Analyse, inform and activate

LAKA

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Stichting Laka: Documentatie- en onderzoekscentrum kernenergie

De Laka-bibliotheek

Dit is een pdf van één van de publicaties in de bibliotheek van Stichting Laka, het in Amsterdam gevestigde documentatie- en onderzoekscentrum kernenergie.

Laka heeft een bibliotheek met ongeveer 8000 boeken (waarvan een gedeelte dus ook als pdf), duizenden kranten- en tijdschriften-artikelen, honderden tijdschriftentitels, posters, video's en ander beeldmateriaal. Laka digitaliseert (oude) tijdschriften en boeken uit de internationale antikernenergie-beweging.

De catalogus van de Laka-bibliotheek staat op onze site. De collectie bevat een grote verzameling gedigitaliseerde tijdschriften uit de Nederlandse antikernenergie-beweging en een verzameling video's.

Laka speelt met oa. haar informatie-voorziening een belangrijke rol in de Nederlandse anti-kernenergiebeweging.

The Laka-library

This is a PDF from one of the publications from the library of the Laka Foundation; the Amsterdam-based documentation and research centre on nuclear energy.

The Laka library consists of about 8,000 books (of which a part is available as PDF), thousands of newspaper clippings, hundreds of magazines, posters, video's and other material.
Laka digitizes books and magazines from the international movement against nuclear power.

The catalogue of the Laka-library can be found at our website. The collection also contains a large number of digitized magazines from the Dutch anti-nuclear power movement and a video-section.

Laka plays with, amongst others things, its information services, an important role in the Dutch anti-nuclear movement.

Appreciate our work? Feel free to make a small donation. Thank you.

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enriching the future

Annual report and accounts
2012

urenco

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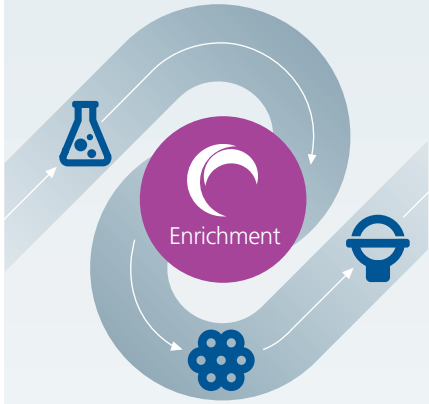

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Continuing to deliver for our customers

Introduction

We play a key part in the nuclear industry by supplying the enrichment services our customers need to generate low carbon nuclear power that is an important part of the world's energy mix.

We operate four uranium enrichment facilities, in the United Kingdom, the Netherlands, Germany and the USA, using world leading centrifuge technology.

Our customers rely on us for a safe, secure supply of enriched uranium. We remain committed to delivering a high quality service – as we have done this year and will in the years to come. By doing this, we will achieve our goal of being the leading supplier of uranium enrichment services and a key contributor to low carbon energy for the world.

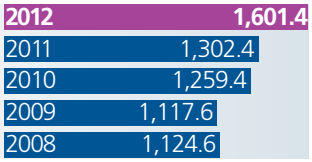
Growing revenues and earnings.

Financial and operational highlights

(€million)

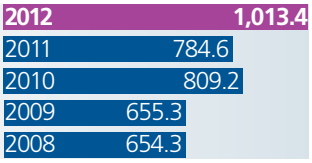
Revenue

€1,601.4m



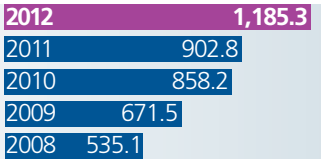
EBITDA

€1,013.4m



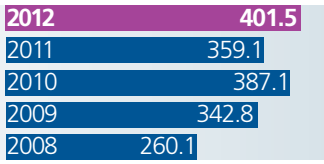
Cash generated from operations

€1,185.3m



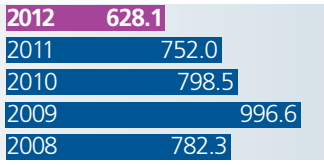
Net income

€401.5m



Capital expenditure

€628.1m



We have increased our global capacity to 16,900 tSW/a at the end of 2012 compared to 14,600 tSW/a at the end of 2011. We are on track to achieve our capacity target of 18,000 tSW/a by 2015.

16,900

Demonstrating our commitment to quality, all our European enrichment facilities currently have certification to IS0 9001 and our US facility is committed to obtaining this by the end of 2014.

ISO 9001

Once again, we met 100% of our customer delivery commitments this year. We achieved record deliveries for the year, resulting in a 23% increase in revenue compared to 2011.

100%

We had two Lost Time Incidents to employees and contractors in 2012, compared to three in 2011.

2

Our order book extends beyond 2025 and reflects our global customer base: 46% USA, 37% Europe, 17% Rest of World.

2025

We have increased our market share from 29% to 31%, underlining our position as a world leader in enrichment services.
(Source: URENCO).

31%

Nuclear power remains key to the world's energy mix. Record deliveries in 2012 reflected our position as a global leader in enrichment services. We remain committed to playing our part in the provision of this essential source of low carbon electricity.

Chairman's statement

John Hood Chairman

Playing our part

Stable, affordable low carbon nuclear power is a fundamental part of the world's energy mix. At URENCO we play a key role in the nuclear industry by providing our customers around the world with the safe uranium enrichment services needed to fuel civil nuclear reactors.

Responding to changing market dynamics

The nuclear industry has continually developed and adapted to its market environment. In line with this approach and our role at the heart of the industry, we have worked closely with our customers – planning, building and responding to meet their changing needs. In the last couple of years, the global market for nuclear energy has seen a number of changes. Some countries have reassessed their position, others including the USA, China and India have determined that nuclear energy should continue to play an integral role in their future energy provision. Still more, such as the United Arab Emirates, are adopting nuclear energy for the first time. We remain responsive to our customers' requirements as we seek to fulfil our mission to be the leading supplier of enrichment services and a key contributor to sustainable energy.

Looking to the years ahead, we are confident that the need and demand for nuclear energy around the world will continue to grow, and we will plan and adapt our business to ensure that we deliver for our customers to the highest standards of safety, security and quality.

Solid foundations

URENCO is built on the solid foundations created by the Treaty of Almelo of 1970, which provided the principles for the effective supervision of URENCO's technology, centrifuge manufacturing and operations with respect to non-proliferation. As the Group has grown, it has extended its international co-operation with treaties to include the USA and France. These treaties provide for the unchanging purpose and nature of the business regardless of any change in ownership. Our customers can be assured that we will continue to focus on delivery, quality and reliability and the highest standards of responsible business in the future.

Investing for the long-term

We continue to invest in the long-term development of our business to ensure we meet our commitment to customers and to build for the future. We want the industry to be sure that tomorrow's reactors will have the reliable, high quality supplies of enriched uranium they require. This lies at the heart of our planned investment programme which we have been following for a number of years. It is a programme that has been characterised by innovation and strategic advances, notably into the USA.

URENCO USA was the first civil nuclear facility in 30 years to receive a licence to construct and operate in the USA and it is the first to use commercial centrifuge technology. This year we have continued to bring additional capacity online in the USA.

The construction of our Tails Management Facility in the UK is another major investment which is also continuing to progress well. This facility is of great strategic importance as it will enable the Group to better control 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.

Looking to the future

We will build on the progress made this year to expand capacity to meet customer demand. We see a future where new markets create new opportunities. One where our focus on continuous improvement helps us maintain our place as the supplier of choice of enrichment services and, above all, a future where we continue to deliver to the highest standards for all of our customers.

The Board

On 5 October 2012, the Board, with regret, accepted Friso van Oranje's resignation from the position of CFO and Director of URENCO. Our thoughts are with his family.

The Board has appointed Marcel Niggebrugge as an Executive Director and CFO. He brings valuable experience to the Board and took up his position on 1 November 2012.

I thank all my Board colleagues for their work during the past year. I would like particularly to thank Bart Le Blanc for his work as Interim CFO.

Our dedicated employees

I would like to thank all our employees for their contributions, individually and collectively, to another year of strong performance. Additional opportunities are bound to arise for our business in the years ahead. I am confident our employees will help us make the most of these opportunities while continuing to ensure we deliver our future requirements to all our customers.

John Hood
Chairman

We are a leading supplier of enriched uranium to the world's nuclear energy industry. Drawing on our unique diverse geographic spread and working to our shared values, we ensure our customers around the world receive the safe, reliable, high quality supplies they need.

What we do and where we fit in the nuclear supply chain

Key statistics

Enrichment facilities
4

Employees
1,600

Customers (around)
50

Customer countries
18

Market share source:URENCO (%)
31

Current production capacity (18,000 by 2015) (tSW/a)
16,900

What we do

We use our world leading centrifuge technology to provide uranium enrichment and associated services to our customers generating nuclear energy.

We are recognised as a leading provider of enrichment services around the world and have a global market share of 31% (source: URENCO).

We have four uranium enrichment facilities. The facilities are located at Gronau in Germany; Almelo in the Netherlands; Capenhurst in the United Kingdom; and Eunice, New Mexico in the USA. Our Head Office is located close to London, United Kingdom. All our enrichment facilities use centrifuge technology, the industry's preferred uranium enrichment technology. Our geographic spread is a distinct advantage, enabling us to provide customers with secure diversity of supply.

We have a strong forward order book which allows us to plan production volumes many years in advance.

Our operations and customers

URENCO operations Customers

1 Mining uranium ore

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

2 Converting uranium ore

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

3 Enriching uranium

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

4 Fabricating fuel

The enriched U235 is transported to fuel fabricators, where it is converted into pellets then loaded into fuel rods.

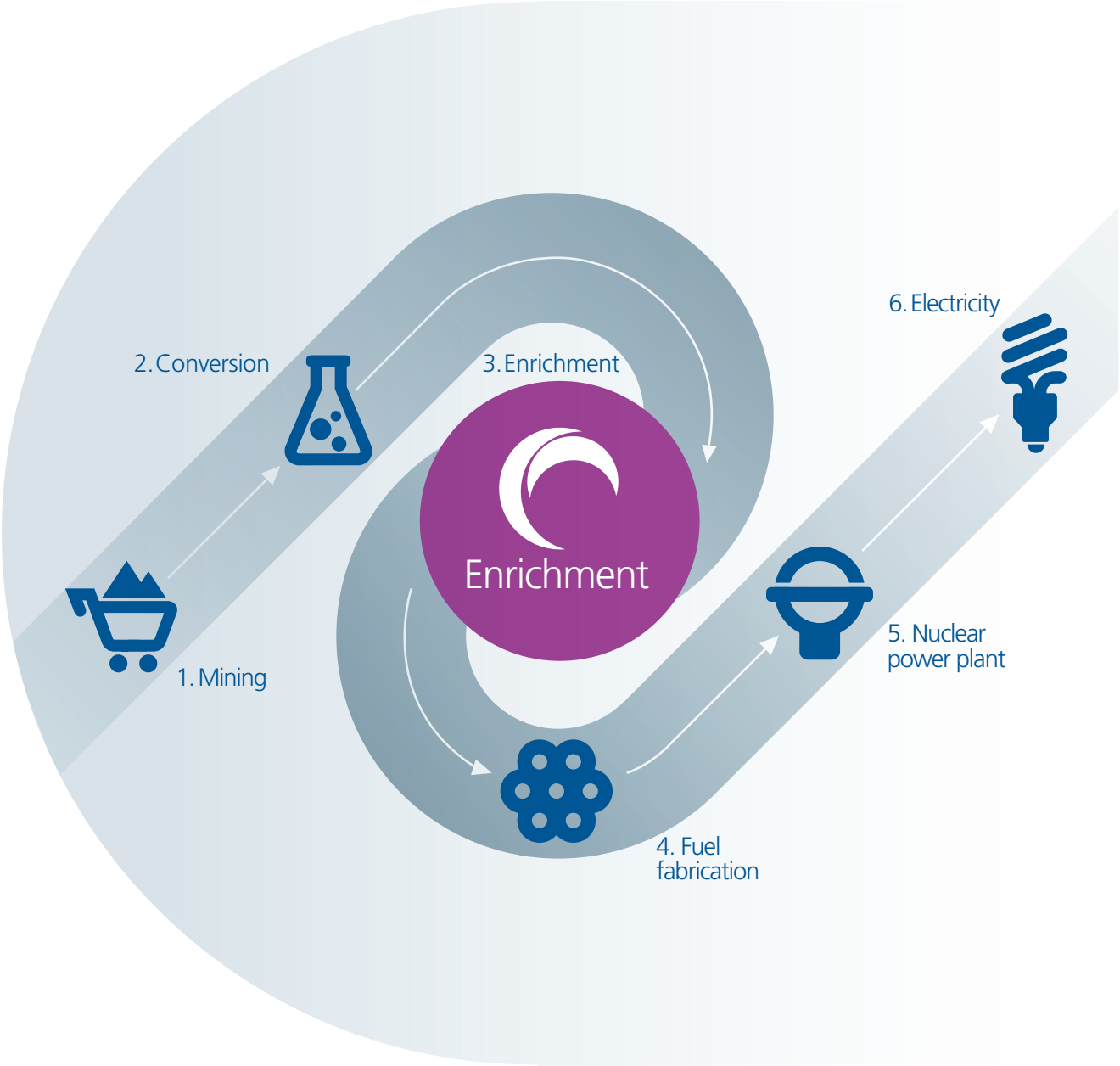
5 Fuelling the nuclear plant

The fuel rods are transported to nuclear power stations, where they power the nuclear reactors.

6 Generating electricity

The nuclear power plants provide a secure source of low carbon energy – generating electricity for homes, schools, hospitals, offices and industries around the world.

Where we fit into the nuclear supply chain

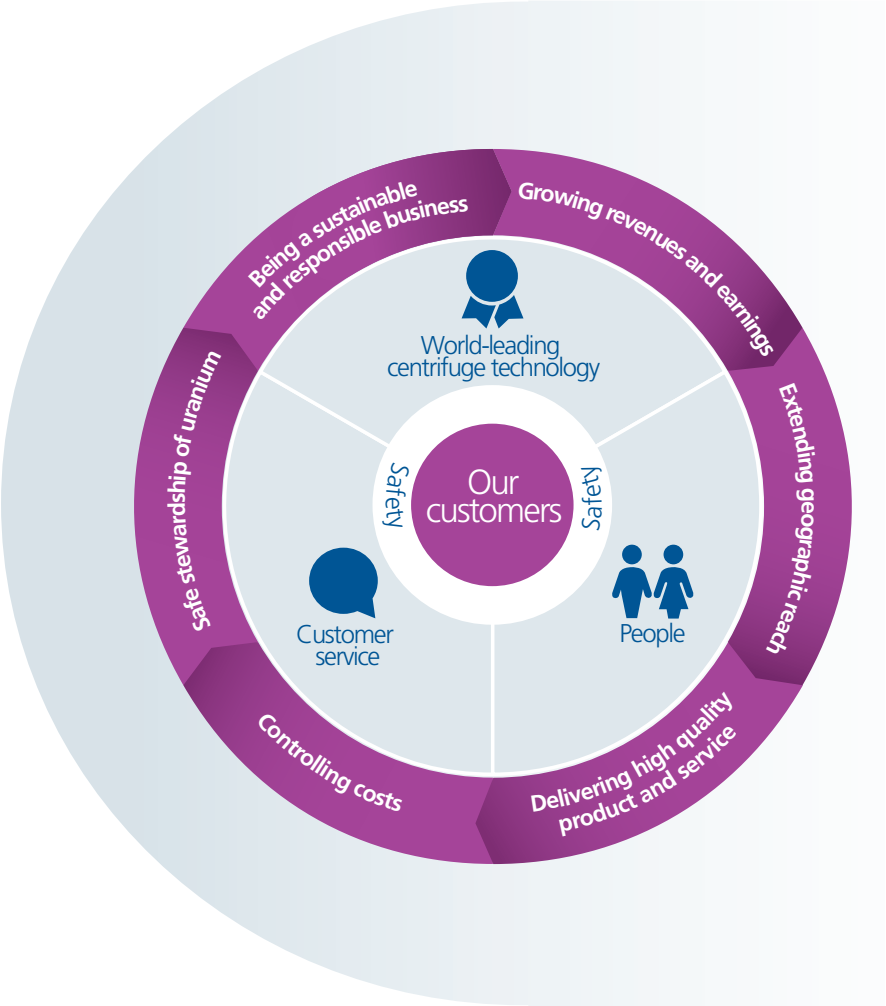


Our business model is designed to enable us to provide our customers with the reliable, flexible, responsive, high quality service that makes us their supplier of choice.

How we do business

Our business model

We put customers at the heart of our business – working closely with them to anticipate, plan and meet changes in demand. We can build capacity well within the time it takes to construct a nuclear reactor and we can adapt our capacity to changing requirements. The priority always is to ensure we deliver for our customers now and in the future.



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.

World leading centrifuge technology

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

People

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

Customer service

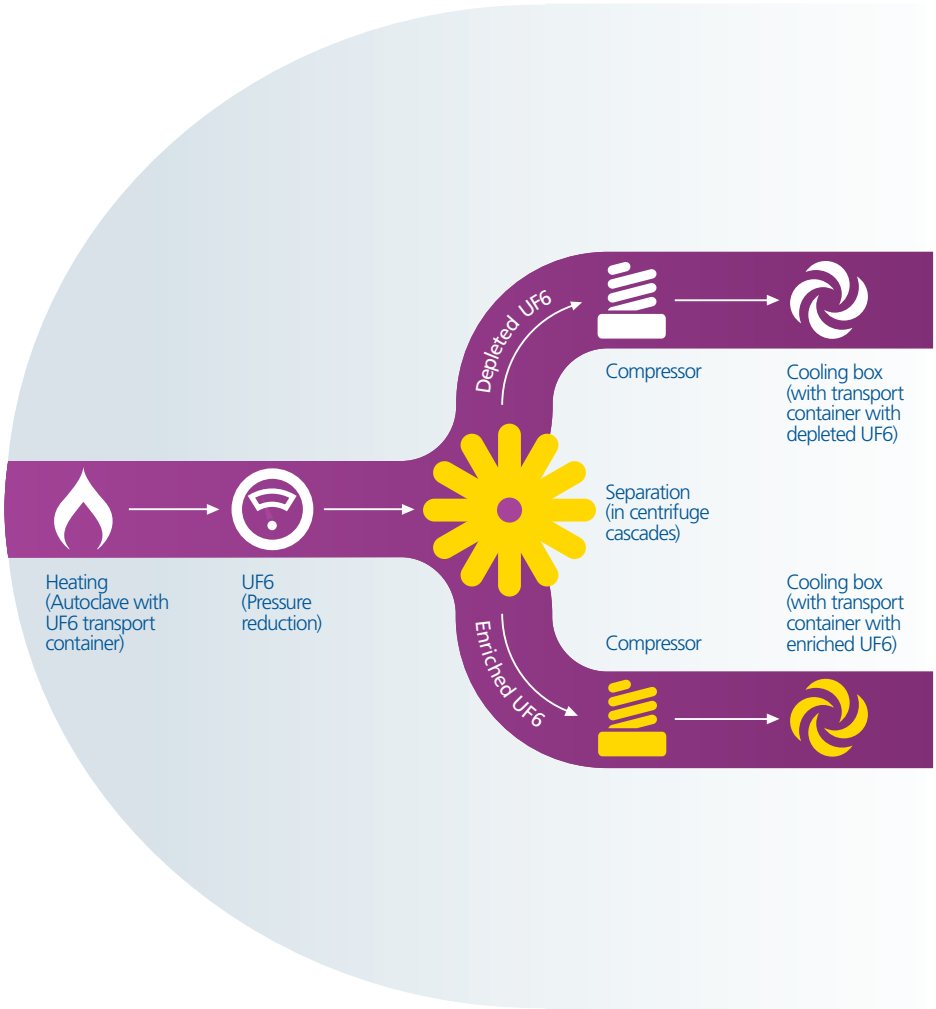
We maintain close relationships with all our customers and consider integrity and 100% delivery against our commitments to be paramount. We have built a reputation for quality and reliability, and continuously strive to improve our processes to maintain this.

Our most recent independent customer survey by Ipsos Mori (2011) confirmed URENCO as the "most favourably regarded" company in the sector, a status we are committed to maintaining.

We ensure we maintain the highest standards of safety throughout our enrichment process.

Our uranium enrichment process

Our process starts with the delivery to our enrichment facilities of uranium hexafluoride (UF6). This is the most suitable form of uranium for enrichment because it is easily turned into a gas when heated.



Heating UF6 to turn it into a gas

UF6 is delivered to our enrichment facilities in internationally recognised and standardised transport containers by approved suppliers.

UF6 is solid at ambient temperature. At our enrichment facility we connect the transport container holding UF6 to the plant feed system. It is then heated in order to vaporise the UF6 and turn it into gas at sub-atmospheric pressure.

Spinning UF6 at high speed to enrich it

The UF6 gas 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. As a result, the UF6 gas closer to the wall is depleted of U235 and the UF6 gas nearer the rotor axis is slightly enriched in U235. We repeat the process over and over again until we achieve the desired levels of U235 enrichment to meet our customers' specifications.

Compressing and cooling the enriched uranium

We feed the enriched uranium (UF6 containing up to 5% of the U235 isotope) from the centrifuge cascades into a compressor and then into a cooling box containing a cylinder. As it cools the UF6 vapour solidifies in cylinders. We homogenise the cylinders and check the enrichment level of a sample before delivery to our customers.

We weigh and analyse all cylinders to comply with the accounting and tracking requirements of the European Atomic Energy Community (Euratom) and the International Atomic Energy Agency (IAEA).

Storing and converting depleted uranium

The UF6 gas closer to the wall in the centrifuge is partially depleted of U235. This by-product is known as tails. We collect and cool tails in a cooling box containing a cylinder, weighing to ensure all material can be accounted for. Tails still contain some of the natural U235 concentration and can potentially be re-enriched.

We store tails at our enrichment facilities in internationally approved cylinders pending further re-enrichment or conversion to a chemically stable form – uranium oxide (U3O8) – for long-term storage.

As well as storing tails at our enrichment facilities, we currently contract third parties to chemically transform depleted UF6 into U3O8. We are constructing our own Tails Management Facility to convert UF6 to U3O8. This is on schedule and due to start operating in 2015. The conversion process creates hydrofluoric acid, a valuable chemical used by industry.

Making sure we consistently deliver for our customers.

Our key strengths

One URENCO dedicated to customers

Our business revolves around applying our world leading enrichment technology, experience and expertise to the evolving long-term needs of our customers. We are a highly specialised global business with an absolute dedication to delivering for our customers. Our Group values of Safety, Integrity, Flexibility, Development and Profitability play a fundamental role in unifying URENCO and enabling us to deliver to the same consistently high standards across the world.

Building on our key strengths

We have been meeting the needs of our customers for more than four decades. Over the years we have built a strong reputation for responsiveness, commitment to quality, continuous improvement, responsible long-term partnerships and taking the lead.

These five key strengths underpin our 100% record of meeting customer commitments to date and our continued determination to maintain this record.

Our key strengths:

1. **Responsiveness**
2. **Commitment to quality**
3. **Continuous improvement**
4. **Responsible long-term partnerships**
5. **Taking the lead**

Many people and businesses around the world rely on nuclear power and our customers rely on us for the uranium enrichment service they need to produce this energy.

1

Responsiveness

We are in a long-term business – one that inevitably changes over time as markets fluctuate and the immediate and future needs of our customers evolve. Our ability to respond flexibly to customer requirements and market dynamics is therefore key. To this end we carry out long-term planning and preparations while making sure we always meet our immediate commitments.

As our customer requirements have changed in recent years, we were able to respond quickly and effectively by producing and supplying natural uranium (feed) as an alternative. This shows our flexibility which is a major factor in enabling us to provide for our customers as their needs change and grow in the future.

2

Commitment to quality

We have a constant focus on delivering to the highest quality. We look at every aspect of quality across our business, from the technology we develop and deploy to the way we consistently meet our customer commitments.

We are leading the way in recycling materials at our enrichment facilities so that as little waste as possible is generated as we implement our programme of decommissioning old plant and installing newer more efficient plant.

3

Continuous improvement

From sharing best practice on safety to finding new ways to minimise environmental impacts through greater energy efficiency – throughout URENCO we are always looking to achieve continuous improvements.

Our Group-wide matrix organisation ensures a Global Process Owner (GPO) for each business unit gathers and aligns best practices across all four sites. The GPOs coordinate best practice for each of their processes – from operations to maintenance.

We are committed to living up to our responsibilities as a global leader in enrichment services by doing the right things in the right way for all our stakeholders.

4

Responsible long-term partnerships

We are committed to living up to our responsibilities as a global leader in enrichment services by doing the right things in the right way for all our stakeholders. To this end, we set high standards across all aspects of our business – from the paramount imperative of safety to the day-to-day details of delivering customer service. Responsible long-term partnerships are fundamental to our business ethos.

We work very closely with our partners to transport materials to and from our enrichment facilities safely, efficiently and in as environmentally friendly a way as possible. By designing lightweight trailers for France for example, our contractors are able to transport two cylinders rather than one – halving the number of journeys and so reducing transport costs, risks and the impact on the environment.

5

Taking the lead

We are proud of our role and reputation as a leader in the world of uranium enrichment. For us, leadership is about more than market share. It is a commitment to be the best we can and to take the lead in many different ways – from pioneering new technology to supporting the long-term development of the industry. Everybody in URENCO strives to stay the best.

Our Company-wide Performance Management System is used to ensure that each individual is clear on what is expected of them in the coming 12 months and how they contribute to the Group's overall success.

By continuing to deliver against our strategic priorities we aim to achieve our goal to be the supplier of choice for our customers and a key contributor to sustainable energy.

Chief Executive Officer's review

Helmut Engelbrecht Chief Executive Officer

We had a record year and our share of the world market increased from 29% to 31%* underlining our position as a global market leader.

*Source: URENCO

We continued to perform and progress well in line with our strategic priorities:

1 **Commitment to safety**
2 **Growth in revenues**
3 **Responding to customer requirements**
4 **Commitment to deliver key projects**
5 **Entering new markets and sustaining our position as a global player**
6 **Delivering high quality product and service**
7 **Being a sustainable and responsible business**
8 **Controlling costs**

Commitment to safety

We give safety the highest priority and are constantly looking to enhance our high standards of safety. Safety and security continue to improve from already high standards across our sites and I am pleased to report that we have built on the already low level of Lost Time Incidents with a further reduction from three in 2011 to two in 2012.

Lost Time Incidents is only one measure of how we are delivering on our safety commitments. It underpins the considerable focus we have placed on behavioural safety by identifying and sharing best practice across the Group. A Group-wide campaign to raise awareness around near misses typifies our approach. We have shifted from lagging to leading indicators. Rather than simply responding to incidents, we are increasingly devoting our attention and efforts to prevention, notably by encouraging people across the business to speak up and learning from near misses across all business areas so that we can learn from them and change things for the better.

In addition, we have taken steps to create an action tracker database, which includes, but is not limited to, pure safety issues. It is part of a wider initiative to encourage everyone in the business to share information and insights on quality issues and on production issues. It is there to help us all share understanding and best practice so we can improve the business for our customers.

Growth in revenues

We grew our revenues by 23% from €1,302.4 million in 2011 to €1,601.4 million in 2012, reflecting another year of strong financial performance.

EBITDA was also higher than in 2011 at €1,013.4 million (2011: €784.6 million), mainly driven by revenues. In addition, EBITDA margins were slightly higher.

We had a record year and our share of the world market increased from 29% to 31% (source: URENCO), underlining our position as a global market leader. Cash flow generated from operations for the year was €1,185.3 million (2011 €902.8 million). Net income for the year was €401.5 million (2011: €359.1 million), which takes into account increased depreciation charges as newly installed capacity comes online.

01 URENCO employee moves a cylinder in the Container Receipt and Dispatch building (CRD)

01

At our USA enrichment facility we have achieved more than 16.7 million man hours without a construction Lost Time Incident.

This year we are pleased to report that we have signed our first contract in the United Arab Emirates.

Responding to customer requirements

We met 100% of our customer delivery requirements once again. We enjoy close relationships with all our customers and consider integrity and 100% delivery against commitments to be paramount. Being ready and able to respond to changing requirements and to think ahead, plan and anticipate for our customers is essential.

Commitment to deliver key projects

To ensure we meet our future customer requirements, we have continued to invest in key projects – increasing our global capacity to 16,900 tSW/a at the end of 2012 compared to 14,600 tSW/a at the end of 2011. We are on track to achieve our capacity target of 18,000 tSW/a by 2015.

We finished our major investment in our Dutch enrichment facility this year. Hall 7 of our SP5 production plant has been completed ahead of time and to budget, increasing our capacity at Almelo by 10%.

We have also made considerable progress at our USA enrichment facility with Phase One now completed and fully operational. Commissioning of Phase Two, using our latest generation of centrifuge technology, our most efficient so far, is well underway. Our Board has provided its approval for Phase Three of the planned expansion. In addition, we have applied for a licence change to enable us to increase our capacity at our USA enrichment facility to as much as 10 million separative work units (SWUs), to secure sufficient future capacity for our customers. Throughout, we have been working very closely with the regulators and other stakeholders to ensure the success of our USA operations.

Entering new markets and sustaining our position as a global player

The development of our USA enrichment facility is a key aspect of extending our geographical reach. It enables us to meet more efficiently the requirements of our customers in North America and Asia, important growth markets for nuclear energy. Operating in the USA also provides environmental benefits by reducing the amount of transatlantic shipments. In addition, it provides valuable diversity of supply within our business for our customers around the world. Our continued investment in our USA facility enables us to supply customers to the same high quality standards from both Europe and North America.

We are supporting research and development into the next generation of nuclear reactors.

Chief Executive Officer's review
continued

As the markets for nuclear energy move and change around the world, we work closely with our governments, current and potential customers and other key stakeholders to ensure that we are well positioned to make the most of appropriate opportunities for URENCO. This is a crucial part of our role as a leading global player in the industry.

Delivering high quality products and services

We put a great deal of emphasis on the quality of our products and services to ensure we deliver to the highest standards for our customers at every stage. This involves nurturing close relationships with each of our customers and with all the parties involved in the nuclear energy industry.

Looking to the future, smaller, efficient reactors will help us to reach new customers and, in addition to today's nuclear reactors, produce safe, reliable supplies of nuclear power as an important part of the world's energy mix.

We continue to look for ways to serve our customers and the nuclear industry over the long-term.

Being a sustainable and responsible business

Being sustainable and responsible is a fundamental part of our business. It underpins our unchanging commitment to leading in enrichment services and it is demonstrated in many different ways throughout URENCO.

Through our wholly-owned subsidiary URENCO ChemPlants Limited (UCP) we continue to progress well with the construction of our Tails Management Facility (TMF) at Capenhurst in the UK. Main construction has begun and we are approximately half-way through our programme to recruit all the operators, technicians and staff required to bring the facility into operation in 2015.

This investment is an important part of our ongoing commitment to uranium stewardship. The TMF will enable us to deconvert our by-product, tails, from UF6 to U3O8 within the Group. As a result we will be able to manage storage of tails in-house and reduce the quantity of tails we hold on our sites.

01

In 2012, URENCO started operations through a fully-owned subsidiary, Capenhurst Nuclear Services Limited (CNS) which has taken responsibility for storage of certain uranic materials on behalf of the Nuclear Decommissioning Authority at the Capenhurst facility in the UK. In the process, we have also acquired land for the future growth of our operations at Capenhurst. Once the TMF is operational, it will also provide deconversion services to CNS, further enhancing the way we fulfil our responsibilities and potential to contribute to the wider nuclear industry.

We are taking a similarly responsible approach to decommissioning and recycling plant at our Dutch enrichment facility, Almelo, to ensure that this is carried out in a very controlled, safe manner. Over the years we have decommissioned and recycled three plants at Almelo. We have been leading the way in this responsible recycling and have been improving the way we carry out this work so that more can be done quickly and effectively.

By automating much of our storage operations at our Dutch enrichment facility, we are increasing efficiency and continuing to improve our high levels of security.

01 Inside the enrichment plant at URENCO Nederland

All employees have been encouraged to review existing day-to-day processes and look at ways to work more efficiently and effectively.

At Almelo, we have also received an updated nuclear licence which allows us to construct and operate two new facilities, one for storing UF6 cylinders and one for gas centrifuges due to be decommissioned. We are ready to start construction of these two facilities early next year. This delivers operational improvements as we are able to store the cylinders more quickly and efficiently in double-height stacks.

Controlling costs

During the year we have carried out a number of initiatives across the Group to control costs. Our focus here is on rigorous and responsible financial management reinforced by robust procedures and processes.

This year, together with our joint venture partners Areva, we have taken decisions on the reshaping of ETC now that the current phase of large expansion in enrichment capacity is coming to completion. ETC is being reshaped to allow it to maintain its world class enrichment engineering skills and be able to respond to the next wave of enrichment capacity expansion.

Plans for the future

Looking ahead to 2013 and beyond, we will continue to focus on maintaining a leading position in uranium enrichment services. The nuclear industry is fundamental to a low carbon future and we see its role evolving in line with the changing world.

In the shorter term, we can foresee a levelling of demand which has impacted our current order book and will be reflected in next year's revenues. Long-term, we continue to be confident that the demand for nuclear energy will grow, particularly in newer markets such as China and India. We are well placed to contribute and capitalise on this future.

To this end, we will:

- Support and promote the nuclear industry as an essential source of secure, low carbon energy.
- Continue construction of Phase Three of our URENCO USA facility.
- Continue to adapt our business in response to current and future customer requirements.
- Reduce the capital costs of our new enrichment facilities, through drawing on previous experience and sharing best practice.
- Manage our operational cost base across the Group, driving efficiency and innovation.
- Continue to combine construction with preparatory work for planned operations in 2015 of our tails deconversion facility.

I would like to extend my thanks to all employees for their excellent contributions throughout the year. 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 in the years ahead, as they have done in the past year.

I look forward to further strengthening URENCO's role and reputation as a global leader in our industry, as we continue to deliver for our customers and contribute to a sustainable low carbon future for the world.

Helmut Engelbrecht
Chief Executive Officer

We serve a diverse range of utility customers around the world. While delivering for our customers here and now, we are also committed to providing capacity to meet forward demand to ensure a continued reliable source of enriched uranium.

Our markets

Meeting demand around the world

Currently, nuclear energy meets 15% of the world's electricity demand, with more than 15 countries relying on nuclear energy for at least 25% of their electricity (source: WNA). Nuclear is recognised as a very stable source of clean energy. Nuclear power stations are designed to operate continuously for long periods of time before they need refuelling – providing the most reliable source of base-load electricity.

Supporting an important source of energy for the world

Nuclear energy continues to be one of the most stable forms of electricity. With uranium in abundance, nuclear energy remains competitive, particularly when compared to the volatile costs and uncertain supplies of fossil fuels.

Nuclear still continues to be the choice for base-load power in much of the world. National governments worldwide have committed to reduce their emissions of greenhouse gases. They also recognise the importance of reducing dependency on energy imports from other nations. As a reliable, clean source of energy that can deliver security of supply, nuclear energy is seen by many as a key part of the energy mix.

Europe

The German Government's decision to phase out nuclear power generation by 2022 has led other European countries to review the role that nuclear plays in their energy strategy. The UK has reaffirmed its commitment to nuclear energy and continues to progress with plans for new build.

North America

Our enrichment plant in New Mexico is a welcome addition to the nuclear fuel supply in the USA. Building on our ability to meet our customers' need for proven technology and security of supply when procuring their fuel, we have increased market share in North America. Sales to our North American customers represented 40% of our total SWU deliveries. The USA continues to be a growing market for URENCO and the world's largest nuclear power producer. Despite the recent commercialisation of large volumes of shale gas in the USA, a number of new nuclear reactors are planned and some are already under construction.

Asia, Middle East & North Africa

The Middle East, North Africa and Asia are regions where most new growth is likely to emerge. The United Arab Emirates (UAE) is progressing well with its new build programme and in 2012 concluded the procurement of its fuel supply. Other countries in the Middle East, North Africa and Asia have also announced plans for nuclear energy and we continue to monitor their progress.

China, India and South Korea all have new build planned and we are active in all these markets.

Number of customers (around)

50

Market share

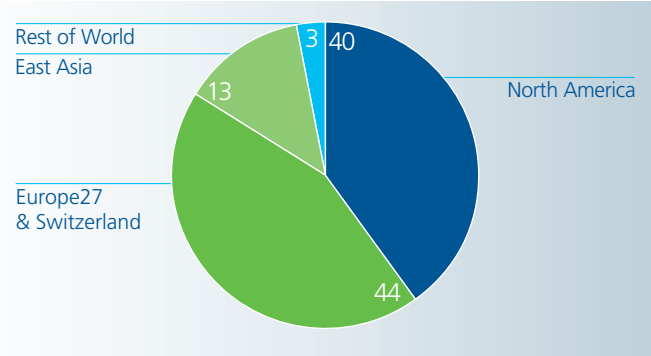
31%

Capacity tSW/a

	2012	2011
URENCO Deutschland	**4,200**	4,200
URENCO Nederland	**5,500**	5,000
URENCO UK	**5,000**	5,000
URENCO USA	**2,200**	400
Total capacity tSW/a	**16,900**	14,600

Increase in capacity = 2,300 tSW/a (15.8%)

URENCO SWU Deliveries by Region
(%)



In 2012, 13% of our total deliveries were in Asia. This is a reduction on 2011, largely due to the extended temporary shutdown of nuclear power plants in Japan.

South America & South Africa

We continue to nurture our long-term relationships with customers in Brazil and South Africa. Brazil plans to add four nuclear reactors for operation in the 2020s. South Africa continues to follow its Integrated Resource Plan, which aims to install 9.6GW of nuclear power capacity within 30 years.

New markets

Having completed the International Atomic Energy Agency (IAEA)'s Milestones in the Development of a National Infrastructure for Nuclear Power, the UAE is a good example of how new markets can adopt nuclear energy. The UAE is planning to build four nuclear reactors of Korean design at the Barakah site and we are pleased to be one of the successful suppliers to secure a long-term contract to fuel the units.

Construction started on unit 1 in July 2012 and it has a planned start up of 2017. The schedule is for one unit to start generation in each of the following three years.

In 2012, 29 countries were considering or planning nuclear energy – ten in the Asia Pacific region, ten in Africa, seven in Europe (mostly Eastern Europe) and two in Latin America (source: IAEA).

These plans around the world demonstrate the continued interest in nuclear energy and its role in meeting the need for a secure, low carbon source of electricity. We are well placed to meet the resulting demand for reliable high quality supplies of enriched uranium. Governed by an absolute commitment to IAEA regulations for the supply of enriched uranium and nuclear energy production and the terms of our treaties, we will look to make the most of these new market opportunities.

Our customers

We are a market leader in enrichment services, supplying around 50 customers in 18 countries.

We consider safety, integrity and 100% delivery against our commitments to be our priority. The contracts we sign with our customers are typically for 10 years or more, underlining the strength and importance of our long-term relationships. We have built a reputation for quality and reliability, and continuously strive to improve our processes to maintain this.

We plan ahead to ensure we meet our customers' requirement for secure diversity of supply and to consistently deliver on time and to schedule. To support our capacity expansion, we have upgraded our integrated one company platform and IT systems across the Group. This will enable us to better schedule production across the Group to meet customer needs and enhance inventory management.

We are a market leader in enrichment services – supplying around 50 customers in 18 countries.

01 Cascade hall at URENCO

01

Our success in the area of risk management depends on our ability to manage and mitigate the potential challenges facing our organisation and the industry in general.

Principal risks and uncertainties

Following more than 40 years of safe and successful operations, we have built a strong reputation among our stakeholders for excellence in quality and service.

The Group maintains a dedicated risk management function. The focus continues to be on managing risks at source and using the appropriate tools and systems to quantify, communicate and escalate changes in the Group's risk profile to the Executive Management. We focus on managing and overcoming all identified risks at source.

Risk registers are established on a site by site basis, are regularly monitored through site risk management forums, and feed in to the Group risk register. The top organisational risks and associated mitigation strategies are reported annually to the Audit Committee for review.

We conduct ourselves with the utmost integrity and react to all incidents that do occur with a level of transparency that meets the expectations of stakeholders and enables full engagement on the issues that arise. We actively work to protect and further strengthen our reputation and provide clarity of URENCO's vision, position and strategy. Failure to manage our risks effectively could have a detrimental impact on our business. While some incidents may only have a short-term detrimental effect, others could lead to a more permanent impact. Furthermore, we work with our industry to improve understanding of nuclear energy and the operations that make up the nuclear supply chain.

A substantial part of our risk management aims to guard our business and principal risks are outlined below.

1 Safety

Description

Across the URENCO Group, we operate to the highest standards of safety. The risk is associated with radiation from uranic material and the operation of heavy plant and machinery. Our focus is on continuous improvement and the detection and remediation of potential hazards before incidents have a chance to occur. We meet or exceed the requirements of government and industry regulators and follow all regulatory protocols for the safe handling of uranium and other chemicals. Adherence to best practice in this area ensures minimal impact to employees, the public and the environment.

Mitigation

- We are committed to continuous improvement in the area of health and safety. It is considered a priority throughout the organisation. It features as an agenda item at each senior management meeting and is reported on at each Board meeting.
- Regular programmes of awareness, education and motivation have created a culture of substantially reducing the number of incidents at our enrichment facilities.
- The safety culture embedded across the Group is maintained through ongoing training of employees and site visitors.
- 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.
- We train, test and refresh health and safety knowledge held by URENCO employees to embed best practice in day-to-day operations.
- We work openly with regulators at all of our facilities to enable continuous improvements in the management of potential health and safety risks.
- We build the "One URENCO" culture to guarantee best practice across all of our facilities.

2 Safeguards

Description

A common set of safeguards are applied to all companies handling uranium to ensure non-proliferation. All uranium that is handled must be fully accounted for. URENCO's procedures ensure protection against misappropriation of sensitive material.

Mitigation

- 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 IAEA, 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.
- We continuously improve and maintain our methods for tracking and tracing uranium throughout our process.

3 Security

Description

URENCO processes many thousands of tonnes of uranium each year and is the guardian of sensitive gas centrifuge enrichment technology. URENCO must therefore ensure the security of uranic material and its own technology. As a global leader in enrichment services, URENCO prioritises all areas of security ensuring protection of our investment, materials and technology.

Mitigation

- We have in place a very strict system of security across the whole URENCO Group, to protect physical, intellectual and electronic assets.
- We fully comply with all regulatory security requirements. We are actively involved in assisting the IAEA and the World Institute for Nuclear Security to develop international guidelines for the security of nuclear material and technology.

4 Transport

Description

URENCO works with third party suppliers who transport natural uranium and enriched UF6 on behalf of URENCO or our customers. The risk is non compliance with IAEA regulations. We ensure that the safe behaviour of our transportation partners when handling uranium is maintained by the standards we set at URENCO. Such standards reduce the risk of an accident or the misappropriation of sensitive materials.

Mitigation

- We minimise the risks of transportation accidents by only placing contracts with approved companies that strictly adhere to regulation; use trained employees and have robust emergency responses in place.
- We operate a continual improvement programme to capture any unplanned events, investigate and put in place changes to prevent a reoccurrence.
- We only use suppliers that have been audited by URENCO and we ensure that they are audited every three years.

5 Policy

Description

The nuclear industry remains a topic for debate with opinion differing upon its role in the future energy mix at both a public and governmental level. In any jurisdiction, with a change of government can come a change in policy, while unanticipated occurrences can change the direction of policy too.

Mitigation

- URENCO remains committed to its mission of 'enriching the future' and believes 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 government 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.
- We play our part in maintaining the safety of the nuclear fuel supply chain through to power production so that nuclear is recognised as a safe and sustainable way of producing electricity.

6 Regulation

Description

Our operations and development are controlled by our ability to meet the stringent regulatory requirements of each country we operate in and supply, making us answerable to multiple national governments and subject to penalties if required standards are not met.

Mitigation

- We have strong relationships with industry regulators and take pride in meeting and, in certain areas, exceeding the stringent regulatory requirements of each country we operate in and supply. We strive to lead the industry in the development of appropriate regulatory standards.
- 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.

7 Foreign exchange

Description

A significant percentage of the Group's income is received in US dollars, whereas the Group's cost base has traditionally been in euros and sterling. With a growing cost base in US dollars and the Group's reporting currency in euros, the Group is exposed to the risk of exchange rate movements in sterling and the US dollar versus the euro.

Mitigation

- 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, and sterling costs.
- We mitigate foreign exchange exposure with the diversification of our production base and aligning our costs and revenue where possible.

8 Interest rate

Description

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's exposure to floating rates of debt instruments.

Mitigation

- In order to manage its interest costs, the Group either issues fixed rate debt or enters into interest rate swaps. As a result, 68% of the Group's borrowings are at a fixed rate of interest at the end of 2012.

9 Liquidity

Description

The scale of the Group's operations and the cash demands of relevant projects mean that planning to ensure efficient liquidity to support the Group's requirements is an important facet of Group treasury operations.

Mitigation

- We plan our funding operations and monitor 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.
- We manage liquidity risk through a combination of external borrowings, managing the Group's capital expenditure through delaying or reducing the capital spend, and general overhead cost control.

10 Credit

Description

The Group is exposed to credit risk predominantly through its transactions with other participants in the nuclear supply chain. Additional counterparty exposures may be generated as a result of the Group's financing and foreign exchange management programmes.

Mitigation

- We mitigate this risk by assigning credit limits to counterparties based on our system of internally defined or published credit ratings.
- We approve and monitor credit exposures against the defined limits.
- We incorporate appropriate credit protection clauses in all contracts to ensure payment protection.

11 Demand

Description

Part of URENCO's success is the ability to remain flexible and respond to changing market conditions. Some countries are considering adopting nuclear energy for the first time, others are keen to expand the role nuclear energy has in their future energy provision, and some may be choosing to reassess their dependence on nuclear energy. The risk is that enrichment capacity exceeds demand. Overall, we are confident that demand for nuclear energy around the world will continue to grow.

Mitigation

- We continue to plan and adapt our business to ensure that we deliver for our customers to the highest standards of quality, safety and security.
- Our order book is long-term and has a global spread.
- We work with our customers to understand their expected demand over many years.
- Our operations are flexible and if required, we can quickly adapt to supply these services as required by changing markets.

12 Pricing of uranium enrichment services

Description

Gas centrifuge technology has now effectively displaced gas diffusion technology. Over the long-term, it is essential that enrichment service prices support continued re-investment in gas centrifuge capacity which typically has a shorter lifetime than modern power reactors. There is a risk if short-term views drive prices below re-investment support levels.

Mitigation

- We are currently in a strong position with long-term contracts signed at fixed or escalating prices beyond 2025. We will continue to sign long-term contracts with customers to guarantee revenue certainty at a price that reflects the safety, reliability and quality of our service. Most importantly, this reflects our ability to replace enrichment capacity during the long lifetime (typically 60 years) of new build nuclear power plants.

A responsible ethos lies at the heart of our role as a global leader in enrichment services and our corporate responsibility strategy guides the way we demonstrate this commitment.

Corporate responsibility

Living up to our responsibilities

We are at the heart of the nuclear supply chain and are proud of our reputation as a leader in the global enrichment market. We recognise that this reputation rests on good global citizenship, our strong values and our track record in safe, reliable, high quality supply.

Together with our customers, we strongly believe that nuclear energy has a fundamental role to play in meeting the increasing demand for low carbon, sustainable energy worldwide.

Nuclear energy plays a key part in ensuring countries have sufficient reliable capacity to meet their need for electricity. It reduces reliance on fossil fuels which, in contrast to nuclear energy, produce high levels of carbon dioxide emissions. Nuclear is fundamental to a low carbon future for the world.

At URENCO we will continue to maintain our commitment to explain clearly our enrichment process and the industry we supply, to help all our stakeholders understand the essential contribution that nuclear energy provides.

Our corporate responsibility strategy

Our corporate responsibility strategy covers a number of key areas: managing health, safety and security; minimising our environmental impact; developing our position as an employer of choice; and supporting education and cultural projects. We are committed to continuous improvement. In this respect, our 2012 Sustainability Report was externally assured before being reviewed by our Board. We disclose our sustainability performance guided by the Global Reporting Index (GRI). In 2010, 2011 and 2012, we self-declared a 'level B' against this index.

Our aim with all four elements of our corporate responsibility strategy is to earn respect as a good global corporate citizen so we can continue to operate with the support of our stakeholders, achieve our goals and live up to our mission to be the supplier of choice for our customers and a key contributor to sustainable energy.

Safety first

We always put safety first throughout our Company – for the protection of our employees, the communities where we operate, the suppliers we work with and our customers. We have made significant progress in our development of safety in these key areas, resulting from our commitment to analyse near misses as well as events leading to actual incidents. Understanding near misses helps us not only identify ways to prevent accidents but also to share best practice. It is about encouraging a positive culture of improvement throughout URENCO. The number of near misses reported has significantly increased following a Group-wide awareness campaign encouraging a major positive culture change across URENCO.

In 2012 we had two Lost Time Incidents (LTIs). We intend to continue building on this very strong safety record to develop positive improvements in the way we work together across the Group.

Employee and contractor LTIs 2008-2012

	Number
2012	2
2011	3
2010	11
2009	16
2008	2*

*Employee LTIs only

At Gronau in Germany, we have achieved more than 1,040 days of operating without a Lost Time Incident.

01 Local school children help to plant trees, an exercise sponsored by URENCO

02 Children at a local school meet URENCO ambassador Richie Enrichment

01

02

Each of our sites is responsible for managing safety at source, through ongoing 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.

Minimising our environmental impact

We are constantly looking for ways to minimise our environmental impact across the Group. One specific aspect of continuous environmental improvement is in the area of energy consumption where we are looking at specific energy saving measures, for example, through a Group-wide energy savings taskforce.

Encouraging current and future talent

We currently employ 1,600 people at our locations in the United Kingdom, the Netherlands, Germany and the USA.

To continue to retain and attract the best talent across the Group, we strive to provide a workplace where employees are inspired and challenged, and where their performance is effectively and fairly managed.

We completed our most recent employee survey early in 2011, with an 86.2% response rate. The results were shared with all our employees and were extremely positive, with our employees recording high scores for 'engagement' and 'proud to work for URENCO'. The next survey will take place in 2013.

We use our Company-wide Performance Management System to ensure that each individual is clear on what is expected of them in the coming 12 months and how they contribute to the Group's overall success.

The system encompasses behavioural competencies which have been identified as necessary to future success. These competencies have been assigned to every role across the Group. They enable employees to determine non-technical training and development to improve performance in current roles and also to prepare for future roles. The system creates a Group-wide pool of talent for targeted development and succession planning.

Additionally, 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 using IT technology and our intranet portal. We are proud of our employees' eagerness to learn and recognise the value this contributes to the Group.

Our employees are involved in developing innovative processes and greater efficiencies to ensure we operate at our best. This is a key part of the way we continually align as one URENCO, with a common set of behaviours and systems.

We support the key skills and training requirements of the nuclear industry through a number of education programmes, while also seeking to broaden general understanding of how the nuclear industry operates.

Our workforce is made up of talented people who operate with integrity in a highly regulated industry and we recognise the need to encourage young people into this industry. To this end we support science and education initiatives in the local communities where we operate and are also closely involved with universities and international science education programmes.

At schools near our enrichment facilities, more than 28,000 pupils have participated in our science workshops, which engage with young people in a fun and interactive way to make science interesting. We provide a range of tools and 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.

The medical diagnostic and therapeutic products we invest in help to save lives.

Corporate responsibility
continued

Across the Group, we have extensive connections with universities. These include a research programme at Oxford University and lecturing programmes at Manchester and Salford Universities. We are 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 in Germany we have a partnership with research university, RWTH Aachen. We offer annual scholarships at New Mexico Junior College, USA, for students pursuing an Associate of Applied Science in Energy Technology.

In addition, we provide the opportunity to visit our enrichment facilities, so we can explain the benefits of nuclear energy and the role uranium enrichment has in the supply chain. Throughout 2012, we hosted hundreds of visits from local interest and community groups, industry peers and customers. Supporting our commitment to transparency, we have also invested in an online virtual tour, which has received positive feedback from people who are unable to visit the facilities in person.

Playing an active part in our local communities

We maintain 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, we actively encourage employees to become involved in supporting and contributing to their own communities. To this end we run a number of campaigns, including the Active in the Community award for employees who are involved in charitable or community activities outside of the workplace.

Building on the long-term success of Stable Isotopes

Complementing our core focus on enriching uranium for nuclear energy, our Stable Isotopes business in the Netherlands uses our centrifuge technology to produce a variety of products for medical, industrial and research applications. This creates revenue for the Group as well as broadening our understanding of the potential of our centrifuge technology.

We work very closely with our customers in Stable Isotopes over the long-term in order to deliver the products they need and develop new solutions. Our aim is to build sustainable customer relationships based on mutual benefit and commitment to quality. To this end we invest in exploring potential new products and sharing information in the spirit of partnership.

We have continued to grow our Stable Isotopes business this year, increasing sales and profits. We have focused on developing a more diverse product portfolio across our medical, industrial and research markets. Our product range consists of several dozen isotopes of more than 10 elements and we continue to carry out research into a number of other isotopes, to extend our portfolio further.

01 Children taking part in one of the URENCO Science Workshops

02 URENCO sponsors a live theatre event for local children

01

02

Our fundamental commitment to being a sustainable and responsible business remains unchanged and we will continue to demonstrate this in our day-to-day business as we move forward.

Together with universities and other companies in the industry, we have been working on a European project to enable students to carry out research into medical radio isotopes. The first students should be enrolled in 2013. The four-year course will include study at various universities and also at our site. We will provide materials for students to make the radio isotopes. This project will not only help to develop talent for the industry but will also contribute to the exploration of new diagnostics and therapies.

We believe it is important for us, as a leader in the market, to invest in the future of the industry and the part it plays in the world. We want to support the development of new medical applications and student education in the interests of our business, our customers and the wider world.

In 2012, we completely upgraded our laboratory. The size of the laboratory has stayed the same but new equipment and facilities enable us to handle a greater capacity to meet our increasing customer demand. It provides an improved working environment for our people, provides more flexibility and has the added benefit of being more energy efficient.

Looking ahead, we are working on a number of new products with our customers, including two important new medical diagnostic products. We are also looking to expand our site to help meet the continued increase in demand for our products.

Continuing to demonstrate our sustainability

Our fundamental commitment to being a sustainable and responsible business remains unchanged and we will continue to demonstrate this in our day-to-day business as we move forward. At the same time, across all four key areas of our corporate responsibility strategy, we will look for ways to extend and improve our good citizenship.

Record deliveries were achieved during the year, resulting in a 23% increase in revenue, a 29% increase in EBITDA and a 12% increase in net income compared to 2011. In 2012, €190 million in dividends was paid to shareholders.

Group finance report

Marcel Niggebrugge Chief Financial Officer

After a challenging and complex operating environment in 2011, revenue increased by 23% in 2012.

Key financial performance indicators

Our financial KPIs are summarised below.

Revenue

After a challenging and complex operating environment in 2011, revenue increased by 23% in 2012 to €1,601.4 million (2011: €1,302.4 million). SWU sales increased in 2012 with record deliveries.

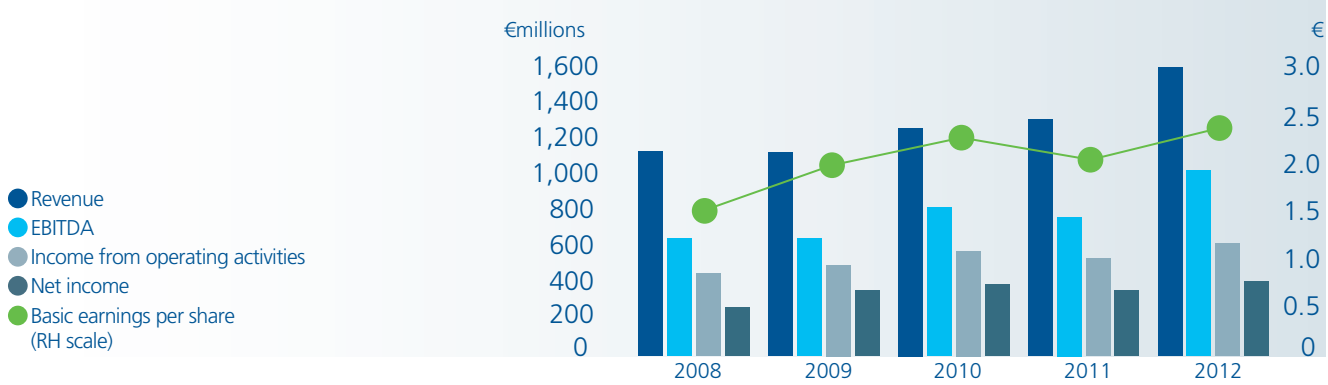
EBITDA/income from operating activities

EBITDA was higher than 2011, at €1,013.4 million (2011: €784.6 million). This reflects higher sales combined with continued economies of scale.

EBITDA performance

	2012 €m	2011 €m	**Year-on-year increase**
Income from operating activities	**617.0**	525.7	**17%**
Add back: depreciation and amortisation	**338.3**	248.1	
Add back: share of results of joint venture	**58.1**	10.8	
EBITDA	**1,013.4**	784.6	**29%**

Financial performance



Our flexibility has enabled us to use our enrichment capacity also to generate feed sales.

Revenue
(€million)

€1,601.4m

2011 **€1,302.4m**

EBITDA
(€million)

€1,013.4m

2011 **€784.6m**

Net income

Net income for the year was €401.5 million (2011: €359.1 million). This increase is due to increased EBITDA, partly offset by a higher depreciation charge, an impairment driven charge in ETC and a higher taxation charge.

The higher depreciation is driven by new capacity coming on line in the USA and the Netherlands. The higher tax charge is mainly due to higher profit levels and decreasing tax deductable losses in the USA as more capacity comes on line.

Owned in equal share by URENCO and Areva, ETC is a joint venture company with the exclusive responsibility of developing and manufacturing URENCO's centrifuge enrichment technology. A reduction in expected future demand has required ETC to implement plans to rescale its business. The objective is to reduce operations and workforce to match current and future market conditions while ensuring we maintain the skills and expertise necessary to continue to meet customer requirements for world-class centrifuge technology in the future. This has led to an impairment of assets in 2012 in ETC, which caused an increase in URENCO's share of ETC's losses to €58.1 million in 2012 (2011: €10.8 million).

Cash flow

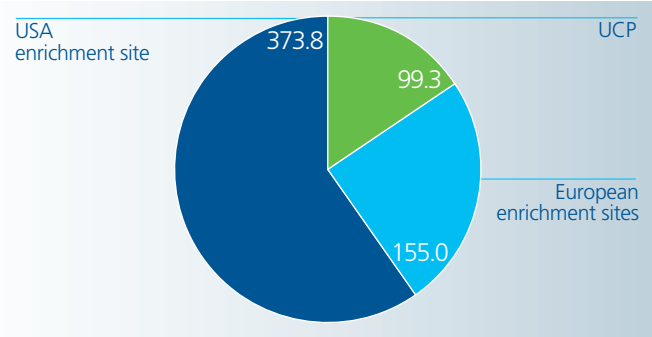
Cash generated from operations was €1,185.3 million (2011: €902.8 million), an increase of 31%. The main drivers for this were the increase in revenues and year-on-year cash positive movements in working capital. Net cash flow from operating activities increased by 28% in 2012 to €1,003.2 million (2011: €785.8 million), driven by the higher cash generated from operations, partially offset by higher tax paid in the period of €182.1 million (2011: €117.0 million). In 2012, €190 million in dividends was paid to shareholders (2011: €90 million).

Capital expenditure (i)

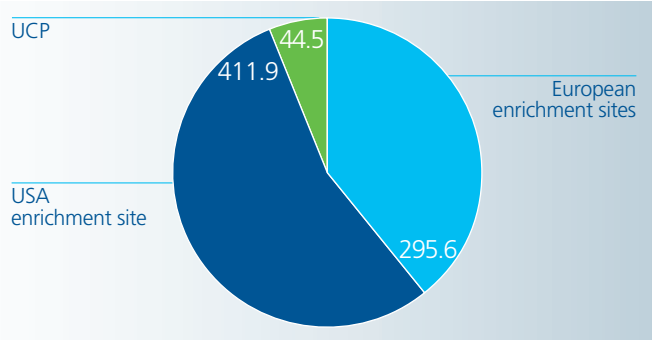
We have a long-term investment programme of capacity expansion across different sites. In 2012 capital expenditure was €628.1 million (2011: €752.0 million).

The pie charts below show the capital expenditure in 2012 compared to 2011.

2012
(€628.1m)



2011
(€752.0m)



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

We continue to have a strong capital structure and funding position.

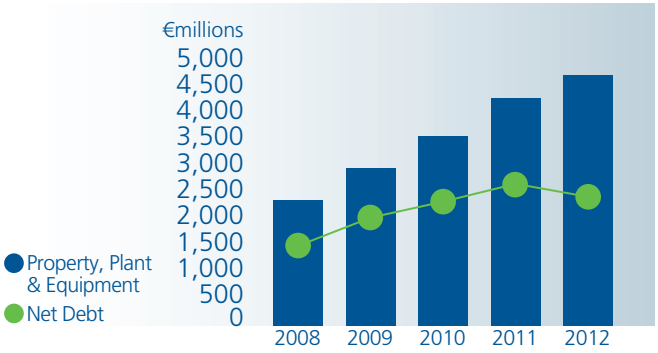
Group finance report
continued

Capital structure

The Group's equity increased to €1,890.0 million during the year (2011: €1,656.0 million), mainly due to an increase in retained earnings of €187.2 million, an increase in hedging reserves of €122.4 million, and a decrease in foreign currency translation reserves of €75.6 million.

The following graph shows that Net Debt has decreased slightly, driven by increased operational cash flow, reducing the need for additional external funding. The Group's Net Debt to Total Asset ratio remained strong and, at 42.0%, in line with the Group's target ratio of less than 60.0%.

Property Plant & Equipment vs Debt

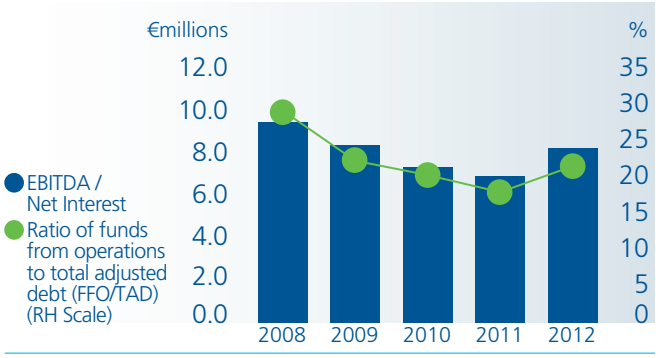


Our capital expenditure programme has resulted in a rise in debt levels over the first four years, and now shows a slight decrease compared to 2011. The additional capacity that has come on line has generated additional cash flow, allowing the debt level to slightly decrease.

Driven by a stronger operational cash flow, FFO has increased in 2012. This combined with a decrease in Net Debt of €119.0 million has resulted in an improvement of the FFO/TAD ratio at 31 December, 2012 to 21.3% from 17.4% at 31 December, 2011.

The following graph represents the FFO/TAD ratio at the end of the year.

Five Year Summary Funding Ratios



The Group's interest cover remains strong. We expect both EBITDA/net interest and FFO/TAD to improve over the coming years.

In line with our strategy, we have continued to invest while delivering on all our customer commitments.

Net income
(€million)

€401.5m

2011 **€359.1m**

Group Pension Funds

We operate a number of pension schemes for our employees in Germany, the Netherlands, the UK and the USA. These are a mixture of defined contribution and defined benefit schemes. Entrance to the UK defined benefit scheme has been closed to new starters since 2009.

Under International Accounting Standard 19 (IAS 19), we record any shortfall between the value of the different schemes' liabilities and the value of the assets held under the schemes as a liability on the Statement of financial position at the balance sheet date. The net liability for the Group's defined benefit pension schemes at 31 December 2012 was €78.8 million (2011: €57.9 million). This increase is primarily due to lower discount rates.

Following the actuarial review in 2009, a deficit recovery plan was agreed with the UK Trustees. This includes a deficit repair payment of £1.5 million payable annually in order to repair the deficit in the medium term. The current triennial valuation was completed in 2012 and a deficit repair funding profile is in the process of being agreed with the trustees.

Provisions for decommissioning and tails

We make provision in our balance sheet for the following obligations:

Plant and machinery decommissioning: We have an obligation under our operating licences to decommission safely our enrichment facilities once they reach the end of their operational life. During the year the decommissioning provision increased by €60.9 million (2011: € 8.5 million) due to the installation of additional plant and machinery of €15.2 million (2011: €8.3 million) and revised assumptions surrounding the decommissioning of containers €45.7 million (2011: €0.2 million). The addition to the decommissioning provision associated with the installation of plant and machinery has been recognised as an equivalent addition to the decommissioning asset in the Statement of financial position. The increase in the container provision of €45.7 million has been recognised as an addition to the decommissioning asset in the statement of financial position of €17.1 million and a charge to the income statement of €28.6 million.

Tails deconversion storage and eventual disposal: We provide for the costs of deconverting the by-product of the enrichment process (chemically converting tails from UF6 to U3O8), long-term storage and eventual disposal. Additional tails provisions recognised in the year were €137.3 million (2011: €117.2 million) with the increase over 2011 due to higher operational production. A review of assumptions and planned operational activity has led to a provision release of €20.9 million during the year. Provisions utilised are €51.1 million (2011: €53.9 million) due to decreased deconversion activity.

During the year a detailed technical review of the decommissioning process was conducted. This review updated several of the technical, operational and financial assumptions underlying the decommissioning provisions. This resulted in a net gain in the income statement of €7.8 million (2011: €nil million). Further information on nuclear provisions are detailed on page 85.

Our funding position is underpinned by our strong order book.

Group finance report
continued

Order Book

The value of the order portfolio at 31 December 2012 was circa €18 billion compared to in excess of €20 billion at the end of 2011. The reduction is mainly due to the highest ever volume of deliveries being made during 2012, over 15,500 tSW, and in addition, the forecast deliveries under some long-term contracts were reduced due to near-term temporary outages or anticipated earlier reactor shutdowns. Sales market activity during the year was also reduced as utilities worldwide focused on evaluating safety, causing a number of expected long-term sales enquiries to be deferred.

Funding position

During 2012, additional debt finance was obtained of €326 million.

As a result of strong internal cash flow generation, we have a strong funding position for future investments. On the basis of forecast demand and capital expenditure, we have sufficient facilities through to 2014. This translates into headroom in excess of €200 million.

Our funding position is underpinned by our strong order book, which gives us long-term revenue visibility, and robust EBITDA margins, resulting in strong cash flow generation.

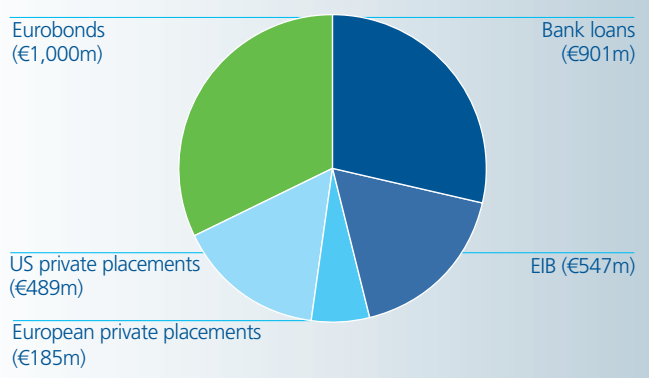
Funding programme

At the end of 2012, our total committed borrowing facilities were €3.1 billion. The following chart shows the split of borrowing facilities by type, as at 31 December 2012.
The Group's strategy to guide its funding operations is to:

- Use different financial instruments and financial markets in order to exploit attractive funding opportunities as they emerge.
- Maintain 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 average time to maturity of the Group's debt at 31 December 2012 was approximately 5.8 years.

Funding facilities
As at 31 December 2012 (€million)



Managing foreign currency risk

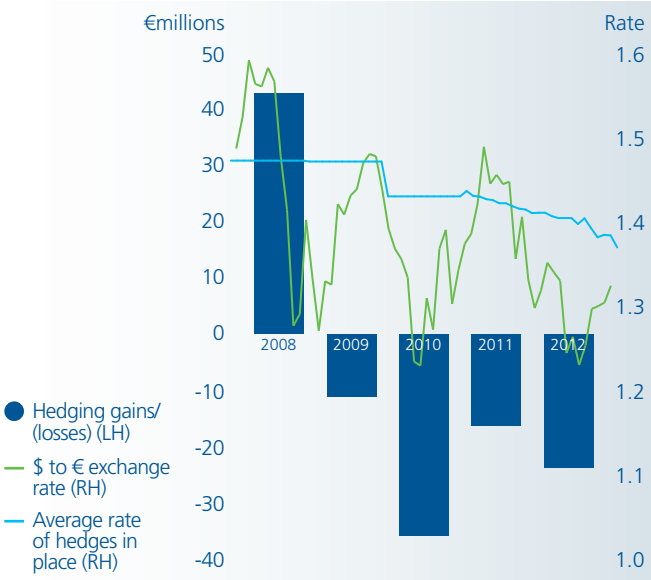
The foreign currency hedging policy has the twin objectives of reducing volatilities in cash flows and income. The sensitivity of future cash flows to exchange rate movements could be minimised by hedging net contracted US dollar exposure from a contract at the time of its signature. However, a long-term 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 consequence of the Group's six year rolling hedging policy dampens the impact of foreign exchange rate movements but does not prevent the impact of a weakening dollar over time.

Good visibility of future revenues underpins our strategy.

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

Hedged and monthly exchange rates



The Group's hedging policy has been set on a 72 month rolling basis (see page 74 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.

In 2012, 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 table below specifies the hedging results related to ineligible and ineffective currency hedges. URENCO will continue aiming to minimise accounting volatility arising from hedging.

Ineligible/ineffective hedges

	2012 €m	2011 €m
Gains from ineligible/ineffective hedges (reported in Finance income)	**14.9**	25.9
Losses from ineligible/ineffective hedges (reported in Finance cost)	**(6.2)**	(28.8)
Net income/(loss) from ineligible/ ineffective hedges before tax	**8.7**	(2.9)

Outlook

Good visibility of future revenues underpins our strategy. Short term, we expect a flattening of demand which will impact our results. However, long-term we expect growth and we will continue to invest in enrichment capacity in 2013 in the USA. We are on schedule to achieve our target of 18,000 tSW/a by 2015 and we will also continue planned investment in the Tails Management Facility.

Board biographies

1 John Hood

Chairman

Dr John Hood 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. Dr Hood has chaired or served on many government, sporting, educational, business and community bodies, and currently holds several directorships. He took up his position as Chairman of URENCO Limited on 1 January 2012.

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 PreussenElektra becoming Head of Corporate Development in 1998, and was appointed Director of E.ON Benelux in 2000. He joined URENCO in 2003 and was appointed CEO in January 2005.

3 Marcel Niggebrugge

Chief Financial Officer (from 1 November 2012)

Marcel graduated in economics from the University of Tilburg in The Netherlands and joined Shell International Petroleum Company in 1976. During his 25 years with Shell, he worked in various positions and business areas and had a number of international assignments. His final position with Shell was as Finance Director of Nederlandse Aardolie Maatschappij. In 2000, Marcel joined the Dutch National Railways Company as CFO and member of the Executive Board, a position he held for over 10 years. Marcel joined URENCO as CFO on 1 November 2012. He also currently holds various non-executive directorships.

4 George Verberg

Deputy Chairman and Chairman of Remuneration and Appointments Committee

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 in heat and power engines for his PhD. He joined Rheinisch-Westfälische Elekrtizitätswerk AG in 1977, rising to the position of Senior Vice President of the central division asset management. He became a member of the Executive Board of RWE Energie AG in 1999, and joined the Executive Board of RWE Power AG in October 2000. Since 2012 he has acted as an adviser to RWE AG. He joined the URENCO Board in March 2001.

6 Stephen Billingham

Chairman of Audit Committee

Stephen Billingham is Chairman of Punch Taverns plc and Chairman of Royal Berkshire NHS Foundation Trust.

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

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

7 **Bernhard Fischer**

Non-executive Director

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

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

8 **Victor Goedvolk**

Non-executive Director

Victor graduated in Economics from 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**

Non-executive Director

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 Greencoat Capital LLP, the renewable energy and cleantech fund manager. He is exclusive adviser 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 EMEA Energy and Power. Richard started his career in the City over 25 years ago with Morgan Grenfell. He joined the URENCO Board in January 2009.

Friso van Oranje

Chief Financial Officer*

Friso graduated in aeronautical engineering from the University of Delft and in economics from Erasmus University in Rotterdam. He joined the Amsterdam office of McKinsey & Company in 1995. In 1998 he moved to Goldman Sachs' investment banking division after completing an MBA at INSEAD. Friso has been involved as an investor in a number of technology companies. He joined URENCO in January 2011 from Wolfensohn & Company and took over from Bart Le Blanc as CFO on 1 April 2011. Friso was, sadly, incapacitated following a skiing accident in February 2012 and his duties were carried out by Bart Le Blanc for much of 2012. Friso resigned from the Board on 5 October 2012.

* Not pictured

Bart Le Blanc

Interim Chief Financial Officer* (from 4 April 2012 to 1 November 2012)

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.

Following Friso van Oranje's accident, he took up the position of URENCO's Interim CFO during 2012. Bart is also on the Board of Directors of ETC and held the position of Chairman until 17 July 2012.

* Not pictured

Company Secretary
Sarah Newby

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 2012

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Corporate Governance

Ensuring good governance at URENCO

Our policy on corporate governance is to meet with principles of good governance, transparent reporting and URENCO's core values. We practise a system of full transparency where we report regularly and comprehensively to the Board and provide extensive background information for all matters requiring Board approval. All Board decisions are clearly minuted and recorded. In addition, Board representatives together with external advisers as appropriate consider in further detail issues of particular complexity through regular meetings of the Audit Committee, Remuneration and Appointments Committee and, where required, special working groups. Our commitment to good corporate governance ensures the Group has clear strategic direction and enables us to assess, control and manage risk effectively.

The Board and its Committees

Board composition

The Board consists of the Chairman, six Non-executive Directors and two Executive Directors. Two Non-executive Directors are appointed by each of URENCO's three Shareholders.

An additional Non-executive Director is elected onto the Board by unanimous resolution of the Shareholders and elected into their position as Chairman by the Board. The two Executive Directors are elected into position by the Board.

The Directors of the Company in office during the 2012 financial year were:

Non-executive Directors

John Hood	Chairman
Gerd Jaeger	Deputy Chairman
George Verberg	Deputy Chairman and Chairman of the Remuneration and Appointments Committee
Stephen Billingham	Chairman of the Audit Committee
Bernhard Fischer	
Victor Goedvolk	
Richard Nourse	

Executive Directors

Helmut Engelbrecht	Chief Executive Officer
Marcel Niggebrugge*	Chief Financial Officer
Friso van Oranje**	Chief Financial Officer
Bart Le Blanc***	Interim Chief Financial Officer

* Marcel Niggebrugge took up the position of Chief Financial Officer on 1 November 2012.

** Friso van Oranje held the position of Chief Financial Officer until 1 November 2012. Following an accident, his duties were carried out by Bart Le Blanc from 4 April to 1 November 2012.

*** Bart Le Blanc held the position of Interim Chief Financial Officer from 4 April to 1 November 2012. He remained as an Executive Board member until 12 December 2012.

Biographies of the Directors are on pages 30 to 31.

Operation of the Board

The Board manages overall control of the Group's affairs and is responsible to the Shareholders for key policies and strategic direction. The Board meets regularly to consider matters specifically reserved for its decision. These include the approval of the strategic business plan, finance policies, budget and financial statements, major capital projects, acquisitions and disposals, major regulatory issues and major policies on environmental, health and safety issues, and senior management appointments. During 2012 the Board met nine times.

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 on 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 at Board and Committee meetings and beyond.

Attendance by individual Directors at meetings of the Board and the Committees of which they are members (figures in brackets denote the maximum number of meetings that could have been attended) is shown below.

Accountability and Audit

The Board has overall responsibility for internal controls, including risk management, and approves appropriate policies regarding Group objectives. The Executive Directors are responsible for identifying, evaluating and managing both financial and non-financial risk and implementing and maintaining 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 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 is also responsible for the Group's system of internal control and for reviewing its effectiveness. This 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.

Attendance by individual Directors

Director	Board	Audit Committee	Remuneration and Appointments Committee
John Hood	9 (9)	–	–
Gerd Jaeger	9 (9)	–	8 (8)
George Verberg	9 (9)	–	8 (8)
Stephen Billingham	9 (9)	4 (4)	–
Bernhard Fischer	9 (9)	–	8 (8)
Victor Goedvolk	9 (9)	4 (4)	–
Richard Nourse	9 (9)	–	8 (8)
Helmut Engelbrecht	9 (9)	–	–
Marcel Niggebrugge	1 (1)	–	–
Friso van Oranje	–*	–	–
Bart Le Blanc	5 (6)	–	–

* Due to his incapacity for most of 2012, Friso's attendance has not been included in this table.

Audit Committee

Members

Stephen Billingham (Chairman), Victor Goedvolk and Thomas Beermann[1].

Responsibilities

The Committee's primary responsibilities include monitoring the integrity of the financial statements of the Group, and 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. A copy of the Audit Committee Terms of Reference is available on URENCO's website.

External Auditor

The Audit Committee Terms of Reference requires that the Audit Committee assesses annually the external auditor's independence and objectivity and the relationship with the auditor as a whole, including the provision of any non-audit services. During 2012 the Audit Committee reviewed and discussed the external auditor's independence including the statement of non-audit fees earned during the current and previous financial year. The Audit Committee also considered and noted the external auditor's Annual Transparency Report.

Governance

- The Audit Committee met four times in 2012.
- In addition to Audit Committee members, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and the Group's external and internal auditors also attend the Committee meetings.
- The Committee regularly allocates time at meetings for discussions without the executives present.
- The auditors and Head of Internal Audit have direct access to the Chairman of the Committee.

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

Remuneration and Appointments Committee

The Remuneration and Appointments Committee met eight times in 2012. The Committee consists of 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 appointments and 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 pages 36 to 37.

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[2]).

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. It was incorporated as an English private limited liability company on 31 August 1971. The Almelo Treaty establishes the fundamental principles for supervising effectively URENCO's technology and enrichment operations with respect to non-proliferation. A Joint Committee of representatives of the governments of the signatory countries exercises this supervisory role but has no role in URENCO's day-to-day operations. 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 Enriched Uranium Product and other non-proliferation issues. The Joint Committee also considers issues connected with changes in URENCO's ownership and transfers of technology. URENCO's Executive Management periodically meets with the Joint Committee.

Before the construction of URENCO's enrichment facility in the US and in order to permit the transfer into the USA of classified information regarding URENCO's proposed new facility, the USA 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 in the USA. 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. EC competition clearance was also required to complete the transaction. 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.

[1] Thomas Beermann is an appointee of RWE & E.ON onto the Audit Committee.
[2] Shares in its German holding company are indirectly 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 each Director. Remuneration for each 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, pension and performance related bonus, a long-term incentive scheme (LTIS), 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 annually rather than biannual, 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 for Executives are reviewed annually. The Chief Executive Officer received a 4.4% increase in basic salary for the 2012 calendar year. This increase in basic salary was in line with the increase for all employees throughout the Company. Executive Directors receive benefits that principally comprise a car, private healthcare and other expenses.

Total remuneration

In line with the principles referred to previously, the total remuneration levels of the Executive Directors are reviewed annually by the Remuneration and Appointments 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.
- **Annual Bonus** – Performance related bonuses for Executive Directors are based on 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 eligible for membership to the Group pension scheme. The scheme has a defined benefit pension section, which is approved by HM Revenue and Customs (closed to new entrants) and a defined contribution section. The scheme also provides for dependants' pensions and lump sums on death in service.

Directors' remuneration

The remuneration of the Directors is as follows:

	Basic salary and fees €	Benefits[i] €	Performance related bonuses €	LTIS[ii] €	Total 2012 €	Total 2011 €
Executive Directors:						
Helmut Engelbrecht	**558,656**	**44,171**	**221,760**	**(60,270)**	**764,317**	1,064,572
Marcel Niggebrugge	**88,539**	**789**	**26,562**	**–**	**115,890**	–
Bart Le Blanc	**276,722**	**28,101**	**–**	**–**	**304,823**	91,244
Friso van Oranje	**274,635**	**7,865**	**54,927**	**(42,552)**	**294,875**	325,223
Non-executive Directors:						
John Hood	**215,199**	**–**	**–**	**–**	**215,199**	–
Chris Clark	**–**	**–**	**–**	**–**	**–**	202,437
Stephen Billingham[2]	**49,557**	**–**	**–**	**–**	**49,557**	46,173
Bernhard Fischer[1]	**43,421**	**–**	**–**	**–**	**43,421**	37,809
Victor Goedvolk[2]	**46,729**	**–**	**–**	**–**	**46,729**	43,538
Gerd Jaeger[1]	**55,263**	**–**	**–**	**–**	**55,263**	48,121
Richard Nourse[2]	**40,580**	**–**	**–**	**–**	**40,580**	37,809
George Verberg[2]	**51,648**	**–**	**–**	**–**	**51,648**	48,121
	1,700,949	**80,926**	**303,249**	**(102,822)**	**1,982,301**	1,945,047

[i] Benefits paid to Executive Directors include provision of motor vehicles, medical insurance and overseas living expenses.
[ii] These amounts reflect adjustments to amounts receivable for LTI following revisions to forecast EPS and EPS growth which resulted in targets not being met.

In the event that payments are made in sterling, the average rate is adopted for conversion purposes; this was set at £0.8132 to €1 for 2012 (2011: £0.8728 to €1).

[1] Payments of these Non-executive Director fees increased by 7% in GBP from 2011 to 2012.
[2] These Non-executive Director waived their fee increase of 7% in GBP from 2011 to 2012.

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 31/12/2012 €	Accrued pension at 31/12/2011 €	Transfer value at 31/12/2012 €	Transfer value at 31/12/2011 €
Helmut Engelbrecht	**188,719**	173,297	**3,890,111**	3,597,159

Accrued pensions and transfer values are retranslated from sterling to euros at the closing rate of £0.81189 to €1 (2011: £0.83371 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 2012 and 2011 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 Company's actuary.

In addition to the accruals already made in the Company's defined benefit scheme, H Engelbrecht has a right under his contract of employment to receive a certain income as retirement benefit which would be payable under certain circumstances. The revenue funding cost of this company commitment, as assessed by an independent actuary, is currently €2.8 million. This cost will be reviewed periodically.

Defined contribution pension scheme

During 2012, €42,841 (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 eligible 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[3] €	Marcel Niggebrugge[1] €	Friso van Oranje[3] €	Bart Le Blanc[2] €	Scheme maturing at 31 December
Incentive scheme accrual as at 1 January 2012	**870,249**	–	**41,438**	–	
Exchange adjustments	**23,388**	–	**1,114**	–	
LTIS paid during the year	**(351,007)**	–	–	–	
LTIS 2008 accrual adjustment during the year	**(5,699)**	–	–	–	
LTIS 2009 accrued during the year	**108,531**	–	–	–	2012
LTIS 2010 accrued during the year	**(163,903)**	–	–	–	2013
LTIS 2011 accrued during the year	**(76,859)**	–	**(42,552)**	–	2014
LTIS 2012 accrued during the year	**77,660**	–	–	–	2015
Total incentive scheme accrual at 31 December 2012	**482,360**	–	–	–	

[1] Marcel Niggebrugge's fixed term contract does not include entitlement to a LTI.
[2] Bart le Blanc's entitlement to the LTIS ceased upon his retirement as CFO in November 2010.
[3] These amounts reflect adjustments to amounts receivable for LTI following revisions to forecast EPS and EPS growth which resulted in targets not being met.

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 earnings per share (EPS) from year of grant to year of vest.

The Executive Directors' awards vest to the extent that 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:

Base	**2012**		**2011**		**2010**		**2009**
Scheme maturity	**2015**		2014		2013		2012
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
10%	**50%**	30%	50%	30%	50%	30%	50%
30%	**75%**	50%	75%	50%	75%	50%	75%
50%	**100%**	100%	100%	100%	100%	100%	100%
100%	**150%**	150%	150%	150%	150%	150%	150%

Directors' Report

The Directors present their Annual report and accounts for the year ended 31 December 2012.

Results and dividends

Net income for the year attributable to equity holders of the Parent Company amounted to €401.5 million (2011: €359.1 million).

The Directors recommend a final dividend for the year of €270.0 million. An interim dividend of €100.0 million was paid during 2012 (2011: final dividend of €90.0 million, with no interim dividend paid or declared in 2011).

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, URENCO Enrichment Company Limited, 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, being URENCO Limited and its subsidiaries.

More information on the Group's activities is presented in the Overview and Chief Executive Officer's review from page 4.

Going concern

The Group's business activities, achievements, risks and opportunities are set out in the Chief Executive Officer's review on pages 12 to 15 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 (€17.8 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 at least January 2015, 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 financial statements.

Business review and future developments

A review of the business and the future developments of the Group are presented in the Chief Executive Officer's review on page 12.

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 conducted 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 €9,800 (2011: €1,400) 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 €1,080,600 (2011: €840,500) were made during the year to local charities and community projects.

Events after the reporting period

As of 27 March 2013, no material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the Annual Report and Accounts.

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 2012 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 2012, the Company had an average of 27 days' purchases owed to trade creditors (2011: an average of 31 days' purchases owed to trade creditors).

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint Deloitte LLP for the coming year was put to the Annual General Meeting on 27 March 2013.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Group 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company 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 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:

- properly select and apply accounting policies;
- 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 IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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.

Each of the persons who is a Director at the date of approval of this annual report confirms that;

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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.

Sarah Newby
Company Secretary

27 March 2013

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 2012 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 Directors' Responsibilities Statement, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2012 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 and Article 4 of the IAS Regulation.

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.

Other matter

We have reported separately on the Parent Company financial statement of URENCO Limited for the year ended 31 December 2012.

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

27 March 2013

Consolidated Income Statement

For the year ended 31 December

	Notes	2012 Results for the year €m	2011 Results for the year €m
Revenue from sales of goods and services	3	**1,601.4**	1,302.4
Work performed by the entity and capitalised		**17.2**	12.7
Changes to inventories of work in progress and finished goods		**3.7**	(9.3)
Raw materials and consumables used		**(69.1)**	(39.8)
Tails provision created	24	**(137.3)**	(117.2)
Employee benefits expense	6	**(158.0)**	(133.8)
Depreciation and amortisation	5	**(338.3)**	(248.1)
Other expenses	5	**(244.5)**	(230.4)
Share of results of joint venture	14	**(58.1)**	(10.8)
Income from operating activities	5	**617.0**	525.7
Finance income	7	**40.3**	66.2
Finance costs	8	**(121.4)**	(131.6)
Income before tax		**535.9**	460.3
Income tax expense	9	**(134.4)**	(101.2)
Net income for the year attributable to the owners of the Company		**401.5**	359.1
Earnings per share		**€**	€
Basic and diluted earnings per share	11	**2.4**	2.1

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	2012 €m	2011 €m
Net income for the year attributable to the owners of the Company		**401.5**	359.1
Other comprehensive income:			
Cash flow hedges – transfers to revenue	23	**23.9**	16.4
Cash flow hedges – mark to market		**60.3**	(28.4)
Net investment hedge – mark to market		**64.0**	(44.5)
Current tax on hedges	9	**–**	0.2
Deferred tax on hedges	9	**(20.2)**	10.0
Exchange differences on foreign currency translation of foreign operations		**(75.3)**	56.7
Exchange differences on hedge reserve		**(5.6)**	(4.8)
Actuarial losses on defined benefit pension schemes	25	**(21.5)**	(13.5)
Surplus on defined benefit pension schemes	25	**(2.0)**	(6.4)
Change in the asset restriction on defined benefit pension schemes	25	**–**	0.8
Current tax on actuarial losses	9	**0.2**	1.3
Deferred tax on actuarial losses	9	**5.7**	3.4
Share of joint venture actuarial losses on defined benefit pension schemes		**(7.3)**	(3.2)
Share of joint venture deferred tax on actuarial losses		**0.7**	0.8
Share of joint venture exchange differences on foreign currency translation of foreign operations		**(0.3)**	0.1
Utility partner payments		**(0.4)**	(0.3)
Deferred tax on utility partner payments	9	**–**	0.1
Other comprehensive income/(loss)		**22.5**	(11.3)
Total comprehensive income for the year attributable to the owners of the Company		**424.0**	347.8

Consolidated Statement of Financial Position

As at 31 December

	Notes	2012 €m	2011 €m
Assets			
Non-current assets			
Property, plant and equipment	12	**4,775.6**	4,285.3
Intangible assets	13	**93.3**	95.2
Investments	14	**–**	45.7
Financial assets	16	**4.7**	4.2
Derivative financial instruments	23	**71.9**	60.4
Deferred tax assets	9	**229.7**	189.6
		5,175.2	4,680.4
Current assets			
Inventories	17	**181.9**	174.5
Trade and other receivables	18	**403.3**	596.0
Derivative financial instruments	23	**18.1**	10.2
Cash and cash equivalents	19	**95.7**	80.2
		699.0	860.9
Total assets		**5,874.2**	5,541.3
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	20	**237.3**	237.3
Additional paid in capital		**16.3**	16.3
Retained earnings		**1,755.2**	1,568.0
Hedging reserve		**(99.0)**	(221.4)
Foreign currency translation reserve		**(19.8)**	55.8
Total equity		**1,890.0**	1,656.0
Non-current liabilities			
Trade and other payables	26	**52.3**	49.0
Obligations under finance leases	27	**0.1**	0.1
Interest bearing loans and borrowings	23	**2,444.2**	2,164.0
Provisions	24	**826.5**	687.5
Retirement benefit obligations	25	**78.8**	57.9
Deferred income	21	**37.9**	9.6
Derivative financial instruments	23	**59.2**	79.5
Deferred tax liabilities	9	**72.4**	58.5
		3,571.4	3,106.1
Current liabilities			
Trade and other payables	26	**208.8**	169.2
Obligations under finance leases	27	**–**	0.2
Interest bearing loans and borrowings	23	**120.8**	520.0
Provisions	24	**9.6**	0.1
Derivative financial instruments	23	**12.8**	39.3
Income tax payable		**48.4**	50.4
Deferred Income	21	**12.4**	–
		412.8	779.2
Total liabilities		**3,984.2**	3,885.3
Total equity and liabilities		**5,874.2**	5,541.3

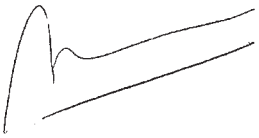
Registered Number 01022786

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2013.

They were signed on its behalf by:

Helmut Engelbrecht
Chief Executive Officer

Marcel Niggebrugge
Chief Financial Officer



Consolidated Statement of Changes in Equity

As at 31 December

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 1 January 2012	**237.3**	**16.3**	**1,568.0**	**(221.4)**	**55.8**	**1,656.0**
Income for the period	**–**	**–**	**401.5**	**–**	**–**	**401.5**
Other comprehensive income	**–**	**–**	**(24.3)**	**122.4**	**(75.6)**	**21.0**
Total comprehensive income	**–**	**–**	**377.2**	**122.4**	**(75.6)**	**424.0**
Equity dividends paid	**–**	**–**	**(190.0)**	**–**	**–**	**(190.0)**
As at 31 December 2012	**237.3**	**16.3**	**1,755.2**	**(99.0)**	**(19.8)**	**1,890.0**

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €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

Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2012 €m	2011 €m
Income before tax		**535.9**	460.3
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:			
Share of joint venture results	14	**58.1**	10.8
Depreciation and amortisation	5	**338.3**	248.1
Finance income	7	**(40.3)**	(66.2)
Finance cost	8	**121.4**	131.6
Loss on disposal / write off of property, plant and equipment		**0.8**	0.5
Increase in provisions		**72.2**	65.1
Operating cash flows before movements in working capital		**1,086.4**	850.2
(Increase)/decrease in inventories		**(3.6)**	4.8
Decrease in receivables		**67.2**	62.0
Increase/(decrease) in payables		**35.3**	(14.2)
Cash generated from operating activities		**1,185.3**	902.8
Income taxes paid		**(182.1)**	(117.0)
Net cash flow from operating activities		**1,003.2**	785.8
Investing activities			
Interest received		**27.7**	36.4
Proceeds from non designated derivatives		**–**	4.0
Proceeds from sale of property, plant and equipment		**2.5**	–
Purchases of property, plant and equipment		**(432.9)**	(548.7)
Prepayments in respect of fixed asset purchases[i]		**(195.2)**	(203.3)
Purchase of intangible assets		**(11.0)**	(26.6)
Net cash flow from investing activities		**(608.9)**	(738.2)
Financing activities			
Interest paid		**(118.2)**	(125.7)
Payments in respect of non designated derivatives		**(1.0)**	(3.7)
Dividends paid to equity holders	10	**(190.0)**	(90.0)
Proceeds from new borrowings		**403.7**	556.2
Repayment of borrowings		**(476.3)**	(340.1)
Repayment of finance lease liabilities		**(0.2)**	(0.3)
Net cash flow from financing activities		**(382.0)**	(3.6)
Net increase in cash and cash equivalents		**12.3**	44.0
Cash and cash equivalents at 1 January		**80.2**	35.1
Effect of foreign exchange rate changes		**3.2**	1.1
Cash and cash equivalents at 31 December	19	**95.7**	80.2

[i] This represents prepayments in respect of fixed asset purchase 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 2012

1. Authorisation of financial statements and compliance with IFRS

The financial statements of URENCO Limited and its subsidiaries ("the URENCO Group") for the year ended 31 December 2012 were approved and authorised for issue by the Board of Directors on 27 March 2013 and the statement of financial position was signed on the Board's behalf by Helmut Engelbrecht and Marcel Niggebrugge.

URENCO Limited is a company domiciled and incorporated in the UK under the Companies Act 2006. The address of the Company's 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 Chief Executive Officer's 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 financial statements are presented in euros as a significant portion of the Group's cost base is euro denominated. The Group consists of entities that have functional currencies of US dollar, sterling and euros. The Parent Company's functional currency is sterling.

Going concern

As discussed in the Directors' Report, 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.

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 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
IAS 12	Income Taxes – revised	1 January 2012

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 1	Government Loans	1 January 2013
IFRS 7	Offsetting Financial Assets and Financial Liabilities	1 January 2013
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 9	Financial Instruments: Hedge Accounting	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 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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

2. Significant accounting policies continued

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, apart from IAS 19.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require that the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a "net-interest approach", which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 require retrospective application. Based on the Directors' preliminary assessment, when the Group applies the amendments to IAS 19 for the first time for the year ending 31 December 2013, the net income for the year ended 31 December 2012 would be reduced by €1.6 million and the other comprehensive income after income tax for the said year would be increased by €1.6 million (1 January 2012: decrease in retained earnings of €nil) with the corresponding adjustments being recognised in the retirement benefit obligations and deferred tax. This net effect reflects a number of adjustments, including their income tax effects: a) immediate recognition of past service costs in profit or loss and an increase in the net pension deficit and b) reversal of the differences between the gain arising from the expected rate of return on pension plan assets and the discount rate through other comprehensive income.

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 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, either through direct or indirect ownership of voting rights. Subsidiaries continue to be consolidated until the date such control ceases to exist.

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

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

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

Significant estimates, assumptions and judgements

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

- Impairments of property, plant and equipment, intangible assets and investments 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 2012 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 2012 was €229.7 million (2011: €189.6 million). There are no unrecognised tax assets at 31 December 2012 (2011: €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 2013 to 2022.
- The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about life expectancies, 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.

2. Significant accounting policies continued

- In certain circumstances, sales of goods and services are deemed to have been met from inventory borrowed under agreement from third parties. Calculating the exact amount of third party inventory utilised requires assumptions around forecast future customer activity.
- 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 statement of financial position 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 to residual value 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 inflated at a rate of 2% (2011: 3%) per annum and discounted at a rate of 4% (2011: 5%), 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 during the year. 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 is being amortised over the licence period from the commencement of production in the United States. The first amortisation took place in 2010 when Urenco USA (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. 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*.

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.

The carrying value of the investment in the joint venture is increased or decreased to recognise the Group's share of the net profit or net loss of the joint venture and for changes in the Group's share of the joint venture's other comprehensive income. Distributions received from the joint venture reduce the carrying amount of the investment. The Group's share of the net profit or net loss of the joint venture is recognised in the consolidated income statement. The Group's share of changes recognised in other comprehensive income of the joint venture is recognised in the consolidated statement of comprehensive income. The Group discontinues recognising its share of net assets or its share of net losses from the joint venture when the value of the investment has reduced to nil. After the Group's interest is reduced to nil, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of net losses not recognised.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

2. Significant accounting policies continued

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.

Additionally, revenue is derived from the sales of services for handling uranic materials which is recognised at the time the service is provided.

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 and deconversion facilities are 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 statement of financial position 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 statement of financial position. 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

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 statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position 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 55 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 statement of financial position 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 recognised as other comprehensive income 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 statement of financial position date. Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income 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 statement of financial position represent the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

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

Taxation

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

Current income tax

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

Current income tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

2. Significant accounting policies continued

Deferred income tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the statement of financial position 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 statement of financial position 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 other comprehensive income, in which case the deferred tax is also dealt within other comprehensive income. The Group's deferred tax position is calculated using tax rates enacted or substantively enacted by the statement of financial position date.

Property, plant and equipment

Plant and machinery 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. Decommissioning assets are also reported under plant and machinery and are measured at net present value of future decommissioning costs and revised for changes. Decommissioning assets are depreciated over 5 – 15 years.

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

Properties in the course of construction are carried at cost including directly attributable costs, 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 3.50% (2011: 3.53%). 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.

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.

2. Significant accounting policies continued

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 is being 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 5 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.

Waiver payment

The waiver payment is initially recognised at valuation, based on the estimated cash flow savings for not having to make future royalty payments by Urenco UK (UUK) associated with certain plant and equipment at the Capenhurst site. The consideration for this waiver payment will be settled by contracted storage services to be provided in future years by CNS. Amortisation on this waiver payment takes place on a straight line basis over the estimated useful life of 9 years.

Impairment of property, plant and equipment and intangible assets

At each statement of financial position 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 2012

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. Spares and other equipment are valued on a FIFO basis.

Inventory borrowings

URENCO periodically borrows SWU or feed from third parties in order to optimise its operational efficiency and inventory position. 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 inventory production. During the term of the agreement URENCO recognises both an asset and liability on its statement of financial position, valued at the cost of production of SWU or feed, unless sales have been made from borrowings, in which case the liability is measured at market price. 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 statement of financial position 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 statement of financial position 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.

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 taking due account of counterpart credit risk and own credit.

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 highly probably future cash flows are recognised directly in other comprehensive income 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 other comprehensive income 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 finance 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 other comprehensive income is transferred to income or loss.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

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 and machinery 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 income statement for all plant and equipment in operation, at a rate considered to be adequate for the purpose. Once plant and equipment has been commissioned, the full discounted cost of decommissioning 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 and refeeding of high assay tails. 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 refeeding high assay tails represent the cost to the Group of re-enriching high assay tails in the future, back to the assay of natural uranium.

3. Revenue

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

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Sales of goods and services	**1,601.4**	1,302.4
Interest income	**40.3**	66.2
Total revenue	**1,641.7**	1,368.6

In 2012, €23.9 million of net losses (2011: net losses €16.4 million) relating to foreign currency hedging activities has been included in sales revenue (see note 23).

4. Segment information

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.
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.
- other relates to Head Office and Capenhurst Nuclear Services Limited (CNS) which provides uranium handling services at the Capenhurst facility.

4. Segment information continued

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 2012	Enrichment business €m	Greenfield site development €m	ETC €m	Other[i] €m	Consolidated €m
Revenue					
External sales	1,601.4	–	–	–	1,601.4
Total revenue	1,601.4	–	–	–	1,601.4
Result					
Income from operating activities	653.5	8.1	(51.4)	6.8	617.0
Finance income	–	–	–	40.3	40.3
Finance costs	–	–	–	(121.4)	(121.4)
Income before tax	653.5	8.1	(51.4)	(74.3)	535.9
Income tax	(190.9)	(1.2)	–	57.7	(134.4)
Net income for the year	462.6	6.9	(51.4)	(16.6)	401.5
Other information					
Depreciation and amortisation	348.3	0.2	–	(10.2)	338.3
EBITDA	1,001.8	8.3	–	3.3	1,013.4
Capital additions:					
Property, plant and equipment	771.2	104.5		(26.4)	849.3
Intangible assets	10.0	–	–	1.0	11.0
Segment assets	5,542.5	262.7	–	69.0	5,874.2
Segment liabilities	1,690.4	237.2	21.1	2,035.5	3,984.2

[i] Other comprises the corporate Head Office, CNS and eliminations.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

4. Segment information continued

Year ended 31 December 2011	Enrichment business €m	Greenfield site development €m	ETC €m	Other[i] €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	(12.5)	525.7
Finance income	–	–	–	66.2	66.2
Finance costs	–	–	–	(131.6)	(131.6)
Income before tax	521.5	12.0	4.7	(77.9)	460.3
Income tax	(112.8)	(5.4)	–	17.0	(101.2)
Net income for the year	408.7	6.6	4.7	(60.9)	359.1
Other information					
Depreciation and amortisation	252.9	0.2	–	(5.0)	248.1
EBITDA	774.5	12.2	–	(2.1)	784.6
Capital additions:					
Property, plant and equipment	832.0	47.0	–	(10.8)	868.2
Intangible assets	25.2	0.9	–	0.5	26.6
Segment assets	5,212.8	152.9	45.7	129.9	5,541.3
Segment liabilities	1,509.9	145.8	–	2,229.6	3,885.3

[i] Other comprises the corporate Head Office, CNS and eliminations.

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 2012	**UK €m**	**Rest of Europe €m**	**US €m**	**Rest of the World* €m**	**Consolidated €m**
Total external revenue	**55.6**	**663.6**	**657.6**	**224.6**	**1,601.4**
Location of non-current assets					
Property, plant and equipment	**768.0**	**1,627.4**	**2,380.2**	**–**	**4,775.6**
Intangible assets	**21.2**	**35.0**	**37.1**	**–**	**93.3**

* predominantly Asia.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

5. Income from operating activities

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

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Depreciation of property, plant and equipment (note 12)	**315.7**	233.4
Amortisation of intangible assets (note 13)	**22.6**	14.7
	338.3	248.1
Employee benefits expense (note 6)	**158.0**	133.8
Operating, general and administrative costs	**222.0**	233.6
Minimum lease payments under operating leases recognised in income for the year	**3.8**	2.7
Research and development costs	**10.0**	7.4
Net foreign exchange losses/(gains)[i]	**8.7**	(13.3)
Other expenses	**244.5**	230.4

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

An analysis of auditor's remuneration throughout the Group is provided below:

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Audit of Company	**0.1**	0.1
Audit of subsidiaries	**0.4**	0.3
Total audit fees	**0.5**	0.4
Audit related assurance services	**0.1**	0.1
Total assurance services	**0.6**	0.5
Tax compliance service	**–**	–
Tax advisory services	**0.2**	0.3
Services relating to taxation	**0.2**	0.3
Total other non-audit services	**–**	–
Total non-audit services	**0.3**	0.4
Total fees	**0.8**	0.8

Details of the Company's policy on the use of auditors for non-audit services and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 35.

6. Employee benefits expense

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

	Year ended 31/12/12 Number	Year ended 31/12/11 Number
Technical	**1,123**	1,094
Commercial	**41**	41
Administration	**275**	249
	1,439	1,384

Their aggregate remuneration comprised:

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Wages and salaries	**133.9**	109.2
Social security costs	**12.8**	10.8
Pension costs	**11.3**	13.8
	158.0	133.8

Directors' emoluments (see page 37):

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Emoluments	**2.1**	1.5
Amounts receivable under long-term incentive scheme	**(0.1)**	0.4
Company contributions paid to a defined benefit pension scheme	**0.2**	–
	Number	Number
Members of defined benefit pension schemes	**1**	1
Company contributions paid to a defined contribution pension scheme	**–**	–
Members of defined contribution schemes	**1**	1

In respect of the highest paid Director:

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Emoluments	**0.8**	1.1
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 2012

7. Finance income

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Interest on bank and other deposits	**0.1**	4.9
Income from non-designated derivatives	**14.9**	25.9
Interest rate/cross currency interest rate swaps	**25.3**	35.0
Net return on defined benefit pension schemes	**–**	0.4
	40.3	66.2

8. Finance costs

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Interest on bank borrowings and other loans	**98.9**	99.0
Capitalised interest cost	**(33.9)**	(48.3)
Interest rate/cross currency interest rate swaps	**18.3**	26.0
Unwinding of discount on provisions	**28.6**	25.4
Net return on defined benefit pension schemes	**1.4**	–
Surety bond	**1.9**	0.7
Charge to the income statement from non-designated derivatives	**6.2**	28.8
	121.4	131.6

9. Income tax

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

Consolidated income statement	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Current income tax		
UK corporation tax	**58.3**	68.7
Foreign income tax	**122.6**	56.2
Adjustments in respect of current income tax of prior periods	**(2.2)**	6.2
	178.7	131.1
Deferred income tax (see Deferred income tax analysis below)		
Relating to origination and reversal of temporary differences	**(42.3)**	(20.3)
Adjustments in respect of prior periods	**(1.8)**	(9.4)
Impact of change in tax rate for deferred tax	**(0.2)**	(0.2)
	(44.3)	(29.9)
Income tax expense reported in the consolidated income statement	**134.4**	101.2

Income tax related to items charged or credited directly to other comprehensive income	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Current tax		
Credit on financial instruments reported in equity	**–**	0.2
Credit on actuarial loss on defined benefit pension schemes	**0.2**	1.3
Total current income tax	**0.2**	1.5
Deferred tax		
(Credit)/charge on financial instruments reported in equity	**(20.2)**	10.0
Charge on actuarial loss on defined benefit pension schemes	**5.7**	3.4
Credit relating to payments under the LES partnership agreement	**–**	0.1
Total deferred tax	**(14.5)**	13.5
Income tax (charge)/credit reported in equity	**(14.3)**	15.0

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

9. Income tax continued

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

	€m	**Year ended 31/12/12 %**	€m	Year ended 31/12/11 %
Income before tax	**535.9**		460.3	
Weighted at the UK statutory income tax rate of 24.5% (2011: 26.5%)	**131.3**	**24.5**	122.0	26.5
Adjustments in respect of income tax of previous years	**(4.0)**	**(0.8)**	(3.2)	(0.7)
Tax effect of non-deductible expenses	**(12.0)**	**(2.2)**	(12.8)	(2.7)
Effect of different foreign tax rates	**19.3**	**3.6**	(4.6)	(1.0)
Effect of rates changes on deferred tax	**(0.2)**	**–**	(0.2)	(0.1)
Income tax expense reported in consolidated income statement	**134.4**	**25.1**	101.2	22.0

It has been announced that the UK rate of corporation tax will reduce from 28% to 21% 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 24% was substantively enacted on 26 March 2012 and was effective from 1 April 2012. A further reduction in the rate of UK corporation tax from 24% to 23% was substantively enacted on 3 July 2012 and will be effective from 1 April 2013. 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 23% to 21% would further reduce the deferred tax liabilities by approximately €1.4 million.

9. Income tax continued

Deferred income tax

Deferred income tax at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated income statement	
	31/12/12 €m	31/12/11 €m	**Year ended 31/12/12 €m**	Year ended 31/12/11 €m
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**(131.0)**	(132.1)	**1.7**	(33.7)
Relating to provisions	**35.8**	31.3	**6.8**	3.6
Relating to fair value movements on financial instruments	**(4.6)**	(2.9)	**(1.5)**	(2.9)
Other temporary differences	**13.6**	34.9	**0.7**	(2.1)
Relating to the prior year	**–**	–	**4.2**	(4.6)
Retirement benefit obligations	**13.8**	10.3	**(0.8)**	(0.3)
Effect of rate changes on deferred tax	**–**	–	**0.3**	1.7
Total deferred tax liabilities	**(72.4)**	(58.5)		
Deferred tax assets				
Retirement benefit obligations	**2.2**	1.2	**(0.1)**	(0.1)
Other temporary differences	**(3.4)**	(2.3)	**14.9**	13.9
Relating to start up costs	**80.6**	101.5	**(13.2)**	(5.4)
Tax losses carried forward	**204.2**	165.9	**67.2**	92.8
Relating to prior year	**–**	–	**(2.4)**	14.0
Relating to fair value movements on financial instruments	**(2.4)**	(20.2)	**2.8**	(6.5)
Relating to provisions	**24.6**	10.3	**10.6**	4.9
Accelerated depreciation for tax purposes	**(76.1)**	(66.8)	**(46.8)**	(44.0)
Effect of rate changes on deferred tax	**–**	–	**(0.1)**	(1.4)
Total deferred tax assets	**229.7**	189.6		
Deferred tax credit			**44.3**	29.9

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, LES, deferred tax assets of €175.0 million (2011: €172.0 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 2013 to 2022.

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 2012

10. Dividends paid and proposed

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2012 of 59.52 cents per share (2011: nil)	**100.0**	–
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
	190.0	90.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2012 of 160.71 cents per share (2011: 53.57 cents per share)	**270.0**	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 31/12/12	Year ended 31/12/11
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the Parent	**401.5**	359.1
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	**2.4**	2.1

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

2012	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2012	884.8	4,207.8	79.6	8.7	1,336.7	6,517.6
Additions	40.4	476.1	14.7	0.9	317.2	849.3
Transfers (see note 13)	417.4	451.8	2.1	4.0	(885.8)	(10.5)
Disposals	(4.3)	(0.2)	(4.2)	(0.4)	–	(9.1)
Written off	(0.3)	(3.9)	(0.3)	–	–	(4.5)
Exchange adjustments	(10.2)	15.6	–	–	(15.1)	(9.7)
Cost as at 31 December 2012	1,327.8	5,147.2	91.9	13.2	753.0	7,333.1
Depreciation as at 1 January 2012	196.3	1,993.2	36.4	6.4	–	2,232.3
Charge for the year	38.9	261.2	14.0	1.6	–	315.7
Disposals	(2.3)	(0.2)	(3.0)	(0.3)	–	(5.8)
Written off	(0.4)	(3.8)	(0.3)	–	–	(4.5)
Exchange adjustments	0.2	18.7	0.1	0.8	–	19.8
Depreciation as at 31 December 2012	232.7	2,269.1	47.2	8.5	–	2,557.5
Carrying amount as at 1 January 2012	688.5	2,214.6	43.2	2.3	1,336.7	4,285.3
Carrying amount as at 31 December 2012	1,095.1	2,878.1	44.7	4.7	753.0	4,775.6

All land, buildings and other tangible fixed assets are carried at historical 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 2012 of €0.2 million (2011: €0.4 million).

At 31 December 2012, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €316.9 million (2011: €635.7 million) principally in relation to cascades, equipment and buildings.

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

	2012 €m	2011 €m
Cost at 31 December	224.1	190.3
Depreciation at 31 December	(110.5)	(100.7)
Carrying amount at 31 December	113.6	89.6

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

	2012 €m	2011 €m
Cost at 31 December	228.7	197.6
Depreciation at 31 December	(24.3)	(15.8)
Carrying amount at 31 December	204.4	181.8

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

12. Property, plant and equipment continued

2011	Freehold land and buildings €m	Plant and machinery €m	Fixtures and 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
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)
Exchange adjustments	20.6	54.4	2.1	–	51.9	129.0
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
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)
Exchange adjustments	2.5	25.2	0.5	–	–	28.2
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

13. Intangible assets

2012	Licence costs €m	Other software assets €m	Waiver payments €m	Total €m
Cost as at 1 January 2012	**53.1**	**66.8**	**–**	**119.9**
Additions	**2.1**	**2.0**	**6.9**	**11.0**
Written off	**–**	**(0.2)**	**–**	**(0.2)**
Transfers (see note 12)	**3.3**	**7.2**	**–**	**10.5**
Exchange adjustments	**(0.5)**	**(0.2)**	**(0.1)**	**(0.8)**
Cost as at 31 December 2012	**58.0**	**75.6**	**6.8**	**140.4**
Amortisation as at 1 January 2012	**7.9**	**16.8**	**–**	**24.7**
Charge for the year	**3.1**	**18.7**	**0.8**	**22.6**
Written off	**–**	**(0.2)**	**–**	**(0.2)**
Transfers (see note 12)	**–**	**–**	**–**	**–**
Exchange adjustments	**0.2**	**(0.2)**	**–**	**–**
Amortisation as at 31 December 2012	**11.2**	**35.1**	**0.8**	**47.1**
Carrying amount as at 1 January 2012	**45.2**	**50.0**	**–**	**95.2**
Carrying amount as at 31 December 2012	**46.8**	**40.5**	**6.0**	**93.3**

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 2012 and 2011 relate to a reclassification from property, plant and equipment of other software assets.

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised. 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.

A waiver payment was recognised during the year as an intangible asset. This waiver payment represents the right for UUK to continue to use certain plant and equipment at the Capenhurst site without future royalty payments to be made. The consideration for this waiver payment will be settled by contracted storage services to be provided in future years by CNS. This consideration is included in deferred income.

Included in Intangible assets are the following amounts relating to capitalised Other software asset costs:

	2012 €m	2011 €m
Cost at 31 December	**1.0**	0.9
Depreciation at 31 December	**(0.4)**	(0.2)
Carrying amount at 31 December	**0.6**	0.7

2011	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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

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:

	2012 €m	2011 €m
Share of the joint venture balance sheet		
Non-current assets	**37.1**	116.9
Current assets	**209.7**	363.1
Share of gross assets	**246.8**	480.0
Non-current liabilities	**(34.8)**	(43.7)
Current liabilities	**(233.1)**	(390.6)
Share of gross liabilities	**(267.9)**	(434.3)
	(21.1)	45.7
Unrecognised share of net liabilities of joint venture	**21.1**	–
Group's share of net assets	**–**	45.7

	For the year to 31/12/12 €m	For the year to 31/12/11 €m
Share of joint venture results		
Total revenue	**433.9**	369.9
Group's share of (loss)/profit for the year	**(51.4)**	4.7
Consolidation adjustments	**(6.7)**	(15.5)
Share of results of joint venture	**(58.1)**	(10.8)

The Group's share of net losses in ETC of €58.1 million was driven by an impairment loss on ETC's manufacturing assets. This impairment loss predominantly reflects lower estimated future net cash inflows reflecting the planned downsizing of ETC's operations and workforce.

On consolidation, the Group makes the necessary adjustments to the joint venture results to ensure that income from direct transactions with the joint venture is not recognised. The consolidation adjustments also eliminate an unrecognised share of the loss of the joint venture of €21.1 million reflecting that the Group discontinued recognising its share of further losses and its share of net liabilities after the Company's interest in the joint venture was reduced to nil.

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 7 to the Company's separate financial statements.

16. Financial assets

	31/12/12 €m	31/12/11 €m
Restricted cash	**4.7**	4.2

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

	31/12/12 €m	31/12/11 €m
Raw materials	**22.0**	12.9
Work-in-progress	**157.2**	159.4
Finished goods	**2.7**	2.2
	181.9	174.5

Work-in-progress comprises costs associated with the delivery of enrichment contracts where the SWU element of enriched uranium has not been allocated to the customer.

18. Trade and other receivables (current)

	31/12/12 €m	31/12/11 €m
Trade receivables	**221.7**	201.4
Trade receivables due from related parties (see note 31)	**0.1**	6.1
Other receivables	**23.8**	15.0
Prepayments and accrued income	**157.6**	373.4
Accrued income	**0.1**	0.1
	403.3	596.0

The average contractual credit period taken on sales of goods and services is 30 days (2011: 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 24 days (2011: 18 days).

For terms and conditions relating to related party receivables, refer to note 31 on page 91.

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, 24% was against three customers with an external credit rating of A+ (S&P), 1% against a customer with an external credit rating of A (S&P), 23% against three customers with internal credit ratings of A-,10% against one customer with an external credit rating of BBB, 23% against four customers with internal credit ratings of BBB- and 7% against two customer with an internal credit rating of BBB. All amounts due at 31 December 2012 were collected by 6 February 2013.

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 €87.5 million (2011: €271.8 million).

19. Cash and cash equivalents

	31/12/12 €m	31/12/11 €m
Cash at bank and in hand	**95.7**	80.2
	95.7	80.2

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 2012

20. Share capital and reserves

	31/12/12 €m	31/12/11 €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 consolidated 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.

	2012 €m	2011 €m
As at 1 January	**9.6**	14.5
Movement during the year	**40.9**	(4.7)
Exchange difference	**(0.2)**	(0.2)
As at 31 December	**50.3**	9.6
Included in current liabilities	**12.4**	–
Included in non-current liabilities	**37.9**	9.6
	50.3	9.6

The movement during the year was mainly due to deferred income for contracted storage services to be provided by CNS in future years for which the consideration was received in advance, predominantly in the form of land and a waiver of royalty payments. This deferred income was initially determined as the present value of estimated future storage fees for a fixed volume of uranic material. Revenue recognition takes place during the years these storage services will be provided. The unwinding of the discount on the deferred income is recorded as finance costs.

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 €431.3 million (2011: €374.0 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 have approved the Group to exceed 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 2012, after taking into account the effect of interest rate swaps, 68% of the Group's borrowings are at a fixed rate of interest (2011: 60%).

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 designated 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 an equal and opposite effect on the Group's equity.

If market interest rates had been 100 basis points higher/(lower) at 31 December 2012, income would have been €8.3 million (lower)/higher (31 December 2011: €10.8 million (lower)/higher).

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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 51% (2011: 46%) of its revenues being denominated in US dollars, whilst currently only approximately 23% (2011: 19%) of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 25% (2011: 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 denominated assets. Any gains/losses arising on the retranslation of these US dollar loans are recorded directly to other comprehensive income 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 currency 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
2012	**+10%**	**17.3**	**37.9**	**+10%**	**19.1**	**115.2**
	-10%	**(21.1)**	**(46.3)**	**-10%**	**(23.3)**	**(140.8)**
2011	+10%	1.2	57.4	+10%	13.5	99.4
	-10%	(1.5)	(70.1)	-10%	(16.5)	(121.5)

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 2012, 5% of the Group's interest bearing loans and borrowings will mature in less than one year (2011: 19%).

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

2012	**Less than 3 months €m**	**3 – 12 months €m**	**1 – 5 years €m**	**> 5 years €m**	**Total €m**
Interest bearing loans and borrowings	**169.6**	**96.2**	**1,893.8**	**659.1**	**2,818.7**
Trade and other payables	**208.8**	**–**	**52.3**	**–**	**261.1**
Interest rate/cross currency swaps – net payment/(receipt)	**1.0**	**(9.1)**	**34.7**	**162.9**	**189.5**
Foreign exchange contracts	**–**	**(6.2)**	**(0.4)**	**–**	**(6.6)**
Other financial liabilities	**–**	**17.6**	**48.6**	**96.9**	**163.1**
	379.4	**98.5**	**2,029.0**	**918.9**	**3,425.8**

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	169.2	–	49.0	–	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
	539.9	206.1	1,305.5	1,520.8	3,572.3

Notes to the Consolidated Financial Statements continued

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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 long-term dividend payout ratio of 50% of its net income for the year, the proposed dividend for the year 2012 is 92%.

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 FFO/TAD ratio has improved in 2012. The Group targets an FFO/TAD ratio that results in a strong investment grade credit rating. 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.

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.

	2012 €m	2011 €m
Net debt	**2,469.4**	2,604.1
Total assets	**5,874.2**	5,541.3
Net debt to Total assets	**42.0%**	47.0%

	2012 €m	2011 €m
Operating cash flows before movements in working capital	**1,086.4**	850.2
Less:		
Tax paid	**(182.1)**	(117.0)
Interest paid (net)	**(90.5)**	(89.3)
Plus:		
Operating lease depreciation	**3.2**	2.7
Provisions adjustment less deferred tax	**(114.4)**	(90.8)
Pension normalisation	**3.0**	4.0
Funds from operations (FFO)	**705.6**	559.8
Interest bearing loans and borrowings – current	**120.8**	520.0
Interest bearing loans and borrowings – non-current	**2,444.2**	2,164.0
Total debt	**2,565.0**	2,684.0
Operating lease adjustment	**107.8**	4.8
Tails and decommissioning provisions	**750.2**	622.9
Deferred tax asset on provisions	**(60.4)**	(41.6)
Pensions deficit net of deferred tax	**62.8**	46.4
	3,425.4	3,316.5
Cash	**(95.7)**	(80.2)
Swaps	**(2.0)**	(27.8)
Total Adjusted Debt (TAD)	**3,327.7**	3,208.2
Ratio of FFO/TAD	**21.2%**	17.4%

23. Other financial assets and financial liabilities

Interest bearing loans and borrowings

At 31 December	Effective interest rate %	Maturity	2012 €m	2011 €m
Current				
Bank overdrafts:			**–**	–
Other loans:				
$500 million Commercial Paper Programme			**37.9**	242.3
$120 million Term Loan Agreement	Floating	7 Dec 12	**–**	92.8
€650 million multicurrency revolving facility	Floating	3 Jan 13	**75.8**	–
€650 million multicurrency revolving facility	Floating	28 Jan 12	**–**	177.8
€100 million European Investment Bank financing facility	4.772%	17 Oct 24	**7.1**	7.1
			120.8	520.0
Non-current				
Other loans:				
$50 million series A Senior notes	5.82%	30 Jun 14	**37.9**	38.7
€500 million Eurobond (part)	2.68%	22 May 15	**112.1**	115.1
€500 million Eurobond (part)	Floating	22 May 15	**114.6**	115.5
€500 million Eurobond (part)	3.15%	22 May 15	**105.4**	107.9
€500 million Eurobond (part)	Floating	22 May 15	**221.2**	222.4
$200 million Term Loan Agreement	Floating	4 Dec 15	**151.5**	–
$50 million series A Senior notes	5.51%	12 Dec 15	**37.9**	38.7
€25 million Eurobond	Floating	17 Dec 15	**26.6**	26.2
€50 million Eurobond	3.20%	17 Dec 15	**50.0**	50.0
$100 million series B Senior notes	6.47%	11 Dec 16	**75.8**	77.3
$100 million series B Senior notes	5.56%	12 Dec 16	**75.8**	77.3
$100 million Senior notes	5.50%	11 May 17	**75.8**	77.3
€100 million Term facility agreement (inflation linked)	2.88% + inflation	7 Dec 17	**110.8**	108.1
€500 million Eurobond	4.00%	05 May 17	**500.0**	500.0
$50 million series C Senior notes	5.66%	12 Dec 18	**37.9**	38.7
€100 million European Investment Bank financing facility	4.439%	23 Mar 18	**100.0**	100.0
$132.2 million European Investment Bank financing facility	3.30%	29 Mar 23	**100.2**	–
$99 million European Investment Bank financing facility	3.15%	22 May 23	**75.0**	–
€100 million European Investment Bank financing facility	4.772%	17 Oct 24	**78.6**	85.7
€100 million European Investment Bank financing facility	3.34%	28 Oct 27	**100.0**	100.0
$108.6 million European Investment Bank financing facility	Floating	29 Jun 28	**82.3**	84.0
Yen 20 billion Loan Agreement	6.24%	28 Apr 38	**174.8**	201.1
			2,444.2	2,164.0
			2,565.0	2,684.0

As at 31 December 2012, after taking into account the effect of interest rate swaps, 68% of the Group's borrowings are at a fixed rate of interest (2011: 60%).

Amounts recognised in the income statement due to effective interest rate calculations are interest expense of €98.9 million (2011: €99.0 million) and interest income of €0.1 million (2011: €4.9 million).

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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 2012, the total notional amounts of outstanding US dollar forward exchange contracts, into euros and sterling, are US $2,739.8 million (2011: US $2,487.7 million). The total notional amounts of outstanding forward euro foreign exchange contracts into sterling are €253.6 million (2011: €336.0 million).

Gross cash outflows from the transactions to which foreign currency hedging instruments relate are detailed in the table below:

	2012		2011	
	USD $m	**EUR €m**	USD $m	EUR €m
2012	**–**	**–**	862.3	52.1
2013	**972.1**	**93.4**	556.6	123.7
2014	**630.1**	**93.1**	517.2	93.1
2015	**551.7**	**39.4**	390.7	39.4
2016	**375.9**	**27.7**	160.9	27.7
2017	**210.0**	**–**	–	–
	2,739.8	**253.6**	2,487.7	336.0

The Group held 158 forward exchange contracts designated as hedges of expected US dollar sales and 30 of expected euro sales to customers throughout the world. The total contract value of US dollars sold for sterling is US $825.4 million with an average rate of US $1.6001 per £1 and the total contract value of US dollars sold for euros is US $1,914.4 million with an average rate of US $1.3411 per €1. The total contract value of euros sold for sterling is €253.6 million with an average rate of €0.8752 per £1.

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to €12.5 million (2011: €(68.9) million) has been deferred in other comprehensive income. This movement of €81.4 million is due to exchange differences on the opening balance of €(1.9) million, mark to market movements of €59.4 million and €23.9 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 2012 of €(23.9) million (2011: loss of €(16.4) million).

Net changes in the fair value of ineffective non-designated derivatives recognised in the income statement was a gain of €8.7 million (2011: loss of €(2.9) million), and included in finance income / expenses.

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 €928.1 million at 31 December 2012 (2011: €931.1 million) have fixed interest receipts at a current average rate of 5.25% (2011: 5.24%) for periods up until 2038 (2011: to 2038) and fixed interest payments at 4.24% (2011: 4.26%); floating interest payments at an average margin of 0.71% (2011: 0.71%) plus LIBOR or EURIBOR. Contracts with a nominal value of €205.0 million at 31 December 2012 (2011: €205.0 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% (as 2011).

23. Other financial assets and financial liabilities continued

The fair value of swaps entered into at 31 December 2012 is estimated at €2.0 million asset (combined currency and interest rate swaps) (2011: €27.8 million asset). These amounts are based on current market rates versus URENCO actual rates at the statement of financial position date.

Swaps with a fair value amounting to €(13.1) 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 €15.1 million were de-designated throughout the year.

Hedge of net investments in foreign operations

Included in loans at 31 December 2012 were (swapped) borrowings of US $1,587.1 million (2011: US $1,275.8 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 (2011: €279.7 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 other comprehensive income 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 2012 €m	**Fair value 2012 €m**	Book value 2011 €m	Fair value 2011 €m
Financial assets				
Trade and other receivables	**403.3**	**403.3**	596.0	596.0
Other financial assets				
Forward foreign exchange contracts – hedged	**47.4**	**47.4**	20.3	20.3
Forward foreign exchange contracts – non-hedged	**1.2**	**1.2**	–	–
Interest rate/cross currency swaps	**41.4**	**41.4**	50.3	50.3
Cash and short-term deposits	**95.7**	**95.7**	80.2	80.2
Total	**589.0**	**589.0**	**746.8**	**746.8**
Financial liabilities				
Interest bearing loans and borrowings				
Floating rate borrowings	**458.3**	**477.2**	704.9	720.9
Fixed rate borrowings	**2,051.7**	**2,219.3**	1,916.8	2,015.7
Obligations under finance leases	**0.1**	**0.1**	0.3	0.3
Trade and other payables	**261.1**	**261.1**	218.2	218.2
Derivative financial liabilities at fair value through profit or loss				
Derivatives in designated hedges	**30.9**	**30.9**	94.4	94.4
Forward foreign exchange contracts	**1.7**	**1.7**	1.9	1.9
Interest rate/cross currency swaps	**39.4**	**39.4**	22.5	22.5
Total	**2,843.2**	**3,029.7**	**2,959.0**	**3,073.9**

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.

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23. Other financial assets and financial liabilities continued

Fair value measurements recognised in the statement of financial position

As at 31 December 2012, 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

	2012				2011			
	€m	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**	€m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit and loss								
Forward foreign exchange contracts – hedged	**47.4**	**–**	**47.4**	**–**	20.3	–	20.3	–
Forward foreign exchange contracts – non-hedged	**1.2**	**–**	**1.2**	**–**	–	–	–	–
Interest rate/cross currency swaps	**41.4**	**–**	**41.4**	**–**	50.3	–	50.3	–
Total assets measured at fair value	**90.0**	**–**	**90.0**	**–**	70.6	–	70.6	–
Financial liabilities at fair value through profit and loss								
Forward foreign exchange contracts – hedged	**30.9**	**–**	**30.9**	**–**	94.4	–	94.4	–
Forward foreign exchange contracts – non-hedged	**1.7**	**–**	**1.7**	**–**	1.9	–	1.9	–
Interest rate/cross currency swaps	**39.4**	**–**	**39.4**	**–**	22.5	–	22.5	–
Total liabilities measure at fair value	**72.0**	**–**	**72.0**	**–**	118.8	–	118.8	–

23. Other financial assets and financial liabilities continued

Classification of financial instruments

2012	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	–	–	4,775.6	4,775.6
Intangible assets	–	–	93.3	93.3
Investments	–	–	–	–
Financial assets	–	–	4.7	4.7
Derivative financial instruments	–	90.0	–	90.0
Deferred tax assets	–	–	229.7	229.7
Trade and other receivables	245.6	–	157.7	403.3
Inventories	–	–	181.9	181.9
Cash	95.7	–	–	95.7
Total	341.3	90.0	5,442.9	5,874.2

2012	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	261.1	–	–	–	261.1
Obligations under finance leases	0.1	–	–	–	0.1
Deferred income	–	–	50.3	–	50.3
Interest bearing loans and borrowings	2,565.0	–	–	–	2,565.0
Derivative financial instruments	–	72.0	–	–	72.0
Deferred tax liabilities	–	–	–	72.4	72.4
Provisions	–	–	–	836.1	836.1
Retirement benefit obligations	–	–	–	78.8	78.8
Income tax payable	–	–	–	48.4	48.4
Total	2,826.2	72.0	50.3	1,035.7	3,984.2

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For the year ended 31 December 2012

23. Other financial assets and financial liabilities continued

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

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 31/12/12 €m	**Fair value liability 31/12/12 €m**	Fair value asset 31/12/11 €m	Fair value liability 31/12/11 €m
Cash flow hedges				
Within one year	**17.6**	**(11.1)**	10.2	(38.1)
1 to 2 years	**8.7**	**(12.1)**	5.9	(18.9)
2 to 3 years	**6.2**	**(5.5)**	2.7	(20.7)
3 to 4 years	**8.0**	**(2.2)**	1.2	(11.8)
More than 4 years	**6.9**	**–**	0.3	(4.9)
	47.4	**(30.9)**	20.3	(94.4)
Fair value hedges				
Within one year	**–**	**–**	–	–
1 to 2 years	**–**	**–**	–	–
2 to 3 years	**–**	**–**	–	–
3 to 4 years	**–**	**–**	–	–
More than 4 years	**14.5**	**–**	15.5	–
	14.5	**–**	15.5	–
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	**0.2**	**(20.0)**	2.4	(0.8)
More than 5 years	**–**	**–**	–	–
	0.2	**(20.0)**	2.4	(0.8)
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	**1.3**	**(9.1)**	0.7	(9.7)
More than 4 years	**–**	**–**	–	–
	1.3	**(9.1)**	0.7	(9.7)
Currency derivatives not designated as cash flow hedges and charged to income				
Within one year	**0.5**	**(1.7)**	–	(1.2)
1 to 2 years	**0.7**	**–**	–	(0.7)
2 to 3 years	**–**	**–**	–	–
3 to 4 years	**25.4**	**(10.3)**	31.7	(12.0)
	26.6	**(12.0)**	31.7	(13.9)
Total	**90.0**	**(72.0)**	70.6	(118.8)
Of which – non-current	**71.9**	**(59.2)**	60.4	(79.5)
Of which – current	**18.1**	**(12.8)**	10.2	(39.3)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

24. Provisions

	Tails disposal €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2012	**369.9**	**253.0**	**64.7**	**687.6**
Additional provision in the year	**137.3**	**60.9**	**49.3**	**247.5**
Release of provision in the year	**(20.9)**	**(32.6)**	**–**	**(53.5)**
Unwinding of discount	**16.8**	**10.9**	**0.9**	**28.6**
Utilisation of provision	**(51.1)**	**(2.1)**	**(30.5)**	**(83.7)**
Exchange difference	**6.0**	**2.1**	**1.5**	**9.6**
At 31 December 2012	**458.0**	**292.2**	**85.9**	**836.1**
Included in current liabilities				**9.6**
Included in non-current liabilities				**826.5**
				836.1

	Tails disposal €m	Decommissioning of plant and machinery[i] €m	Other[i] €m	Total €m
At 1 January 2011	286.4	231.1	52.5	570.0
Additional provision in the year	117.2	8.5	12.1	137.8
Release of provision in the year	–	(1.7)	(0.3)	(2.0)
Unwinding of discount	13.6	11.8	–	25.4
Utilisation of provision	(53.9)	(0.9)	(1.8)	(56.6)
Exchange difference	6.6	4.2	2.2	13.0
At 31 December 2011	**369.9**	**253.0**	**64.7**	**687.6**
Included in current liabilities				**0.1**
Included in non-current liabilities				**687.5**
				687.6

[i] The December 2011 results have been restated to reflect the movement of container provisions from Other provisions to Decommissioning of plant and machinery.

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 statement of financial position date. Further description of the estimates and assumptions applied are given in note 2.

Management has revised its assumptions of the applicable inflation rate to 2% per annum (2011: 3% per annum) and the risk free discount rate to 4% per annum (5% per annum). The real discount rate has marginally increased by 2 basis points to 1.96% (2011: 1.94%), with no material impact on the provision.

24. Provisions continued

During the year the tails provision increased by €137.3 million due to tails generated in that period and an increase in the applied tails rate (2011: €117.2 million). This addition to the tails provision has been recognised as a cost in the income statement under tails provision created. A review of assumptions and timing of planned operational activity has led to a provision release of €20.9 million during the year.

With the exception of tails currently sent to third parties for disposal, for which €60.9 million of the tails provision will be used within the next 10 years, it is expected that €118.1 million of the provision will be used within the next 30 years and €279.0 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 €38.1 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €29.2 million.

Provision for decommissioning of plant and machinery

The Directors intend to decommission plant and machinery as soon as practicably possible after it is taken out of use. Enrichment plant will be disassembled, decommissioned and the site returned to 'greenfield' or 'brownfield' status. Containers will be cleaned, dismantled and scrapped. To meet these eventual costs of decommissioning, provisions are charged in the accounts, for all plant and machinery 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 and timing of subsequent decommissioning activity. Further description of the estimates and assumptions applied are given in note 2.

Management has revised its assumption of the applicable inflation rate to 2% per annum (2011: 3% per annum) and the risk free discount rate to 4% per annum (2011: 5% per annum). The real discount rate has marginally increased by 2 basis points to 1.96% (2011: 1.94%) with no material impact on the provision.

During the year the decommissioning provision increased by €60.9 million (2011: €8.5 million) due to the installation of additional plant and machinery of €15.2 million (2011: €8.3 million) and revised assumptions surrounding the decommissioning of containers €45.7 million (2011: €0.2 million). The addition to the decommissioning provision associated with the installation of plant and machinery has been recognised as an equivalent addition to the decommissioning asset in the Statement of financial position. The increase in the container provision of €45.7 million has been recognised as an addition to the decommissioning asset in the Statement of financial position of €13.3 million and a charge to the Income Statement of €32.4 million.

During the year a detailed technical review of the decommissioning process was conducted. This review updated several of the technical, operational and financial assumptions and timings underlying the decommissioning provisions and, as a result €32.6 million of the decommissioning provision has been released.

It is expected that this provision will be used over the next 30 to 40 years.

The provision for decommissioning plant and machinery 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 €15.8 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 for the future re-enrichment of high assay tails and personnel provisions. During the year, the overfeeding provision increased by €37.5 million due to the creation of high assay tails and a change in refeeding assumptions. Personnel provisions increased by €11.8 million due to the creation of a restructuring provision at URENCO UK Limited.

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 2012

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 by employee to enable correct accounting across the subsidiaries.

Valuations of the schemes are carried out at least every three years. The most recent actuarial assessments for the UK scheme of plan assets and the present value of the defined benefit obligations were carried out at 5 April 2012 and subsequently rolled forward to 31 December 2012. Discussions are ongoing between the Trustees and the Company to agree deficit repair payments going forward. 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.

	2012 %	2011 %
Key financial assumptions used:		
Discount rate	**3.5-4.3**	4.7-4.8
Expected return on scheme assets	**2.4-7.0**	2.4-7.1
Expected rate of salary increases	**2.5-3.9**	4.0
Future pension increases	**1.5-2.9**	3.0

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	
	2012 years	2011 years	**2012 years**	2011 years	**2012 years**	2011 years
Life expectancy at age 60 for a male currently aged 60	**27.0**	26.4	**28.7**	28.6	**23.1**	23.0
Life expectancy at age 60 for a female currently aged 60	**29.9**	28.8	**29.9**	29.7	**27.7**	27.6
Life expectancy at age 60 for a male currently aged 40	**28.6**	27.8	**31.9**	31.8	**26.0**	25.8
Life expectancy at age 60 for a female currently aged 40	**29.8**	29.5	**31.9**	31.8	**30.3**	30.2

Mortality tables:

	Netherlands	UK	Germany
2012	**AG Prognosetafel 2010-2060 with mortality experience correction factors (TW 2010)**	**S1NA YOB tables (-1 year for males, unadjusted for females) CMI 2011 projections 1.5% minimum improvements p.a.**	**Heubeck table 2005 G**
2011	AG Prognosetafel 2010-2060 with mortality experience correction factors (TW 2010)	S1NA YOB tables (-1 year for males unadjusted for females) medium cohort projections with 1.5% for males and 1.0%. for females p.a..	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 31/12/12 €m	Year ended 31/12/11 €m
Current service cost	**(6.2)**	(7.3)
Interest cost on benefit obligations	**(20.9)**	(20.2)
Expected return on scheme assets	**19.5**	20.7
Past service cost	**(0.1)**	(1.1)
	(7.7)	(7.9)

The interest cost charge for the year has been included in the consolidated income statement within finance expense.

The amount charged to income in respect of defined contribution pension schemes was €5.0 million (2011: €5.4 million).

The actual return on scheme assets was €35.8 million (2011: €31.5 million).

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

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Actuarial losses	**(21.2)**	(13.5)
Exchange difference	**(1.4)**	(0.5)
	(22.6)	(14.0)
Unrecognised surplus on defined benefit pension schemes	**(8.4)**	(6.4)
Change in the asset restriction on defined benefit pension schemes	**(2.0)**	(6.4)

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

Movement in present value of defined benefit obligation

			2012 €m			2011 €m
As at 31 December	**Total**	**Funded schemes**	**Unfunded schemes**	Total	Funded schemes	Unfunded schemes
At 1 January	**(441.6)**	**(424.7)**	**(16.9)**	(396.4)	(379.9)	(16.5)
Current service cost	**(6.2)**	**(5.9)**	**(0.3)**	(7.3)	(7.1)	(0.2)
Past service cost	**(0.1)**	**(0.1)**	**–**	(1.1)	(1.1)	–
Interest cost	**(20.9)**	**(20.1)**	**(0.8)**	(20.2)	(19.4)	(0.8)
Actuarial loss	**(37.5)**	**(34.2)**	**(3.3)**	(24.3)	(24.1)	(0.2)
Benefits paid to members	**16.5**	**15.6**	**0.9**	15.8	15.0	0.8
Contributions by members	**(1.5)**	**(1.5)**	**–**	(1.3)	(1.3)	–
Transfer	**1.3**	**1.3**	**–**	–	–	–
Foreign exchange	**(7.4)**	**(7.4)**	**–**	(6.8)	(6.8)	–
At 31 December	**(497.4)**	**(477.0)**	**(20.4)**	(441.6)	(424.7)	(16.9)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

25. Retirement benefit obligations continued

Movements in the fair value of plan assets

	2012 €m	2011 €m
At 1 January	**390.1**	354.9
Expected return on plan assets	**19.5**	20.7
Actuarial gains	**16.3**	10.8
Contributions by employer	**10.5**	11.1
Contributions by members	**1.5**	1.3
Benefits paid to members	**(15.6)**	(15.0)
Transfer	**(1.3)**	–
Foreign exchange	**6.0**	6.3
At 31 December	**427.0**	390.1

	2012 €m	2011 €m
Present value of defined benefit obligation	**(497.4)**	(441.6)
Fair value of plan assets	**427.0**	390.1
Unrecognised surplus	**(8.4)**	(6.4)
Recognised (liability) at 31 December	**(78.8)**	(57.9)

The pension fund in the Netherlands has a surplus of €8.4 million (2011: €6.4 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	
	2012 %	2011 %	2012 €m	2011 €m
Equity instruments	**6.5-7.0**	6.5-7.1	**196.0**	166.2
Debt instruments	**2.9-5.4**	3.7-5.4	**190.8**	188.1
Other assets	**2.4-2.6**	0-1.1	**40.2**	35.8
			427.0	390.1

Other assets primarily relate to the mark to market position on the LDI swap portfolio.

25. Retirement benefit obligations continued

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

The five year history of experience adjustments is as follows:

As at 31 December	2012 €m	2011 €m	2010 €m	2009 €m	2008 €m
Present value of defined benefit obligations	**(497.4)**	(441.6)	(396.4)	(361.5)	(362.1)
Fair value of scheme assets	**427.0**	390.1	354.9	308.9	284.7
Total surplus	**(8.4)**	(6.4)	–	–	–
Net liabilities in the schemes	**(78.8)**	(57.9)	(41.5)	(52.6)	(77.4)
Experience adjustments on scheme liabilities					
Amount (€m)	**(32.7)**	(5.9)	–	(18.5)	(32.1)
Percentage of scheme liabilities (%)	**(6.6)**	(1.3)	–	(5.1)	(8.9)
Experience adjustments on scheme assets					
Amount (€m)	**16.3**	10.8	22.8	30.3	(86.7)
Percentage of scheme assets (%)	**0.4**	2.8	6.4	9.8	(30.5)

The estimated amounts of contributions expected to be paid to the schemes during the current financial year (2013) is €13.0 million.

26. Trade and other payables

Current	31/12/12 €m	31/12/11 €m
Trade payables	**52.9**	56.0
Other payables	**43.2**	24.0
Accruals	**86.7**	89.2
Amounts due to joint venture	**26.0**	–
	208.8	169.2

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 27 days (2011: 31 days).

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

Non-current	31/12/12 €m	31/12/11 €m
Other payables	**52.3**	49.0
	52.3	49.0

Other payables comprise 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 2017.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2012

27. Amounts due under finance leases

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

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 unweighted average life of five years based on the number of contracts and a weighted average life of 22 years based on the value of the contracts. The remaining terms of the leases vary from one to 99 years.

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

	31/12/12 €m	31/12/11 €m
Within one year	**5.1**	2.6
In the second to fifth years inclusive	**10.6**	5.6
After five years	**96.9**	3.6
	112.6	11.8

The increase of the future minimum rentals payable compared to 2011 is predominantly due to new lease arrangements on certain land at the Capenhurst site in the UK.

29. Contingent liabilities

There are no material contingent liabilities.

30. Events after the reporting period

As of 27 March 2013, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2012 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.

Transactions with the URENCO pension scheme are detailed in note 25.

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 31/12/12 €m	Year ended 31/12/11 €m	**Year ended 31/12/12 €m**	Year ended 31/12/11 €m	**31/12/12 €m**	31/12/11 €m	**31/12/12 €m**	31/12/11 €m
DECC	**1.5**	–	**3.3**	1.9	**0.6**	–	**1.1**	–
E.ON	**109.4**	62.7	**16.5**	13.4	**35.4**	–	**–**	–
RWE	**24.2**	17.2	**1.2**	3.2	**–**	–	**–**	0.1
ETC[i]	**3.3**	2.3	**473.4**	486.6	**0.1**	6.1	**26.0**	–

[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.

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 €5.4 million relating to the Joint Venture (2011: €3.3 million). Included in the share of net assets of the joint venture as a recognised liability is €22.0 million relating to the Joint Venture (2011: €14.6 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 31/12/12 €m	Year ended 31/12/11 €m
Short-term employee benefits	**2.0**	1.9
Post-employment benefits	**0.2**	0.1
	2.2	2.0

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.

Registered Number
01022786

Company Financial Statements
For the year ended 31 December 2012

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Directors' Responsibilities Statement

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 the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

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.

Sarah Newby
Company Secretary

27 March 2013

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 2012 which comprise the Company Balance Sheet and the related notes 1 to 18. 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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 2012;
- 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.

Other matter

We have reported separately on the Group financial statements of URENCO Limited for the year ended 31 December 2012.

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

27 March 2013

Company Balance Sheet

As at 31 December 2012

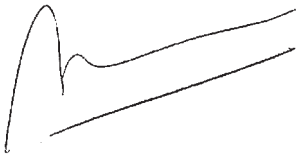
	Notes	2012 €m	2011 €m
Fixed assets			
Tangible assets	5	**3.7**	7.7
Intangible assets	6	**2.6**	1.9
Investments in subsidiaries and associates	7	**2,572.7**	2,805.6
		2,579.0	2,815.2
Long-term assets			
Debtors – amounts falling due after more than one year	9	**0.8**	150.0
Current assets			
Debtors – amounts falling due within one year	8	**986.2**	474.8
Cash and cash equivalents		**62.0**	73.7
		1,048.2	548.5
Current liabilities			
Creditors – amounts falling due within one year	10	**(1,136.1)**	(1,250.3)
Net current liabilities		**(87.9)**	(701.8)
Total assets less current liabilities		**2,491.9**	2,263.4
Long-term liabilities			
Creditors – amounts falling due after more than one year	11	**(1,813.2)**	(1,413.0)
Net assets before retirement benefit obligations		**678.7**	850.4
Retirement benefit obligations	12	**(3.6)**	(1.9)
Net assets		**675.1**	848.5
Capital and reserves			
Share capital	13	**237.3**	237.3
Reserves	14	**437.8**	611.2
		675.1	848.5

Registered Number 01022786

The profit after tax for the financial year of the Parent Company amounts to €117.0 million (2011: €126.0 million).

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2013.

They were signed on its behalf by:



Helmut Engelbrecht
Chief Executive Officer

Marcel Niggebrugge
Chief Financial Officer

Notes to the Company Financial Statements

For the year ended 31 December 2012

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 (UK accounting standards and applicable law).

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 profit and loss account is presented for URENCO Limited, as permitted under section 408 of the Companies Act 2006.

Going concern

As discussed in the Directors' Report, 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 profit before tax 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 the profit and loss account 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 total recognised gains and losses. All other translation differences are taken to total recognised gains and losses. The average sterling to euro rate for 2012 was £0.8132 to €1 (2011: £0.8728 to €1) and the year end rate was £0.81189 to €1 (2011: £0.83371 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.

Intangible fixed assets

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised 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.

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

1. Significant accounting policies continued

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 indication of impairment exists, the Company makes an estimate of the investment's recoverable amount. The recoverable amount is the higher of the amount at which the investment could be disposed of, less any direct selling costs and value in use. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Any impairment loss is recognised in the profit and loss account. If, after an impairment loss has been recognised, the recoverable amount of an investment increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised in the profit and loss account to the extent that it increases the carrying amount of the investment up to the amount that it would have been had the original impairment not occurred.

Retirement benefit obligations

The Company operates a defined benefit pension scheme for the benefit of all employees who started their employment prior to 31 December 2007. For employees joining the Company after this date, the Company operates a defined contribution scheme. Payments to the defined contribution scheme are charged as an expense to the Income Statement as they fall due. On 10 August 2009, the Company's defined benefit scheme merged with the URENCO UK pension scheme.

Regarding the defined benefit scheme, in accordance with FRS 17, the Company has recognised the retirement benefit obligations. The scheme, which is funded by contributions partly from the employees and partly from the Company, is administered independently.

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

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

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

2. Employee benefits expense

The average monthly number of Company employees (including Executive Directors) was:	2012 Number	2011 Number
Technical	**33**	32
Administration	**102**	102
	135	134

Their aggregate remuneration comprised:	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Wages and salaries	**14.2**	13.1
Social security costs	**1.8**	1.3
Pension costs	**1.2**	1.4
	17.2	15.8

Directors' emoluments (see page 37):	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Emoluments	**2.1**	1.5
Amounts receivable under long-term incentive scheme	**(0.1)**	0.4
Company contributions paid to a defined benefit pension scheme	**0.2**	–
	Number	Number
Members of defined benefit pension schemes	**1**	1
Company contributions paid to a defined contribution pension scheme	**–**	–
Members of defined contribution schemes	**1**	1

In respect of the highest paid Director:	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Emoluments	**0.8**	1.1
Accrued pension at the end of the year	**0.2**	0.2

3. Taxation

Deferred tax

Deferred tax balances recognised at 31 December are as follows:

	2012 €m	2011 €m
Deferred tax asset/(liability) relating to fixed assets	**0.8**	(0.5)
Total deferred tax asset/(liability)	**0.8**	(0.5)

In addition to the above balances a further deferred tax asset of €1.5 million (2011: €0.7 million) has been recognised and netted against the Company's pension liability in accordance with FRS 17 (see note 11).

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

4. Dividends paid and proposed

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2012 of 59.52 cents per share (2011: nil)	**100.0**	
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
	190.0	90.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2012 of 160.71 cents per share (2011: 53.57 cents per share)	**270.0**	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.

5. Tangible assets

2012	Freehold land and buildings €m	Fixtures and fittings €m	Total €m
Cost as at 1 January 2012	**2.8**	**9.8**	**12.6**
Additions	**–**	**–**	**–**
Exchange adjustments	**0.1**	**0.4**	**0.5**
Disposals	**(2.9)**	**(4.2)**	**(7.1)**
Cost as at 31 December 2012	**–**	**6.0**	**6.0**
Depreciation as at 1 January 2012	**0.9**	**4.0**	**4.9**
Charge for the year	**–**	**1.0**	**1.0**
Disposals	**(0.9)**	**(3.0)**	**(3.9)**
Exchange adjustments	**–**	**0.3**	**0.3**
Depreciation as at 31 December 2012	**–**	**2.3**	**2.3**
Net book value as at 1 January 2012	**1.9**	**5.8**	**7.7**
Net book value as at 31 December 2012	**–**	**3.7**	**3.7**

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

6. Intangible assets

2012	Software assets €m	Total €m
Cost as at 1 January 2012	**2.7**	2.7
Additions	**1.4**	1.4
Exchange adjustments	**–**	–
Cost as at 31 December 2012	**4.1**	4.1
Amortisation as at 1 January 2012	**0.8**	0.8
Charge for the year	**0.7**	0.7
Exchange adjustments	**–**	–
Amortisation as at 31 December 2012	**1.5**	1.5
Net book value as at 1 January 2012	**1.9**	1.9
Net book value as at 31 December 2012	**2.6**	2.6

7. Investments in subsidiaries and associates

	Shares in subsidiary and associated undertakings €m
Cost as at 1 January 2012 and at 31 December 2012	2,805.6
Impairment as at 1 January 2012	
For the year	(232.9)
As at 31 December 2012	(232.9)
Net book value as at 31 December 2012	2,572.7
Net book value as at 1 January 2012	2,805.6

The Company has fully impaired its investment in Enrichment Technology Company Limited to a value of €nil and the impairment loss of €232.9 million was recognised in the profit and loss account. The recoverable amount for the impairment test was determined by the value in use, which was measured by discounting estimated future cash flows using a pre-tax discount rate of 10%.

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

7. Investments in subsidiaries and associates continued

Details of the Company's main subsidiaries and associates at 31 December 2012 are as follows:

	Nature of business	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Name of subsidiary				
URENCO Enrichment Company Limited	Holding / central services	England and Wales	100	100
URENCO UK Limited	Uranium enrichment	England and Wales[i]	100	100
URENCO ChemPlants Limited	Deconversion	England and Wales	100	100
URENCO Deutschland GmbH	Uranium enrichment	Germany[i]	100	100
URENCO Nederland BV	Uranium enrichment	the Netherlands[i]	100	100
URENCO Deelnemingen BV	Holding	the Netherlands[i]	100	100
URENCO Finance NV	Financing	the Netherlands	100	100
URENCO USA Inc.	Holding	US	100	100
URENCO Inc.	Sales / marketing	US[i]	100	100
Louisiana Energy Services, LLC	Enrichment services	US[i]	100	100
Capenhurst Nuclear Services Limited	Uranium handling services	England and Wales	100	100
Name of associate				
Enrichment Technology Company Limited	Manufacturing	England and Wales[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.

8. Debtors – amounts falling due within one year

	31/12/12 €m	31/12/11 €m
Amounts due from Group undertakings	**897.0**	420.0
Other debtors	**5.1**	1.0
Corporation tax receivable	**60.2**	27.2
Prepayments and accrued income	**23.9**	26.6
	986.2	474.8

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

	31/12/12 €m	31/12/11 €m
Deferred tax	**0.8**	–
Amounts due from Group undertakings	**–**	150.0
	0.8	150.0

10. Creditors – amounts falling due within one year

	31/12/12 €m	31/12/11 €m
Short-term bank borrowings	**82.9**	277.7
Trade creditors	**1.9**	237.8
Amounts due to Group undertakings	**1,029.5**	703.4
Other taxes and social security costs	**0.4**	0.5
Other creditors	**1.1**	0.1
Accruals	**20.3**	30.8
	1,136.1	1,250.3

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

11. Creditors – amounts falling after more than one year

	31/12/12 €m	31/12/11 €m
Bank and other loans repayable:		
Between 2 and 5 years:		
$400m at fixed rates of interest (2011: $300.0m)	**303.1**	231.9
$200m at floating rates of interest (2011: $nil)	**151.5**	–
After more than 5 years:		
€278.6m at fixed rates of interest (2011: €285.7m)	**278.6**	285.7
$476.8m at fixed rates of interest (2011: $345.0m)	**442.8**	317.1
$108.6m at floating rates of interest (2011: $108.6m)	**82.3**	84.0
Total bank and other loans repayable	**1,258.3**	918.7
Amounts due to Group undertakings	**553.2**	490.4
Long-term incentive scheme accrual	**1.7**	3.4
Deferred tax	**–**	0.5
	1,813.2	1,413.0

12. 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 during 2012 to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2012. Scheme assets are stated at their market values at the balance sheet dates.

Main assumptions:

Key financial assumptions:	2012	2011
Discount rate	**4.3%**	4.7%
Salary increases	**3.9%**	4.0%
Pension increases	**2.9%**	3.0%
Price inflation	**2.9%**	3.0%
Mortality assumptions:		
Life expectancy at age 60 for a male currently aged 60	**28.7**	28.6
Life expectancy at age 60 for a female currently aged 60	**29.9**	29.7
Life expectancy at age 60 for a male currently aged 40	**31.9**	31.8
Life expectancy at age 60 for a female currently aged 40	**31.9**	31.8

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

	Long-term expected rate of return (pa) 2012 %	Market value 2012 €m	Long-term expected rate of return (pa) 2011 %	Market value 2011 €m
Equities	**6.6**	**20.1**	6.5	17.8
Bonds	**2.9**	**15.2**	3.7	13.3
Total market value of scheme assets		**35.3**		31.1
Present value of scheme liabilities				
Funded scheme		**(40.4)**		(33.7)
Pension liability before deferred tax		**(5.1)**		(2.6)
Related deferred tax asset		**1.5**		0.7
Net pension liability		**(3.6)**		(1.9)

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

12. Retirement benefit obligations continued

Change in benefit obligations	2012 €m	2011 €m
At 1 January	**(33.7)**	(24.1)
Current service costs	**(0.9)**	(1.0)
Past service costs	**–**	–
Interest cost	**(1.6)**	(1.6)
Actuarial loss	**(6.0)**	(2.2)
Benefits paid	**1.4**	0.7
Contribution by members	**(0.1)**	(0.1)
Adjustment for Transferring Members	**1.3**	(4.7)
Exchange difference	**(0.9)**	(0.7)
At 31 December	**(40.5)**	(33.7)

Change in plan assets	2012 €m	2011 €m
At 1 January	**31.1**	23.8
Expected return on plan assets	**1.6**	1.7
Actuarial gains	**3.4**	0.2
Contribution by employer	**1.0**	1.1
Contribution by members	**0.1**	0.1
Benefits paid	**(1.4)**	(0.7)
Adjustment for Transferring Members	**(1.3)**	4.3
Exchange difference	**0.9**	0.7
At 31 December	**35.4**	31.1

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

	Year ended 31/12/12 €m	Year ended 31/12/11 €m
Current service cost	**(0.8)**	(1.0)
Total operating charge	**(0.8)**	(1.0)
Expected return on pension scheme assets	**1.6**	1.6
Interest on pension scheme liabilities	**(1.6)**	(1.5)
Total other finance income	**–**	0.1
Actual return less expected return on scheme assets	**1.0**	0.2
Experience losses on liabilities	**(3.6)**	(2.2)
Actuarial (loss)/gain recognised	**(2.6)**	(2.0)

History of experience gains and losses	2012 €m	2011 €m	2010 €m	2009 €m	2008 €m
Difference between actual and expected return on assets	**1.0**	0.2	0.8	1.4	(2.8)
% of scheme assets	**2.8%**	0.6%	3.2%	7.3%	(18.5)%
Experience (losses)/gains arising on scheme liabilities	**(3.6)**	(2.2)	(0.4)	(0.7)	0.1
% of scheme liabilities	**(8.9)%**	(6.5)%	(1.6)%	(3.4)%	(0.8)%
Total actuarial (losses)/gains recognised	**(2.6)**	(2.0)	0.4	(0.1)	(0.9)
% of scheme liabilities	**(6.4)%**	(5.9)%	1.6%	0.3%	(5.2)%

Regular contributions to the scheme from both the members and employer for the year beginning 1 January 2013 are expected to be €1.0 million in line with 2012. It is anticipated that contribution rates will continue in line with current agreements until reviewed at the next triennial valuation in 2015.

In 2008, the Company also introduced a defined contribution scheme for new employees. The total cost of defined contribution arrangements of €0.3 million (2011: €0.3 million) has been fully expensed against profits in the current year.

13. Called up share capital

	31/12/12 €m	31/12/11 €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.

14. Movements on reserves

	Reserves €m
At 31 December 2011	**611.2**
Profit after tax for the year 2012	**117.0**
Dividends	**(190.0)**
Actuarial loss on retirement benefit obligation	**(2.6)**
Deferred tax on actuarial loss	**0.6**
Net exchange effect on defined benefit obligation	**(0.1)**
Foreign exchange retranslation	**(98.3)**
At 31 December 2012	**437.8**

15. Obligations under leases

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

	31/12/12 €m	31/12/11 €m
Other operating leases which expire:		
In the second to fifth years inclusive	**0.5**	0.3
In over five years	**0.7**	0.6
Total	**1.2**	0.9

16. Related party transactions

At the balance sheet date, amounts due from subsidiary undertakings were €897.0 million (2011: €570.0 million) comprising current assets of €897.0 million (2011: €420.0 million) and long-term loans of €nil million (2011: €150.0 million).

At the balance sheet date, amounts due to subsidiary undertakings were €1,582.7 million (2011: €1,193.8 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 0.571% (2011: 1.366%).

Transactions with the URENCO pension scheme are detailed in note 12.

Notes to the Company Financial Statements continued

For the year ended 31 December 2012

Trading transactions

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

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

[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 31/12/12 €m	Year ended 31/12/11 €m	**Year ended 31/12/12 €m**	Year ended 31/12/11 €m
ETC[i]	**1.1**	3.1	**–**	–

[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	
	31/12/12 €m	31/12/11 €m	**31/12/12 €m**	31/12/11 €m
ETC[i]	**6.0**	55.7	**–**	–

[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. A short term loan receivable of €6.0 million was due from ETC as at 31 December 2012. Interest is charged at market rates.

17. 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 €1,420.9 million (2011: €1,419.9 million). The Directors do not expect any liability to arise under these guarantees.

18. Post balance sheet events

As of 27 March 2013, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2012 financial statements.

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.

CNS
Capenhurst Nuclear Services Limited. This company has taken responsibility for storage of certain uranic materials on behalf of the Nuclear Decommissioning Authority at the Capenhurst facility in the UK.

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 and joint venture results (or income from operating activities plus depreciation and amortisation, plus joint venture results).

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 (UUK); 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, converted to UF6, and fed into the cascades for enrichment.

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.

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.

Glossary of terms continued

Net finance costs
Finance costs less finance income.

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

NRC
Nuclear Regulatory Commission – the United States Nuclear regulator.

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.

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)
The facility managed by URENCO ChemPlants that will manage the deconversion of tails to stable uranium oxide (U3O8). Currently under construction at URENCO's UK site in Capenhurst, UK, it will consist of 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.

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.

U235
The fissionable uranium isotope found in natural uranium.

U238
The non-fissionable uranium isotope that makes up most of natural uranium.

U3O8
Uranium oxide, the most stable form of uranium.

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

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