.8 million higher/(lower) (31 December 2010: €7.9 million higher/(lower)).

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For the year ended 31 December 2011

22. Financial risk management objectives and policies continued

Foreign currency risk

Currency risk as defined by IFRS 7 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures as a result of approximately 46% (2010: 56%) of its revenues being denominated in US dollars, whilst currently only approximately 19% (2010: 14%) of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 25% (2010: 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, the majority of which are against the dollar. 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
2011	**+10%**	**1.2**	**57.4**	**+10%**	**13.5**	**99.4**
	-10%	**(1.5)**	**(70.1)**	**-10%**	**(16.5)**	**(121.5)**
2010	+10%	(9.1)	38.6	+10%	16.2	107.2
	-10%	5.2	(41.1)	-10%	(30.6)	(126.6)

22. 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 2011, 19% of the Group's interest bearing loans and borrowings will mature in less than one year (2010: 10%). The Group has committed undrawn facilities of €572 million.

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

2011	**Less than 3 months €m**	**3 – 12 months €m**	**1 – 5 years €m**	**> 5 years €m**	**Total €m**
Interest bearing loans and borrowings	**365.2**	**184.6**	**1,170.0**	**1,304.8**	**3,024.6**
Trade and other payables	**218.2**	**–**	**–**	**–**	**218.2**
Interest rate/cross currency swaps – net payment/(receipt)	**1.4**	**(7.3)**	**29.5**	**202.8**	**226.4**
Foreign exchange contracts	**4.1**	**26.0**	**51.3**	**–**	**81.4**
Other financial liabilities	**–**	**2.8**	**5.7**	**13.2**	**21.7**
	588.9	**206.1**	**1,256.5**	**1,520.8**	**3,572.3**

2010 (restated[(i)])	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	187.3	–	–	–	187.3
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)
Other financial liabilities	–	2.9	9.8	9.6	22.3
	221.7	291.3	1,396.7	1,272.7	3,182.4

(i) The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

22. 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 2011 is 25%.

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 2011 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.

	2011 €m	2010 (restated[i]) €m
Net debt	**2,604.1**	2,370.8
Total assets	**5,542.0**	4,799.2
Net debt to Total assets	**47.0%**	49.4%

	2011 €m	2010 (restated[i]) €m
Operating cash flows before movements in working capital	**850.2**	900.0
Less:		
Tax paid	**(117.0)**	(142.2)
Interest paid (net)	**(89.3)**	(84.9)
Plus:		
Operating lease depreciation	**2.7**	3.2
Provisions adjustment less deferred tax	**(91.7)**	(108.1)
Pension normalisation	**4.0**	3.0
Funds from Operations (FFO)	**558.9**	571.0
Interest bearing loans and borrowings – current	**520.0**	250.8
Interest bearing loans and borrowings – non-current	**2,164.0**	2,157.8
Total debt	**2,684.0**	2,408.6
Operating lease adjustment	**4.8**	6.4
Tails and decommissioning provisions	**618.6**	512.3
Deferred tax asset on provisions	**(41.6)**	(38.2)
Pensions deficit net of deferred tax	**46.4**	30.0
	3,312.2	2,919.1
Cash	**(80.2)**	(35.1)
Swaps	**(27.8)**	(56.4)
Total Adjusted Debt (TAD)	**3,204.2**	2,827.6
Ratio of FFO/TAD	**17.4%**	20.2%

(i) The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

23. Other financial assets and financial liabilities

Interest bearing loans and borrowings

At 31 December	Effective interest rate %	Maturity	2011 €m	2010 €m
Current				
Bank overdrafts:			**–**	–
Other loans:				
€650 million multicurrency revolving facility	Floating	28 Jan 12	**177.8**	38.7
$500 million Commercial Paper Programme			**242.3**	–
$120 million Term Loan Agreement	Floating	7 Dec 12	**92.8**	–
€100 million European Investment Bank financing facility	4.772%	17 Oct 24	**7.1**	–
€100 million Eurobond	Floating	9 Jun 11	**–**	100.0
$150 million Term Loan Agreement	Floating	26 Aug 11	**–**	112.1
			520.0	250.8
Non-current				
Other loans:				
$50 million series A Senior notes	5.82%	30 Jun 14	**38.7**	37.3
€500 million Eurobond (part)	2.68%	22 May 15	**115.1**	119.1
€500 million Eurobond (part)	Floating	22 May 15	**115.5**	114.4
€500 million Eurobond (part)	3.15%	22 May 15	**107.9**	110.3
€500 million Eurobond (part)	Floating	22 May 15	**222.4**	223.6
$50 million series A Senior notes	5.51%	12 Dec 15	**38.7**	37.4
$100 million series B Senior notes	6.47%	30 Jun 16	**77.3**	74.7
$100 million series B Senior notes	5.56%	12 Dec 16	**77.3**	74.7
$50 million series C Senior notes	5.66%	12 Dec 18	**38.7**	37.4
$100 million Senior notes	5.50%	11 May 17	**77.3**	74.7
€100 million Term facility agreement (inflation linked)	2.88% + inflation	7 Dec 17	**108.1**	104.9
€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	**85.7**	100.0
Yen 20 billion Loan Agreement	6.24%	28 Apr 38	**201.1**	184.2
€100 million European Investment Bank financing facility	3.34%	28 Oct 27	**100.0**	100.0
$120 million Term Loan Agreement	Floating	07 Dec 12	**–**	89.7
€25 million Eurobond	Floating	17 Dec 15	**26.2**	25.4
€50 million Eurobond	3.20%	17 Dec 15	**50.0**	50.0
€500 million Eurobond	4.00%	05 May 17	**500.0**	500.0
€500 million Eurobond	Floating	29 Jun 28	**84.0**	–
			2,164.0	2,157.8
			2,684.0	2,408.6

As at 31 December 2011, after taking into account the effect of interest rate swaps, 60% of the Group's borrowings are at a fixed rate of interest (2010: 66%).

Amounts recognised in the income statement due to effective interest rate calculations are interest expense of €99.0 million (2010: €100.3 million) and interest income of €4.9 million (2010: €1.1 million).

Notes to the Consolidated Financial Statements continued

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23. Other financial assets and financial liabilities continued

Hedging activities and derivatives

Cash flow hedges

Foreign currency risk

The Group has transactional currency exposures, arising mainly from sales denominated in US dollars. 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.

At 31 December 2011, the total notional amounts of outstanding US dollar forward exchange contracts, into euros and sterling, are US $2,487.7 million (2010: US $2,140.3 million). The total notional amounts of outstanding forward euro foreign exchange contracts into sterling are €336.0 million (2010: €260.4 million).

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

	2011		2010	
	USD $m	**EUR €m**	USD $m	EUR €m
2011	**–**	**–**	540.3	115.7
2012	**862.3**	**52.1**	651.0	37.5
2013	**556.6**	**123.7**	460.0	53.0
2014	**517.2**	**93.1**	319.0	26.4
2015	**390.7**	**39.4**	170.0	27.8
2016	**160.9**	**27.7**	–	–
	2,487.7	**336.0**	2,140.3	260.4

The Group held 149 forward exchange contracts designated as hedges of expected US dollar sales and 32 of expected euro sales to customers throughout the world. The total contract value of US dollars sold for sterling is US $850.1 million with an average rate of US $1.6072 per £1 and the total contract value of US dollars sold for euros is US $1,637.6 million with an average rate of US $1.3780 per €1. The total contract value of euros sold for sterling is €336.0 million with an average rate of €0.87069 per £1.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to €(68.9) million (2010: €(55.4) million) has been deferred in equity. This movement of €(13.5) million is due to exchange differences on the opening balance of €(1.5) million, mark to market movements of €(28.4) million and €16.4 million recycled from equity and transferred to revenue from sales of goods and services.

There was a net loss in respect of currency derivative contracts in effective hedging relationships maturing during 2011 of €(16.4) million (2010: loss of €(29.8) million). This net loss is comprised of a loss of €(16.4) million (2010: loss of €(35.5) million) which was transferred to the consolidated income statement and included under sales of goods and services, €nil million (2010: gain of €0.7 million) included within finance income, and €nil million (2010: a gain of €5.0 million) capitalised within fixed assets.

Net changes in the fair value of ineffective non-designated derivatives recognised in the income statement was a loss of €(2.9) million (2010: loss of €(5.3) million), and included in finance income/expenses.

At 31 December 2011, the Group held currency swaps designated as cash flow hedges against foreign currency borrowings entered into in 2008 and 2010. 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.

23. 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 €931.1 million at 31 December 2011 (2010: €721.1 million) have fixed interest receipts at a current average rate of 5.24% (2010: 4.89%) for periods up until 2038 (2010: to 2038) and fixed interest payments at 4.26% (2010: 5.82%); floating interest payments at an average margin of 0.71% (2010: 0.71%) plus LIBOR or EURIBOR. Contracts with a nominal value of €205 million at 31 December 2011 (2010: €205 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 2011 is estimated at €27.8 million asset (combined currency and interest rate swaps) (2010: €56.4 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 €8.0 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 of €19.8 million were de-designated throughout the year.

Hedge of net investments in foreign operations

Included in loans at 31 December 2011 were (swapped) borrowings of US $1,275.8 million (2010: US $1,317.2 million) which have been designated as hedges of the net investment in the US subsidiary, URENCO Investments Inc. In addition, borrowings of €279.7 million (2010: €294.0 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 2011 €m	**Fair value 2011 €m**	Book value 2010 (restated[i]) €m	Fair value 2010 (restated[i]) €m
Financial assets				
Trade and other receivables	**596.0**	**596.0**	737.9	737.9
Other financial assets				
Forward foreign exchange contracts – hedged	**20.3**	**20.3**	29.0	29.0
Forward foreign exchange contracts – non-hedged	**–**	**–**	3.5	3.5
Interest rate/cross currency swaps	**50.3**	**50.3**	63.0	63.0
Cash and short-term deposits	**80.2**	**80.2**	35.1	35.1
Total	**746.8**	**746.8**	**868.5**	**868.5**
Financial liabilities				
Interest bearing loans and borrowings				
Floating rate borrowings	**704.9**	**720.9**	808.7	811.7
Fixed rate borrowings	**1,916.8**	**2,015.7**	1,599.9	1,575.1
Obligations under finance leases	**0.3**	**0.3**	0.4	0.4
Trade and other payables	**218.2**	**218.2**	187.3	187.3
Derivative financial liabilities at fair value through profit or loss				
Derivatives in designated hedges	**94.4**	**94.4**	85.7	85.7
Forward foreign exchange contracts	**1.9**	**1.9**	6.1	6.1
Interest rate/cross currency swaps	**22.5**	**22.5**	6.6	6.6
Total	**2,959.0**	**3,073.9**	**2,694.7**	**2,672.9**

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

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23. 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 2011, 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 and liabilities measured at fair value

	2011 €m	2011 Level 1 €m	2011 Level 2 €m	2011 Level 3 €m	2010 €m	2010 Level 1 €m	2010 Level 2 €m	2010 Level 3 €m
Financial assets at fair value through profit or loss								
Forward foreign exchange contracts – hedged	**20.3**	**–**	**20.3**	**–**	29.0	–	29.0	–
Forward foreign exchange contracts – non-hedged	**–**	**–**	**–**	**–**	3.5	–	3.5	–
Interest rate/cross currency swaps	**50.3**	**–**	**50.3**	**–**	63.0	–	63.0	–
Total assets measured at fair value	**70.6**	**–**	**70.6**	**–**	95.5	–	95.5	–
Liabilities measured at fair values								
Forward foreign exchange contracts – hedged	**94.4**	**–**	**94.4**	**–**	85.7	–	85.7	–
Forward foreign exchange contracts – non-hedged	**1.9**	**–**	**1.9**	**–**	6.1	–	6.1	–
Interest rate/cross currency swaps	**22.5**	**–**	**22.5**	**–**	6.6	–	6.6	–
Total liabilities measure at fair value	**118.8**	**–**	**118.8**	**–**	98.4	–	98.4	–

23. Other financial assets and financial liabilities continued

Classification of financial instruments

2011	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	–	–	4,285.3	4,285.3
Intangible assets	–	–	95.2	95.2
Investments	–	–	45.7	45.7
Financial assets	–	–	4.2	4.2
Derivative financial instruments	–	70.6	–	70.6
Deferred tax assets	–	–	189.6	189.6
Trade and other receivables	222.5	–	373.5	596.0
Inventories	–	–	174.5	174.5
Cash	80.2	–	–	80.2
Total	302.7	70.6	5,168.0	5,541.3

2011	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	218.2	–	–	–	218.2
Obligations under finance leases	0.3	–	–	–	0.3
Deferred income	–	–	9.6	–	9.6
Interest bearing loans and borrowings	2,684.0	–	–	–	2,684.0
Derivative financial instruments	–	118.8	–	–	118.8
Deferred tax liabilities	–	–	–	58.5	58.5
Provisions	–	–	–	687.6	687.6
Retirement benefit obligations	–	–	–	57.9	57.9
Income tax payable	–	–	–	50.4	50.4
Total	2,902.5	118.8	9.6	854.4	3,885.3

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23. Other financial assets and financial liabilities continued

2010 (restated[i])	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	–	–	3,555.9	3,555.9
Intangible assets	–	–	75.1	75.1
Investments	–	–	34.9	34.9
Financial assets	–	–	3.1	3.1
Derivative financial instruments	–	95.5	–	95.5
Deferred tax assets	–	–	122.4	122.4
Trade and other receivables	314.2	–	423.7	737.9
Inventories	–	–	139.3	139.3
Cash	35.1	–	–	35.1
Total	349.3	95.5	4,354.4	4,799.2

2010 (restated[i])	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	187.3	–	–	–	187.3
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	–	–	–	39.7	39.7
Provisions	–	–	–	570.0	570.0
Retirement benefit obligations	–	–	–	41.5	41.5
Income tax payable	–	–	–	40.6	40.6
Total	2,596.3	98.4	14.5	691.8	3,401.0

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

23. 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 31/12/11 €m	Fair value liability 31/12/11 €m	Fair value asset 31/12/10 €m	Fair value liability 31/12/10 €m
Cash flow hedges				
Within one year	**10.2**	**(38.1)**	13.1	(37.0)
1 to 2 years	**5.9**	**(18.9)**	9.7	(25.1)
2 to 3 years	**2.7**	**(20.7)**	2.9	(11.3)
3 to 4 years	**1.2**	**(11.8)**	1.0	(9.8)
More than 5 years	**0.3**	**(4.9)**	2.3	(2.5)
	20.3	**(94.4)**	29.0	(85.7)
Fair value hedges				
Within one year	**–**	**–**	–	–
1 to 2 years	**–**	**–**	–	–
2 to 3 years	**–**	**–**	–	–
3 to 4 years	**–**	**–**	–	–
More than 5 years	**15.5**	**–**	39.9	–
	15.5	**–**	39.9	–
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	**2.4**	**(0.8)**	–	–
More than 5 years	**–**	**–**	22.5	–
	2.4	**(0.8)**	22.5	–
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	**0.7**	**(9.7)**	–	–
More than 5 years	**–**	**–**	0.6	(6.6)
	0.7	**(9.7)**	0.6	(6.6)
Currency derivatives not designated as cash flow hedges and charged to income				
Within one year	**–**	**(1.2)**	3.3	(5.7)
1 to 2 years	**–**	**(0.7)**	0.0	(0.3)
2 to 3 years	**–**	**–**	0.2	(0.1)
3 to 4 years	**31.7**	**(12.0)**	–	–
	31.7	**(13.9)**	3.5	(6.1)
Total	**70.6**	**(118.8)**	95.5	(98.4)
Of which – non-current	**60.4**	**(79.5)**	79.1	(55.7)
Of which – current	**10.2**	**(39.3)**	16.4	(42.7)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

24. Provisions

	Tails disposal €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2011	**286.4**	**225.9**	**57.7**	**570.0**
Additional provision in the year	**117.2**	**8.3**	**12.3**	**137.8**
Release of provision in year	**–**	**(0.7)**	**(1.3)**	**(2.0)**
Unwinding of discount	**13.6**	**11.8**	**–**	**25.4**
Utilisation of provision	**(53.9)**	**(0.8)**	**(1.9)**	**(56.6)**
Exchange difference	**6.6**	**4.2**	**2.2**	**13.0**
At 31 December 2011	**369.9**	**248.7**	**69.0**	**687.6**
Included in current liabilities				**0.1**
Included in non-current liabilities				**687.5**
				687.6

	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
Prior year adjustment	–	(0.4)	(3.0)	(3.4)
As at 1 January 2010 (restated[i])	197.8	195.0	34.5	427.3
Additional provision in the year	102.3	20.5	27.1	149.9
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)	(0.8)	(4.0)	(33.2)
Exchange difference	4.8	2.1	1.0	7.9
At 31 December 2010	**286.4**	**225.9**	**57.7**	**570.0**
Included in current liabilities				**1.1**
Included in non-current liabilities				**568.9**
				570.0

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

24. Provisions continued

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.

Management has considered the applicable inflation rate of 3% per annum and risk free discount rate of 5% per annum and concluded they are unchanged from those applied in previous periods.

During the year the tails provision increased by €117.2 million due to tails generated in that period and an increase in the applied tails rate (2010: €102.3 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, for which €51.9 million of the tails provision will be used within the next 10 years, it is expected that €87.9 million of the provision will be used within the next 30 years and €230.1 million will be used within the next 30 to 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 €39.4 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €28.8 million.

Provision for decommissioning of plant and machinery

The Directors intend to decommission plant as soon as practicably possible after it is shut down. Enrichment plant will be disassembled, decommissioned and the site returned to "greenfield" or "brownfield" 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.

Management has considered the applicable inflation rate of 3% per annum and risk free discount rate of 5% per annum and concluded they are unchanged from those applied in previous periods.

During the year the decommissioning provision increased by €8.3 million due to the installation of additional plant and machinery (2010: €20.5 million). This addition to the decommissioning provision has been recognised as an equivalent addition to the decommissioning asset in the Balance Sheet.

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 €15.0 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €14.5 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

25. 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 during 2009 and 2010. Actuarial assessments of plan assets and the present value of the defined benefit obligations are due to be carried out in accordance with the regulatory timetable of the relevant country. 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.

	2011 %	2010 %
Key financial assumptions used:		
Discount rate	**4.7-4.8**	4.8-5.4
Expected return on scheme assets	**2.4-7.1**	0.6-10.1
Expected rate of salary increases	**4.0**	4.3-4.5
Future pension increases	**3.0**	3.3-3.5

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 defined benefit schemes (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	
	2011 years	2010 years	**2011 years**	2010 years	**2011 years**	2010 years
Life expectancy at age 60 for a male currently aged 60	**26.4**	26.3	**28.6**	28.4	**23.0**	22.8
Life expectancy at age 60 for a female currently aged 60	**28.8**	28.8	**29.7**	29.6	**27.6**	27.4
Life expectancy at age 60 for a male currently aged 40	**27.8**	27.8	**31.8**	31.6	**25.8**	25.7
Life expectancy at age 60 for a female currently aged 40	**29.5**	29.5	**31.8**	31.7	**30.2**	30.0

Mortality tables:

	Netherlands	UK	Germany
2011	**AG Prognosetafel 2010-2060 with mortality experience correction factors (TW 2010)**	**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**
2011	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

25. Retirement benefit obligations continued

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

	Year ended 31/12/11 €m	Year ended 31/12/10 €m
Current service cost	**(7.3)**	(6.5)
Interest cost on benefit obligations	**(20.2)**	(20.8)
Expected return on scheme assets	**20.7**	19.3
Past service cost	**(1.1)**	(1.4)
	(7.9)	(9.4)

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 €5.4 million (2010: €2.6 million).

The actual return on scheme assets was €31.5 million (2010: €42.5 million).

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

	Year ended 31/12/11 €m	Year ended 31/12/10 €m
Actuarial (losses)/gains	**(13.5)**	11.9
Exchange difference	**0.5**	0.3
	(13.0)	12.2
Surplus on defined benefit pension schemes	**(6.4)**	–
Change in the asset restriction on defined benefit pension schemes	**0.8**	–

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

			2011 €m			2010 (restated[i]) €m
As at 31 December	**Total**	**Funded schemes**	**Unfunded schemes**	Total	Funded schemes	Unfunded schemes
At 1 January	**(396.4)**	**(379.9)**	**(16.5)**	(361.5)	(346.5)	(15.0)
Current service cost	**(7.3)**	**(7.1)**	**(0.2)**	(6.5)	(6.3)	(0.2)
Past service cost	**(1.1)**	**(1.1)**	**–**	(1.4)	(1.4)	–
Interest cost	**(20.2)**	**(19.4)**	**(0.8)**	(20.8)	(20.0)	(0.8)
Actuarial loss	**(24.3)**	**(24.1)**	**(0.2)**	(13.0)	(11.7)	(1.3)
Benefits paid to members	**15.8**	**15.0**	**0.8**	15.4	14.6	0.8
Contributions by members	**(1.3)**	**(1.3)**	**–**	(1.6)	(1.6)	–
Foreign exchange	**(6.8)**	**(6.8)**	**–**	(7.0)	(7.0)	–
At 31 December	**(441.6)**	**(424.7)**	**(16.9)**	(396.4)	(379.9)	(16.5)

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

25. Retirement benefit obligations continued

Movements in the fair value of plan assets

	2011 €m	2010 (restated[i]) €m
At 1 January	**354.9**	308.9
Expected return on plan assets	**20.7**	19.3
Actuarial gains	**10.8**	22.8
Contributions by employer	**11.1**	11.0
Contributions by members	**1.3**	1.6
Benefits paid to members	**(15.0)**	(14.5)
Foreign exchange	**6.3**	5.8
At 31 December	**390.1**	354.9

	2011 €m	2010 (restated[i]) €m
Present value of defined benefit obligation	**(441.6)**	(396.4)
Fair value of plan assets	**390.1**	354.9
Unrecognised surplus	**(6.4)**	–
Recognised (liability) at 31 December	**(57.9)**	(41.5)

The pension fund in the Netherlands has a surplus of €6.4 million (2010: €1.0 million). Based on the requirements under IAS 19, a surplus can only be recorded when the entity has the right to reclaim this surplus and a reasonable assurance exists that the company can successfully reclaim this surplus. As none of the conditions under IAS 19 have been met, the surplus is not recorded.

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	
	2011 %	2010 %	2011 €m	2010 (restated[i]) €m
Equity instruments	**6.5-7.1**	7.5	**166.2**	169.6
Debt instruments	**3.7-5.4**	4.5	**188.1**	150.8
Other assets	**0-1.1**	3.6	**35.8**	34.5
			390.1	354.9

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

25. Retirement benefit obligations continued

The five year history of experience adjustments is as follows:

As at 31 December	**2011** **€m**	2010 (restated[i]) €m	2009 (restated[i]) €m	2008 (restated[i]) €m	2007 (restated[i]) €m
Present value of defined benefit obligations	**(441.6)**	(396.4)	(361.5)	(362.1)	(372.6)
Fair value of scheme assets	**390.1**	354.9	308.9	284.7	332.8
Total surplus	**(6.4)**	–	–	–	–
Net liabilities in the schemes	**(57.9)**	(41.5)	(52.6)	(77.4)	(39.8)
Experience adjustments on scheme liabilities					
Amount (€m)	**(5.9)**	–	(18.5)	(32.1)	(2.1)
Percentage of scheme liabilities (%)	**(1.3)**	–	(5.1)	(8.9)	(0.6)
Experience adjustments on scheme assets					
Amount (€m)	**10.8**	22.8	30.3	(86.7)	0.2
Percentage of scheme assets (%)	**2.8**	6.4	9.8	(30.5)	0.1

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

The estimated amounts of contributions expected to be paid to the schemes during the current financial year (2012) is €5.7 million.

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

26. Trade and other payables

Current	**31/12/11** **€m**	31/12/10 (restated[i]) €m
Trade payables	**56.0**	57.4
Other payables	**24.0**	41.9
Accruals	**89.2**	77.2
Amounts due to joint venture	**–**	0.1
	169.2	176.6

[i] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 31 days (2010: 33 days).

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

Non-current	**31/12/11** **€m**	31/12/10 €m
Other payables	**49.0**	10.7
	49.0	10.7

Other payables comprises SWU and feed borrowed from third parties for the purpose of optimising production flexibility. The SWU and feed is expected to be returned in or by 2016.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2011

27. Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	31/12/11 €m	31/12/10 €m	**31/12/11 €m**	31/12/10 €m
Amounts payable:				
Within one year	**0.2**	0.3	**0.2**	0.3
In two to five years	**0.1**	0.1	**0.1**	0.1
	0.3	0.4	**0.3**	0.4
Less: finance charges allocated to future periods	**–**	–	**–**	–
Present value of lease obligations	**0.3**	0.4	**0.3**	0.4

28. Operating lease arrangements

The Group as lessee

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

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

	31/12/11 €m	31/12/10 (restated[(i)]) €m
Within one year	**2.6**	2.6
In the second to fifth years inclusive	**5.6**	4.7
After five years	**3.6**	0.1
	11.8	7.4

[(i)] The December 2010 results have been restated for a change in accounting policy under IAS 31 *Interests in Joint Ventures*, refer to note 2.

29. Contingent liabilities

There are no contingent liabilities.

30. Events after the balance sheet date

As of 4 April 2012, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2011 financial statements.

31. 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 goods and services		Purchases of assets, goods and services		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/11 €m	Year ended 31/12/10 €m	**Year ended 31/12/11 €m**	Year ended 31/12/10 €m	**31/12/11 €m**	31/12/10 €m	**31/12/11 €m**	31/12/10 €m
DECC	**–**	–	**1.9**	1.3	**–**	–	**–**	–
E.ON	**62.7**	67.7	**13.4**	12.2	**–**	5.9	**–**	–
RWE	**17.2**	15.3	**3.2**	2.8	**–**	–	**0.1**	–
ETC[(i)]	**2.3**	–	**486.6**	222.0	**6.1**	72.1	**–**	–

[(i)] These amounts are 100% of the sales/purchases and 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. 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 assets, goods and services from them were made under the Group's normal trading terms, except for the purchase from ETC of a Centrifuge Assembly Building, which was completed during the year at an arm's length value of €97.6 million.

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 share of results of joint venture and Investments is 50% of the Enrichment Technology Company Limited Income Statement charges and liabilities arising from retirement benefit obligations. Included in the amounts recognised in the share of results of joint venture in respect of the defined benefit schemes is a charge of €3.3 million relating to the Joint Venture (2010: €3.4 million). Included in the share of net assets of the joint venture as a recognised liability is €14.6 million relating to the Joint Venture (2010: €11.8 million).

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 Remuneration report on page 37.

	Year ended 31/12/11 €m	Year ended 31/12/10 €m
Short-term employee benefits	**1.9**	2.2
Post-employment benefits	**0.1**	0.2
	2.0	2.4

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 2011

Registered Number
01022786

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.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board.

Nicholas Bucksey
Company Secretary

4 April 2012

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 2011 which comprise the Company Balance Sheet and the related notes 1 to 15. 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 Statement of Directors' Responsibilities, 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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.

Ross Howard FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

4 April 2012

Company Balance Sheet

For the year ended 31 December 2011

	Notes	2011 €m	2010 €m
Fixed assets			
Tangible assets	4	**9.6**	5.4
Investments in subsidiaries and associates	5	**2,805.6**	1,605.3
		2,815.2	1,610.7
Long-term assets			
Debtors – amounts falling due after more than one year	7	**150.0**	1,044.5
Current assets			
Debtors – amounts falling due within one year	6	**474.8**	217.5
Cash and cash equivalents		**73.7**	16.0
		548.5	233.5
Current liabilities			
Creditors – amounts falling due within one year	8	**1,250.3**	504.9
Net current liabilities		**(701.8)**	(271.4)
Total assets less current liabilities		**2,263.4**	2,383.8
Long-term liabilities			
Creditors – amounts falling due after more than one year	9	**1,413.0**	1,523.2
Net assets before retirement benefit obligations		**850.4**	860.6
Retirement benefit obligations	10	**1.9**	0.1
Net assets		**848.5**	860.5
Capital and reserves			
Share capital	11	**237.3**	237.3
Reserves	12	**611.2**	623.2
		848.5	860.5

Registered Number 01022786

The net income for the financial year of the Parent Company amounts to €126.0 million (2010: €137.0 million).

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2012.

They were signed on its behalf by:

Helmut Engelbrecht
Chief Executive Officer

Notes to the Company Financial Statements

For the year ended 31 December 2011

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. 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.

Going concern

The Directors are satisfied that the Company 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.

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 2011 was £0.8728 to €1 (2010: £0.8589 to €1) and the year end rate was £0.83371 to €1 (2010: £0.85729 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	12 – 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 five 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.

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.

1. Significant accounting policies continued

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. Employee benefits expense

The average monthly number of Company employees (including Executive Directors) was:	**2011 Number**	2010 Number
Technical	**32**	–
Administration	**49**	48
	81	48

Their aggregate remuneration comprised:	**Year ended 31/12/11 €m**	Year ended 31/12/10 €m
Wages and salaries	**13.1**	8.5
Social security costs	**1.3**	0.6
Pension costs	**1.4**	0.6
	15.8	9.7

Directors' emoluments (see page 37):	**Year ended 31/12/11 €m**	Year ended 31/12/10 €m
Emoluments	**1.5**	1.6
Amounts receivable under long-term incentive scheme	**0.3**	0.6
Company contributions paid to a defined benefit pension scheme	**–**	0.2
Members of defined benefit pension schemes	**1**	2
Company contributions paid to a defined contribution pension scheme	**–**	–
Members of defined contribution schemes	**1**	–

In respect of the highest paid Director:	**Year ended 31/12/11 €m**	Year ended 31/12/10 €m
Emoluments	**1.1**	1.2
Accrued pension at the end of the year	**0.2**	0.2

Notes to the Company Financial Statements continued

For the year ended 31 December 2011

3. Taxation
Deferred income tax

Deferred tax balances recognised at 31 December are as follows:

	2011 €m	2010 €m
Deferred tax liability relating to fixed assets	**(0.5)**	(0.1)
Total deferred tax liability	**(0.5)**	(0.1)

In addition to the above balances a further deferred tax asset of €0.7 million (2010: €nil million) has been recognised and netted against the Company's pension liability in accordance with FRS 17 (see note 10).

4. Tangible assets

2011	**Freehold land & buildings €m**	**Plant & machinery €m**	**Fixtures & fittings €m**	**Computer equipment €m**	**Total €m**
Cost as at 1 January 2011	**2.7**	**–**	**4.0**	**2.1**	**8.8**
Exchange adjustments	**0.1**	**–**	**0.2**	**0.1**	**0.4**
Additions	**–**	**–**	**3.8**	**0.5**	**4.3**
Transfers	**–**	**–**	**1.8**	**–**	**1.8**
Cost as at 31 December 2011	**2.8**	**–**	**9.8**	**2.7**	**15.3**
Depreciation as at 1 January 2011	**1.0**	**–**	**2.3**	**0.1**	**3.4**
Exchange adjustments	**(0.1)**	**–**	**0.3**	**–**	**0.2**
Charge for the year	**–**	**–**	**0.7**	**0.7**	**1.4**
Transfers	**–**	**–**	**0.7**	**–**	**0.7**
Depreciation as at 31 December 2011	**0.9**	**–**	**4.0**	**0.8**	**5.7**
Net book value as at 1 January 2011	**1.7**	**–**	**1.7**	**2.0**	**5.4**
Net book value as at 31 December 2011	**1.9**	**–**	**5.8**	**1.9**	**9.6**

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 31 December 2010	1.7	–	1.7	2.0	5.4

5. Investments in subsidiaries and associates

Cost and net book value	Shares in subsidiary and associated undertakings €m
At 1 January 2011	1,605.3
Additions	1,200.3
At 31 December 2011	**2,805.6**

Details of the Company's main subsidiaries and associates at 31 December 2011 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	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)(ii)	50	50

(i) Denotes companies/partnership whose shares are indirectly held by URENCO Limited.
(ii) 21.7% is held directly by URENCO Limited, with the remaining 28.3% held by URENCO Deutschland GmbH.

6. Debtors – amounts falling due within one year

	31/12/11 €m	31/12/10 €m
Amounts due from Group undertakings	**420.0**	151.5
Other debtors	**1.0**	1.8
Income tax receivable	**27.2**	40.4
Prepayments and accrued income	**26.6**	23.8
	474.8	217.5

Notes to the Company Financial Statements continued

For the year ended 31 December 2011

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

	31/12/11 €m	31/12/10 €m
Amounts due from Group undertakings	**150.0**	1,044.5

8. Creditors – amounts falling due within one year

	31/12/11 €m	31/12/10 €m
Short-term bank borrowings	**277.7**	150.8
Trade creditors	**237.8**	0.1
Amounts due to Group undertakings	**703.4**	338.7
Other taxes and social security costs	**0.5**	0.8
Other creditors	**0.1**	–
Accruals	**30.8**	14.5
	1,250.3	504.9

9. Creditors – amounts falling after more than one year

	31/12/11 €m	31/12/10 €m
Bank and other loans repayable:		
Between 2 and 5 years:		
$300m at fixed rates of interest (2010: $50.0m)	**231.9**	37.4
After more than 5 years:		
€292.8m at fixed rates of interest (2010: €300m)	**285.7**	300.0
$345m at fixed rates of interest (2010: $720m)	**317.1**	572.7
$108.6m at floating rates of interest (2010: Nil)	**84.0**	–
Total bank and other loans repayable	**918.7**	910.1
Amounts due to Group undertakings	**490.4**	610.0
Long-term incentive scheme accrual	**3.4**	3.0
Deferred tax	**0.5**	0.1
	1,413.0	1,523.2

10. 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 2011 to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2011. Scheme assets are stated at their market values at the balance sheet dates.

Main assumptions:

	2011	2010
Discount rate	**4.7%**	5.4%
Salary increases	**4.0%**	4.3%
Pension increases	**3.0%**	3.3%
Price inflation	**3.0%**	3.3%

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

	Long-term expected rate of return (pa) 2011 %	**Market value 2011 €m**	Long-term expected rate of return (pa) 2010 %	Market value 2010 €m
Equities	**6.5**	**17.8**	7.5	15.4
Bonds	**3.7**	**13.3**	4.5	8.5
Total market value of scheme assets		**31.1**		23.9
Present value of scheme liabilities				
Funded scheme		**(33.7)**		(24.0)
Pension liability before deferred tax		**(2.6)**		(0.1)
Related deferred tax asset		**0.7**		–
Net pension liability		**(1.9)**		(0.1)

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

	Year ended 31/12/11 €m	Year ended 31/12/10 €m
Current service cost	**(1.0)**	(0.5)
Total operating charge	**(1.0)**	(0.5)
Expected return on pension scheme assets	**1.6**	1.4
Interest on pension scheme liabilities	**(1.5)**	(1.3)
Total other finance income	**0.1**	0.1
Actual return less expected return on scheme assets	**0.2**	0.8
Experience losses on liabilities	**(2.2)**	(0.4)
Actuarial (loss)/gain recognised	**(2.0)**	0.4

Notes to the Company Financial Statements continued

For the year ended 31 December 2011

10. Retirement benefit obligations continued

Analysis of movements in deficit during the year	**2011 €m**	2010 €m
At 1 January	**(0.3)**	(0.9)
Transfer	**(0.4)**	–
Total operating charge	**(1.0)**	(0.5)
Total other finance income	**0.1**	0.1
Actuarial (loss)/gain	**(2.0)**	0.4
Contributions	**1.0**	0.8
Exchange difference	**–**	(0.2)
At 31 December	**(2.6)**	(0.3)

History of experience gains and losses	**2011 €m**	2010 €m	2009 €m	2008 €m	2007 €m
Difference between actual and expected return on assets	**0.2**	0.8	1.4	(2.8)	0.6
% of scheme assets	**0.6%**	3.2%	7.3%	(18.5)%	2.8%
Experience (losses)/gains arising on scheme liabilities	**(2.2)**	(0.4)	(0.7)	0.1	(1.2)
% of scheme liabilities	**(6.5)%**	(1.6)%	(3.4)%	(0.8)%	(5.2)%
Total actuarial (losses)/gains recognised	**(2.0)**	0.4	(0.1)	(0.9)	1.4
% of scheme liabilities	**(5.9)%**	1.6%	0.3%	(5.2)%	6.0%

11. Called up share capital

	31/12/11 €m	31/12/10 €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.

12. Movements on reserves

	Income statement €m
Reserves as at 1 January 2010	582.6
Net income for the year 2010	137.0
Dividends	(75.0)
Actuarial gain 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**
Net income for the year 2011	**126.0**
Dividends	**(90.0)**
Actuarial loss on retirement benefit obligation	**(2.0)**
Deferred tax on actuarial loss	**1.1**
Net exchange effect on defined benefit obligation	**(0.5)**
Exchange effect on net assets	**(46.6)**
At 31 December 2011	**611.2**

13. Obligations under leases

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

	31/12/11 €m	31/12/10 €m
Other operating leases which expire:		
In the second to fifth years inclusive	**0.3**	0.3
In over five years	**0.6**	–
Total	**0.9**	0.3

14. Related party transactions

At the balance sheet date, amounts due from Group undertakings were €570.0 million (2010: €1,196.0 million) comprising current assets of €420.0 million (2010: €151.5 million) and long-term loans of €150.0 million (2010: €1,044.5 million).

At the balance sheet date, amounts due to Group undertakings were €1,193.8 million (2010: €948.7 million).

Intercompany current accounts included in amounts due from and to subsidiary undertakings are subject to interest. The average rate prevailing in the year was 1.366% (2010: 0.758%).

Notes to the Company Financial Statements continued

14. Related party transactions continued

Trading transactions

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

	Sales of goods and services		Purchases of assets, goods and services	
	Year ended 31/12/11 €m	Year ended 31/12/10 €m	**Year ended 31/12/11 €m**	Year ended 31/12/10 €m
ETC[i]	**0.3**	0.7	**0.1**	0.4

[i] These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

	Finance income		Finance expense	
	Year ended 31/12/11 €m	Year ended 31/12/10 €m	**Year ended 31/12/11 €m**	Year ended 31/12/10 €m
ETC[i]	**3.1**	1.7	**–**	–

[i] These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

The financial expense relates to interest payable on the revolving loan due to URENCO.

	Amounts owed by related parties		Amounts owed to related parties	
	31/12/11 €m	31/12/10 €m	**31/12/11 €m**	31/12/10 €m
ETC[i]	**55.7**	129.4	**–**	–

[i] These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company 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 assets, 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.

15. 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 €1,419.9 million (2010: €1,402.7 million). The Directors do not expect any liability to arise under these guarantees.

Glossary of terms

Areva
The French energy Group.

Capital expenditure
Purchases of property, plant and equipment including prepayments relating to payments to ETC in advance of contracted cascade deliveries, which will be supplied in future periods.

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 (U3O8). URENCO has chosen to use U3O8 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.

Enrichment Group
A collective name for URENCO Enrichment Company Ltd and its subsidiaries namely: URENCO UK Ltd; URENCO Nederland B.V. (UNL); URENCO Deutschland GmbH (UD) and URENCO Inc (UI).

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 the gas centrifuge to accelerate molecules so that particles of different masses are physically separated along the radius of a rotating container. This increases 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
The International Atomic Energy Agency is the world's central intergovernmental forum for scientific and technical co-operation in the nuclear field.

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.

Glossary of terms
continued

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, estimated on the basis of "requirements" and "fixed commitment" contracts.

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 (TMF)
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.

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.

Contact listing

Registered office and Group headquarters address:

URENCO Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
Buckinghamshire
SL2 4JS
United Kingdom

General enquiries
Tel: +44 (0) 1753 660 660
Fax: +44 (0) 1753 660 772
E-mail: enquiries@urenco.com
Contact: Jayne Hallett – Head of Group Communications

Investor Relations
Tel: +44 (0) 1753 660 660
Fax: +44 (0) 1753 660 772
E-mail: enquiries@urenco.com
Contact: Sam Waller – Investor Relations

URENCO Enrichment Company Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
Buckinghamshire
SL2 4JS
United Kingdom

Tel: +44 (0) 1753 660 660
Fax: +44 (0) 1753 660 772
E-mail: enquiries@urenco.com
Contact: Jayne Hallett – Head of Group Communications

URENCO UK Limited
Capenhurst
Cheshire
CH1 6ER
United Kingdom

Tel: +44 (0) 151 473 4000
Fax: +44 (0) 151 473 4040
E-mail: enquiries@cap.urenco.co.uk
Contact: Simon Bowen – Managing Director

URENCO Deutschland GmbH
Postfach 19 20
D – 48580 Gronau
Germany

Tel: +49 (0) 2562 711 0
Fax: +49 (0) 2562 711 178
E-mail: info@de.urenco.com
Contact: Joachim Ohnemus – Managing Director

URENCO Nederland BV
Postbus 158
7600 AD Almelo
The Netherlands

Tel: +31 (0) 5 46 54 54 54
Fax: +31 (0) 5 46 81 82 96
E-mail: prnl@urenco.com
Contact: Hubert Rakhorst – Managing Director

Enrichment Technology Company Limited
21 London End
Beaconsfield
Buckinghamshire
HP9 2HN
United Kingdom

Tel: +44 (0) 1494 687200
Fax: +44 (0) 1494 682201
E-mail: info@enritec.com
Contact: Michael Smith – Company Secretary

URENCO, Inc. and URENCO USA, Inc.
1560 Wilson Boulevard, Suite 300
Arlington
Virginia 22209-2463
USA

Tel: +1 (703) 682-5203
Fax: +1 (703) 465 2784
E-mail: inquiries@urencoinc.com
Contact: Kirk Schnoebelen – President and CEO

Louisiana Energy Services, LLC
PO Box 1789
Eunice
New Mexico 88231
USA

Tel: +1 (505) 394 4646
Fax: +1 (505) 394 4545
Email: enquiries@urenco.com
Contact: Gregory O D Smith – President and CEO

www.urenco.com

URENCO Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
Buckinghamshire
SL2 4JS
UK