

Confidence in the **future**

U235

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Highlights 2008

25%

market share
(2007: 23%) in a
growing market

**€18
billion**

order book,
extending
beyond 2025

**11,000
tSW/a**
capacity

15%

increase in
installed
capacity

13%

increase in
customer
deliveries

10 years
average
contract length

Single A

credit rating
Moody's (A1) Standard
& Poores (A-)

**ISO
14001**

environmental
management
certification across
all sites

10%
increase
in turnover

21%

increase in
EBITDA

**€600
million**

in new funding

59%

increase in capital
investment to
€820 million

URENCO Highlights 2008

Financial Highlights

	2004 ¹ €m	2005 €m	2006 €m	2007 €m	IFRS 2008 €m
Turnover	707.3	730.2	893.7	1,023.8	1,129.7
EBITDA	378.9	458.6	527.3	542.4	654.3
Income from operating activities	233.4	303.3	352.9	353.2	460.6
Net Income before exceptional items	122.9	165.6	209.1	238.5	254.1
Net Income	122.9	165.6	209.1	238.5	239.7
Capital expenditure	250.4	313.4	351.5	517.3	820.8
Cash generated from operations (before interest & tax)	302.5	459.2	563.4 ²	577.8	616.0

Key ratios

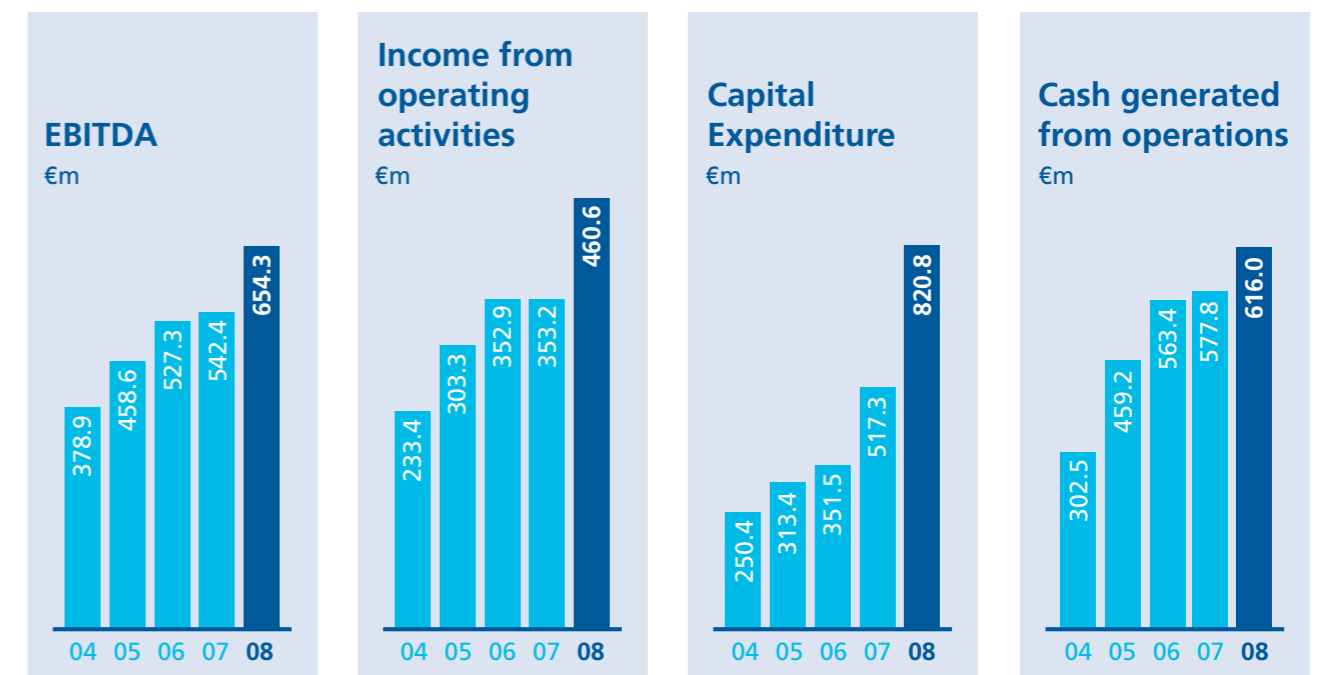
Net asset turnover ⁴	1.45	1.21	1.30	1.29	1.49
Return on sales ³	17.4%	22.7%	23.4%	23.3%	21.2%
Return on equity ⁴	25.2%	27.5%	30.4%	30.1%	31.6%
Basic Earnings per Share before exceptionals (€cents)	73.2	98.6	124.5	142.0	151.3
Basic Earnings per Share (€cents)	73.2	98.6	124.5	142.0	142.7

¹ 2004 IFRS figures have been restated due to a change in the accounting policy for stock.

² Cash generated from operations in 2006 has been restated to include fixed asset prepayments within Investing Activities and provisions have been adjusted to reflect decommissioning asset additions.

³ Return on sales is net income (after exceptional items) as a percentage of turnover.

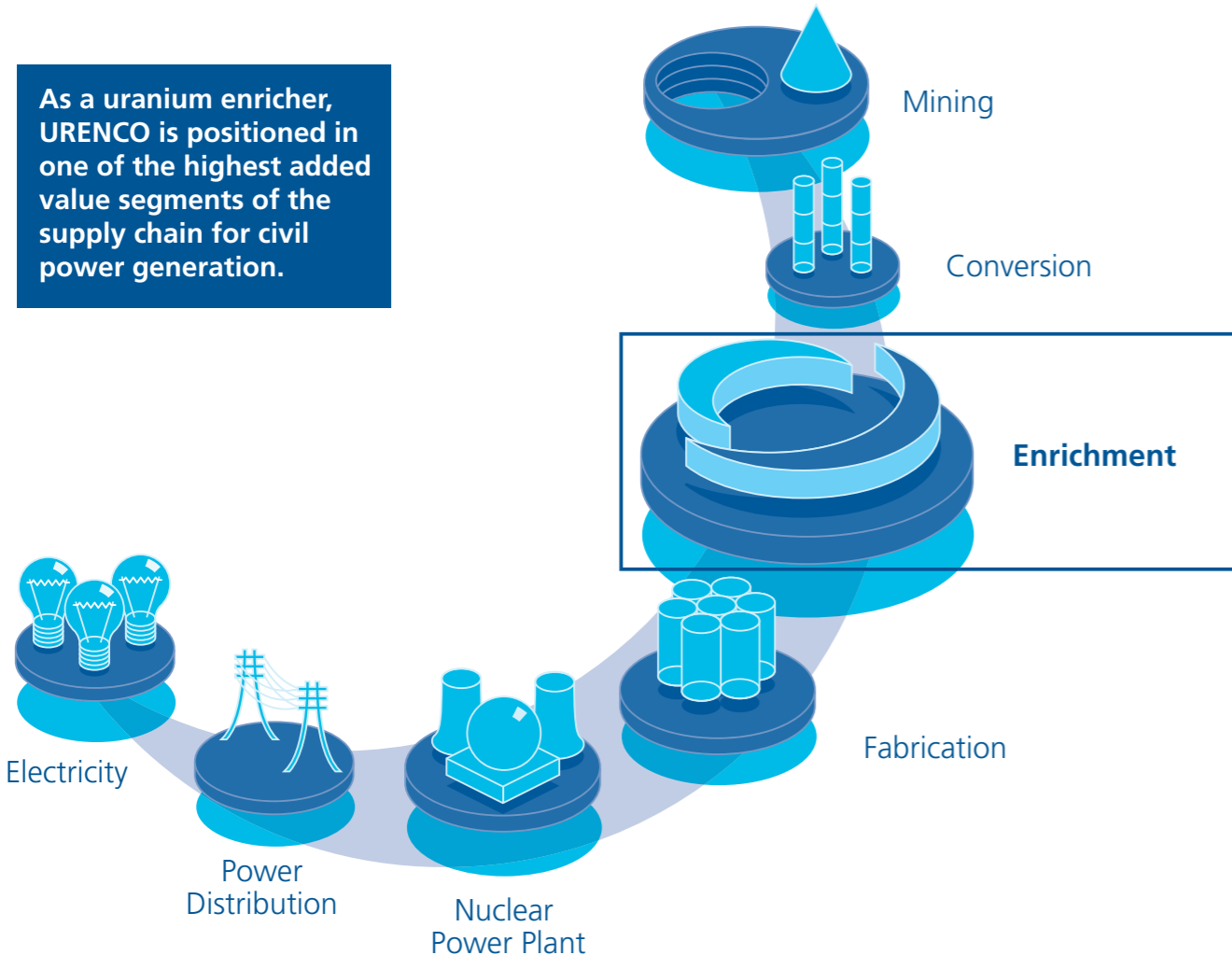
⁴ Net asset turnover and Return on equity have been calculated using an average of Net assets and equity (excluding minorities) respectively. 2004 IFRS ratios are calculated using an average of the 2004 IFRS figures and 2003 UK GAAP figures; the ratios have been given for illustrative purposes.



URENCO

At the Heart of the World's Nuclear Fuel Supply

URENCO operates in a pivotal area of the nuclear fuel supply chain which ends with the sustainable generation of electricity for consumers around the world. With its industry-leading centrifugal technology and around 25% global market share, URENCO is firmly positioned in the enrichment stage, which is one of the highest added value segments of the fuel supply chain. The supply chain itself can be subdivided into four key processes.



Vision, Mission & Values

URENCO's commitment to corporate responsibility reflects URENCO's Vision, which is to ensure that nuclear power continues to meet the demand for sustainable global energy. Coupled with URENCO's Mission statement, which pledges that enrichment technology and services are deployed across the globe, the work of URENCO and its employees will help to build a prosperous and sustainable nuclear future.



URENCO's Vision:

"We believe the future needs nuclear power to meet the demand for sustainable global energy."

Nuclear power is increasingly seen as the number one commercial choice for a sustainable energy supply, free from the uncertainty and inherent environmental dangers of the diminishing fossil-based fuel alternatives. URENCO is proud to play its part and strongly believes that nuclear energy is the only viable option to meet the world's growing demand for electricity.

URENCO's Mission:

"Enriching the future is our commitment, through the global deployment of our nuclear products, services and technology to support sustainable nuclear energy."

URENCO's strap line, 'enriching the future' was adopted in early 2005. The phrase embodies URENCO's objectives for employees, shareholders, customers and other stakeholders in both environmental and commercial terms.

URENCO Values are:

Safety: Safety remains top priority. As we continue to grow we must maintain and even improve our already high standards.

Integrity: We have long-term commitments with our customers with the average length of contracts now being around 10 years; commitments we must fulfil in order to remain the supplier of choice. The URENCO Group must continue to work together with integrity in order to 'deliver our promise'.

Flexibility: Flexibility is required in order to ensure that we remain ahead of market trends, and remain responsive to our customers' needs. To overcome the challenges ahead, the commitment of all URENCO employees is required.

Development: To achieve our objectives, we will invest in training and development to improve the knowledge, skills and competences of our workers.

Profitability: We have a long-term strategic model designed to ensure future success and reward employees and all other stakeholders.

Chairman's statement

Confidence in our decision making



URENCO continued to be a leading supplier of enriched uranium to the global nuclear power industry in 2008, which was another successful year for the business. Our operations in the UK, Germany and the Netherlands contributed to an outstanding business performance by the Group. This strengthens URENCO's position as the 'enricher of choice' for the industry worldwide.

Our success and strong business performance is evidenced by an increase in turnover of 10% to €1,130 million and the growth in our share of the global enrichment market to 25%. Group EBITDA rose significantly by 21% and net income (after increased finance costs but before exceptional items) grew by 7%, giving us confidence in the future.

Demand for our services continues to increase and our order book extends beyond 2025, giving URENCO enviable visibility over future revenue.

In order to meet this future demand, URENCO continues its growth through investment strategy evidenced by a significant capital investment programme, which made good progress in 2008. The Group achieved its European expansion targets during the year. In the US, significant progress was made on the construction of URENCO's fourth enrichment plant, which will be ready to start operations by the end of 2009.

Internally generated cash flows remain the major funding source of the Group's expansion programme. However, external financing continues to be required in the coming years and URENCO is very much aware of the changing circumstances in the international markets from which it has been funded. URENCO strives to retain its high investment grade credit rating based on a solid financial position and a strong long-term order book providing tangible cash flows.

"Demand for our services continues to increase and our order book extends beyond 2025, giving URENCO enviable visibility over future revenue."

Looking Ahead

Our growth through investment strategy continues to be our focus to ensure capacity expansion meets customer needs. Nuclear power remains a sustainable and environmentally sound source of energy, against a backdrop of concern around security of supply and fluctuating prices for competing forms of energy (including oil and natural gas). URENCO, as an experienced and trusted part of the energy supply chain, is well positioned within the long-term global market as an established supplier of enrichment services giving us confidence in the future.

Corporate Governance

Good corporate governance remains a priority for the Board of Directors of URENCO Limited. The Group has established, and practices, a system of full transparency with regular comprehensive reporting to the Board and provision of extensive background information for all matters requiring Board approval. Additionally, regular meetings of the Audit Committee, Remuneration and Appointments Committee and, where required, topical meetings of shareholder representatives, permit Board representatives (together with external advisors as appropriate) to consider in further detail issues of particular complexity. The discussions and conclusions of these meetings are always reported back to the main Board.

The non-executive members of the Board meet periodically to review the performance of the executive directors. URENCO's commitment to good corporate governance ensures clear strategic direction for the Group and enables the effective assessment and management of risk. With an increasing reliance on public financial markets for our funding, investor relations and a strong compliance regime are acknowledged priorities for the Board.

Board Update

During 2008 Walter Hohlefelder and Michael Parker retired from the Board. The Board would like to take this opportunity to thank them for their contribution to URENCO's success over the years. In their place, I would like to welcome Bernhard Fischer and Richard Nourse.

I would like to thank my colleagues on the Board for their continued support and I look forward to working with them and URENCO's management and employees in the future. At the same time, I would like to take this opportunity on behalf of the Board to thank all employees of the Group for their hard work in 2008 and for their vital contribution to URENCO's success.

Chris Clark
Chairman

Chief Executive Officer's review

Confidence in our performance

The success of URENCO's strategy of growth through investment became increasingly evident throughout 2008 with the achievement of continued expansion across the Group, and strong focus on project execution.

Nuclear power is now widely accepted as an essential element in the provision of a balanced energy mix. Increasingly, decision makers are recognising the vital role of nuclear power which provides a safe, secure and reliable source of energy to support their future energy needs. As a result the uranium enrichment market is in a period of transition with major gaseous diffusion suppliers moving towards centrifuge technology. This is a lengthy and costly process. URENCO has seized the current unique opportunities, which have been positively reflected in our increased global market share to 25% and are supporting our further growth. Focus continues on expanding capacity in order to respond to the needs of our customers within an expanding nuclear sector. Driven by the growing demand from our customers for enrichment services, URENCO increased capacity surpassing the key milestone of 10,000 tSW/a across the Group. As at the end of 2008, capacity had increased to 11,000 tSW/a, a further step towards meeting the existing demand of our strong order book, that is maintained at €18 billion and extends beyond 2025.

In terms of business, URENCO is uniquely placed in the current economic climate, having the benefit of a stable long-term business with strong customers in a growing worldwide market.

The confidence we have in the future is echoed in the Group's results. This is in particular the case with Group turnover which rose by 10% to €1,130 million. This resulted in increased EBITDA, which was also driven by economies of scale and a positive foreign exchange impact on our UK cost base, and as a result grew by 21% in the year. However, the extreme volatility in financial markets during 2008 has had a significant impact on finance costs (particularly the impact of fair value accounting on part of our foreign exchange hedging portfolio, see Group Finance Report on page 36).





“Focus continues on expanding capacity in order to meet the needs of our customers.”

This adversely impacted net income before exceptional items which rose by just 7%. Net income for the year was also affected by an extra deferred tax charge following the abolition of Industrial Building Allowances in the UK, which is presented as an exceptional item and reduced net income by €14 million.

During 2008 we have achieved significant success in driving forward the capacity expansion programme across Europe and the US. Our focus remains on increasing capacity in line with our commitment to meeting the needs of our growing customer base and maintaining URENCO's position as a reliable, long-term supplier of enrichment services.

Achievements in 2008

Capacity expansion

The successful implementation of our growth through investment strategy led to increased capacity from 9,600 tSW/a at the end of 2007 to 11,000 tSW/a by the end of 2008. This capacity installation across the URENCO Group was achieved on target and within budget.

URENCO's joint venture, the Enrichment Technology Company (ETC), achieved record rates in manufacturing, assembly and installation of centrifuge technology, which enabled us to accelerate expansion plans in the Netherlands and UK.

In addition, LES, URENCO's wholly-owned subsidiary in the US, made substantial progress on the National Enrichment Facility in New Mexico, US, which will be ready for operation by the end of 2009.

Customer deliveries

URENCO achieved deliveries of 11,400 tSW to customers during the year, an increase of 13% from 2007.

Flexible development

URENCO has been responsive to customer requirements. Enriched Uranium Product (EUP) has become an increasing part of URENCO's portfolio reflecting the changing needs of our customers. We look forward to increasing the supply of EUP to our customers in the future.

The Group has also developed close working relationships with reactor vendors to support fuel packages for new reactor build worldwide and is keen to provide fuel for countries newly engaged in nuclear energy.

Employee dialogue

In order to develop our employees it is important to have a clear understanding of their needs and requirements. In this respect URENCO conducted its second Group-wide employee survey. The high response rate (83%) reflects a highly committed workforce, evidenced by an above-the-benchmark result for satisfaction.

When compared with the generic external benchmarks (European and US) the majority of areas score well above average. However, our focus on continual improvement requires full analysis of the results and the development of an action plan which will steer the Group towards even greater future success.

Process alignment

During 2008 further progress was made to the alignment process creating standardised practices for operations across the Group. In this respect a business transformation programme was launched in autumn 2008, which will have a significant impact on how URENCO will work in the future. It will also determine the amount of change the organisation will have to manage over the next few years.

Risk management

Within URENCO, we continue to work hard to strengthen the business to meet future opportunities. Risk management is considered to be a critical management tool for the identification and measurement of risks. URENCO benefits from a Group-wide risk management programme. Never has this function been more important than during the current turmoil in financial markets. Due to the current global economic crisis, a number of initiatives have been put into place to mitigate future impact and decrease volatility.

Risk management is an integral part of our day to day business. All risks to the business are managed at their point of origin and co-ordinated, assessed and reported at a Group level. This approach ensures future business risks are well managed.

During 2009 the programme will continue to facilitate comprehensive and consistent identification, measurement and decision making with respect to market price, credit, financial, operational and legal risks.

Corporate responsibility

URENCO works hard at being a good corporate citizen. Our education programme has developed significantly in recent years. The URENCO science workshops feature 'Richie Enrichment', our nuclear ambassador, whose aim is to nurture an interest in science and create an understanding of our industry across our younger stakeholder audience. More than 6,000 primary school children have now successfully completed the Richie Enrichment workshops throughout the UK, the Netherlands and the US.

Plans for the future

- Development of our enrichment services in order to meet the changing requirements of our customers whilst maintaining security of supply.

- Reduction of costs and improved efficiencies throughout all URENCO business areas.
- Further progress in developing a tails deconversion facility, in order to remove dependence on external suppliers of this service.
- Successful execution of the expansion programme in Europe and the US, with particular focus on URENCO's new enrichment plant, the National Enrichment Facility in the US, being ready to start operations by the end of 2009. The near-term goal is to increase total Group installed capacity to achieve production of 18,000 tSW/a by 2015.
- Expansion of the alignment process across the Group focusing on the business transformation programme.
- Improvement of risk management with specific focus on financial risks, to reduce the impact of potential future volatility in financial markets.
- Ongoing investment in Research and Development to ensure URENCO remains a leading supplier of global enrichment services.
- Investment in our employees upon whom the future success of the Group depends.

URENCO's continued success is testament to the significant efforts of our employees and the application of the Group values across all business activities. I would like to take this opportunity to thank all employees for their ongoing commitment and their personal contribution to the achievements of the URENCO Group.

Helmut Engelbrecht
Chief Executive Officer

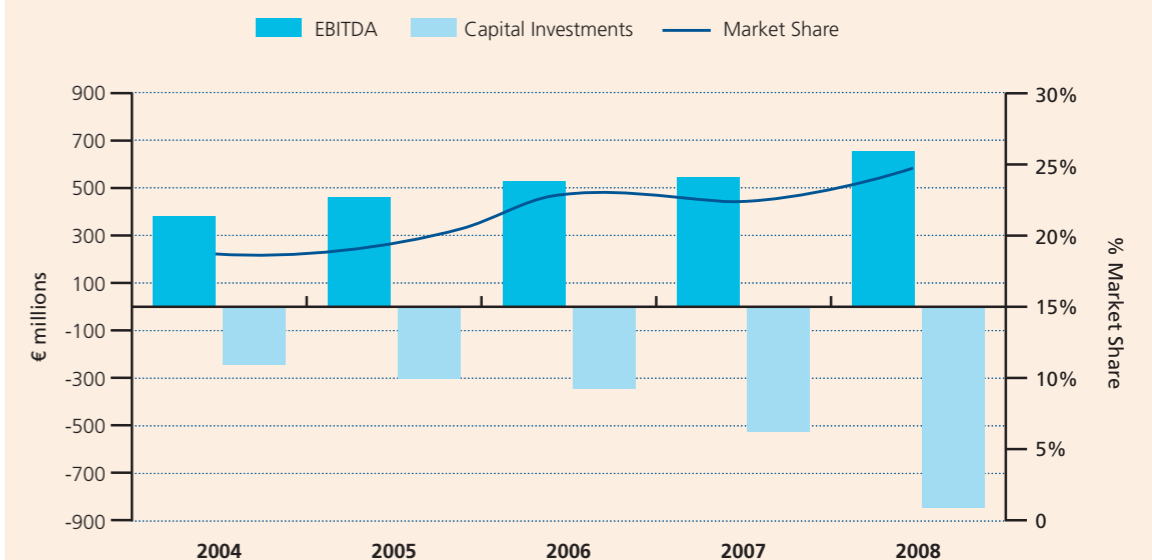


Business review

URENCO Group

While URENCO is aware of the current turbulence in the global markets, our business continues to progress. URENCO is strongly positioned having the benefit of a robust order book with sound underlying business performance. This provides us with confidence in the future. Our strategy of growth through investment continues to benefit the Group as demand for our services increases.

Five Year Summary – EBITDA, Market Share¹ and Investment



¹ Based on URENCO internal data

Achievements in 2008

● URENCO's success continues with a strong order book which amounts to €18 billion. This equates to more than 15 times turnover in 2008, and underlines the exceptionally robust foundation on which URENCO has based its growth strategy. The business performance in the year has achieved strong results with Group turnover at €1,130 million, an increase of 10%, EBITDA rose by 21% to €654 million, after significant start up costs for the National Enrichment Facility in the US (€58 million). Net income before exceptional items increased by 7% to €254 million.



“Enrichment capacity increased by 15% and the Group is on target to achieve an enrichment capacity of 18,000 tSW/a in Europe and the US by 2015.”



- LES, URENCO's wholly-owned subsidiary in the US, made substantial progress during the year. The development of URENCO's fourth enrichment plant in New Mexico, US, is on track and it is anticipated that it will be ready to start operations by the end of 2009.
- The Group's centrifuge technology joint venture, the Enrichment Technology Company (ETC), improved its manufacturing rates significantly. Manufacturing output of the TC12 and the TC21 centrifuge models increased from 27,000 TC12 equivalents in 2007 to 47,000 in 2008. Supply of centrifuges is essential for the achievement of the Group's expansion programme. In 2008 manufacturing rates and deliveries were at or above planned levels, which allowed the Group to progress, and even accelerate enrichment capacity expansion in the UK and the Netherlands.

The Group's underlying business operations have not been directly impacted by the global financial and economic crisis during 2008. However, the Group has felt the impact of foreign exchange movements and the effect of poor investment performance on the pension schemes (see Finance Report on page 36). The volatility of foreign exchange markets and the impact of required mark-to-market valuations on some of URENCO's hedge portfolio at year end resulted in accounting losses as reported under finance costs. Furthermore, net income was also affected by the withdrawal of Industrial Business Allowances under the UK tax regime, which resulted in an exceptional item in the year of €14 million.

- Key to the Group's growth strategy is the successful implementation of our capital investment programme. In 2008 URENCO Enrichment Company (UEC), the Group's European enrichment subsidiary, achieved its capacity expansion targets for the year. Enrichment capacity increased by 15% during 2008 and the Group is on target to achieve an enrichment capacity of 18,000 tSW/a by 2015.
- The Group achieved a reduction in production costs in the year, as increased capacity resulted in economies of scale. In addition, the weaker sterling to euro exchange rates had a positive effect on the UK cost base in euro terms.

Risk management

URENCO considers risk management to be a critical management issue in the identification and measurement of risk for strategic management decision making. URENCO benefits from the existence of a comprehensive risk management programme; capability was enhanced in 2008 to take account of the increasing size, diversity and complexity of URENCO's activities. The focus continues to be on managing risks where they originate.

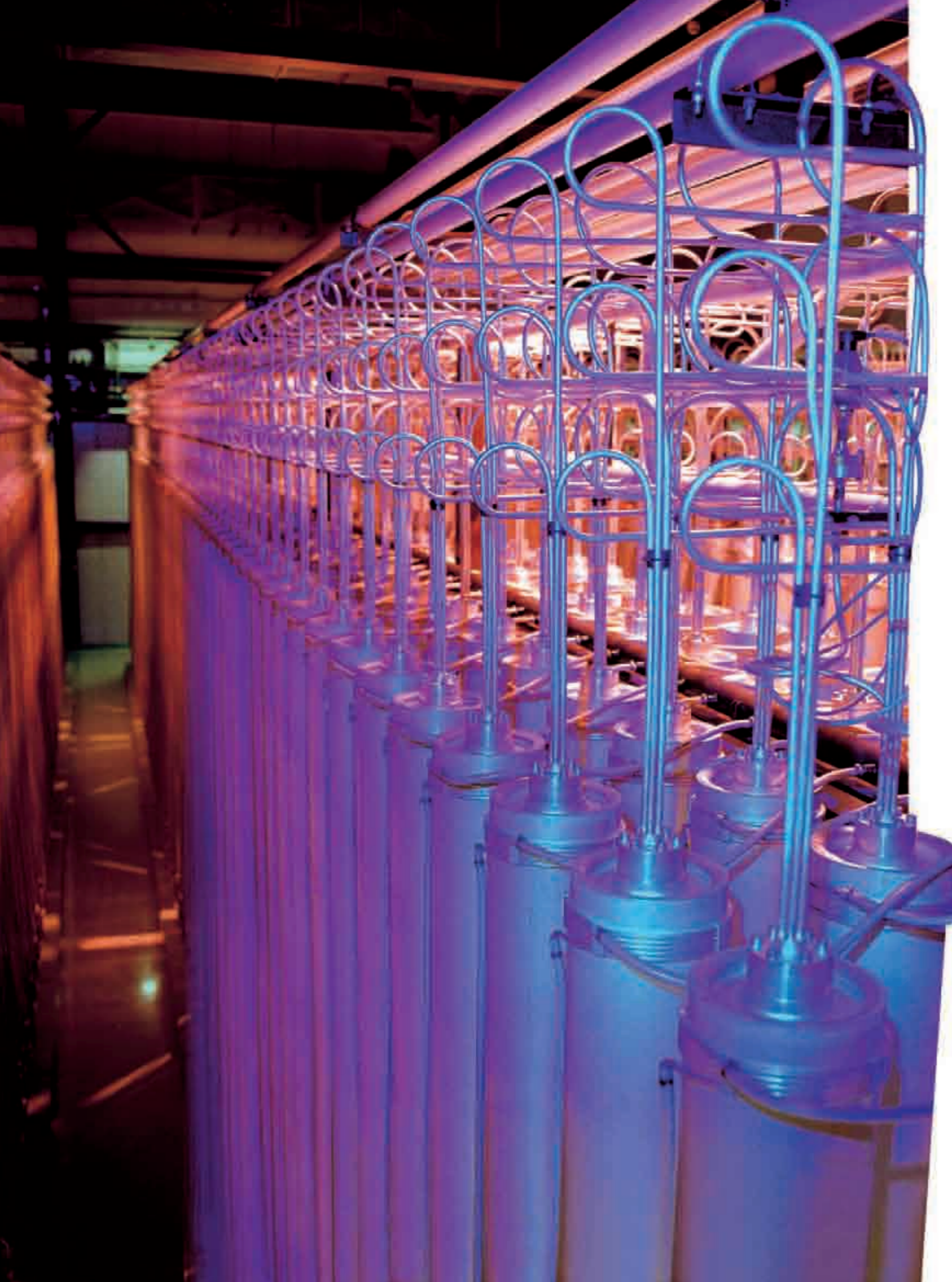
An important challenge for the Group continues to be the delivery of capacity expansion on time and to budget. While the achieved capacity expansions in 2008 underscore the Group's capabilities in this respect, URENCO remains aware of the potential risks related to future expansion. In particular the acceleration of centrifuge manufacturing in ETC, both in respect of the TC12 and the TC21 centrifuge models, and the Group's greenfield capacity expansion project in the US, exhibit risks that require close monitoring at both local and Group levels.

Other major challenges originate from the exceptional volatility in financial and commodities markets which have led to unusually large swings in currency, capital and uranium markets. URENCO's exposure to these factors is proactively monitored and managed on a regular basis with risk registers established for each entity and group risk mapping done on a periodic basis. Co-ordination between divisions of the URENCO Group is accomplished via the URENCO Group Risk Management Committee.

Future objectives

- In 2009 URENCO remains committed to being the 'enricher of choice' for its customers, fundamentally as a result of reliable and timely deliveries. Moreover, the Group's objective is to further improve the services and products it provides to its much valued customers.

- The delivery of planned capacity expansion on time and to budget is key to the Group's successful execution of its growth strategy. This continues to be a priority in 2009 and beyond. The Group has increased its longer term capacity target which reflects URENCO's confidence about its capabilities to implement and further accelerate its growth strategy. The aim is to have installed a capacity of 18,000 tSW/a by the end of 2015. This will result from the expansion plans both at the existing European sites and at the National Enrichment Facility in the US, which it is anticipated will be ready to start operations by the end of 2009.
- Additional steps will be taken in 2009 to further realise economies of scale and improve efficiencies throughout all business areas within the Group.
- A business transformation programme has been launched which involves a review, alignment and redesign of Group-wide internal processes and systems. The objective is to achieve industry best practice with a resulting increase in the efficiency of our enrichment operations and business procedures across the Group.
- The continual development of risk management with specific focus on financial risks, to reduce the impact of potential future volatility in financial markets.
- URENCO will continue to invest in research and development to ensure it remains a leading supplier of global enrichment services.
- The Group will continue to invest in the development of its employees, which is key to the future success of URENCO.
- The URENCO Group will continue to conduct all areas of its business with total integrity, in line with its Values.



Business review

URENCO Enrichment Company (UEC)

In 2008 URENCO Enrichment Company (UEC) built on the growth of previous years, and set new milestones in delivery volumes, turnover, EBITDA and net income. URENCO benefits from the active support of customers and the nuclear industry in general. This enables UEC to remain 'best in class' by providing security, continuity of supply and flexibility in order to meet our customers' needs. At the same time, UEC has continued to show sustained growth in all key business and financial indicators.

All major enrichment suppliers have plans to install more capacity in the future. A large part of this new capacity will replace the older, energy intensive gas diffusion capacity of our competitors with centrifuges. The wider use of centrifuge technology by competitors could impact URENCO's market edge in the longer term. URENCO's response has been to place greater emphasis on driving efficiencies within the operations, and forging long-term relationships with customers, to maintain our market position.

Achievements in 2008

Throughout the year, UEC continued to perform in line with the clear strategy of growth through investment. This was supported by a business model which allows UEC to market to existing and new customers with sufficient lead-time to build new capacity from which deliveries will be made. During 2008 a number of milestones were achieved, demonstrating the success of this approach:

- UEC's main commercial activity is the enrichment of uranium provided by our customers to fuel nuclear power stations globally. In addition, deliveries of feed, Uranium Hexafluoride (UF₆), and Enriched Uranium Product (EUP) are playing an increasing role in our portfolio, as UEC responds to changing customer requirements. UEC delivered 11,400 tSW during 2008 (2007:10,100 tSW), an increase of 13% year on year.
- The exchange rates of the major currencies have been very volatile during the year but despite this the average selling price per SWU in euro terms remained on a par with the 2007 level. This reflects a combination of a weakened US dollar against the euro through most of the year which was offset partly by URENCO's hedging strategy, as well as improved US dollar sales prices. Overall, turnover, EBITDA and net income increased by 10%, 17% and 27% respectively in 2008.
- The record level of deliveries achieved during 2008 needs to be viewed in a longer term context. UEC's order book now exceeds €15 billion (URENCO Group €18 billion), with contracts extending beyond 2025. This is due to the high value that our customers place on security of supply, predictable costs and continuity – areas where URENCO has a particularly strong reputation.
- Plant expansion has continued at each of our three European sites, with the UK site having installed its final cascades of the present investment programme in December 2008 reaching 5,000 tSW/a capacity. At both the Dutch and German sites, investments will continue into 2009 and beyond. The delays experienced during 2007 at the German site carried through to the first half of 2008, but were mitigated by the acceleration of the Dutch and UK investment programmes. Total enrichment capacity across the three sites increased by 1,400 tSW/a over the last 12 months, achieving our target for the year. UEC's investments during 2008 were within budget and accounted for €411 million, an increase of 29% over last year.
- UEC's primary concern is for the safety of employees, all other stakeholders and the environment in which we operate. In 2008 there were two reportable Lost Time Incidents (2007: 3).



“UEC’s primary concern is for the safety of employees, all other stakeholders and the environment in which we operate.”

- During 2008 all UEC operations focused on maintaining uninterrupted output of separative work and capacity expansion.
- Increased capacity has contributed positively to cost reductions across the URENCO Group. Reducing costs and improving efficiencies at UEC gives us confidence in our future competitiveness. UEC has achieved a number of successes in this respect:
 - Capacity has been increased at all three sites benefiting operating costs as a result of economies of scale;
 - The Group-wide alignment process has continued, allowing UEC to implement standardised, ‘best-in-class’ solutions;
 - This, in turn, has led to a programme to reduce costs at the UK site, in order to align it with our other two European sites. This programme will be completed before the end of 2009.
- In 2008 the average operational cost per SWU (i.e. the direct, controllable cost) fell by 7%. This is partly as a result of the favourable impact of the weakening sterling to euro exchange rate on the UK cost base when stated in euro terms.
- Good progress was made towards obtaining a licence to build a tails deconversion facility based at our UK site. Once operational, this will strengthen UEC’s independence from external parties currently supplying this service. This will add an additional key process in the enrichment cycle to URENCO’s portfolio.

Key Performance Indicators

	2008	2007
Lost Time Incidents	2	3
% of target operational output	100.5%	98.8%
tSW produced per enrichment employee	13.8	13.0
EBITDA (€ millions)	685	586

Risk management

A dedicated risk management function operates within UEC which is responsible for the monitoring and quantification of risks connected with the Group’s commercial activities. The focus is on managing risks where they originate. In particular this function centres on risks connected to SWU and uranium prices, the credit risks connected to market counterparts and the legal and financial risks originating from this activity. In addition, Group-wide insurance is placed centrally to maximise inter-unit synergies whilst minimising costs and the possibilities of gaps in coverage.

There are a number of key factors which require constant consideration in order to ensure that UEC prevents exposure to unmanageable risks, both in our operations and commercial transactions, as follows:

- During 2008 UEC has at times benefited and at other times suffered from fluctuations in the foreign exchange markets. The enrichment market is US dollar denominated and, therefore, any changes which affect the US dollar have an immediate effect on URENCO. Similarly, more than one third of UEC’s operational costs in 2008 were sterling denominated, and this had an important influence on costs. UEC, through the URENCO Group, endeavours to mitigate the effects of this volatility by using a rolling hedging programme, over a five-year period. However, it should be recognised that such a programme serves to reduce the effects of volatility rather than to eliminate the impact completely (see Group Finance Report on page 36).
- The expansion programme remains one of the areas of focus for risk management. Installation of cascades remains an extremely technical process requiring highly skilled specialists. It is important, therefore, to ensure that resources are properly allocated and that programmes are managed in an optimal way. It is key to URENCO’s success that we comply with regulatory, technical and legislative requirements. This is particularly true in relation to non-proliferation, where in addition to URENCO’s own internal stringent security measures and governmental supervision, the Company is also subject to regular inspections and audits carried out by Euratom and the IAEA. A full strategy has been developed to ensure that capacity can increase while all of UEC’s regulatory obligations are honoured and reliable performance ensured.

- The turbulence in the financial markets draws attention to the credit-worthiness of market participants. URENCO continues to maintain strong credit ratings, and also partners predominantly with high investment graded or government owned customers, providing the best possible protection for UEC.

Future objectives

- UEC aims to meet all of our customers’ requirements, in a timely manner, providing safe and reliable production of separative work.
- Both the Dutch and German operations will progress with their capacity expansion programmes. Successful execution of these projects is vital to enable UEC to meet its longer term delivery commitments.
- The alignment processes will continue across the UEC sites. These will deliver even more efficiencies leading to cost benefits and also ensuring a ‘best practice’ operating model. UEC will continue to seek technological developments to improve output from the enrichment plants.
- UEC will continue to develop the risk management function in order to mitigate any potential future risks to the business.

Stable Isotopes

The centrifuges URENCO uses as part of the uranium enrichment process are also utilised to separate other isotopes for a variety of different uses. Since 1990 Stable Isotopes, a wholly owned business unit of URENCO, has employed URENCO’s centrifuge technology to separate isotopes of other elements for medical and other industrial applications. Although this is not a major part of URENCO’s business in financial terms with turnover in 2008 of €3 million, it is profitable and of considerable value from a social and environmental perspective.

Based at the URENCO site in the Netherlands, the existence and success of Stable Isotopes is testament to our commitment to continual development. While the separation of elements other than uranium has presented many new technical challenges, the development URENCO has committed to Stable Isotopes is now delivering value in the medical and industrial markets.

Industrial applications are based around nuclear and non-destructive markets. Zinc, depleted in the isotope Zn64, is widely used in nuclear reactors to reduce radiation levels to workers. The most widely used medical isotope is molybdenum 99m, and other medical applications include the radio-isotopes iodine 123 and 125, used for thyroid diagnostics and prostate cancer therapy respectively. These are made from xenon 124, which is enriched in a highly complex procedure.

Iridium 191 is used for internal radiation treatment (brachytherapy) of breast and lung tumours and has now replaced the use of natural iridium. URENCO is the world’s only producer of this enriched iridium.

Stable Isotopes teams up with Technical University of Delft

URENCO’s Stable Isotopes and experts from the Technical University of Delft in the Netherlands are working together to patent a new technique to produce the radio-isotopes used for cancer research. The medical industry is currently facing a world wide shortage of these Isotopes, which play a critical role in the research to find cures for cancer.

By patenting this new technique, the production of technetium-99m will increase, preventing any further shortage and enabling a continuation of this vital research into treatment against cancer.



Business review

LES: Building & operating the National Enrichment Facility

LES continues to successfully advance the construction of the National Enrichment Facility. Major milestones were achieved during the course of 2008 that are critical to on-line operations, and the project remains on target to be ready for operation by the end of 2009. These achievements provide the Group with confidence in the successful management of the project going forward, supported by earned value measurement and reporting which is used to monitor schedule and cost.

A major milestone was celebrated in October 2008 when the Centrifuge Assembly Building was officially handed over to ET US, the US subsidiary of the Enrichment Technology Company (ETC). This was achieved with the support of the US regulatory body, the Nuclear Regulatory Commission (NRC), which also approved the transfer of classified material to ET US. In addition, at the end of 2008, the first Separation Building Module was substantially complete and significant design and construction progress had been achieved on the four other core buildings comprising the new facility.

Achievements in 2008

- At the end of 2008, significant design and construction progress was made on the five core buildings comprising the new facility, as follows:
 - The structure of the Separation Building Module One (SBM1) was substantially completed. The centrifuge floor mounting elements and thermal enclosure for the first cascade hall were installed.
 - Design of Cylinder Receipt and Dispatch Building was finalised and the foundation work completed.
 - The Centrifuge Assembly Building was substantially completed and was turned over to ET US in October 2008.
 - The footer design for the Technical Services Building was completed.
 - The Central Utility Building made good progress with structural concrete and electrical systems installed. The major primary mechanical systems for the building were ready to be installed in early 2009.
- The NRC approved the classified material receiving dock and Centrifuge Assembly Building security systems.
- Operators have been recruited and are in the process of being trained for operations at URENCO's European sites, with the academic support from the New Mexico college.
- The contract has been awarded to a US construction company for engineering, procurement and construction of the capacity expansion project, with initial groundwork already complete.
- Planning for Phase II is well underway with the expectation that construction will commence in September 2009, which will take capacity to 3,700 tSW/a by 2013. In late 2008, Board approval was given to further expansion plans which will take the facility to 5,700 tSW/a by the middle of the next decade.
- The forward order book continues to grow and currently amounts to more than €3 billion for the next 20 years with customers predominantly in the US, but also in East Asia and Europe.
- LES continues to support community and political projects at local, state and federal levels. In October 2008, LES dedicated the first centrifuge hall (SBM1) to New Mexico Senator Pete Domenici in recognition of his commitment to 'Energy Independence for America'.



From left: Gregory Smith, Chief Operating Officer; Reinhard Hinterreither, President and Chief Executive Officer; Tony King, Chief Finance Officer.

“The forward order book continues to grow and currently amounts to more than €3 billion for the next 20 years.”

Key Performance Indicators

	2008	2007
Lost Time Incidents	0	1
NRC Violations (level III or higher)	0	0
EBITDA (€ millions)	(58)	(43)
% of personnel for start-up recruited	81%	N/A
% of procedures for start-up completed	75%	41%

- **Safety** – At the end of 2008, over three million man hours had been worked on the construction of the National Enrichment Facility without any construction-related lost time incidents.
- **Compliance** – LES continues to comply with all NRC regulations and immediately responds and addresses any concerns.
- **Personnel** – LES has grown to 239 direct employees, 20 secondees and over 2,000 contractors as the project develops. Effective employee recruitment and retention plans have been implemented to meet LES' employee requirements.

- **Training** – Operational and construction training programmes have been implemented to ensure employees have the necessary skills to operate the facility in 2009. Operator training has commenced and will be completed on schedule.
- **Procedures** – Guidance procedures required for operating the new facility have been developed; 75% of the identified procedures have been completed and approved.



The Centrifuge Assembly Building - handed over to ET US in late October 2008

Risk management

LES considers risk management to be a critical area of management focus. In this respect, LES maintains an extensive risk register, with an aim to deliver planned project expansion on schedule and to budget whilst maintaining quality and safety standards. Co-ordination of risks with the rest of the URENCO Group is facilitated by the participation of the LES Risk Manager in the URENCO Group Risk Management committee.

These risk management processes have enabled management to place increased focus on the following areas:

- Working with ETC to identify regulatory and security steps required to ensure timely centrifuge delivery and installation.
- Management of design risks and building change requests as construction continues in the context of safety, quality, schedule and cost.
- Operational readiness to ensure that all steps are fully understood and ready for NRC review based on the Integrated Project Schedule.
- Continued communication with the NRC explaining our activities to mitigate or resolve construction, security, operational and licensing issues.

Future objectives

- The continued promotion of a strong safety culture where employees and contractors feel comfortable and value reporting safety or quality issues.
- Working with the NRC to ensure successful Operational Readiness Review, starting with the first receipt of UF6 for hot acceptance testing and then moving to first commercial receipt of UF6 and finally, bringing the plant into operation.
- The completion of LES owner acceptance review of all ETC core equipment and system designs as they are installed into the National Enrichment Facility.
- The completion of remaining detailed auxiliary system designs to support first cascade on-line date by the end of 2009.
- The completion of training and the qualification of employees in readiness for first commercial receipt of UF6 and subsequent start-up of operations.
- Successful commissioning and acceptance of buildings as construction is completed and turned over to operations once buildings are complete.
- The implementation of environmental, security, chemistry, operations and logistics programmes necessary in readiness for operations.

Business review

Enrichment Technology Company (ETC)



The Enrichment Technology Company (ETC) has been in operation for five years since its creation as URENCO's centrifuge technology company in October 2003. It is now more than two years since ETC became a joint venture entity, owned equally by URENCO and Areva.

ETC continues to strengthen its position in the market for the development and manufacture of world-leading centrifuge enrichment technology, supplying design services and gas centrifuge technology for enrichment plants.

Achievements in 2008

2008 was a successful year for ETC. The Company overcame the obstacles faced in 2007 (when increased customer demand posed challenges to manufacturing capabilities and its supply chain), and achieved record rates in manufacturing, assembly and installation of centrifuge technology on all URENCO's sites and in France. Since the Centrifuge Assembly Building in the US was handed over to ET US (the US arm of ETC), good progress has been made on the preparation for centrifuge installation to support first production by the end of 2009. In addition, the expansion programmes at existing UEC plants in the UK and the Netherlands were accelerated as a result of the increased availability of centrifuges manufactured by ETC.

The ETC order book increased during 2008 as new supply contracts were agreed, representing significant amounts of new enrichment capacity to be delivered to customers during the coming years.

ETC's business strategy is driven by the demands from its customers for increased enrichment capacity. Building on the high rates of production output achieved at the end of 2007, ETC has increased its yearly production rates compared to the previous year by 75%.

Driven by the ongoing demand for ETC's services, the Company successfully achieved high levels of recruitment and training during 2008. At the end of the year employee numbers had increased to 1,636, an increase on 2007 of 25%.

The business performance in the year has achieved strong results with ETC Group turnover at €343 million (2007: €187 million) an increase of 83%, EBITDA doubled to €51 million (2007: €25 million) and net income increased to €16 million (2007: €4 million).

In 2009, customer requirements for enrichment capacity is forecast to continue to grow and ETC recognises not only the opportunities but also the challenges on resources and the future expansion necessary to meet these customer needs.





“The ETC order book increased during 2008 as new supply contracts were agreed, representing significant amounts of new enrichment capacity to be delivered to customers during the coming years.”

During 2008, ETC's supply chain faced, and overcame, significant challenges arising from strongly rising commodity prices in the first half of the year and then later on due to issues created by the wider global economic crisis. Through close monitoring and management action, supply chain stability was maintained and manufacturing targets were achieved.

Key Performance Indicators

	2008 ¹	2007
Lost Time Incidents	6	4
EBITDA (€ millions)	51	24
Production (TC12 equivalents)	47,305	27,112

In 2008 ETC had six employee lost time incidents (2007: 4). All incidents were investigated, lessons learned and measures taken. The challenge has been to work safely while production pressure is high and with the level of recruitment and new hires in the period. Safety continues to be a priority for ETC.

¹ The numbers presented for both 2008 and 2007 represent 100% of ETC's results, opposed to the 50% share consolidated in the URENCO Group accounts.

Risk management

ETC considers risk management to be a critical management issue. In this respect one of the primary concerns for ETC's business is maintaining high levels of compliance with health, safety, environmental and security standards demanded by the type of industry in which ETC operates. ETC continues to view the principal risk factors to its business as:

- Health, safety, the environment and security.
- Managing economic effects on volatile commodity prices.
- Management of increased stock levels in the event of unforeseen project delays.
- The availability of resource, including external supply, fully trained employees and manufacturing capacity.
- Efficient management of organisational changes.

Future objectives

- Continuing with the programme of production standardisation and manufacturing efficiencies with the aim of achieving alignment of the organisation for stable series production.
- Managing the significant programme of investments over the next three years, thereby meeting the planned manufacturing expansion.
- Achievement of contracted delivery schedules.
- Managing the recruitment and training programmes to meet the increased business demands, and ensuring its effective management.
- A research and development focus on stabilisation of manufacturing design and development according to ETC market demand.



Group Finance report

Confidence in our finances

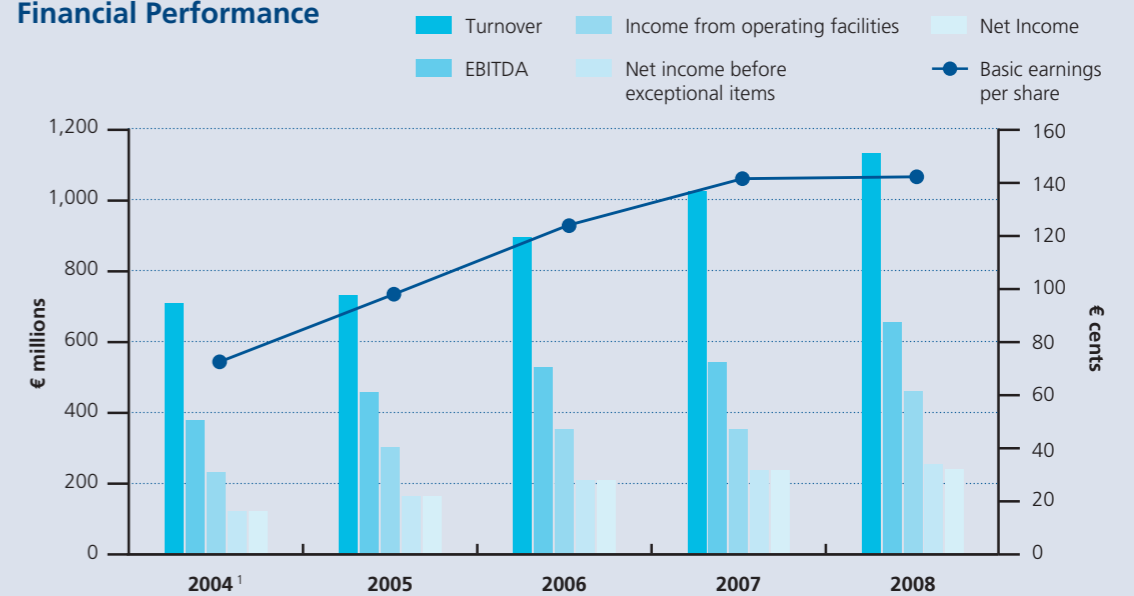
Achievements in 2008

The economic environment in which the Group had to operate was difficult during 2008. Companies across the world have been faced with a global economic slowdown, a tremendous fall in asset prices, extremely volatile foreign exchange markets and a substantial tightening of funds available for corporate borrowing. The Group's performance has not been directly impacted by these circumstances, which underscores URENCO's robust business model.

As in recent years, the Group's business operations have generated outstanding financial results, as measured by income from operating activities, and stable operating cash flows which have grown at a satisfying rate. However, the financial results could not avoid some impact from the significant volatility in financial and currency markets by year end 2008. The weaker sterling against euro has had a beneficial effect given the fact that part of URENCO's cost base is sterling denominated. Furthermore, URENCO has a prudent hedging policy for its dominant US dollar income and despite significant volatility of exchange rates the Group will continue to apply this risk management policy aimed at limiting fluctuations in its earnings profile. However, part of its hedging portfolio does not qualify for hedge accounting and movements in fair value will impact the income statement. The fair value of these positions at the end of 2008 resulted in an accounting loss classified under finance costs. The URENCO defined benefit pension funds in the Netherlands and the UK have suffered from negative investment performance on their assets and lower discount rates on their liabilities resulting in increased deficits.

Finally, the credit markets have significantly worsened for all corporate borrowers and although URENCO is generally seen as a strong and high investment grade client, continued access to external funding requires ongoing attention.

Financial Performance



¹ 2004 IFRS figures have been restated due to a change in the accounting policy for stock

Strong business performance

- Turnover has grown by 10%, mainly due to additional volumes sold. While sales prices in US dollar terms were better than in 2007, the Group's average selling price measured in euro terms remained on par with the previous year. This has been achieved despite the weaker US dollar to euro rates experienced through most of the year, as this was offset by URENCO's hedging strategy as well as an improved US dollar selling price.
- In 2008 the Group expanded its production capacity by 15%. This facilitates further turnover growth in future years.
- EBITDA has grown to €654 million, which is 21% up from last year. This underlines the strong cash flow generating capabilities of the Group, which remain the major funding source for URENCO's expansion programme.
- Three particular factors, which can be regarded as non-structural, have had a significant impact on EBITDA. Although it is recognised that there is always a degree of subjectivity in assessing which components of current year performance may or may not be indicative of future results. The table below presents the impact if EBITDA were to be adjusted for non-structural items:

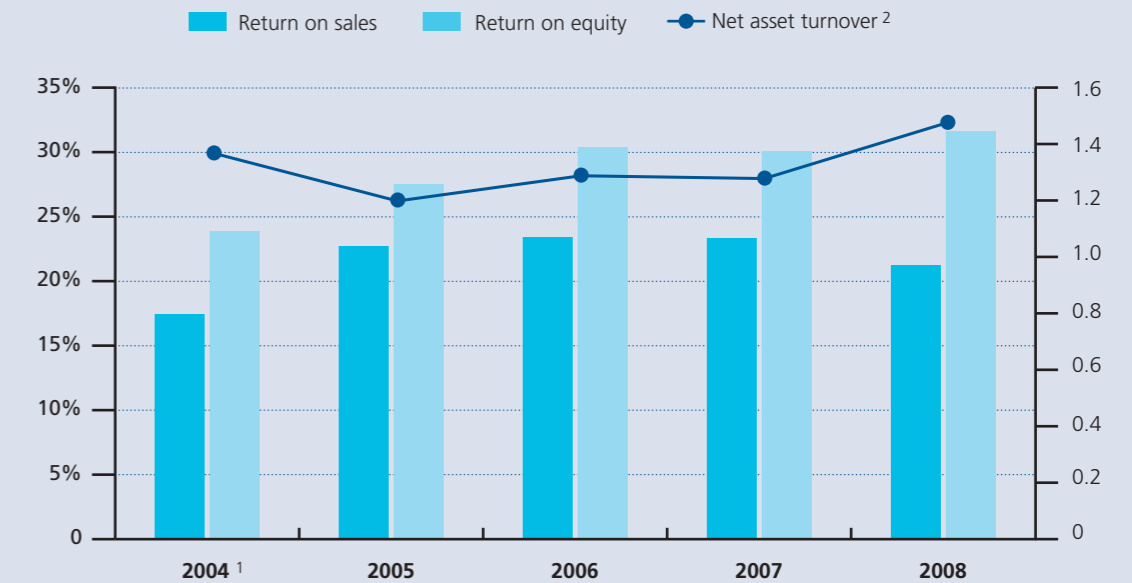
EBITDA Performance

	2008 €m	2007 €m	Year-on-year increase
Income from operating activities	461	353	30%
Add back: depreciation and amortisation	193	189	
EBITDA	654	542	21%
Adjustment for "non structural" items:			
LES start-up costs	58	43	
Net foreign exchange translation losses / (gains)	(36)	14	
Provision UK operations	11	0	
Adjusted EBITDA	687	599	15%

This shows that adjusted EBITDA growth was 15% which is an excellent achievement. This underscores that, although EBITDA was favourably impacted by foreign exchange results in 2008, reported EBITDA growth in 2008 is mainly driven by underlying business performance rather than non-structural items. URENCO believes that the following items are not representative of the Group's operational performance:

- The start up costs of LES (€58 million), while no LES revenue was recognised in the same reporting period. A similar charge to the Income Statement may be expected in 2009. From 2010 onwards, when LES commences to generate revenues, this adverse effect of LES's cost base on the Group's results will disappear.
- IFRS requires that certain foreign exchange gains and losses, mainly arising from translation, are reported in the Income Statement (in other costs). These results can be regarded as non-structural in the sense that it is impossible to predict their size or if they will have a positive or negative impact. Moreover, the result reported in the year is unlikely to have any correlation with the result in the next year. In 2008 a significant foreign exchange gain was reported.
- A restructuring provision of €11 million was created in 2008 for URENCO's enrichment operations in the UK.

Financial Performance



¹ 2004 IFRS figures have been restated due to a change in the accounting policy for stock
² Right hand scale

Other impacts

- Around 60% of URENCO's revenue is received in US dollars. The Group holds a five year rolling portfolio of derivative hedging instruments, as part of a risk management policy. Part of the current hedging portfolio is ineffective in the sense that some instruments do not qualify for hedge accounting under IFRS. As a consequence these instruments need to be marked-to-market at each reporting date, with movements in value being reported in the income statement. The significant volatility and sharp movement of the exchange rates in the second half of 2008, have triggered accounting losses on these instruments at year end, amounting to a cost of €62 million which under IFRS is taken through the income statement in Finance costs. For further detail see Management of foreign currency risk (page 36)
- In August 2008 the British Parliament ratified the decision to abolish the Industrial Building Allowance. This means that in the coming years the Group's effective tax charge for its UK based operations will be higher than previously expected. Tax assets on the balance sheet had to be written off which caused a one off deferred tax cost of €14 million, which is presented as an exceptional item in the income statement.
- The Group's defined benefit schemes in the UK and the Netherlands have been affected by the global fall in asset values. While not impacting the income statement, the reduced value of the funds' assets has increased the pension funds deficit. In order to decrease the liability to a prudent level, URENCO made an additional cash injection totalling €15 million to the funds in the Netherlands and the UK (see section Group Pension funds on page 38).

Funding position

- In support of URENCO's ongoing programme of investments in new capacity, two major new sources of additional debt finance were successfully obtained in the first half of the year, raising the equivalent of over €600 million in new funds and significantly strengthening the group's liquidity (see page 34 for details on funding operations)
- The total facilities committed at year end, in conjunction with URENCO's internal cash flow generation, constitute a solid funding position, which supports the Group's investment programme. On the basis of currently budgeted expenditure, the Group has no immediate financing requirements and the existing facilities provide sufficient cover into the first half of 2010.
- Internally generated cash flows remain a major source of funding for URENCO's ongoing programme of investments in new capacity. However, in support, external financing continues to be required in the near future and the Group remains alert to changing circumstances in the international markets. Key to this, is the retention of a high investment grade credit rating based on URENCO's solid financial position and strong longer term order book, which provides tangible future cashflows.

Key Performance Indicators

In the table below the Group's financial KPIs are summarised.

Financial Highlights

	2008 €m	2007 €m	Year on year increase
Turnover	1,130	1,024	10%
EBITDA	654	542	21%
Net Income before exceptional items	254	239	7%
Net Income	240	239	1%
	2008 €cents	2007 €cents	
Basic Earnings per Share before exceptionals	151	142	
Basic Earnings per Share	143	142	
	2008	2007	
Return on sales ¹	21.2%	23.3%	
Return on equity ²	31.6%	30.1%	
Net asset turnover ²	1.5	1.3	
Ratio of net debt to EBITDA	2.3	1.7	
Ratio of funds from operations to total adjusted debt (FFO/TAD)	27%	33%	

¹ Return on sales is net income (after exceptional items) as a percentage of turnover.

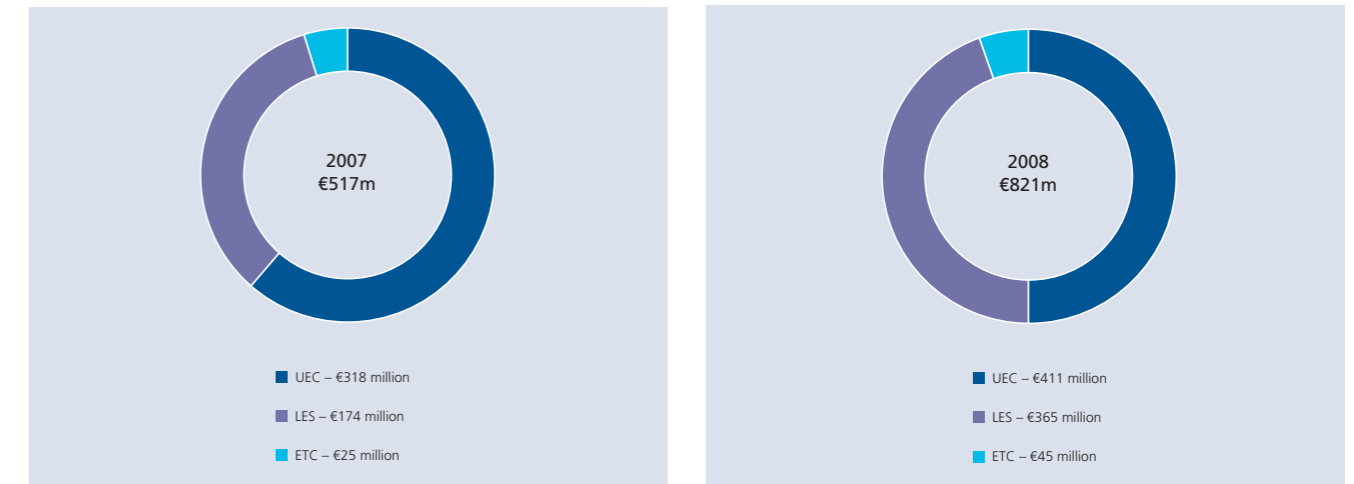
² Net asset turnover and Return on equity have been calculated using an average of Net assets and equity respectively.

Outlook

- URENCO's confidence in the future is based on the anticipated continued growth of its business operations.
- Despite a significant weakening of the US dollar during 2008, URENCO has been able to achieve an average selling price in euro terms that was similar to the previous year. This can be attributed both to an increase in the average US dollar sales price and URENCO's hedging strategy. URENCO expects the average selling price in euro terms to remain stable in the short-term, whilst sales volumes are expected to grow (on average) in line with capacity growth.
- URENCO's enrichment plant in the US, will be ready to start operations at the end of 2009. Therefore, 2009 will reflect start up costs with no associated revenues, with LES expected to move to a break-even position in EBITDA terms from 2010, and a profitable position thereafter.
- Achievement of planned capacity expansion on time and to budget remains the key objectives for the Group in the short to mid-term.
- URENCO is well aware of the difficult circumstances in the financial markets, and as such closely monitors its funding position in order to attract additional borrowings where possible, to further strengthen its liquidity.
- URENCO expects the year 2009 to show further improvement in terms of business performance and financial results compared to 2008.

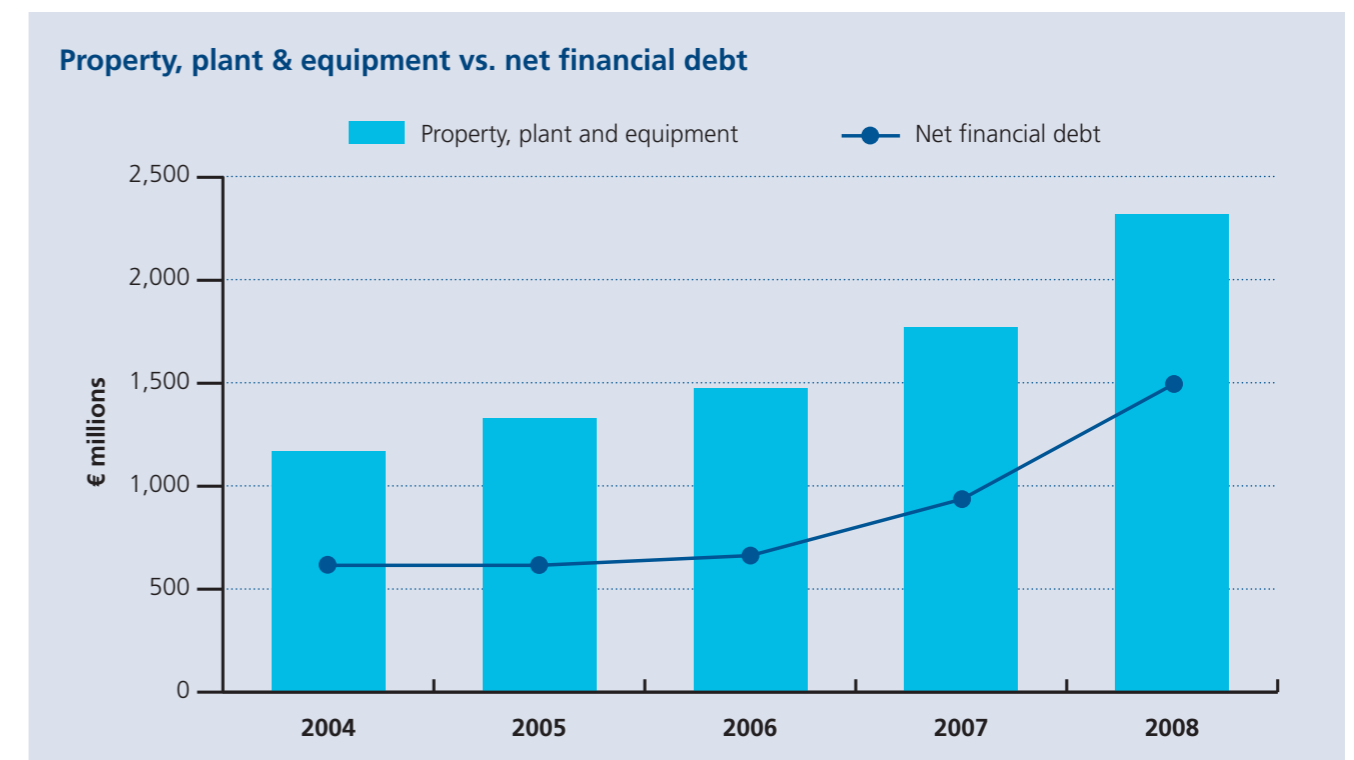
Capital expenditure

- The pie charts below show the capital expenditure in the year 2008 compared to the prior year. Expenditure has increased significantly for each of the three operations, which reflects the execution of URENCO's growth strategy. As expected, LES has increased its relative share of the Group's total investments.

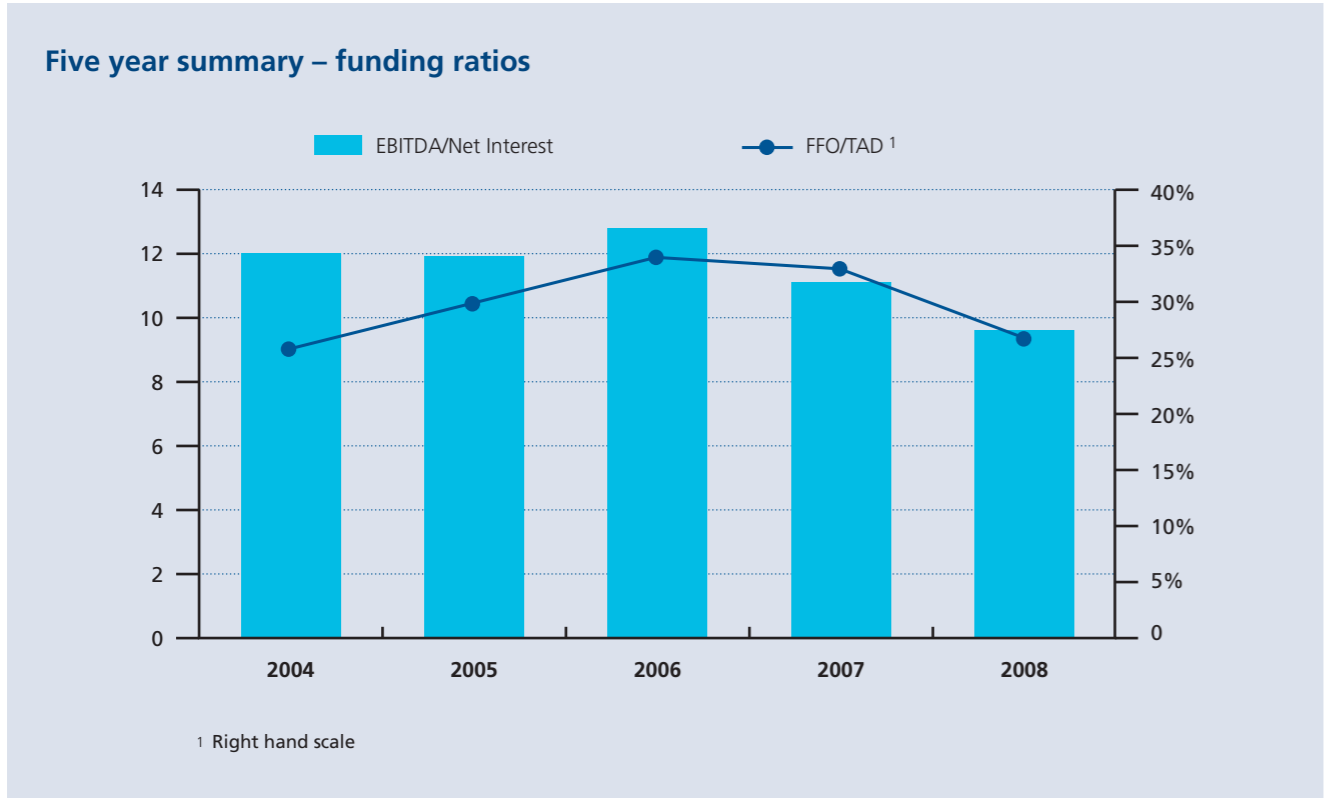


Capital structure

- It can be observed that the Group's equity has decreased by €210 million during the year, despite an increase in retained earnings by €83 million. The main reason for the reduction in equity is the valuation of derivative hedging instruments at year end resulting in a decrease in hedging reserves by €317 million. This significant movement is due to the extreme volatility in foreign currency and interest rates in the year. These derivative hedging instruments need to be marked-to-market, and therefore the year end position represents only the market value at that date. Furthermore, it should be noted that these hedges form part of URENCO's risk management strategy in order to offset opposite movements in value that, under IFRS, may not yet be directly reflected in the balance sheet. It can be expected that the majority of the losses on derivative hedging instruments experienced during 2008, will ultimately be reclaimed through gains on physical trades and through market movements. For further analysis see note 22 to the Group financial statements.
- As is reflected in the graph below, net financial debt rises in proportion to increases in fixed assets.



- In 2008, the net asset to net debt ratio was well below the Group's upper limit target of 60% illustrating URENCO's solid financial structure.
- With respect to its capital structure, URENCO will continue to maintain a prudent approach, which is reflected in its credit ratings. However, the Group's capital expenditure programme naturally causes an initial rise in debt levels, prior to the commencement of income generation. This effect can be observed in the graph below, which shows the level of cash income (Funds From Operations) in proportion to the level of outstanding borrowings (Total Adjusted Debt). The Group expects to see a further reduction of this ratio in 2009, after which it is expected that this ratio will recover in the following years, particularly as capital expenditure for basic infrastructure at the National Enrichment Facility is replaced by investment in capacity expansion, which will subsequently generate income.



Funding programme

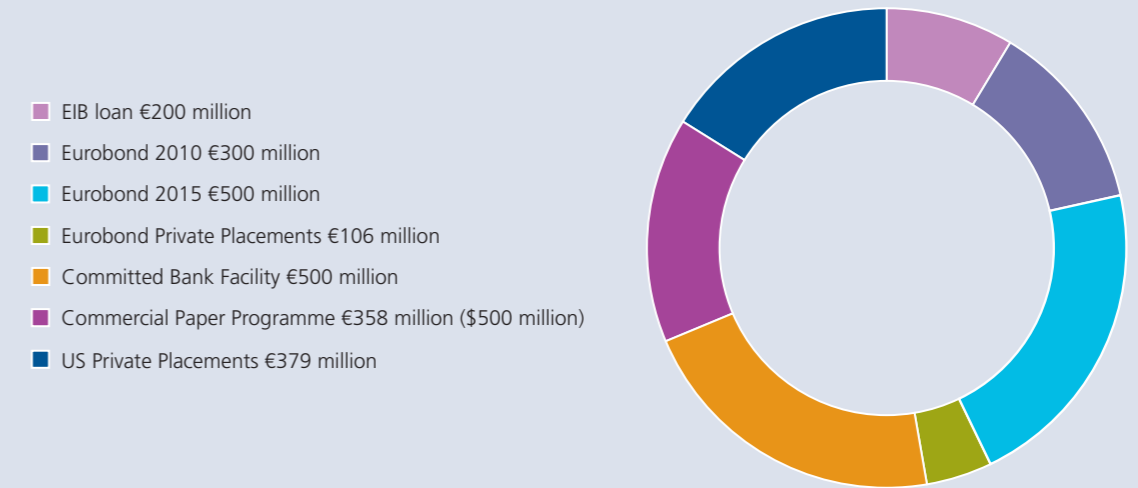
Although approximately half of the investment in new enrichment capacity is funded through internally generated cash flows, key to the execution of the Group's capacity expansion projects is its ability to raise sufficient debt finance to fund its investments.

Against an extremely challenging environment in the debt capital markets, the Group has nevertheless achieved major successes in securing a number of new funding agreements during 2008, which are reflected in the following chart. These new agreements are as follows:

- A 30 year private placement loan with an international life insurance company announced at the 2007 year end, raising approximately \$196 million in new funds (20 billion Yen);
- A €500 million seven year Eurobond, listed on the London Stock Exchange, issued in May 2008 under the Euro Medium-Term Note (EMTN) programme which was established in the same month.

At the end of 2008, the Group's total committed borrowing facilities (which excludes the Commercial Paper Programme) were €1,985 million. The split of borrowing facilities by type is shown in the chart below, as at 31 December 2008:

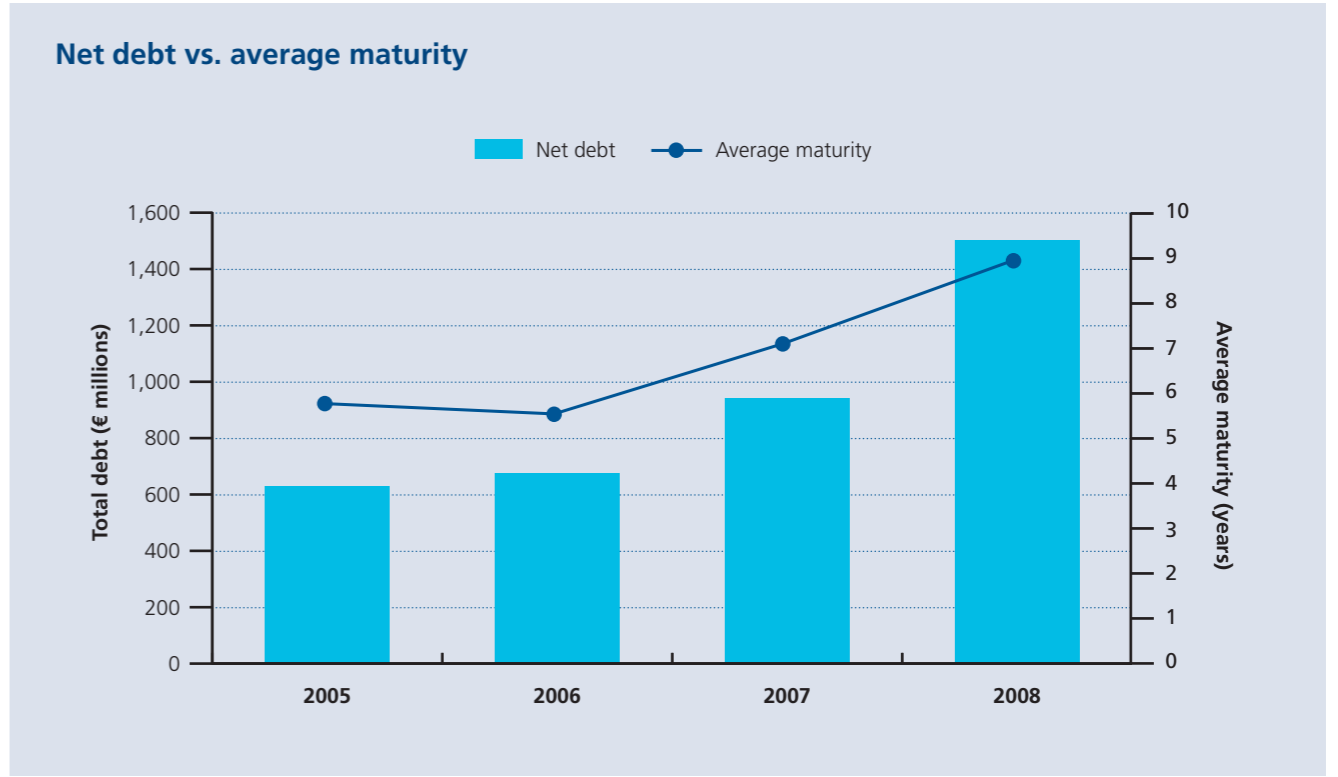
Finance facilities as at 31 December 2008 (€ millions)



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

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

The Group's progress in extending the maturity profile of its debt is illustrated in the chart below:



With capital expansion projects proceeding in parallel at the Group's US, German and Dutch sites in 2009, capital investments are expected to be on a similar level to 2008. However, the Group does not have any major financing requirements in the near-term. Nevertheless, the Group will continue to monitor closely conditions in the capital markets, to ensure the optimum timing, instruments and markets for its funding activities.

Management of foreign currency risk

Around 60% of the Group's income is received in US dollars whereas the Group's cost base is predominantly in euro and sterling, with around 30% of costs in US dollars. This means that the Group is structurally exposed to the risk of movements in the exchange rate between the US dollar and the euro as its reporting currency. In order to reduce the volatility of the Group's euro cash flows, the Group has a policy of hedging forward its net contracted US dollar exposure (i.e. the difference between the Group's contracted US dollar revenues and its US dollar costs).

The foreign currency hedging policy has the twin objective of reducing both cash flow and income statement volatility. It has been recognised that there is likely to be a natural tension between the two objectives. 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. The requirements for hedge accounting are complex and URENCO is fortunate to have a highly stable future revenue stream that enables it to maintain a sizeable portfolio of effective accounting hedges. Even so, there is always an element of uncertainty due to changes in quantities and timing of deliveries based on market movements and customers' requirements, which makes it difficult to achieve effective hedge accounting over the longer term.

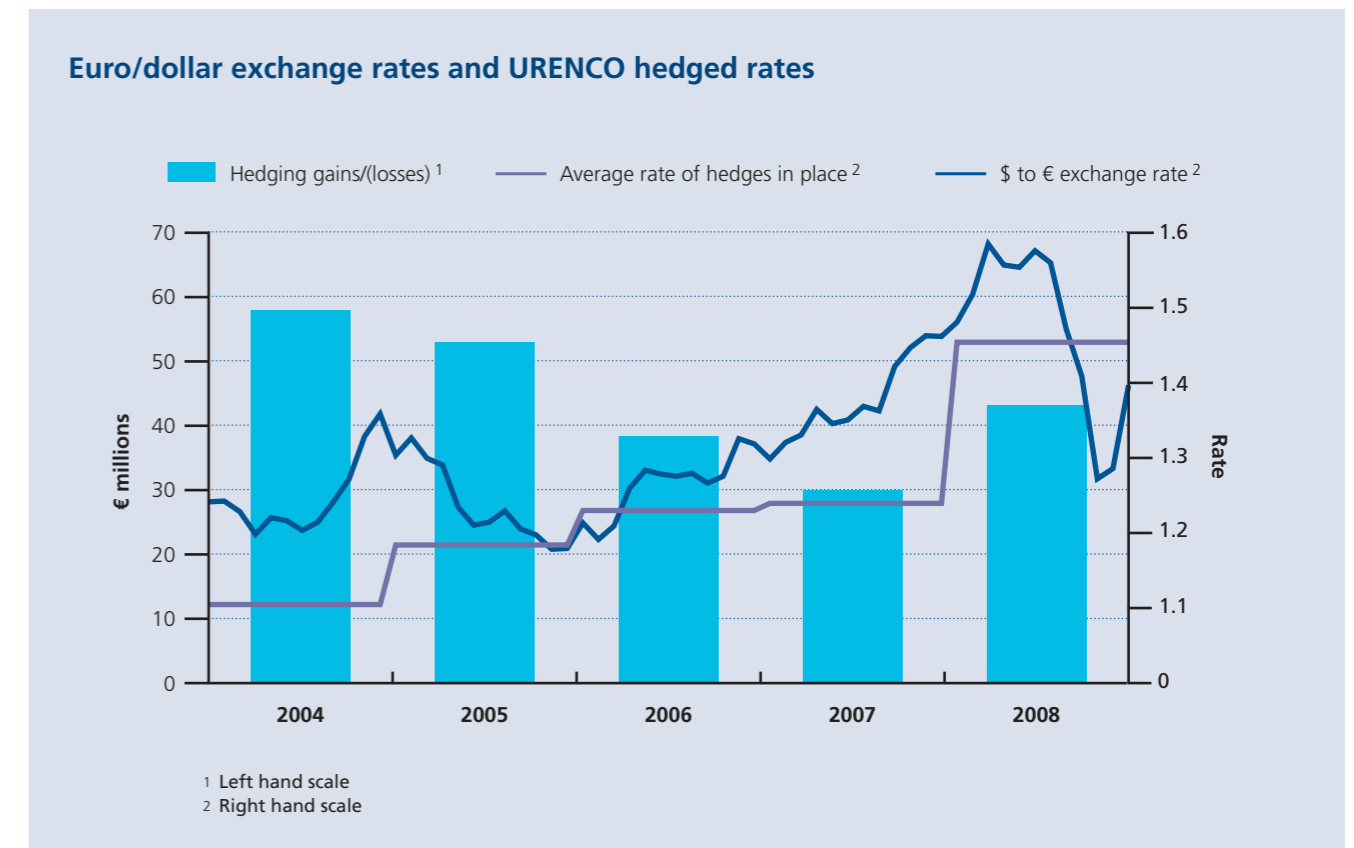
The Group's hedging policy has been set on a 12-month rolling basis covering periods up to 60 months forward. This five-year hedging period thus strikes a balance between the objective of maximising cash flow certainty (which suggests a long hedging period) and the objective of maintaining a hedge portfolio that largely qualifies for hedge accounting under IFRS.

In 2008, a portion of the Group's portfolio of hedging instruments was 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. While this portion of the hedge portfolio has not led to substantial gains or losses in previous years, in 2008 the change in fair value has been significant. This was caused by significant turmoil and acceleration of volatility in the foreign exchange markets as well as a remarkable strengthening of the US dollar against both the euro and the pound sterling in the second half of the year. In particular, between September and December 2008, sterling fell sharply to levels not expected and not experienced in many years. In addition, hedging ineffectiveness, in respect of derivative instruments that were eligible for hedge accounting, has caused gains as well as losses in the reporting period, and these have been reported in Finance income and Finance costs respectively. The table below specifies the hedging results related to ineligible and ineffective currency hedges in 2008. URENCO will continue to aim for a further reduction of income volatility by limiting the ineligible portion of the hedging portfolio.

Ineligible / Ineffective Hedges

	2008 €m
Gains from ineligible / ineffective hedges (reported in Finance income)	7
Losses from ineligible / ineffective hedges (reported in Finance cost)	(62)
Net gains/ (losses) from ineligible / ineffective hedges before tax	(55)
Income tax	16
Net gains/ (losses) from ineligible / ineffective hedges after tax	(39)

The graph below shows the performance of the effective hedges in place versus the average euro/dollar exchange rates. Also the hedging gains/losses realised during the year on these effective hedges are shown below:



Provisions for decommissioning and tails

URENCO continues to make provision in its balance sheet for the following obligations:

- **Plant decommissioning:** The Group has an obligation under its operating licences, and in line with its values of safety and integrity, to decommission safely its enrichment plant once it reaches the end of its operational life. Decommissioning provisions created in the year amounted to €21 million compared to €15 million reported in 2007.
- **Tails deconversion storage and eventual disposal:** Depleted uranium "tails" are a by-product of the enrichment process, and the Group provides for the costs of their ultimate deconversion (i.e. chemical conversion of tails from UF6 to the more stable U3O8), long-term storage and eventual disposal. Additional tails provisions recognised in the year were €94 million (2007: €82 million) and those utilised were €86 million (2007: €56 million).

Group Pension Funds

The Group operates pension schemes for its employees in Germany, the Netherlands, the UK and the US. In 2008, the Group operated defined contribution schemes in the UK, Germany and the US. In addition, the Group operated schemes in the UK and the Netherlands that are defined benefit in nature; entrance to the UK schemes was closed from 1 January 2008. The German scheme is of a defined contribution nature, part of which is insured and part of which is guaranteed by the company.

Under International Accounting Standard 19, the Group records as a liability on its balance sheet any shortfall between the value of the defined benefit schemes' liabilities and the value of the assets held under the schemes, at the balance sheet date. In the year URENCO's Group Retirement Benefits Committee has been monitoring the impact of the financial downturn on its defined benefit pension scheme funds. The net liability in respect of the Group's defined benefit pension schemes at 31 December 2008 was €78 million, €25 million higher than the net liability at the end of 2007 (€52 million). The main reason for the increase in the net liability was the reduced value of the assets of the schemes at the year end, caused by the global economic and financial crises which led to an extreme fall in asset prices.

Towards the end of 2008, URENCO decided to allocate a lump sum payment to the defined benefit schemes in order to reduce the net liabilities to acceptable levels. The payments, which amounted to €15 million in total, were approved subject to the following conditions:

- A further review of future benefits taking place.
- Investment strategies being aligned further to reflect corporate policies and liabilities profiles.

In the Netherlands, the current pension's legislation requires a scheme to have a minimum solvency level of at least 105%. As this was not the case at the end of 2008, a recovery plan needs to be made over the mid term so that the 105% threshold is achieved. The lump sum payment made in 2008 will facilitate such a recovery plan to be made. URENCO aims to apply an equitable approach across the Group, so a funding review of the UK pension schemes is under progress in 2009 with an aim of developing a similar recovery action plan.

Risk management

URENCO considers risk management to be a critical management issue in the identification and measuring of risk for strategic management decision making. URENCO benefits from the existence of a successful risk management programme; capability was enhanced in 2008 to take account of the increasing size, diversity and complexity of URENCO's activities. The focus continues to be on managing risks where they originate. Below key risks in the Finance domain are listed. The management of foreign currency exposure is discussed on page 36.

Financial risk management

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

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

Credit risk exposure

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

Interest rate exposure

In order to mitigate the impact of interest rate movements on the Group's interest costs, the Group has a policy of maintaining between 40% and 60% of its borrowings at fixed rates of interest, and uses interest rate swaps to maintain this balance where necessary.

Liquidity exposure

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

Commodity price exposure

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

Insurable risk

As reported last year the URENCO group now co-ordinates worldwide insurance placement from a central function allowing maximisation of economies of scale and facilitating the elimination of gaps and inconsistencies between policy coverage. The URENCO Group holds a comprehensive suite of insurance products consistent with legal requirements, industry practice and prudent operation.

Internal audit

A key element in the identification and management of risk is the Group's internal audit function. 2008 was the second year of the insourced internal audit function, which reviewed a number of areas during the year, such as:

- Project Management procedures and controls relating to Almelo capacity expansion.
- Project Management procedures and controls relating to operational readiness at the National Enrichment Facility.
- Review of the Group's annual budgeting and long-range business planning process.
- Review the effectiveness of processes and controls in the UEC Financial Shared Services Centre.
- Review of the Facilities Management function at the three European Enrichment Sites.

Corporate Responsibility

Confidence in our actions

As URENCO's business continues to grow, so does its commitment to corporate responsibility. URENCO recognises the importance of being a good corporate citizen. The aim is to be a valued asset in the communities in which the Group operates and provide a positive contribution to society by setting high standards of conduct in all our business activities.

The importance of corporate governance within the Group is reflected in URENCO's Vision, Mission and five Values: safety, integrity, flexibility, development and profitability.

URENCO operates in a vital part of the nuclear fuel supply chain. With mounting pressure on global businesses to ensure their carbon footprint is minimised as much as possible, nuclear's offer of providing carbon free energy is capturing the attention of decision makers and governments across the world. The environmental benefits of nuclear power, together with increasing demand for electricity, has driven a renaissance of the industry during the past couple of years, with many countries now progressing plans for the development of nuclear new build.

The application of corporate responsibility helps to maintain URENCO's positive reputation with stakeholders across the URENCO Group, where activities are localised based on the needs and requirements of the community in question.

URENCO's corporate responsibility activities have been developed with the objective of benefiting stakeholders, with focus on the specific areas of environment, education and healthy living.

Employees are URENCO's best ambassadors acting as the face between the Company and the local communities in which the Group operates. As such, employees are encouraged to become valuable members of their local community.

To be truly successful, URENCO must effectively communicate with its internal and external stakeholders. It is important that employees, as one of our most valuable stakeholders, have the opportunity to comment on all aspects of the Group's business. It is URENCO's obligation to listen to this feedback and act on it accordingly.

Further information on the Group's corporate responsibility commitments are reported in the URENCO Sustainability Report and can be downloaded online at www.urengo.com/sustainability.

Listening to our employees

URENCO believes its employees determine the success of the business, and believes it is important that everyone enjoys, and is satisfied by, their work. This means continually maintaining a good atmosphere within the Group, good working conditions combined with good communication. As a result, two surveys were carried out among employees during 2008.



Communications survey

Each year a broad variety of information is generated (via a range of channels) in order to provide comprehensive internal communication to all employees across the Group.

An ongoing objective within URENCO is to continually improve such communication. In order to achieve this, employee feedback is essential. In this respect employees across the Group were requested to forward their views on the current methods of internal communication (and how communications could be improved in the future) via an on-line survey utilising the Group intranet.

The feedback from employees proved very useful in understanding their needs and allowing URENCO to shape future communications to meet their requirements.

Employee survey

URENCO believes its employees determine the success of the business. It is important that everyone enjoys, and is satisfied by their work. This means continually maintaining a positive atmosphere within our Company, good working conditions combined with strong communication.

In late 2008 a comprehensive employee survey was conducted across the URENCO Group. In the intervening period considerable effort had been made to improve the areas highlighted for development in previous surveys.

In order to guarantee anonymity, URENCO commissioned an international organisation that specialises in employee surveys to conduct the project. The survey's purpose was to provide an insight into employees' perception of working life at URENCO. The overall findings of the survey reflected that URENCO has a satisfied workforce. However, in order to ensure continual improvement, an action plan has been formulated to focus on strengthening key areas during 2009.

Donations and Sponsorship programme

URENCO aims to have consistent approach to corporate responsibility, supported by a clear and transparent Donations and Sponsorship Policy for the URENCO Group.

URENCO's corporate responsibility programme extends to all stakeholders in the communities in which URENCO operates. Under the umbrella of (and in accordance with) the Group Donations and Sponsorship Policy, URENCO's activities focus on three key areas of health, education and the environment:

- **Health:** Encouraging a healthy lifestyle.
- **Education:** Supporting our communities in nurturing an interest in science and engineering.
- **Environment:** Initiatives providing improvements to the local community.

URENCO recognises the importance of preserving the natural and social heritage for future generations and supports cultural projects at both a local and national level. Support is provided to a wide variety of initiatives, through financial assistance and personal contribution of knowledge, time and energy.

An additional element to URENCO's Donations and Sponsorship Policy is its positive impact on the Group's image and reputation. In 2008 this has been particularly important as the Group continues to expand at its European sites, and progresses development of its fourth enrichment plant in the US. The strength of the Group's Values and commitment to building a 'one company' culture across all business practices has enabled URENCO to make this complex transition successfully.

URENCO in the community

URENCO's corporate responsibility initiatives are adapted to suit the needs of the communities in which the Group operates.

Active in the community

URENCO encourages its employees to be a valuable member of the community. The Active in the Community Award was developed to recognise and reward individual employee's commitment to community activities. The initiative has now expanded to URENCO's Head Office since its initial launch at the UK site in 2004.

URENCO's 'Youth fund'

In 2005, URENCO commissioned a stakeholder survey in the local community around its UK site. The feedback identified a need for more visible evidence of industry involvement in youth focused community projects. As a result, URENCO established a Group 'Youth fund' which provides support for initiatives that focus on enriching the lives of the younger generation, delivering a wide variety of projects within URENCO's three key sponsorship areas.

The Youth fund works under the motto 'help community groups help themselves' and in doing so seeks to provide sustainable opportunities for young people within our local communities.

One of the first projects to benefit from URENCO's 'Youth fund' was the school science workshops, which were introduced in 2005 (see case study on page 43).

'Enriching their future' – URENCO supports science initiatives

URENCO's business is built on the core foundations of science and engineering. All across the Group there are activities taking place to encourage students into these professions and to aspire to working for a company such as URENCO. Throughout 2008, the URENCO Youth fund funded many science orientated initiatives across the Group, examples of which are detailed below:

Capenhurst, UK – employees participated in the Engineering Education Scheme (England), mentoring students from local schools.

Gronau, Germany – actively sought to attract some of Germany's finest young engineers to a career in URENCO at a specialist recruitment event in Osnabrueck, Germany.

Almelo, Netherlands – participated in the national 'Science Month', during which companies give children an insight into their business to inspire them about science.

Head Office, Marlow, UK – hosted a Science Day introducing young students to science through a Sir Isaac Newton show, and Richie Science Workshops.

Eunice, New Mexico, US – In 2008, LES awarded a total of 15 scholarships to students attending the University of the Southwest. Also, a total of 45 scholarships have been awarded to students attending New Mexico Junior College since 2004.

Case Study: Richie science workshops

One of the first projects to benefit from the URENCO 'Youth fund', was the Richie Science Workshops, which were initially introduced in 2006 to primary schools in the Capenhurst area. The objective of the workshop was (and is) to teach children about science in a fun, interactive and innovative way, to improve their understanding of science and to instigate an on-going interest in the subject. The added objective is to introduce URENCO as a business to children, teachers and their families in the local community.

The content of the workshops explains (to teachers and pupils alike) why the production of electricity from nuclear fuel is integral and essential for a balanced energy mix. The workshops also help to dispel inaccurate information surrounding the nuclear industry.

Following positive feedback, the workshops were expanded further in the UK, and introduced to the Netherlands and the US. The workshops are now an annual project, reaching more and more schools within communities near URENCO's operations, and at the end of 2008 over 6,000 students had participated. In 2009 it is anticipated that the workshops will be introduced to Germany.

The success of the science workshops across the URENCO Group demonstrates effective internal communication, overcoming cultural and language barriers. The workshop content was initially set to complement the UK curriculum, and then adapted for the Dutch and US curricula.

In the process of initiating this campaign, the character 'Richie Enrichment' was developed to be the URENCO mascot to its younger audience. URENCO now utilises a whole Richie package to inform and educate his young audience. Richie stars in his own URENCO DVD which explains the enrichment process in a child-friendly way. A PowerPoint presentation featuring Richie is used to answer any questions students may have after watching the film. URENCO has also developed a Richie website which builds on the current programme.



URENCO's nuclear ambassador 'Richie Enrichment' promoting URENCO at an industry conference

Board of Directors



1. Chris Clark – Chairman

Chris began his career with Johnson Matthey as a Research Metallurgist in 1962 and became a director in 1990. He was appointed Chief Executive in 1998, took Johnson Matthey into the FTSE 100 in 2002, and retired two years later. Following his retirement from Johnson Matthey in 2004 he was appointed Chairman of Associated British Ports Holdings plc which was sold to a consortium of infrastructure funds in 2006. In December 2006 he was appointed Chairman of Severstal, the London listed Russian steel company. He took up his position as Chairman of URENCO Limited on 1 January 2006 and was reappointed for a second three year term with effect from January 2009.

2. John Edwards

John joined the Department for Business Enterprise and Regulatory Reform (BERR) as Director General, Finance on 1 July 2008. Prior to joining BERR, he had served as Group Finance Director of British Nuclear Fuels Plc (BNFL) since July 2000.

John has been the main Board Director responsible for Group Finance at Jaguar, Northern Electric, Meyer and BNFL. He has worked closely over the last eight years with the BERR Shareholder Executive developing and delivering BNFL's Strategic Plan and has played a leading role in the sales of Westinghouse, BNFL Inc, Reactor Sites and BNG Project Services. John joined the URENCO Board in August 2003 and is Chairman of the Audit Committee.

3. Helmut Engelbrecht – CEO

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

4. Bernhard Fischer

Bernhard graduated in mechanical engineering from the University of Hannover. In 1982 he joined PreussenElektra 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 and taking on responsibility for all power plant business, engineering and R&D. He joined the URENCO Board in April 2008.

5. Victor Goedvolk

Victor graduated in Economics from the Erasmus University in Rotterdam and was subsequently appointed Assistant Professor of Business Economics in the Faculty of Economics. From 1978 he was a staff member of a consultancy firm in the Benelux. In 1983 he joined the Ministry of Finance and was appointed Deputy Secretary General in 1986.

From 1990 until his retirement in 2004 he was CFO of Fortis ASR and Non-executive Director of Fortis Bank. He was appointed Vice-Chairman of Ultra-Centrifuge Nederland NV and joined the URENCO Board in April 2003. He currently also holds several non-executive positions in Dutch companies and institutions.

6. Gerd Jaeger - Deputy Chairman¹

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

7. Bart Le Blanc – CFO

Bart graduated in economics from the University of Tilburg in the Netherlands and obtained a PhD in law from the University of Leyden. After serving as Director General of the Budget from 1980 to 1984 he moved into banking and was appointed Deputy Chairman of F van Lanschot Bankiers (a private bank) followed by an appointment as Vice President of the European Bank for Reconstruction and Development in London, and finally as Director of International Finance at the Caisse des Depots in Paris. He joined URENCO in September 2004 and currently also holds the position of Vice Chairman of the Board of Directors of ETC.

8. Richard Nourse

Richard is a Director of the Shareholder Executive (part of BERR) and of Enrichment Holdings Limited, the company through which the British Government holds its shareholding in URENCO. Until 2007, he held senior positions at Merrill Lynch, including Head of the EMEA Energy and Power Team. During his time at Merrill Lynch, Richard worked on a wide range of acquisitions, divestments and capital raisings for companies across the European energy, utility and waste sectors. Richard started his career in the City over 20 years ago with Morgan Grenfell.²

9. George Verberg – Deputy Chairman

George graduated from the Netherlands School of Economics of the Erasmus University. From 1971 to 1974 he was at the Ministry of Education, Culture and Science, in 1974 he moved to the Ministry of Economic Affairs where he held the positions of Director-General for Trade, Industry 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. George is Chairman of the Remuneration and Appointments Committee.

10. Walter Hohlefelder - Deputy Chairman³

Walter graduated in law and public administration from Bonn, Lausanne and Speyer University and in 1975 joined the Ministry of the Interior in North Rhine Westphalia. In 1980 he joined the Federal Ministry of Interior holding several positions especially in the cabinet of the Minister. In 1984 he became CFO of Gesellschaft für Reaktorsicherheit and from 1986 to 1994 was Head of Directorate in the Federal Ministry for the Environment with responsibility for reactor safety. From 1994 he has held executive positions with VEBA AG, PreussenElektra AG and E.ON Energie AG with responsibility for market management for Central Eastern Europe, nuclear energy policy, nuclear power generation and legal. He joined the URENCO Board in September 1999.⁴

11. Michael Parker

Michael graduated in Chemical Engineering from the University of Manchester and has an MBA from the Manchester Business School. He joined The Dow Chemical Company in 1968 and after much international experience was appointed to the Board of Directors in 1995. He was President and CEO from November 2000 to December 2002. Michael was appointed CEO of the BNFL Group in August 2003, joined the URENCO Board in September 2003 and the Invensys plc Board as a Non-Executive Director in May 2006. In October 2007 he was appointed as Chairman designate of Liverpool Vision and became its Chairman in April 2008.⁵

12. Sarah Newby-Smith – Company Secretary

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

¹ Gerd Jaeger was Deputy Chairman with effect from 3 April 2008.

² Richard Nourse as appointed to the Board on 1 January 2009.

³ Walter Hohlefelder held the position of Deputy Chairman until 3 April 2008, when he retired from the Board.

⁴ Walter Hohlefelder retired from the Board on 3 April 2008 when he was replaced by Bernhard Fischer.

⁵ Michael Parker retired from the Board at the end of December 2008.

Consolidated Group Financial Statements

For the year ended 31 December 2008

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Corporate Governance

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

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

The Board and its Committees

Board composition and independence

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

The Directors of the Company in office during the 2008 financial year were:

Non-executive Directors

Chris Clark	Chairman
Gerd Jaeger	Deputy Chairman
George Verberg	Deputy Chairman
John Edwards	
Bernhard Fischer ¹	
Victor Goedvolk	
Walter Hohlefeldler ²	
Michael Parker ³	

Executive Directors

Helmut Engelbrecht	Chief Executive Officer
Bart Le Blanc	Chief Finance Officer

Biographical details of the Directors and the Company Secretary are set out on page 44.

Operation of the Board

The Board manages overall control of the Group's affairs and is responsible to the Shareholders for Company policies and strategic direction. It meets on a regular basis to consider matters specifically reserved for its decision. These include the approval of the business plan, financing policies, budget and financial statements, major capital projects, acquisitions and disposals, major regulatory issues and major policies in respect of environmental, health and safety issues. During 2008 there were five meetings of the Board.

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

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

Accountability and Audit

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

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

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

Audit Committee

The Audit Committee met six times in 2008. The members of the Committee in office during the financial year were John Edwards (Chairman), Victor Goedvolk, Markus Coenen (who retired from the Committee on 20 June 2008) and Dirk Steinheider (who replaced Markus Coenen with effect from 20 June 2008). Meetings are also attended by the Chairman of the Board, the Chief Executive Officer and the Chief Finance Officer as well as the Group's external and internal auditors. The Committee's primary responsibilities include monitoring the financial statements of the Group, along with monitoring the systems of internal control, compliance and risk management. The Committee additionally provides a forum for reporting by the Group's external and internal auditors and also reviews annually the performance of the Group's auditors to ensure that an objective, professional and cost-effective relationship is maintained.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee met three times in 2008 and comprises George Verberg (Chairman), Michael Parker (who retired on 31 December 2008), Gerd Jaeger, Walter Hohlefeldler (who retired on 3 April 2008) and Bernhard Fischer (who replaced Walter Hohlefeldler with effect from 3 April), who are all Non-executive Directors. The Chairman of the Board and the Group Human Resources Manager attend the Committee meetings by invitation and the Chief Executive Officer is also invited to attend. The Committee makes recommendations to the Board on the remuneration packages for all Directors. Remuneration for Non-executive Directors is subject to final approval at the AGM.

Further details of the role and responsibilities of the Remuneration and Appointments Committee are given in the Directors' Remuneration Report on page 52.

Additional Background Information

Shareholding Structure

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

¹ Bernhard Fischer succeeded Walter Hohlefeldler as a Non-executive Director on 3 April 2008.

² Walter Hohlefeldler was a Non-executive Director until his retirement from the Board on 3 April 2008.

³ Michael Parker was a Non-executive Director until his retirement from the Board on 31 December 2008.

* Shares in its Dutch holding company are held 98.9% by the Dutch government and 1.1% by DSM, Philips, Shell and Stork as Naamloze Vennootschap DSM; N.V. Philips' Gloeilampenfabrieken; Shell Kernenergie N.V and B.V; Verenigde Machinefabrieken N.V. en Verenigde Machinefabrieken Stork N.V.

** Shares in its German holding company are held 50% by E.ON Kernkraft GmbH and 50% by RWE Power AG.

Corporate Governance

History and Wider Governance Issues

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

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, through a new treaty (the Treaty of Cardiff) which was signed on 12 July 2005. A further requirement for completion of the transaction was to obtain EC competition clearance. This was granted on 1 July 2006. The terms of the clearance require certain commitments from URENCO and Areva to ensure that URENCO and Areva remain competitors in the field of enrichment and that no commercially sensitive information about their enrichment operations passes between URENCO and Areva by virtue of their being joint shareholders of ETC.

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

Directors' 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 Michael Parker (who retired on 31 December 2008), Gerd Jaeger, Walter Hohlefelder (who retired on 3 April 2008) and Bernhard Fischer (who replaced Walter Hohlefelder with effect from 3 April).

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

Remuneration Policy

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

Executive Remuneration Package

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

Basic Salary and Benefits

The salary and benefits are reviewed annually. The Executive Directors received a 4.4% increase in basic salary for the 2008 calendar year. This increase in basic salary was in line with the increase for all employees throughout the Company. Benefits principally comprise a car, private healthcare and overseas living expenses.

Total remuneration

In line with the principles referred to above, the total remuneration levels of the Executive Directors are reviewed annually by the Committee having regard to remuneration levels of Directors of comparable companies. The total remuneration package of Executive Directors comprises the following components:

Base salary – This is determined for each Executive Director taking into account the performance of the individual and information from independent sources on the levels of salary for similar jobs in a selected group of comparable companies.

Bonus – Performance related bonuses for Executive Directors are based on objective performance criteria.

Long-term incentive scheme – An annual scheme which grants cash awards with the maximum potential award determined at grant. Awards only vest to the extent that certain minimum earnings per share performance targets are met over a four year performance period.

Contracts of service – The Executive Directors' service agreements provide for discretionary reviews of salary and for termination on 12 months' notice by the Company or six months' notice by the Director.

Pensions – The Executive Directors are members of the Group pension scheme, which provides a pension of up to two thirds base salary on retirement, normally between the ages of 60 and 65, and dependent on length of service. The scheme also provides for dependants' pensions and lump sums on death in service. The scheme is a defined benefit pension scheme, which is approved by HM Revenue and Customs.

Other benefits for the Executive Directors include:

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

Directors' Report

Directors' remuneration

The remuneration of the Directors is as follows:

	Basic salary and fees €	Benefits €	Performance related bonuses €	LTIS €	Total 2008 €	Total 2007 €
Executive Directors:						
Helmut Engelbrecht	473,863	70,413	113,084	142,095	799,455	893,770
Bart Le Blanc	343,544	18,242	89,322	109,304	560,412	650,141
Non-executive Directors:						
Chris Clark	222,646	–	–	–	222,646	257,885
John Edwards **	46,565	–	–	–	46,565	53,666
Bernhard Fischer	36,061	–	–	–	36,061	–
Victor Goedvolk	38,168	–	–	–	38,168	43,988
Walter Hohlefeldler *	–	–	–	–	–	–
Gerd Jaeger	38,168	–	–	–	38,168	43,988
Michael Parker ***	38,168	–	–	–	38,168	43,988
George Verberg	48,346	–	–	–	48,346	55,718
	1,285,529	88,655	202,406	251,399	1,827,989	2,043,144

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

In the event that payments are made in sterling the average rate is adopted for conversion purposes; this was set at £0.786 to €1 for 2008 (2007: £0.682 to €1).

* At his request no remuneration is paid to this Director.

** Payments for this Non-executive Director were made directly to his employer, British Nuclear Fuels plc (BNFL) until 1 July 2008, when his employer changed to BERR and payments were made directly to him.

*** Payments for this Non-executive Director were made directly to his employer, British Nuclear Fuels plc (BNFL).

Pensions

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

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

	Accrued pension at 31/12/2008 €	Accrued pension at 31/12/2007 €	Transfer value at 31/12/2008 €	Transfer value at 31/12/2007 €
Helmut Engelbrecht	163,110	193,474	1,664,969	2,237,119
Bart Le Blanc	20,425	19,576	309,920	311,229

Accrued pensions and transfer values are retranslated from sterling to euros at the closing rate of £0.9548 to €1 (2007: £0.7340 to €1).

Accrued pension: The deferred pension to which the directors would have been entitled had they left the Company on 31 December 2007 and 2008 respectively.

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

Long-term incentive scheme

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

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

	Helmut Engelbrecht €	Bart Le Blanc €	Payment vesting date
Incentive scheme accrual as at 1 January 2008	305,859	227,234	
Exchange adjustments	(60,818)	(45,200)	
LTIS 2006 accrued during the year	98,323	71,904	2010
LTIS 2007 accrued during the year	48,395	38,226	2011
LTIS 2008 accrued during the year	56,195	44,374	2012
Total incentive scheme accrual at 31 December 2008	447,954	336,538	

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

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

The unvested awards would lapse for individuals who are dismissed or resign. For leavers by retirement, illness or caused by death 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:

	2008 Growth in EPS achieved over 4 year period	2008 Cash award as percentage of salary	2007 Growth in EPS achieved over 4 year period	2007 Cash award as percentage of salary	2006 Growth in EPS achieved over 4 year period	2006 Cash award as percentage of salary
	30%	50%	30%	30%	20%	50%
	50%	75%	50%	50%	30%	75%
	100%	100%	100%	75%	50%	100%
	150%	150%	150%	100%	100%	150%

Directors' Report

The Directors present their Report and Accounts for the year ended 31 December 2008.

Results and dividends

Net income for the year attributable to equity holders of the Parent Company amounted to €239.7 million (2007: €238.5 million).

The Directors expect to pay a final dividend for the year of €75.0 million. There was no interim dividend declared or paid during 2008 (2007: final dividend of €119.3 million, with no interim dividend paid in 2007).

Principal activity

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

Another Group subsidiary, LES, is currently constructing an enrichment plant in New Mexico, US (the National Enrichment Facility) which will be ready to start operations by the end of 2009.

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

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

More information on the Group's activities is presented in the Group Business Review on page 13.

Going concern

The Group's business activities, achievements, risks and opportunities are set out in the business reviews and the Group finance review on pages 29 to 39. The Group finance review includes information on the financial position of the Company as well as a description of the Group's objectives, policies and processes for managing its capital, its exposures to foreign currencies and other financial risks. URENCO's business is long-term by nature and its significant order book of committed sales provides a strong foundation for the future. The Group has adequate financial resources and its cash flow forecasts indicate that financing facilities committed and in place are sufficient to cover the Group's cash needs into the first half of 2010.

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis 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 Group Business Review on page 13.

Risk management: the use of financial instruments

The Group's policies with respect to financial instrument risk management are covered on page 39 and in note 22 to the consolidated financial statements.

Research and development

Research activities within the Group relating to core centrifuge technology are undertaken by ETC to maintain the Group's position of technical excellence. Additionally, the UEC Group, through its Central Technology Group (CTG), carries out research and development into improving operational performance and safety. The Group continues to seek out opportunities to exploit new markets.

Political and charitable donations

During the year, the Group made contributions of €23,200 (2007: €4,000) to local political parties outside the EU. 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 €675,400 (2007: €400,000) were made during the year to local charities and community projects. More information on charitable donations is included in the Corporate Responsibility section on page 40.

Events since the balance sheet date

No material structural changes or business events have occurred in the URENCO Group that might serve to alter any of the disclosures contained in the 2008 financial statements.

Disabled employees

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

Employee involvement

During the period employees within the Group have been informed of developments through Group and Company 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 2008 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 2008, the Company had an average of 31 days purchases owed to trade creditors (2007: an average of 29 days purchases owed to creditors).

Auditors

A resolution to reappoint Ernst & Young LLP as auditors for the coming year will be put to the Annual General Meeting on 2 April 2009.

Directors' Report

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 English law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board.



Sarah Newby-Smith
Company Secretary

2 April 2009

Independent Auditors' Report

To the members of URENCO Limited

We have audited the Group consolidated financial statements of URENCO Limited for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense and the consolidated cash flow statement, and the related notes 1 to 31. These Group consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of URENCO Limited for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the annual report and the Group consolidated financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the Statement of Directors' responsibilities in respect of the accounts.

Our responsibility is to audit the Group consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group consolidated financial statements give a true and fair view and whether the Group consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the Group consolidated financial statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited Group consolidated financial statements. The other information comprises only the Directors' Report, the Chairman's statement, the Chief Executive's review, the Business reviews and the Group finance report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group consolidated financial statements.

Opinion

In our opinion:

- the Group consolidated financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its net income for the year then ended;
- the Group consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with Group consolidated financial statements.

Ernst & Young LLP, Registered Auditor, London, 2 April 2009

Consolidated Income Statement

For the year ended 31 December

	Notes	Results for the year before exceptional item (i) €m	Exceptional item (i) €m	2008 Results for the year €m	2007 Results for the year €m
Revenue from sales of goods and services	3	1,129.7	–	1,129.7	1,023.8
Work performed by the entity and capitalised		144.5	–	144.5	86.2
Changes to inventories of finished goods and work in progress		9.2	–	9.2	50.6
Raw materials and consumables used		(224.1)	–	(224.1)	(202.0)
Tails provision created	24	(93.8)	–	(93.8)	(81.6)
Employee benefits expense	6	(175.7)	–	(175.7)	(138.6)
Depreciation and amortisation		(193.7)	–	(193.7)	(189.2)
Other expenses		(135.5)	–	(135.5)	(196.0)
Income from operating activities	5	460.6	–	460.6	353.2
Finance income	7	19.4	–	19.4	2.1
Finance costs	8	(142.3)	–	(142.3)	(50.9)
Income before tax		337.7	–	337.7	304.4
Exceptional deferred tax charge on abolition of IBAs	9	–	(14.4)	(14.4)	–
Income tax expense	9	(83.6)	–	(83.6)	(65.9)
Net income		254.1	(14.4)	239.7	238.5
Earnings per share		€		€	€
Basic and diluted earnings per share	11	1.51		1.43	1.42

(i) During the year the Group recognised a one off deferred tax charge arising in relation to the abolition of Industrial Buildings Allowance (IBA) in the UK of €14.4 million.

Consolidated Balance Sheet

At 31 December

	Notes	2008 €m	2007 (Restated (i)) €m
Assets			
Non-current assets			
Property, plant and equipment	12	2,315.9	1,769.4
Intangible assets	13	29.8	28.1
Long-term work in progress		23.0	11.4
Derivative financial instruments	23	50.6	16.0
Deferred tax assets	9	107.2	80.3
		2,526.5	1,905.2
Current assets			
Inventories	17	251.3	265.6
Trade and other receivables	16	420.0	298.7
Derivative financial instruments	23	15.0	51.7
Cash and cash equivalents	19	64.4	5.4
		750.7	621.4
Total assets		3,277.2	2,526.6
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	19	237.3	237.3
Additional paid in capital	20	16.3	16.3
Retained earnings	20	677.1	593.8
Hedging reserve	20	(275.5)	41.5
Foreign currency translation reserve	20	(1.6)	(24.7)
Total equity		653.6	864.2
Non-current liabilities			
Trade and other payables		–	–
Obligations under finance leases	27	0.7	0.4
Interest bearing loans and borrowings	23	1,536.9	933.0
Provisions	24	395.4	403.6
Retirement benefit obligations	25	78.2	51.9
Deferred income	21	9.3	9.9
Derivative financial instruments	23	142.8	11.1
Deferred tax liabilities	9	–	83.1
		2,163.3	1,493.0
Current liabilities			
Trade and other payables	26	317.0	142.8
Obligations under finance leases	27	0.5	0.2
Interest bearing loans and borrowings	23	29.0	21.4
Provisions	24	1.6	–
Derivative financial instruments	23	91.6	–
Income tax payable		20.6	5.0
		460.3	169.4
Total liabilities		2,623.6	1,662.4
Total equity and liabilities		3,277.2	2,526.6

(i) €11.4 million has been reclassified from Inventories to Long-term work in progress.

The financial statements were approved by the Board of Directors and authorised for issue on 2 April 2009.

They were signed on its behalf by:

Helmut Engelbrecht
Chief Executive Officer



Bart Le Blanc
Chief Finance Officer



Consolidated Statement of Recognised Income and Expense

For the year ended 31 December

	Notes	2008 €m	2007 €m
Income and expense recognised directly in equity			
Cash flow hedges – transfers to revenue from sales of goods and services	23	(49.1)	(28.9)
Cash flow hedges – mark to market		(104.4)	38.9
Net investment hedge – mark to market		(223.6)	(4.6)
Deferred tax on hedges	9	69.8	(1.7)
Exchange differences on foreign currency translation of foreign operations		13.4	(20.1)
Defined benefit pension schemes	25	(50.3)	25.6
Deferred tax on actuarial gains / (losses)	9	13.2	(8.2)
Net gains / (losses) recognised directly in equity		(331.0)	1.0
Net income for the year		239.7	238.5
Total recognised income relating to the year attributable to equity holders of the parent		(91.3)	239.5

Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2008 €m	2007 €m
Income before tax		337.7	304.4
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:			
Depreciation and amortisation	5	193.7	189.2
Finance income	7	(19.4)	(2.1)
Finance cost	8	142.3	50.9
Loss on write off of property, plant and equipment		1.2	0.4
Movement in fair value of non effective hedges		–	(0.2)
Increase in provisions		11.0	22.9
Foreign exchange (gain) / loss		(0.7)	25.5
Operating cash flows before movements in working capital		665.8	591.0
Decrease / (increase) in inventories		(9.4)	(38.5)
(Increase) / decrease in receivables (i)		(180.7)	6.9
Increase / (decrease) in payables		140.3	18.4
Cash generated from operating activities		616.0	577.8
Income taxes paid		(91.8)	(108.5)
Net cash flow from operating activities		524.2	469.3
Investing activities			
Interest received		10.4	1.2
Proceeds from non designated derivatives		4.9	–
Purchases of property, plant and equipment		(820.8)	(517.3)
Proceeds from the disposal of property, plant and equipment		–	–
Increase in prepayments in respect of fixed asset purchases (i)		19.3	(60.0)
Purchase of intangible assets		(0.7)	(0.7)
Net cash flow from investing activities		(786.9)	(576.8)
Financing activities			
Interest paid		(59.2)	(39.4)
Payments in respect of non designated derivatives		–	–
Dividends paid to equity holders	10	(119.3)	(97.5)
Proceeds from new borrowings		723.3	519.5
Repayment of borrowings		(222.3)	(285.9)
Repayment of finance lease liabilities		(0.8)	(0.1)
Net cash flow from financing activities		321.7	96.6
Net increase / (decrease) in cash and cash equivalents		59.0	(10.9)
Cash and cash equivalents at 1 January		5.4	16.3
Cash and cash equivalents at 31 December	18	64.4	5.4

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. Authorisation of financial statements & compliance with IFRS

The financial statements of URENCO Limited and its subsidiaries ("the Group") for the year ended 31 December 2008 were authorised for issue by the Board of Directors on 2 April 2009 and the balance sheet was signed on the Board's behalf by Helmut Engelbrecht and Bart Le Blanc.

URENCO Limited is a company domiciled and incorporated in the UK under the Companies Act 1985. The address of the registered office is given on page 117. URENCO Limited is the ultimate holding company of the URENCO Group. The nature of the Group's operations and its principal activities are set out in note 4, in the Group Business Review, and in the Directors' Report.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and as applied in accordance with the provisions of the Companies Act 1985.

2. Significant accounting policies

Basis of preparation and presentation

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

The Group consolidated financial statements are presented in euros and all values are rounded to the nearest million (€m) except where otherwise indicated.

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 IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures including, in some cases, revisions to accounting policies.

IFRIC Interpretations

IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	The Limitation on Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

2. Significant accounting policies – continued

The Group has also early adopted the following IFRS interpretations. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures, including revisions to accounting policies.

International Accounting Standards (IAS/IFRS)

IFRS 3	Business Combinations – revised	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Amendment – Presentation of Financial Statements – revised	1 January 2009
IAS 16	Property, Plant and Equipment – revised	1 January 2009
IAS 17	Employee Benefits – revised	1 January 2009
IAS 27	Consolidated and Separate Financial Statements – revised	1 January 2009
IAS 31	Interests in Joint ventures – revised	1 January 2009
IAS 32	Financial Instruments: Presentation – revised	1 January 2009
IAS 36	Impairment of Assets – revised	1 January 2009
IAS 38	Intangible Assets – revised	1 January 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009

Basis of consolidation

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

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

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

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

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to access better trends in financial performance.

Notes to the Consolidated Financial Statements

2. Significant accounting policies – continued

Significant estimates and assumptions

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

- Impairments of property, plant and equipment and intangible assets require an estimation of value in use for the cash generating units involved. Estimating a value in use requires Directors to make an estimate of the future cash flows from the cash generating unit and to choose a suitable discount rate to calculate the present value of those cash flows. The carrying values of property, plant and equipment and intangible assets are given in notes 12 and 13 respectively.
- Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2008 was €5.6 million (2007: €5.4 million) and the unrecognised tax losses at 31 December 2008 were €2.5 million (2007: €2.7 million). Further details are contained in note 9. The recognition of deferred tax assets in relation to unused tax losses has been based on business plan profit forecasts for the 2009 to 2018 period.
- The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Details of these assumptions and the Group pension liability are given in note 25.
- Fair values of derivative instruments are based on the cash flows discounted at current rates applicable to items with similar characteristics. These valuations necessitate estimates to be made about expected future cash flows and discount rates and hence they are subject to uncertainty. The fair values are given in note 23.
- Provision for tails disposal and for decommissioning of plant and machinery is made on a discounted basis to meet long-term liabilities. A year of discounting is unwound annually to recognise progression towards the full escalated cost estimate for eventual safe disposal or decommissioning. The final amounts of these provisions are uncertain but are evaluated based upon the planned operational activity involved in successfully achieving safe disposal or decommissioning. The provision for tails is broadly calculated as a rate applicable to the quantity of tails held at the balance sheet date. Consequently, a movement in the rate or quantity of tails held would result in a similar movement in the provision, excluding any changes to assumptions or exchange rate movements associated with translating non-euro denominated provisions to the reporting currency of euros. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to 'green field' status. Movements in both provisions are taken directly to the income statement. Details of the provisions are given in note 24.

Judgements

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

Licences acquired are carried initially at cost. Licence costs are amortised on a straight line basis over their useful lives. The costs carried on the balance sheet are currently not yet amortised. The licence in the United States was granted in 2006 and will be amortised over the licence period from the commencement of production in the United States.

Interests in Joint Ventures

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

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

Revenue recognition

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

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

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

Sale of Goods

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

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

Interest Income

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

Work performed by the entity and capitalised

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

Leasing and hire purchase commitments

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

Rentals 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.

Notes to the Consolidated Financial Statements

2. Significant accounting policies – continued

Business combinations

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

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

Foreign currencies

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see note 23 for details of the Group's accounting policies in respect of such derivative financial instruments).

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

Borrowing costs

In compliance with IAS 23, as from 1 January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset will be capitalised. All other borrowing costs are recognised in the income statement as an expense in the period to which they relate. For the year 2008 all borrowing costs are recognised in the income statement as an expense.

Retirement benefit costs

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

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

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

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

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

2. Significant accounting policies – continued

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

Taxation

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

Current income tax

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

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

Deferred income tax

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

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

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

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

Property, plant and equipment

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

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and excludes borrowing costs in accordance with the Group's accounting policy. 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.

Notes to the Consolidated Financial Statements

2. Significant accounting policies – continued

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 bases:

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

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

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

Development costs	12 years
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The carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Licence costs

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

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

Licence costs	over the life of the licence
---------------	------------------------------

The costs carried on the balance sheet are currently not yet amortised. The licence in the US was granted in 2006 and will be amortised over the licence period from the commencement of production in the US.

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

2. Significant accounting policies – continued

Impairment of property, plant and equipment and intangible assets

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

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

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

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

Inventories

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

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

Cash and cash equivalents

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

Financial instruments

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

Trade receivables

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

Financial liabilities and equity instruments

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

Notes to the Consolidated Financial Statements

2. Significant accounting policies – continued

Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently re-measured 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 revenue and finance cost.

Trade payables

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

Derivative financial instruments and hedging

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

Derivative financial instruments are initially recognised and subsequently re-measured 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. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of interest rate swaps is the net present value of all expected future cash flows based on current market rates.

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

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

Cash flow hedges

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

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

Fair value hedges

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

Hedges of a net investment

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

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 applicable to the risks specific to the liability and to its geographic location. Where discounting is used, the increase in the provision due to the passage of time is recognised within finance costs.

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

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

Provisions for restructuring costs would only be recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

New standards and interpretations

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

International Accounting Standards (IAS/IFRS)	Effective date
IAS 23 (revised) Borrowing costs	1 January 2009

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the consolidated financial statements in the period of initial application. Upon adoption of IAS 23 (revised), the Group will have to capitalise interest on long-term projects. However, this is not retrospective and, therefore, the Group will not have to capitalise interest on existing (at the date of adoption) long-term projects.

3. Revenue

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
An analysis of the Group's revenue is as follows:		
Sales of goods and services	1,129.7	1,023.8
Finance income	19.4	2.1
	1,149.1	1,025.9

In 2008, €43.0 million of net gains (2007: €28.9 million) relating to foreign currency hedging activities has been included in sales revenue (see note 23).

Notes to the Consolidated Financial Statements

4. Segment information

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

The Group's operating segments are as follows:

- for the enrichment business: the provision of enrichment and associated services for the nuclear power industry.
- for the Greenfield site development business: the provision of construction and project services for the National Enrichment Facility in New Mexico, United States. The National Enrichment Facility has not yet commenced trading.
- for construction of centrifuges: being ETC; the research, development and manufacture of plant and equipment for the provision of enrichment services.

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

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

Year ended 31 December 2008	Enrichment business €m	Greenfield site development €m	ETC €m	Corporate unallocated (i) €m	Eliminations €m	Consolidated €m
Revenue						
External sales	1,124.6	–	5.1	–	–	1,129.7
Inter-segment sales	11.3	–	167.9	–	(179.2)	–
Total Revenue	1,135.9	–	173.0	–	(179.2)	1,129.7
Result						
Income from operating activities	495.2	(59.2)	14.8	22.5	(12.7)	460.6
Finance income	2.2	5.0	0.1	69.6	(57.5)	19.4
Finance costs	(43.2)	(0.5)	(3.5)	(152.6)	57.5	(142.3)
Income before tax	454.2	(54.7)	11.4	(60.5)	(12.7)	337.7
Income tax	(135.9)	22.1	(3.8)	16.0	3.6	(98.0)
Net income for the year	318.3	(32.6)	7.6	(44.5)	(9.1)	239.7
Other information						
Depreciation and amortisation	189.8	1.3	10.6	0.3	(8.3)	193.7
EBITDA	685.0	(57.9)	25.4	22.9	(21.1)	654.3
Capital additions:						
Property, plant and equipment	447.7	371.9	44.9	–	(20.9)	843.7
Intangible assets	–	–	0.7	–	–	0.7
Segment assets	2,188.3	686.2	286.9	201.3	(85.5)	3,277.2
Segment liabilities	1,616.2	152.6	238.6	658.2	(42.0)	2,623.6

(i) Corporate unallocated comprises the Corporate Head Office

4. Segment information – continued

Year ended 31 December 2007	Enrichment business €m	Greenfield site development €m	ETC €m	Corporate unallocated (i) €m	Eliminations €m	Consolidated €m
Revenue						
External sales	1,020.4	–	2.6	–	0.8	1,023.8
Inter-segment sales	8.3	–	91.9	–	(100.2)	–
Total Revenue	1,028.7	–	94.5	–	(99.4)	1,023.8
Result						
Income from operating activities	399.1	(43.0)	3.7	(4.9)	(1.7)	353.2
Finance income	0.8	0.2	0.4	32.0	(31.3)	2.1
Finance costs	(38.7)	–	(1.0)	(42.5)	31.3	(50.9)
Income before tax	361.2	(42.8)	3.1	(15.4)	(1.7)	304.4
Income tax	(94.1)	24.4	(1.4)	0.3	4.9	(65.9)
Net income for the year	267.1	(18.4)	1.7	(15.1)	3.2	238.5
Other information						
Depreciation and amortisation	187.0	0.7	8.4	0.4	(7.3)	189.2
EBITDA	586.1	(42.3)	12.1	(4.5)	(9.0)	542.4
Capital additions:						
Property, plant and equipment	335.5	175.0	25.5	0.2	(9.8)	526.4
Intangible assets	–	0.7	–	–	–	0.7
Segment assets	2,143.7	265.2	157.4	30.8	(70.5)	2,526.6
Segment liabilities	1,503.3	37.2	113.4	9.4	(0.9)	1,662.4

(i) Corporate unallocated comprises the Corporate Head Office

Notes to the Consolidated Financial Statements

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 2008	UK €m	Rest of Europe €m	US €m	Rest of the World* €m	Consolidated €m
Total external revenue	86.9	329.3	382.3	331.2	1,129.7

Location of non-current assets

Property, plant and equipment	569.0	1,155.0	591.9	–	2,315.9
Intangible assets	–	2.6	27.2	–	29.8

* predominantly Asia

Year ended 31 December 2007	UK €m	Rest of Europe €m	US €m	Rest of the World* €m	Consolidated €m
Total external revenue	65.5	305.0	441.9	211.4	1,023.8

Location of non-current assets

Property, plant and equipment	593.3	961.8	214.3	–	1,769.4
Intangible assets	–	2.2	25.9	–	28.1

* predominantly Asia

5. Income from operating activities before tax and net finance costs

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

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Net foreign exchange (gains) / losses	(36.1)	13.7

Of which derivatives not qualifying as effective hedges €nil (2007: €(0.3)million).

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

Research and development costs	6.5	6.0
Depreciation of property, plant and equipment (note 12)	193.4	189.0
Amortisation of intangible assets (note 13)	0.3	0.2
Employee benefits expense (note 6)	175.7	138.6
Minimum lease payments under operating leases recognised in income for the year	1.7	1.5

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

	Year ended 31/12/08		Year ended 31/12/07	
	€m	%	€m	%
Audit services:				
Fees payable to the company's auditor for the audit of the company's annual accounts	0.4	14	0.3	14
Fees payable to the company's auditor and its associates for other services:				
Auditing of accounts of associates of the company pursuant to legislation	0.5	17	0.5	24
Other services relating to taxation	1.1	38	1.0	48
Other services	0.9	31	0.3	14
	2.5	86	1.8	86
Total	2.9	100	2.1	100

Included in other and taxation related services is €0.9 million (2007: €1.1 million) relating to the Company and its UK subsidiaries.

A description of the work of the Audit Committee is set out in the Directors' Report on page 49.

Notes to the Consolidated Financial Statements

6. Employee benefits expense

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

	Year ended 31/12/08 Number	Year ended 31/12/07 Number
Technical	2,297	1,790
Commercial	40	20
Administration	417	389
	2,754	2,199

Their aggregate remuneration comprised:

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Wages and salaries	150.1	115.4
Social security costs	13.9	11.7
Other pension costs net of curtailments (note 25)	11.7	11.5
	175.7	138.6

Directors' emoluments:

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Emoluments	1.5	1.7
Amounts receivable under long-term incentive scheme	0.3	0.3
Company contributions paid to a defined benefit pension scheme	0.2	0.1
Members of defined benefit pension schemes	2	2

In respect of the highest paid director:

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Emoluments	0.8	0.9
Accrued pension at the end of the year	1.7	2.2

7. Finance income

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Interest on bank and other deposits (on an historical cost basis)	5.7	1.2
Income from non designated currency derivatives	7.1	–
Interest rate / cross currency interest rate swaps	4.7	–
Net return on defined benefit pension schemes	1.9	0.9
	19.4	2.1

8. Finance costs

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Interest on bank borrowings and other loans	51.7	40.0
Interest rate / cross currency interest rate swaps	18.9	–
Unwinding of discount on provisions	9.6	10.9
Charge to the Income Statement from non designated derivatives	62.1	–
	142.3	50.9

Notes to the Consolidated Financial Statements

9. Income tax

The major components of income tax expense for the years ended 31 December 2008 and 2007 are:

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Consolidated income statement		
Current income tax		
UK corporation tax	46.6	28.3
Foreign income tax	84.6	74.3
Adjustments in respect of current income tax of prior periods	(1.1)	(9.7)
	130.1	92.9
Deferred income tax (see Deferred income tax analysis below)		
Relating to origination and reversal of temporary differences	(45.0)	(15.2)
Exceptional deferred tax charge	14.4	–
Adjustments in respect of prior periods	(0.9)	(0.1)
Impact of change in tax rate for deferred tax	(0.6)	1.3
Benefit of previously unrecognised tax losses and temporary differences	–	(13.0)
	(32.1)	(27.0)
Income tax expense reported in the consolidated income statement	98.0	65.9

Included in the above charges is €3.8 million relating to the Joint Venture (2007: €1.4 million).

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Deferred income tax related to items charged or credited directly to equity		
Credit / (charge) on financial instruments reported in equity	69.8	(1.7)
Credit / (charge) on actuarial loss / (gain) on defined benefit pension schemes	13.2	(8.4)
Payments under the LES partnership agreement	–	2.9
Income tax credit / (charge) reported in equity	83.0	(7.2)

The above figures include €1.3 million (2007: €1.3 million) relating to the joint venture.

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

	Year ended 31/12/08		Year ended 31/12/07	
	€m	%	€m	%
Income from operating activities before tax	337.7		304.4	
Weighted at the UK statutory income tax rate of 28.5% (2007: 30%)	96.2	28.5	91.3	30.0
Adjustments in respect of income tax of previous years	(2.5)	(0.7)	(9.7)	(3.3)
Tax effect of non-deductible expenses	1.6	0.5	0.6	0.2
Deferred tax not provided	0.2	–	(0.6)	(0.2)
Effect of different foreign tax rates	(11.7)	(3.5)	(4.0)	(1.3)
Relating to changes in tax rates	(0.2)	–	1.3	0.4
Benefit of previously unrecognised tax losses and temporary differences	–	–	(13.0)	(4.2)
Impact of statutory changes on allowances	14.4	4.2		
Income tax expense reported in consolidated income statement	98.0	29.0	65.9	21.6

During the year the Group has recognised a one off exceptional deferred tax charge of €14.4 million arising in connection with the abolition of Industrial Buildings Allowance in the UK. This has increased the Groups overall effective rate of tax above the average statutory rate for the Group.

During the year ended 31 December 2007, the Group recognised deferred tax assets in respect of its US operations in respect of historic losses of €13.0 million. Deferred tax assets in respect of the US loss making operations have been recognised on the basis of future taxable profits supported by contracted sales for 2009 to 2018.

9. Income tax – continued

Deferred income tax

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	31/12/08 €m	31/12/07 €m	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Deferred tax liabilities				
Accelerated depreciation for tax purposes	–	63.9	(6.0)	(7.7)
Exceptional deferred tax charge liability	–	–	(14.4)	–
Deferred development costs	–	0.7	(0.1)	(0.2)
Other temporary differences	–	18.5	(0.2)	(3.2)
Retirement benefit obligations	–	–	–	–
Total deferred tax liabilities	–	83.1		
Deferred tax assets				
Retirement benefit obligations	18.1	10.0	(2.8)	(0.6)
Other temporary differences	8.0	6.0	0.3	0.8
Start up costs deferred for tax purposes	49.7	25.3	21.7	29.7
Tax losses carried forward	5.6	5.4	–	–
Relating to fair value movements on financial instruments	58.8	–	25.8	5.3
Relating to provisions	21.1	22.7	1.4	0.7
Decelerated depreciation for tax purposes	(53.3)	10.9	6.4	2.2
Deferred development costs	(0.8)	–	–	–
Total deferred tax assets	107.2	80.3		
Deferred tax expense			32.1	27.0

In addition to those items on which deferred tax assets have been recognised the Group has, at the balance sheet date, unused tax losses of €2.5 million (2007: €2.7 million) which will expire in 2013, depreciation in advance of capital allowances of €nil (2007: €(0.4) million) and other temporary differences of €4.1 million (2007: €14.3 million), available for offset against future income. No deferred tax asset has been recognised in respect of these items as there is insufficient certainty as to the availability of suitable future taxable income.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and the joint venture was €186.2 million (2007: €98.1 million), of which €13.4 million (2007: €1.4 million) related to the joint venture. No deferred tax liabilities have been provided (2007: €nil) due to the Group's ability to source dividends from income that are sheltered by underlying tax at rates in excess of those applicable to URENCO Limited. There are no income tax consequences attached to the payment of dividends by URENCO Limited to its shareholders.

Notes to the Consolidated Financial Statements

10. Dividends paid and proposed

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2007 of 71.01 cents per share (2006: 58.04 cents per share)	119.3	97.5
No interim dividend for the year ended 31 December 2008 (2007: Interim dividend of nil cents per share)	–	–
	119.3	97.5
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2008 of 44.64 cents per share (2007: 71.01 cents per share)	75.0	119.3

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 31/12/08	Year ended 31/12/07
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the parent	239.7	238.5
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	1.43	1.42

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

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

12. Property, plant and equipment

	Freehold land & buildings €m	Plant & machinery €m	Fixtures & fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
2008						
Cost as at 1 January 2008	289.2	2,501.0	60.6	7.0	554.0	3,411.8
Exchange adjustments	(15.1)	(229.8)	(1.9)	–	(25.3)	(272.1)
Additions	22.4	173.0	8.9	3.9	635.5	843.7
Transfers	56.2	167.4	29.4	0.2	(256.2)	(3.0)
Written off	(1.1)	–	–	–	–	(1.1)
Cost as at 31 December 2008	351.6	2,611.6	97.0	11.1	908.0	3,979.3
Depreciation as at 1 January 2008	121.6	1,477.4	39.7	3.7	–	1,642.4
Exchange adjustments	(5.7)	(162.3)	(1.4)	–	–	(169.4)
Charge for the year	18.3	167.6	6.1	1.4	–	193.4
Transfers	–	(3.0)	–	–	–	(3.0)
Written off	–	–	–	–	–	–
Depreciation as at 31 December 2008	134.2	1,479.7	44.4	5.1	–	1,663.4
Carrying amount as at 1 January 2008	167.6	1,023.6	20.9	3.3	554.0	1,769.4
Carrying amount as at 31 December 2008	217.4	1,131.9	52.6	6.0	908.0	2,315.9

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

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

Fixtures & fittings held under finance leases had a net book value at 31 December 2008 of €1.2 million (2007: €0.8 million)

At 31 December 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €1,001.0 million (2007: €563.4 million) of which €19.7 million (2007: €12.1 million) relate to the joint venture.

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

	2008 €m	2007 €m
Cost at 31 December	137.7	131.7
Depreciation at 31 December	(98.5)	(105.6)
Carrying amount at 31 December	39.2	26.1

Notes to the Consolidated Financial Statements

12. Property, plant and equipment – continued

	Freehold land & buildings €m	Plant & machinery €m	Fixtures & fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
2007						
Cost as at 1 January 2007	262.5	2,349.5	55.0	5.3	323.0	2,995.3
Exchange adjustments	(16.9)	(62.8)	(1.2)	(0.1)	(28.8)	(109.8)
Additions	10.1	95.6	4.3	1.4	415.0	526.4
Transfers	33.6	126.4	2.6	0.7	(155.1)	8.2
Written off	(0.1)	(7.7)	(0.1)	(0.3)	(0.1)	(8.3)
Cost as at 31 December 2007	289.2	2,501.0	60.6	7.0	554.0	3,411.8
Depreciation as at 1 January 2007	107.9	1,373.7	35.7	3.2	–	1,520.5
Exchange adjustments	(1.6)	(56.9)	(0.5)	(0.1)	–	(59.1)
Charge for the year	15.4	168.1	4.6	0.9	–	189.0
Transfers	–	–	–	–	–	–
Written off	(0.1)	(7.5)	(0.1)	(0.3)	–	(8.0)
Depreciation as at 31 December 2007	121.6	1,477.4	39.7	3.7	–	1,642.4
Carrying amount as at 1 January 2007	154.6	975.8	19.3	2.1	323.0	1,474.8
Carrying amount as at 31 December 2007	167.6	1,023.6	20.9	3.3	554.0	1,769.4

13. Intangible assets

	Development costs €m	Licence costs €m	Total €m
2008			
Cost as at 1 January 2008	2.8	25.9	28.7
Exchange adjustments	–	1.3	1.3
Additions	0.7	–	0.7
Cost as at 31 December 2008	3.5	27.2	30.7
Amortisation as at 1 January 2008	0.6	–	0.6
Charge for the year	0.3	–	0.3
Amortisation as at 31 December 2008	0.9	–	0.9
Carrying amount as at 1 January 2008	2.2	25.9	28.1
Carrying amount as at 31 December 2008	2.6	27.2	29.8

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

The licence costs relate to the costs of obtaining a licence in the US. The costs will be amortised on a straight line basis over the remaining licence period from the date of the commencement of production in the United States.

	Development costs €m	Licence costs €m	Total €m
2007			
Cost as at 1 January 2007	2.1	29.9	32.0
Exchange adjustments	–	(2.9)	(2.9)
Additions	0.7	–	0.7
Transfers	–	(1.1)	(1.1)
Cost as at 31 December 2007	2.8	25.9	28.7
Amortisation as at 1 January 2007	0.4	–	0.4
Charge for the year	0.2	–	0.2
Amortisation as at 31 December 2007	0.6	–	0.6
Carrying amount as at 1 January 2007	1.7	29.9	31.6
Carrying amount as at 31 December 2007	2.2	25.9	28.1

Notes to the Consolidated Financial Statements

14. Investments

Investments in Joint Venture

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

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

	2008 €m	2007 €m
Share of the joint venture balance sheet		
Non-current assets	133.5	73.9
Current assets	153.4	83.5
Share of gross assets	286.9	157.4
Non-current liabilities	(16.5)	(14.8)
Current liabilities	(222.1)	(98.6)
Share of gross liabilities	(238.6)	(113.4)
Share of net assets	48.3	44.0

	For the year to 31/12/08 €m	For the six months to 31/12/07 €m
Share of joint venture results		
External sales	5.1	2.6
Inter-segment sales	167.9	91.9
Total revenue from sales of goods and services	173.0	94.5
Work performed by the entity and capitalised	3.1	3.9
Changes to inventories of finished goods and work in progress	30.8	25.1
Raw materials and consumables used	(86.0)	(40.5)
Employee benefits expense	(59.1)	(44.2)
Depreciation and amortisation	(10.6)	(8.4)
Other expenses	(36.4)	(26.7)
Income from operating activities before tax and net finance costs	14.8	3.7
Finance income	0.1	0.4
Finance costs	(3.5)	(1.0)
Income from operating activities before tax	11.4	3.1
Income tax expense	(3.8)	(1.4)
Net income for the year	7.6	1.7

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

15. Subsidiaries

A list of the Company's significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the Company's separate financial statements.

16. Trade and other receivables (current)

	31/12/08 €m	31/12/07 €m
Trade receivables	224.5	140.1
Trade receivables due from related parties	25.1	10.8
Other receivables	88.8	47.8
Amounts due by Joint Ventures	–	6.9
Prepayments and accrued income	81.6	93.1
	420.0	298.7

The average credit period taken on sales of goods and services is 30 days (2007: 30 days). Trade receivables can carry interest in accordance with contract conditions. However, trade receivables are stated at their invoiced value as payments are usually received within the contract terms. For this reason, no provisions are deemed necessary for invoices not being paid in full.

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

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, 37% was against one single customer with an external credit rating of AA (S&P) and 13% against another customer with an internal credit rating of BBB-.

17. Inventories

	31/12/08 €m	31/12/07 €m
Raw materials	47.3	70.9
Work-in-progress	64.2	40.9
Finished goods	139.8	153.8
	251.3	265.6

In the year to 31 December 2007 €11.4 million was reclassified from Inventories to Long-term work in progress. This relates to costs recoverable under the current Centrifuge Supply Agreements (CSA) contracts related to new capacity expansion projects

Notes to the Consolidated Financial Statements

18. Cash and cash equivalents

	31/12/08 €m	31/12/07 €m
Cash at bank and in hand	7.0	5.1
Short-term deposits	57.4	0.3
	64.4	5.4

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

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

19. Share capital

	31/12/08 €m	31/12/07 €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.

20. Consolidated reconciliation of movements in equity

	Issued capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Total equity: Attributable to equity holders of the parent €m
As at 1 January 2007	237.3	16.3	433.1	37.8	(4.6)	719.9
Total recognised income and expense for the year	–	–	255.9	3.7	(20.1)	239.5
Payment to utility partners	–	–	(0.6)	–	–	(0.6)
Deferred tax benefit relating to payment to utility partners	–	–	2.9	–	–	2.9
Equity dividends paid	–	–	(97.5)	–	–	(97.5)
As at 31 December 2007	237.3	16.3	593.8	41.5	(24.7)	864.2
Total recognised income and expense for the year	–	–	202.6	(317.0)	23.1	(91.3)
Equity dividends paid	–	–	(119.3)	–	–	(119.3)
As at 31 December 2008	237.3	16.3	677.1	(275.5)	(1.6)	653.6

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%. See note 14.

Hedging reserve

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

Foreign currency translation reserve

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

21. Deferred income

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

	2008 €m	2007 €m
As at 1 January	9.9	19.6
Received during the year	–	(9.7)
Exchange difference	(0.6)	–
As at 31 December	9.3	9.9

Notes to the Consolidated Financial Statements

22. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, private and publicly traded debt, trade payables and finance leases. 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 interest rate swap and forward currency contracts. 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, and has been throughout 2008 and 2007, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are 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 €550.0 million (2007: €371.8 million).

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

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

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. 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 2008, after taking into account the effect of interest rate swaps, approximately 56% of the Group's borrowings are at a fixed rate of interest (2007: 63%).

22. Financial risk management objectives and policies – continued

Interest rate sensitivity analysis

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

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

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

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

If market interest rates had been 100 basis points higher/(lower) at 31 December 2008, income would have been €6.9 million lower / (higher) (31 December 2007: €1.7 million lower/(higher)).

Foreign currency risk

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

The Group has transactional currency exposures as a result of approximately 60% of its revenues being denominated in US dollars, whilst currently only approximately 30% of its costs are US dollar-based.

In order to mitigate these exposures, the Group's policy is to hedge its net contracted US dollar exposures (i.e. US revenues less US dollar expenses) using forward currency contracts and related derivative financial instruments. The Group's policy is to hedge forward its net contracted US dollar exposures for the next two years in full and then to hedge a minimum of 75% in year three, 50% in year four and a minimum of 25% in year five.

Notes to the Consolidated Financial Statements

22. Financial risk management objectives and policies – continued

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. A 10 per cent weakening of the Euro against the US dollar would result in a €49 million loss and a 10 per cent strengthening of the Euro against the US dollar would result a €67 million gain on these loans being posted directly to equity. Any gains/losses arising on the retranslation of these US dollar loans would be offset in equity by a corresponding loss/gain arising on the retranslation of the related hedged foreign currency net asset.
- The group has loans denominated in US dollars (\$55 million) at fixed rates of interest, which have been swapped by way of cross currency interest rate swaps into Euro loans with floating interest rates. The critical terms of these swaps match the underlying loans identically; therefore as the hedge is considered effective, any gains/losses on these loans would be offset by corresponding losses/gains on the cross currency interest rate swaps.
- Any exposure on trade receivables or payables at the balance sheet date is mitigated by the hedging policy as set out above and are therefore not included in the currency sensitivity analysis.
- The group is exposed to currency risks from specific currency derivatives. These are currency derivatives that are part of an effective cash flow hedge for hedging payment 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.
- If the euro had gained/(lost) 10 per cent against the US dollar at 31 December 2008, the hedging reserve in shareholders equity and the fair value of the hedging instruments would have resulted in €101 million reduction of loss / €114 million increase in loss. The income statement impact of the non designated hedges would have resulted in €22 million reduction of loss / €29 million increase in loss.
- If sterling had gained/(lost) 10 per cent against the US dollar at 31 December 2008, the hedging reserve in shareholders equity and the fair value of the hedging instruments would have resulted in €25 million reduction of loss / €31 million increase in loss. The income statement impact of the non designated hedges would have resulted in €17 million reduction of loss / €21 million increase in loss.

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 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 tenures in order to avoid a concentration of maturities. At 31 December 2008, 2% of the Group's interest bearing loans and borrowings will mature in less than one year (2007: 2%).

The table below summarises the maturity profile of the Group's financial liabilities/(assets) at 31 December based on contractual undiscounted payments. This does not include outstanding options / structured products at the year end which have a fair value of €(15.5) million:

	On demand €m	Less than 3 months €m	3 – 12 months €m	1 – 5 years €m	> 5 years €m	Total €m
2008						
Interest bearing loans and borrowings ¹	–	1.4	27.7	321.4	1,215.4	1,565.9
Trade and other payables	–	273.5	43.5	–	–	317.0
Interest rate / cross currency swaps – fixed leg	–	0.9	24.7	95.5	(20.0)	101.1
Interest rate / cross currency swaps – floating leg	–	(6.2)	(16.2)	(83.5)	(31.3)	(137.2)
Foreign exchange contracts	–	(19.7)	(41.7)	(76.6)	–	(138.0)
Other financial liabilities	–	–	3.3	8.9	10.4	22.6
	–	249.9	41.3	265.7	1,174.5	1,731.4
2007						
Interest bearing loans and borrowings ¹	–	18.0	35.6	624.9	494.6	1,173.1
Trade and other payables	–	142.8	–	–	–	142.8
Interest rate / cross currency swaps – fixed leg	–	(2.3)	(2.2)	(24.8)	–	(29.3)
Interest rate / cross currency swaps – floating leg	–	2.8	2.7	30.2	–	35.7
Cash flow hedges	–	–	(1.4)	(0.6)	–	(2.0)
Other financial liabilities	–	–	2.0	7.1	12.1	21.2
	–	161.3	36.7	636.8	506.7	1,341.5

¹ Excludes actual interest payments.

Notes to the Consolidated Financial Statements

22. Financial risk management objectives and policies – continued

Capital Management

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

Within the context of an investment-grade credit rating, the Group manages its capital structure in response to economic conditions and its own business objectives and capital investment plans. The principal means of adjusting the Group's capital structure is through changes in the proportion of cash reinvested in the business or returned to shareholders. While the Group's current policy is to target a dividend payout of 50% of its net recurring income for the year, the proposed dividend for the year 2008 is 30% of income before exceptional items.

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

The Group targets a FFO/TAD ratio between 30% and 35%. This target was not achieved by year end 2008. The Group accepts a temporary deviation from its target range but is committed to bringing FFO/TAD back to its target in the medium term.

Funds from Operations comprises Net income, plus depreciation, plus provision movements charged to the Income Statement in the year, less year-on-year increases in Decommissioning and "Tails" provisions. Total Adjusted Debt comprises Net Debt plus Tails and Decommissioning provisions and Retirement Benefit Obligations.

	2008 €m	2007 €m
Net Debt	1,502.7	949.6
Total Assets	3,277.2	2,526.6
Net Debt to Total Assets	45.9%	37.6%
	2008 €m	2007 €m
Net income before exceptionals – attributable to equity holders of the parent	254.1	238.5
Depreciation	193.7	189.2
Provision movement charged to the Income Statement	16.8	43.5
Year-on-year decrease / (increase) in Decommissioning and "Tails" provisions	10.1	(24.2)
Income from non designated hedges	(7.1)	–
Charge to the Income Statement from non designated hedges	62.1	–
Funds from Operations (FFO)	529.7	447.0
	2008 €m	2007 €m
Cash and cash equivalents	64.4	5.4
Interest bearing loans and borrowings	(1,565.9)	(954.4)
Obligations under finance leases	(1.2)	(0.6)
Net debt	(1,502.7)	(949.6)
Retirement benefit obligations	(78.2)	(51.9)
Deferred tax asset on retirement benefit obligations	18.1	10.0
Tails Provision	(174.3)	(188.8)
Decommissioning Provision	(186.5)	(182.1)
Total Adjusted Debt (TAD)	(1,923.6)	(1,362.4)
Ratio of FFO/TAD	27.5%	32.8%

23. Derivatives, interest bearing loans and borrowings

Interest bearing loans and borrowings

At 31 December	Effective interest rate %	Maturity	2008 €m	2007 €m
Current				
Bank overdrafts:			–	–
Other loans:				
364 day euro facility		Jan 08	–	14.7
(1) €20 million amortising floating guaranteed notes	Floating 6 months EURIBOR + 0.7	3 Aug 09	4.0	4.0
(2) \$30 million series A notes	Floating 6 months EURIBOR + 0.8	1 Sep 09	22.2	–
(3) \$25 million series B notes	Floating 6 months EURIBOR + 0.8	1 Sep 09	2.8	2.7
			29.0	21.4
Non-current				
Other loans:				
(1) €20 million amortising floating guaranteed notes	Floating 6 months EURIBOR + 0.7	3 Aug 09	–	4.0
(2) \$30 million series A notes	Floating 6 months EURIBOR + 0.8	1 Sep 09	–	21.1
(3) \$25 million series B notes	Floating 6 months EURIBOR + 0.8	1 Sep 09	–	2.7
(4) €500 million multicurrency revolving facility		31 Oct 12	–	200.0
(5) €300 million Eurobond	3.49% (nominal 3.375%)	7 Dec 10	300.0	300.0
(6) €500 million Eurobond (part)	Floating 3 months EURIBOR + 0.3805	22 May 15	347.3	–
(7) €500 million Eurobond (part)	Floating 3 months USD LIBOR + 1.109	22 May 15	213.2	–
(8) \$50 million series A Senior notes	5.51%	12 Dec 15	35.8	34.2
(9) \$100 million series B Senior notes	5.56%	12 Dec 16	71.6	68.4
(10) \$50 million series C Senior notes	5.66%	12 Dec 18	35.8	34.2
(11) \$100 million Senior notes	5.50%	11 May 17	71.6	68.4
(12) €100 million Term facility agreement (inflation linked)	2.88% + inflation	7 Dec 17	103.6	100.0
(13) €100 million European Investment Bank financing facility	4.439%	23 Mar 18	100.0	–
(14) €100 million European Investment Bank financing facility	4.772%	17 Oct 24	100.0	100.0
(15) Yen 20 billion Loan Agreement	6.24%	28 Apr 38	158.0	–
			1,536.9	933.0

Current loans

Certain current loans are subject to financial covenants (net debt/EBITDA; EBITDA/interest; and net worth) that if breach would constitute an "Event of Default". No such breach has occurred.

- €20 million amortising floating notes are repayable in equal annual installments of €4m from 3 August 2005.
- \$30 million US private placement notes are swapped into Euro by way of a cross currency interest rate swap to convert the loan from a fixed US dollar liability at 7.536% into a floating Euro liability. The critical terms of the cross currency interest rate swap are identical to the underlying loan.
- \$25 million US private placement notes are swapped into Euro by way of a cross currency interest rate swap to convert the loan from a fixed US dollar liability at 7.352% into a floating Euro liability. This loan is also amortising and is repayable in equal annual installments of \$3.846m from September 2003. The critical terms of the cross currency interest rate swap are identical to the underlying loan.

Non-current loans

- Loans drawn under the multicurrency revolving facility are repayable within 12 months of the balance sheet date but have been classified as non current because the Group is able to exercise its right to refinance the funding under the facility, which expires in 2012.
- €300 million Eurobond at a fixed rate of 3.49% repayable in full in December 2010.
- €305 million Eurobond (part of total €500 million) issued at fixed rate of 5.375%, but converted by way of an interest rate swap into floating Euro liability. The critical terms of the interest rate swap are identical to the underlying loan.
- €195 million Eurobond (part of total €500 million) issued at fixed rate of 5.375%, but converted by way of a cross currency interest rate swap into floating USD liability. The critical terms of the cross currency interest rate swap are identical to the underlying loan.
- \$50 million US Private Placement notes issued at a fixed rate of 5.51% due December 2015.
- \$100 million US Private Placement notes issued at a fixed rate of 5.56% due December 2016.
- \$50 million US Private Placement notes issued at a fixed rate of 5.66% due December 2018.
- \$100 million US Private Placement notes issued at a fixed rate of 5.50% due May 2017.
- €100 million inflation linked loan issued at a fixed rate of 2.88% +inflation due December 2017.
- €100 million European Investment Bank loan issued at a fixed rate of 4.439% due March 2018.
- €100 million European Investment Bank loan issued at a fixed rate of 4.772% due October 2024.
- JPY 20 billion Private Placement notes issued at a fixed rate of 4.09% converted into a fixed US dollar liability of \$195.5m at 6.24% by way of a cross currency swap. The critical terms of the cross currency swap are identical to the underlying loan.

As at 31 December 2008, after taking into account the effect of interest rate swaps, 56% of the Group's borrowings are at a fixed rate of interest (2007: 63%).

Notes to the Consolidated Financial Statements

23. Derivatives, interest bearing loans and borrowings – continued

Fair values

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 December:

	Book value 2008 €m	Fair value 2008 €m	Book value 2007 €m	Fair value 2007 €m
Financial assets				
Cash and short-term deposits	64.4	64.4	5.4	5.4
Forward foreign exchange contracts	22.9	22.9	–	–
Options / structured products	0.4	0.4	3.7	3.7
Interest rate / cross currency swaps	42.3	42.3	64.0	64.0
Derivative financial instruments	65.6	65.6	67.7	67.7
Trade and other receivables	420.0	420.0	298.7	298.7
Financial liabilities				
Floating rate borrowings (after swaps)	(693.1)	(693.1)	(349.2)	(349.2)
Fixed rate borrowings (after swaps)	(872.8)	(942.4)	(605.2)	(593.4)
Forward foreign exchange contracts	(143.7)	(143.7)	–	–
Options / structured products	(43.8)	(43.8)	(1.7)	(1.7)
Interest rate / cross currency swaps	(46.9)	(46.9)	(9.4)	(9.4)
Derivative financial instruments	(234.4)	(234.4)	(11.1)	(11.1)

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 expected future cash flows at prevailing interest rates.

23. Derivatives, interest bearing loans and borrowings – continued

Classification of Financial Instruments

	Cash and receivables €m	Derivatives used for hedging €m	Non- financial assets €m	Total €m
2008				
Assets				
Property, plant and equipment	–	–	2,315.9	2,315.9
Intangible assets	–	–	29.8	29.8
Derivative financial instruments	–	65.6	–	65.6
Deferred tax assets	–	–	107.2	107.2
Trade and other receivables	420.0	–	–	420.0
Inventories	–	–	251.3	251.3
Long-term work in progress	–	–	23.0	23.0
Cash	64.4	–	–	64.4
Total	484.4	65.6	2,727.2	3,277.2
2008				
Liabilities				
Trade and other payables	317.0	–	–	317.0
Obligations under finance leases	1.2	–	–	1.2
Deferred income	–	–	9.3	9.3
Interest bearing loans and borrowings	1,565.9	–	–	1,565.9
Derivative financial instruments	–	234.4	–	234.4
Deferred tax liabilities	–	–	–	–
Provisions	–	–	397.0	397.0
Retirement benefit obligations	–	–	78.2	78.2
Income tax payable	–	–	20.6	20.6
Total	1,884.1	234.4	9.3	2,623.6

Notes to the Consolidated Financial Statements

23. Derivatives, interest bearing loans and borrowings – continued

2007	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	–	–	1,769.4	1,769.4
Intangible assets	–	–	28.1	28.1
Derivative financial instruments	–	67.7	–	67.7
Deferred tax assets	–	–	80.3	80.3
Trade and other receivables	298.7	–	–	298.7
Inventories	–	–	265.6	265.6
Long-term work in progress	–	–	11.4	11.4
Cash	5.4	–	–	5.4
Total	304.1	67.7	2,154.8	2,526.6

2007	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	142.8	–	–	–	142.8
Obligations under finance leases	0.6	–	–	–	0.6
Deferred income	–	–	9.9	–	9.9
Interest bearing loans and borrowings	954.4	–	–	–	954.4
Derivative financial instruments	–	11.1	–	–	11.1
Deferred tax liabilities	–	–	–	83.1	83.1
Provisions	–	–	–	403.6	403.6
Retirement benefit obligations	–	–	–	51.9	51.9
Income tax payable	–	–	–	5.0	5.0
Total	1,097.8	11.1	9.9	543.6	1,662.4

23. Derivatives, interest bearing loans and borrowings – continued

Hedging activities

Cash flow hedges

The Group has transactional currency exposures, arising mainly from sales denominated in US dollars. The Group's hedging policy throughout 2008 was to hedge forward its net contracted US dollar exposures for the next two years in full and then to hedge a minimum of 75% in year three, a minimum of 50% in year four and a minimum of 25% in year five. US dollar costs are first utilised as natural hedges to offset contracted US dollar sales in the same period and forward sales or option products are entered into to cover the remaining exposures relating to identified US dollar denominated sales. Hedges are taken out to match the amount and date of the revenues being hedged, in order to maximise hedge effectiveness. In addition, the Group hedges its exposure to sterling costs from the UK based operations. The same average targets are used for a five year hedging horizon.

At 31 December 2008, the total notional amounts of outstanding forward exchange contracts, into euros and sterling, are US \$2,070 million (2007: US \$842 million). Cash flows from the transactions to which foreign currency hedging instruments relate are expected to occur in 2009 (US \$867 million), 2010 (US \$497 million), 2011 (US \$461 million), 2012 (US \$225 million) and 2013 (US \$20 million). The Group held 122 forward exchange contracts designated as hedges of expected US dollar sales to customers throughout the world. The total contract value of US dollars sold for sterling is US \$445 million with an average rate of US \$1.82 per £1 and the total contract value of US dollars sold for euros is US \$1,625 million with an average rate of US \$1.45 per €1.

The amounts shown above are based on market values of equivalent instruments at the balance sheet date. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to €(104.0) million (2007: €64.0 million) has been deferred in equity and analysed in the table below. Net changes in the fair value of currency derivatives not designated as effective cash flow hedges, amounting to €(60.2) million (2007: €0.2 million), have been debited to income in the year, included in other expenses.

A gain of €49.1 million (2007: gain of €28.9 million) has been transferred to the consolidated income statement and is included under sales of goods and services in 2007 in respect of currency derivative contracts maturing during the year.

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

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 floating rate debt in another currency. Contracts with nominal values of €672.1 million at 31 December 2008 (2007: €36.0 million) have fixed interest receipts at a current average rate of 5.21% (2007: 7.50%) for periods up until 2038 (2007: to 2009) and have floating interest payments at an average margin of 0.67% (2007: 0.80%) plus LIBOR or EURIBOR.

The fair value of swaps entered into at 31 December 2008 is estimated at €4.6 million liability (combined currency and interest rate swaps) (2007: €9.4 million liability). These amounts are based on current market rates versus URENCO actual rates at the balance sheet date. All of these swaps are designated and effective as fair value hedges and the fair value thereof has been reflected in the consolidated income statement together with the change in fair value of the underlying debt instrument. An amount of €3.2 million (2007: €1.7 million) has been added to / (offset against) against hedged interest payments made in the year.

The revaluation of the hedged items due to the risk hedged resulted in a gain of €4.7 million (2007: loss €37.7 million) being recorded in finance costs; the changes in the fair value of the interest rate swaps resulted in a loss of €4.7 million (2007: gain €37.7 million) being recorded in finance costs.

Notes to the Consolidated Financial Statements

23. Derivatives, interest bearing loans and borrowings – continued

The fair values of derivative financial instruments at 31 December 2008 are set out below, with the following maturities:

	Fair value asset 31/12/08 €m	Fair value liability 31/12/08 €m	Fair value asset 31/12/07 €m	Fair value liability 31/12/07 €m
Cash flow hedges				
Within one year	10.8	(39.5)	50.3	–
1 to 2 years	7.5	(28.2)	12.3	–
2 to 3 years	–	(33.2)	1.4	–
3 to 4 years	–	(20.8)	–	–
More than 5 years	–	(0.9)	–	–
	18.3	(122.6)	64.0	–
Fair value hedges				
Within one year	–	(7.1)	–	–
1 to 2 years	–	–	–	(9.4)
2 to 3 years	–	–	–	–
3 to 4 years	–	–	–	–
More than 5 years	42.3	–	–	–
	42.3	(7.1)	–	(9.4)
Derivative instruments designated in part as cash flow hedges and in part as net investment hedges				
Within one year	–	–	–	–
1 to 2 years	–	–	–	–
2 to 3 years	–	–	–	–
3 to 4 years	–	–	–	–
More than 5 years	–	(31.1)	–	–
	–	(31.1)	–	–
Derivative instruments designated in part as fair value hedges and in part as net investment hedge				
Within one year	–	–	–	–
1 to 2 years	–	–	–	–
2 to 3 years	–	–	–	–
3 to 4 years	–	–	–	–
More than 5 years	–	(8.7)	–	–
	–	(8.7)	–	–
Currency derivatives not designated as effective cash flow hedges and charged to income				
Within one year	4.2	(45.0)	1.4	–
1 to 2 years	0.8	(17.4)	1.7	(0.9)
2 to 3 years	–	(2.5)	0.6	(0.8)
3 to 4 years	–	–	–	–
	5.0	(64.9)	3.7	(1.7)
Total	65.6	(234.4)	67.7	(11.1)
Of which – non-current	50.6	(142.8)	16.0	(11.1)
Of which – current	15.0	(91.6)	51.7	–

Hedge of net investments in foreign operations

Included in loans at 31 December 2008 were (swapped) borrowings of US \$797.0 million (2007: US \$300.0 million) which have been designated as hedges of the net investment in the US subsidiary, URENCO Investments Inc. and are being used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiary.

24. Provisions

	Tails disposal €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2008	188.8	182.1	32.7	403.6
Additional provision in the year	93.8	20.6	20.8	135.2
Release of provision in year	(85.6)	(1.0)	(8.3)	(94.9)
Unwinding of discount	7.0	2.6	–	9.6
Utilisation of provision	–	(0.9)	(2.4)	(3.3)
Exchange difference	(29.7)	(16.9)	(6.6)	(53.2)
At 31 December 2008	174.3	186.5	36.2	397.0
Included in current liabilities				1.6
Included in non-current liabilities				395.4
				397.0

	Tails disposal €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2007	166.3	180.4	28.7	375.4
Additional provision in the year	81.6	14.5	15.3	111.4
Release of provision in year	(55.7)	(11.2)	(2.1)	(69.0)
Transfer	(0.9)	1.4	(5.0)	(4.5)
Unwinding of discount	7.1	3.9	–	11.0
Utilisation of provision	–	(0.7)	(2.0)	(2.7)
Exchange difference	(9.6)	(6.2)	(2.2)	(18.0)
At 31 December 2007	188.8	182.1	32.7	403.6
Included in current liabilities				–
Included in non-current liabilities				403.6
				403.6

Provision for tails disposal

The enrichment process generates depleted uranium ("tails"). This provision has been made for all estimated 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.

With the exception of tails currently sent to third parties for disposal, it is expected that the balance of the provision will be used over the next 100 years.

Provision for decommissioning of plant and machinery

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

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

Other provisions

These comprise personnel provisions (mainly relating to early retirement schemes in Germany) and provisions relating to the disposal and cleaning of containers.

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

Notes to the Consolidated Financial Statements

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.

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

	2008	2007
Key financial assumptions used:		
Discount rate	5.8%–6.0%	5.15%–5.6%
Expected return on scheme assets	2.0%–8.0%	4.1%–8.0%
Expected rate of salary increases	2.5%–4.9%	2.5%–4.6%
Future pension increases	1.5%–3.4%	1.5%–3.1%

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

	Netherlands		2008	UK 2007 years	2008	Germany 2007 years
	2008 years	2007 years				
Mortality assumptions:						
Life expectancy at age 60 for a male currently aged 60	23.3	23.2	26.8	26.7	22.5	22.4
Life expectancy at age 60 for a female currently aged 60	26.2	26.2	29.7	29.6	27.1	27.0
Life expectancy at age 60 for a male currently aged 40	24.9	23.6	27.9	27.9	25.4	25.3
Life expectancy at age 60 for a female currently aged 40	27.0	25.7	30.7	30.7	29.8	29.7

2008	Netherlands	UK	Germany
	Table GBM/GBV 2005-2050 of the Dutch Actuarial Association with age setbacks and 5% loading	PA92 tables with medium cohort projections	Heubeck table 2005 G
2007	Table GBM/GBV 2005-2050 of the Dutch Actuarial Association with age setbacks and 5% loading	PA92 tables with medium cohort projections	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 31/12/08 €m	Year ended 31/12/07 €m
Current service cost	(8.4)	(9.9)
Interest cost on benefit obligations	(22.7)	(22.4)
Expected return on scheme assets	24.6	23.3
Past service cost	(1.5)	(0.9)
Curtailment	–	–
	(8.0)	(9.9)

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

The amount charged to income in respect of defined contribution pension schemes was €1.8 million (2007: €0.7 million).

The actual return on scheme assets was €71.7 million (2007: €26.4 million).

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

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Actuarial losses	(50.3)	25.3
Transfer	–	0.3
Exchange difference	2.0	3.0
	(48.3)	28.6

Notes to the Consolidated Financial Statements

25. Retirement benefit obligations – continued

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

Movement in present value of defined benefit obligation

As at 31 December	Total	2008 €m		Total	2007 €m	
		Funded schemes	Unfunded schemes		Funded schemes	Unfunded schemes
At 1 January	(434.5)	(413.7)	(20.8)	(474.2)	(457.6)	(16.6)
Transfer	–	–	–	2.2	8.2	(6.0)
Current service cost	(8.4)	(7.9)	(0.5)	(9.9)	(9.3)	(0.6)
Past service cost	(1.5)	(1.5)	–	(0.9)	(0.9)	–
Interest cost	(22.7)	(21.6)	(1.1)	(22.4)	(21.4)	(1.0)
Curtailements	–	–	–	–	–	–
Actuarial gain/(loss)	37.9	35.9	2.0	39.7	37.3	2.4
Settlements	0.2	–	0.2	–	–	–
Benefits paid to members	12.0	11.2	0.8	12.5	11.5	1.0
Contributions by members	(2.8)	(2.8)	–	(3.0)	(3.0)	–
Foreign exchange	56.1	56.1	–	21.5	21.5	–
At 31 December	(363.7)	(344.3)	(19.4)	(434.5)	(413.7)	(20.8)

Movements in the fair value of plan assets

	2008 €m	2007 €m
At 1 January	382.6	392.3
Transfer	–	(1.9)
Expected return on plan assets	24.6	23.3
Actuarial gains	(87.3)	(14.3)
Contributions by employer	28.4	10.4
Contributions by members	2.9	3.0
Benefits paid to members	(11.3)	(11.5)
Foreign exchange	(54.4)	(18.7)
At 31 December	285.5	382.6

	2008 €m	2007 €m
Present value of defined benefit obligation	(363.7)	(434.5)
Fair value of plan assets	285.5	382.6
Recognised (liability) at 31 December	(78.2)	(51.9)

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

	Expected return		Fair value of assets	
	2008 %	2007 %	2008 %	2007 %
Equity instruments	7.0	8.0	118.9	200.4
Debt instruments	5.0	4.1	131.4	162.7
Other assets	2.0	4.5	35.2	19.5
			285.5	382.6

25. Retirement benefit obligations – continued

The five year history of experience adjustments is as follows:

	2008 €m	2007 €m	2006 €m	2005 €m	2004 €m
Present value of defined benefit obligations	(363.7)	(434.5)	(474.2)	(504.8)	(414.8)
Fair value of scheme assets	285.5	382.6	392.3	394.7	327.7
Net liabilities in the schemes	(78.2)	(51.9)	(81.9)	(110.1)	(87.1)
Experience adjustments on scheme liabilities					
Amount (€m)	(32.2)	(2.6)	7.4	(24.9)	(4.0)
Percentage of scheme liabilities (%)	(8.9)	(0.6)	1.6	(4.9)	(1.0)
Experience adjustments on scheme assets					
Amount (€m)	(86.6)	1.3	1.6	32.9	9.2
Percentage of scheme assets (%)	(30.2)	0.3	0.4	8.3	2.8

The estimated amounts of contributions expected to be paid to the schemes during the current financial year (2009) is €11.4 million.

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

26. Trade and other payables (current)

	31/12/08 €m	31/12/07 €m
Trade payables	69.8	56.0
Other payables	117.3	32.0
Accruals	129.6	54.8
Amounts due to joint venture	0.3	–
	317.0	142.8

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 31 days (2007: 29 days).

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

27. Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	31/12/08 €m	31/12/07 €m	31/12/08 €m	31/12/07 €m
Amounts payable:				
Within one year	0.6	0.2	0.5	0.2
In two to five years	0.8	0.5	0.7	0.4
	1.4	0.7	1.2	0.6
Less: finance charges allocated to future periods	(0.2)	(0.1)	–	–
Present value of lease obligations	1.2	0.6	1.2	0.6

Notes to the Consolidated Financial Statements

28. Operating lease arrangements

The Group as lessee

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

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

	31/12/08 €m	31/12/07 €m
Within one year	2.8	1.8
In the second to fifth years inclusive	8.2	6.6
After five years	1.1	2.2
	12.1	10.6

29. Contingent liabilities

In the US trade cases, brought in December 2000 by USEC against URENCO, the appeals against the original US Department of Commerce (DOC) determinations have all been fully briefed and argued before the US Court of International Trade (CIT) and some have been finally decided. The determinations involved USEC's charges that URENCO was selling low enriched uranium (LEU) in the US at less than fair value (dumping--AD) and receiving unfair government subsidies (countervailing--CVD). In the initial investigations in 2001, URENCO was found by the DOC not to have been dumping, but did incur a small countervailing duty with respect to imports in 2001 and 2002. As part of the investigation process the US International Trade Commission (ITC) also found that the subsidised LEU imports of URENCO (combined with the subsidised and dumped imports of Cogema) had materially injured USEC, a necessary decision for any anti-dumping or countervailing duty order to become effective. USEC appealed to the CIT against the DOC's dumping decision, whilst both USEC and URENCO appealed against the subsidy decision. URENCO and Cogema have jointly appealed against the ITC's injury decision. The CIT initially postponed all proceedings in the injury appeal until a final CIT decision was issued in the subsidy and dumping appeals; however it may now decide to move ahead with the injury appeals before final CIT rulings are issued in all the other cases. Once issued, the CIT decisions can be further appealed to the Court of Appeals for the Federal Circuit (CAFC) and then to the US Supreme Court.

In May 2007 USEC lost its appeals in the AD cases at the CIT, with the court affirming the DOC's ruling that URENCO had not dumped. USEC initially filed an appeal to the CAFC but, in September 2007, USEC withdrew its appeal. Thus, the dumping case is now over in a manner fully favourable to URENCO.

URENCO is still awaiting a decision on its and USEC's CVD appeals at the CIT. This is due at any time. If URENCO wins outright or if the CIT affirms the DOC's CVD determinations and USEC does not appeal, the CVD case will be at an end. Otherwise, the CVD cases may be remanded to the DOC for further consideration and ultimately continue to the CAFC and, perhaps, beyond. All proceedings in the injury appeals have thus far been deferred pending the outcome of the CVD and AD cases, including the appeals to the Supreme Court by USEC and the DOC in the Cogema AD case concerning the scope of the AD law. However, once the Supreme Court decides that case, the CIT may elect to move forward with the injury appeals.

Taking these factors into account, noting that anti-dumping duties cases are no longer pending, the Directors do not anticipate any further countervailing duties will be payable by URENCO and therefore no provision has been made in respect of the US trade cases.

30. Events after the balance sheet date

As of 2 April 2009, no material structural changes or business events have occurred in the URENCO Group that might serve to alter any of the disclosures contained in the 2008 financial statements.

31. Related party transactions

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

Trading transactions

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

	Sales of good & services		Purchases of good & services		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/08 €m	Year ended 31/12/07 €m	Year ended 31/12/08 €m	Year ended 31/12/07 €m	31/12/08 €m	31/12/07 €m	31/12/08 €m	31/12/07 €m
BNFL	0.9	–	0.1	2.2	–	0.7	–	1.3
BERR	–	–	1.0	–	–	–	0.1	–
E.ON	83.9	118.1	–	–	12.4	8.2	–	–
RWE	25.6	18.4	–	–	12.7	2.2	–	–
ETC	0.7	–	167.9	91.9	31.9	6.9	–	–

BERR, E.ON AG and RWE AG are all related parties of the Group because of their indirect shareholdings in URENCO Limited. Until 1 April 2008, BFNL plc was a related party of the Group. BFNL Enrichment Company Limited is now held by the Department of Business, Enterprise and Regulatory Reform (BERR) through a new company called Enrichment Holdings Limited. ETC Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of goods and services from them were made under the Group's normal trading terms.

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

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 Directors' report on page 51.

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Short-term employee benefits	1.8	2.0
Post-employment benefits	0.2	0.1
	2.0	2.1

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.

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For the year ended 31 December 2008

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Statement of Directors' Responsibilities

In respect of the parent company financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting principles. Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgments and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- to 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 proper accounting records that 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 1985. 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 confirm that they have complied with these requirements, and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

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

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 2008 which comprise the Balance Sheet and the related notes 1 to 14. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of URENCO Limited for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Parent Company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Principles) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the parent company Directors' Report is not consistent with the Parent Company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Principles, of the state of the Company's affairs as at 31 December 2008;
- the Parent Company financial statements and part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.

Ernst & Young LLP, Registered Auditor, London, 2 April 2009

Company Balance Sheet

At 31 December 2008

	Notes	2008 €m	2007 €m
Fixed assets			
Tangible assets	3	3.5	4.8
Investments in subsidiaries and associates	4	1,118.4	817.0
		1,121.9	821.8
Current assets			
Debtors – amounts falling due within one year	5	132.7	105.2
Debtors – amounts falling due after more than one year	6	715.4	200.0
Cash and cash equivalents		59.1	0.4
		907.2	305.6
Current liabilities			
Creditors – amounts falling due within one year	7	20.2	19.2
Net current assets		887.0	286.4
Total assets less current liabilities		2,008.9	1,108.2
Long-term liabilities			
Creditors – amounts falling due after more than one year	8	1,180.3	506.2
Net assets before retirement benefit obligations		828.6	602.0
Retirement benefit obligations	9	1.1	1.4
Net assets		827.5	600.6
Capital and reserves			
Share capital	10	237.3	237.3
Reserves	11	590.2	363.3
		827.5	600.6

The net income for the financial year of the Parent Company amounts to €264.4 million (2007: €109.0 million).

As a consolidated income statement is presented, a separate income statement for the Parent Company is not required to be published.

The financial statements were approved by the Board of Directors and authorised for issue on 2 April 2009.

They were signed on its behalf by:

Helmut Engelbrecht
Chief Executive Officer



Bart Le Blanc
Chief Finance Officer



Notes to the Company Financial Statements

For the year ended 31 December 2008

1. Significant accounting policies

The separate financial statements of the Parent Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with UK GAAP.

Basis of preparation and presentation

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

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

No income statement is presented for URENCO Limited, as permitted under section 230 of the Companies Act 1985.

Taxation

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

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

Operating leases

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

Foreign currencies

The Company's functional currency is £ sterling and the financial statements are presented in euros. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date, with all differences being taken to the income statement. All other translation differences are taken to the income statement. The average £ sterling to Euro rate for 2008 was £0.786 to €1 (2007: £0.682 to €1) and the year end rate was £0.9548 to €1 (2007: £0.734 to €1).

Tangible fixed assets and depreciation

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

Freehold buildings	40 years
Plant and machinery	3 – 15 years
Office fixtures and fittings	12 years
Computer equipment	4 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.

Investments

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

Retirement benefit obligations

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

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

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

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

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

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

Use of estimates

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

2. Taxation

Deferred income tax

Deferred tax balances recognised at 31 December are as follows:

	2008 €m	2007 €m
Deferred tax asset relating to pension obligations	0.4	0.6
Deferred tax liability relating to fixed assets	(0.1)	–
Total deferred tax assets	0.3	0.6

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

At the balance sheet date the Company had unrecognised deferred tax assets of €nil relating to fixed asset timing differences (2007: €nil) and €0.2 million relating to unused tax losses (2007: €0.3 million). The deferred tax assets have not been recognised as there is insufficient certainty as to the availability of suitable future taxable income.

Notes to the Company Financial Statements

3. Tangible assets

2008	Freehold land & buildings €m	Plant & machinery €m	Fixtures & fittings €m	Total €m
Cost as at 1 January 2008	3.2	0.6	3.8	7.6
Exchange adjustments	(0.7)	(0.1)	(0.9)	(1.7)
Additions	–	–	–	–
Cost as at 31 December 2008	2.5	0.5	2.9	5.9
Depreciation as at 1 January 2008	0.8	0.5	1.5	2.8
Exchange adjustments	(0.2)	(0.1)	(0.4)	(0.7)
Charge for the year	0.1	–	0.2	0.3
Depreciation as at 31 December 2008	0.7	0.4	1.3	2.4
Net book value as at 1 January 2008	2.4	0.1	2.3	4.8
Net book value as at 31 December 2008	1.8	0.1	1.6	3.5

4. Investments in subsidiaries and associates

Shares in subsidiary and associated undertakings
Cost and net book value
€m

At 1 January 2008	817.0
Additions	301.4
At 31 December 2008	1,118.4

Details of the Company's main subsidiaries and associates at 31 December 2008 are as follows:

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

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

4. Investments in subsidiaries and associates – continued

The Group has a 50% interest in Enrichment Technology Limited (ETC), a jointly controlled entity whose principal activity is in the research, development and manufacture of plant and equipment for the provision of enrichment services. As at 31 December 2005 URENCO Deutschland GmbH owned 28.3% of the shares in ETC and the balance of the shares were held in equal measures by the three shareholders of URENCO Ltd. The joint venture was formed on 1 July 2006, the date on which URENCO's shareholders disposed of 50% of the shares in ETC to a third party, Areva. The remaining 21.7% of the shares were contributed to URENCO, as additional paid in capital, bringing URENCO's holding to 50%. The group accounts for its interest in ETC using the proportionate consolidation method.

5. Debtors – amounts falling due within one year

	31/12/08 €m	31/12/07 €m
Amounts due from Group undertakings	110.1	96.6
Other debtors	0.6	7.4
Income tax receivable	10.4	–
Prepayments and accrued income	11.6	1.2
	132.7	105.2

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

	31/12/08 €m	31/12/07 €m
Amounts due from Group undertakings	715.4	200.0
	715.4	200.0

7. Creditors – amounts falling due within one year

	31/12/08 €m	31/12/07 €m
Short-term bank borrowings	–	14.7
Trade creditors	0.5	0.5
Amounts due to Group undertakings	18.2	0.4
Other taxes and social security costs	0.1	0.1
Other creditors	–	–
Accruals	1.4	3.5
	20.2	19.2

8. Creditors – amounts falling after more than one year

	31/12/08 €m	31/12/07 €m
Bank and other loans repayable:		
Between 2 and 5 years	–	200.0
After more than 5 years:		
€200m at fixed rates of interest (2007: €100m)	200.0	100.0
\$495m at fixed rates of interest (2007: \$300m)	354.7	205.2
Total Bank and other loans repayable	554.7	505.2
Amounts due to Group undertakings	623.8	–
LTIS accrual	1.7	1.0
Deferred tax	0.1	–
	1,180.3	506.2

Notes to the Company Financial Statements

9. Retirement benefit obligations

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

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation and updated by the actuaries as at 31 December 2008 to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2008. Scheme assets are stated at their market values at the balance sheet dates.

Main Assumptions:	2008	2007
Discount rate	5.8%	5.6%
Salary increases	4.5%	4.6%
Pension increases	3.0%	3.1%
Price inflation	3.0%	3.1%

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

	Long-term expected rate of return (pa) 2008 €m	Market value 2008 €m	Long-term expected rate of return (pa) 2007 €m	Market value 2007 €m
Equities	7.0%	5.1	8.0	9.2
Bonds	5.0%	9.5	4.8	11.6
Other assets including cash	2.0%	0.7	5.5	0.5
Total market value of scheme assets		15.3		21.3
Present value of scheme liabilities				
Funded scheme		(16.8)		(23.3)
Pension liability before deferred tax		(1.5)		(2.0)
Related deferred tax asset		0.4		0.6
Net pension liability		(1.1)		(1.4)

9. Retirement benefit obligations – continued

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

	Year ended 31/12/08 €m	Year ended 31/12/07 €m
Current service cost	(0.5)	(0.5)
Past service cost	–	(0.5)
Total operating charge	(0.5)	(1.0)
Expected return on pension scheme assets	1.2	1.2
Interest on pension scheme liabilities	(1.2)	(1.2)
Total other finance income	–	–
Actual return less expected return on scheme assets	(2.8)	0.6
Experience gains and losses on liabilities	0.1	(1.2)
Changes in assumptions	1.8	2.0
Actuarial gain recognised	(0.9)	1.4

Analysis of movements in deficit during the year

	2008 €m	2007 €m
At 1 January	(2.0)	(4.0)
Total operating charge	(0.5)	(1.0)
Total other finance (cost) / income	–	–
Actuarial (loss) / gain	(0.9)	1.4
Contributions	1.5	1.3
Exchange difference	0.4	0.3
At 31 December	(1.5)	(2.0)

History of experience gains and losses

	2008 €m	2007 €m	2006 €m	2005 €m	2004 €m
Difference between actual and expected return on assets	(2.8)	0.6	0.6	1.9	0.7
% of scheme assets	(18.5)%	2.8%	2.6%	9.5%	4.7%
Experience gains / (losses) arising on scheme liabilities	0.1	(1.2)	–	0.1	(0.8)
% of scheme liabilities	(0.8)%	(5.2)%	0.0%	0.3%	(4.0)%
Total actuarial gain / (loss) recognised	(0.9)	1.4	0.2	0.3	(1.9)
% of scheme liabilities	(5.2)%	6.0%	0.7%	1.4%	(10.1)%

10. Called up share capital

	31/12/08 €m	31/12/07 €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.

Notes to the Company Financial Statements

11. Movements on reserves

	Income statement €m
Reserves as at 1 January 2007	331.2
Net income retained for the year 2007	11.4
Actuarial gain on retirement benefit obligation	1.4
Deferred tax on actuarial gain	(0.5)
Net exchange effect on defined benefit obligation	0.3
Exchange effect on net assets	19.5
At 31 December 2007	363.3
Net income retained for the year 2008	145.2
Actuarial loss on retirement benefit obligation	(0.9)
Deferred tax on actuarial loss	0.3
Net exchange effect on defined benefit obligation	0.4
Exchange effect on net assets	81.8
At 31 December 2008	590.1

12. Obligations under leases

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

	31/12/08 €m	31/12/07 €m
Other operating leases which expire: In the second to fifth years inclusive	0.3	0.2

13. Related party transactions

At the balance sheet date amounts due from Group undertakings were €825.5 million (2007: €296.6 million) comprising current assets of €110.1 million (2007: €96.6 million) and a long-term loan of €715.4 million (2007: €200.0 million).

At the balance sheet date amounts due to Group undertakings were €642.0 million (2007: €0.4 million).

14. Contingent liabilities

The Company is party to a number of composite guarantees of borrowings by certain of its subsidiaries which at the balance sheet date amounted to €993.2 million (2007: €443.8 million). The Directors do not expect any liability to arise under these guarantees.

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Contact: Michael Smith – Company Secretary

Glossary of Terms

Areva

The French energy and connectors Group.

Assay

This describes the relative proportion of the useful uranium 235 (U235) isotope with respect to the total amount of uranium.

Capital expenditure

Purchases of property, plant and equipment.

Cascade

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

Deconversion

This is the process of removing the volatile fluorine component from uranium hexafluoride to make stable uranium oxide (U3O8). URENCO has chosen to use U3O8 as the long-term retrievable storage form of uranium.

EBITDA

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

Enrichment

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

ETC

Enrichment Technology Company Limited.

Euratom

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

EUP

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

Feed

Natural or reprocessed uranium, previously converted to UF6.

FFO/TAD

The ratio of Funds From Operations (FFO) to Total Adjusted Debt (TAD), where FFO is Net income after tax, plus depreciation, plus non designated derivatives, plus decommissioning and tails provisions charged to the income statement, less movements in Decommissioning and “Tails” provisions, and TAD is Net Debt plus Decommissioning and Tails provisions and Retirement Benefit Obligations.

GDP

Gas diffusion plant.

Gas centrifuge

A uranium enrichment process which uses rapidly spinning cylinders to separate the fissionable U235 isotope from the non-fissionable U238 isotope.

Gaseous diffusion

A uranium enrichment process which uses porous barriers to separate the U235 and U238 isotopes.

IAEA

International Atomic Energy Agency.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

Joint Committee

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

LES

Louisiana Energy Services Limited Partnership is the US partnership that is the investment vehicle for the National Enrichment Facility.

National Enrichment Facility

National Enrichment Facility – URENCO's enrichment plant under construction in New Mexico, US.

Net assets

Total assets less total liabilities.

Net debt

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

Net income

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

Net interest

Finance costs including unwinding of discounts less finance income including net return on defined benefit pension schemes but excluding income and cost on non designated hedges.

Nuclear fuel supply chain

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

NRC

Nuclear Regulatory Commission – the United States Nuclear regulator.

Order book

Contracted and agreed business.

Product Assay

The U235 concentration of the product material. Typical light water reactors require between 3% and 5% U235 to operate efficiently.

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 Assay

The U235 concentration of the by-product material (depleted UF6). Material is extracted naturally from mines at 0.711% U235 and URENCO's by-product is typically below 0.3% U235, still containing a considerable amount of this fissionable U235 isotope.

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.

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.

USEC

USEC Inc, based in the US.

U235

The fissionable isotope found in natural uranium.

U238

The non-fissionable isotope found in natural uranium.

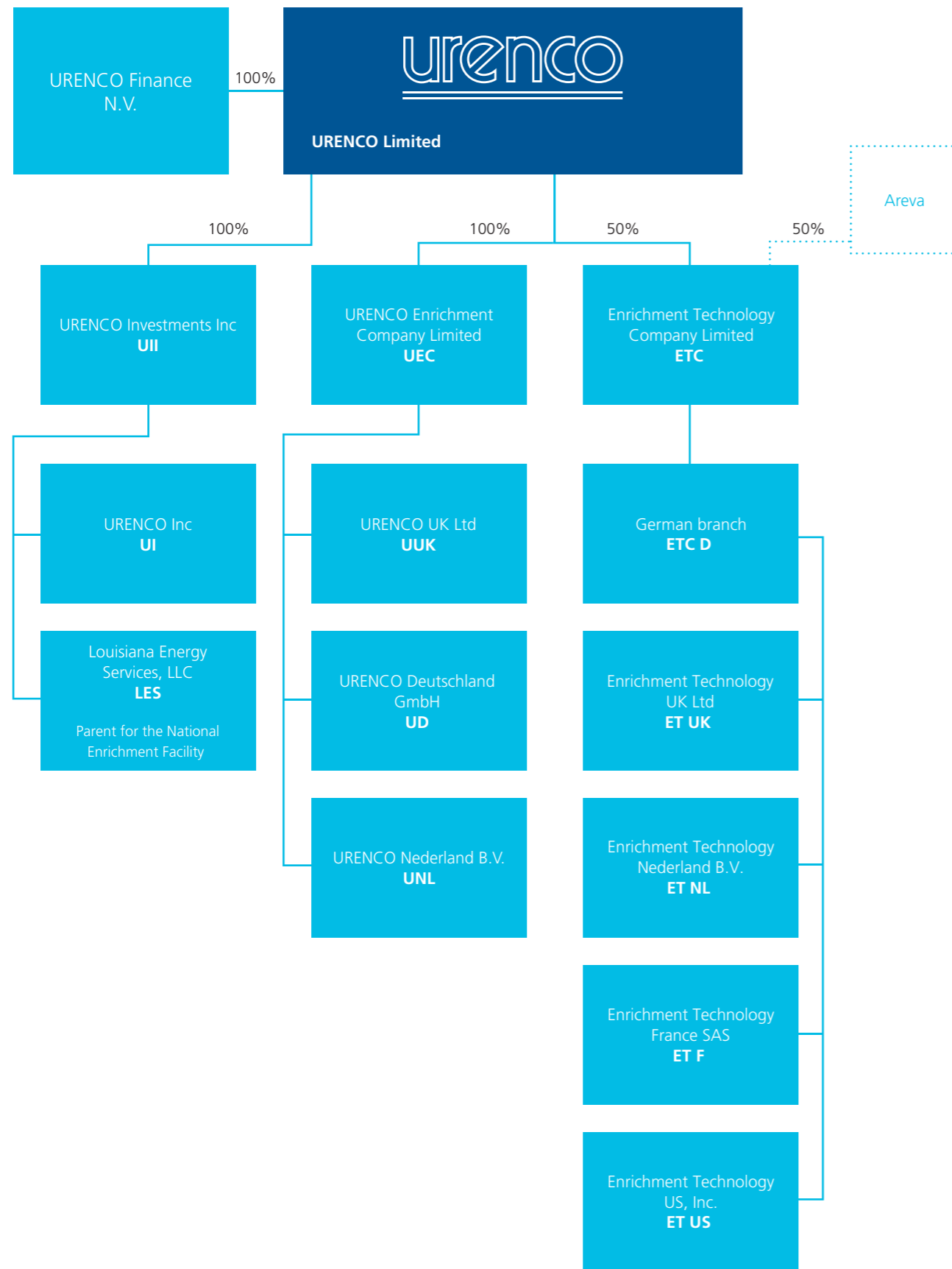
U3O8

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.

The URENCO Group





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