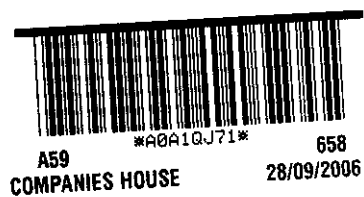


URANIUM ASSET MANAGEMENT LIMITED
(Formerly BNFL Uranium Asset Management Co. Limited)
Registered No. 3162046

ANNUAL REPORT AND ACCOUNTS

31 March 2006



URANIUM ASSET MANAGEMENT LIMITED
(Formerly BNFL Uranium Asset Management Co. Limited)

DIRECTORS

M Saunders (Chairman)
MRA Smith
JM Bohnke
I G Clarkson

SECRETARY

A J Shuttleworth

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
P.O. Box 305
Spring Gardens
Manchester
M60 2DB

REGISTERED OFFICE

1100 Daresbury Park
Daresbury
Warrington
WA4 4GB

DIRECTORS' REPORT

The Directors present their directors' report and financial statements for the year ended 31 March 2006.

As previously reported, on 1 April 2005 certain assets and liabilities of British Nuclear Group Sellafield Limited transferred to Uranium Asset Management Limited by means of the transfer scheme under the Energy Act 2004. During the period the review of state aid by the European Commission was completed and clearance provided.

Results and dividends

The profit for the year, after taxation, amounted to £16,892k (2005: profit of £8,616k). No dividend is proposed (2005: £nil).

In addition, gains of £276k arising from transfers of assets under the Energy Act 2004 have been credited to the statement of total recognised gains and losses.

Principle activities of the business

Uranium Asset Management Limited provides procurement, management and transport services to the nuclear industry within the following key areas:

- The procurement, management and supply of uranic materials to Springfields Fuels Limited on behalf of British Energy;
- The management of uranium inventory and the provision of expert advice to Westinghouse related companies;
- The supply of Radioactive Material Transport services and expert advice to external companies and to Westinghouse related parties.

Our largest customer is Springfields Fuels Limited where we have a contract for the procurement and management of uranic material on behalf of British Energy, and for the supply of key transport services. We also serve many other customers in the UK, Europe, Russia and the US.

Business review

There were a number of key achievements in relation to the uranics business segment during the financial year. There was a successful close out of a major 10 year sales contract with a key customer, and a subsequent transfer onto revised contractual terms effective from 1 April 2006 through to 2010. We reached agreement with a major customer concerning the close out of a financing reconciliation relating to prior years.

The company continued to work successfully during the year with Westinghouse locations on various uranium utilisation projects which has resulted in some very positive results.

On 1 April 2005, the company acquired the Transport business from British Nuclear Fuels plc (now renamed British Nuclear Group Sellafield Ltd), by way of a transfer scheme under the Energy Act 2004.

This business segment has secured valuable contracts with external customers, including agreements with a major uranium converter for the European and Transatlantic transports of natural UF₆.

Key Performance Indicators (KPIs)

Uranium Asset Management Limited uses many performance indicators, both financial and non financial, to monitor its progress. The financial measures are operating profit, profit before tax and cash flow, the results for which are published in these accounts. The non financial KPI's are as shown below.

DIRECTORS' REPORT (continued)

KPI Area	KPI	Target	Outturn
Safety	DAC (Days Away Cases)	Zero	Zero
	TRIR (Total Recordable Injury Rate)/ no. recordable injuries	Zero	Zero
Work-related Ill Health	Days sick per employee	≤4 days per employee	0.68
Delivery	OTIFWC (On Time, In Full, Without Complaint)	90%	96%
Customer Service	Customer Complaints/year	20	13

Treasury operations

The ultimate parent company's board is responsible for the financial strategy of the company which is determined within treasury policies set by the company's parent company, British Nuclear Fuels plc (BNFL). The strategy aims to assess the timing of funding requirements of the company and ensure adequate facilities are available to meet these requirements.

Foreign currency risk

The company does not hedge against specific foreign currency requirements as any currency risk is retained by the ultimate customer.

Principle risks and uncertainties

The market valuation of the company's uranic stocks is significantly higher than the historic cost of that uranium as reflected in the Balance Sheet. Clearly market prices will fluctuate over time, however whilst there is always a risk that the market prices for the uranium stocks could fall, the Directors' opinion is that this does not currently present any risk to the company. The primary reasons for this are as follows:

- The market values of the stock held as at 31 March are already significantly in excess of the book values;
- Published predictions (The Uranium Market Outlook April 2006) indicate that market prices will peak during calendar years 2007 and 2008, before decreasing slightly between calendar years 2009 and 2010, by which time prices are expected to stabilise, however all levels will still exceed book values.

Insurance

The company's insurance requirements are provided through policies held by its ultimate holding company.

Directors

The Directors who held office during the year were as follows:

M Saunders	(Chairman)
D E Berklite	(Resigned 31 January 2006)
A J Crook	(Resigned 1 April 2005)
D J Powell	(Resigned 4 August 2006)
MRA Smith	(Appointed 1 February 2006)
IG Clarkson	
JM Bohnke	(Appointed 4 August 2006)
J F Edwards	(Resigned 1 April 2005)
S Quint	(Appointed 1 April 2005, Resigned 4 July 2005)

There are no Directors' interests requiring disclosure under the Companies Act.

DIRECTORS' REPORT (continued)

Directors' and officers liability insurance

The Company maintains directors' and officers' liability insurance covering the defence costs of civil legal proceedings and the damages resulting from the unsuccessful defence of such proceedings except, in each case to the extent that a director or officer acted fraudulently or dishonestly.

Policy on payment of creditors

It is Company policy to follow the Prompt Payers Code of Practice drawn up by the Confederation of British Industry (CBI). This policy requires the Company to agree the terms of payments with its suppliers, to ensure that those suppliers are aware of those terms and to abide by those terms. Copies of the Code are available from CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU. The company has two main payment terms, net monthly and 35 days. Suppliers are made aware of the terms of payment and the terms are settled when agreeing the details of each transaction. At 31 March 2006 the Company's trade creditors represented 1 day of trading (2005: 17 days).

Disclosure of information to auditors

In accordance with Section 234A of the Companies Act 1985, each of the directors (excluding those who have resigned during the financial year):

- is not aware of any relevant audit information of which the company's auditors are unaware; and
- has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Political and charitable donations

The Company has made no political or charitable donations.

Elective resolutions

The Company has elected to dispense with the holding of Annual General Meetings pursuant to Section 366A of the Companies Act 1985.

The Company has elected to dispense with the appointment of Auditors pursuant to Section 386 of the Companies Act 1985.

The Company has elected to dispense with the laying of accounts and reports in general meeting pursuant to Section 252 of the Companies Act 1985.

By order of the Board



AJ Shuttleworth
Company Secretary
15 September 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those accounts, the Directors are required to:

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

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF URANIUM ASSET MANAGEMENT LIMITED

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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 the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the 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 financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also 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.

Basis of audit opinion

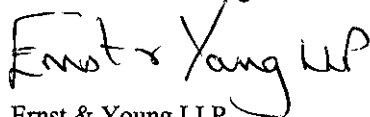
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the 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 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 financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
Manchester

26 September 2006

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2006

	<i>Notes</i>	2006 £000	2005 £000
TURNOVER	2	138,036	106,660
Net operating costs and expenses	3	(114,142)	(87,314)
OPERATING PROFIT		23,894	19,346
Profit arising from restructuring under the Energy Act 2004	8	1,390	-
Interest receivable and similar income	6	13,500	4,268
Interest payable and similar charges	7	(12,781)	(14,998)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		26,003	8,616
Taxation on profit on ordinary activities	9	(9,111)	-
PROFIT FOR THE FINANCIAL YEAR		16,892	8,616

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2006

	2006 £000	2005 £000
Profit for the financial year	16,892	8,616
Gains recognised on intra group transactions under the Energy Act 2004	276	-
Total recognised gains and losses	17,168	8,616

URANIUM ASSET MANAGEMENT LIMITED
(Formerly BNFL Uranium Asset Management Co. Limited)

BALANCE SHEET

At 31 March 2006

	Notes	2006 £000	2005 £000
FIXED ASSETS			
Tangible fixed assets	10	231	-
CURRENT ASSETS			
Stocks	11	232,554	284,155
Debtors	12	19,882	20,455
Cash at bank and in hand		51,281	23,669
TOTAL CURRENT ASSETS		303,717	328,279
CREDITORS: amounts falling due within one year	13	(15,476)	(5,494)
NET CURRENT ASSETS		288,241	322,785
TOTAL ASSETS LESS CURRENT LIABILITIES		288,472	322,785
CREDITORS: amounts falling due after more than one year	14	(214,773)	(266,254)
NET ASSETS		73,699	56,531
CAPITAL AND RESERVES			
Called up share capital	15	48,715	48,715
Profit and loss account	16	24,984	7,816
SHAREHOLDERS' FUNDS – EQUITY	17	73,699	56,531

These accounts were approved by the Board of Directors and signed on its behalf by:



Iain Clarkson, Director

15 September 2006

NOTES TO THE ACCOUNTS

At 31 March 2006

1. ACCOUNTING POLICIES

Accounting convention

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

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 28 'Corresponding amounts'.

FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing uranic materials to their present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Long-term contracts

Profit on long-term contracts is taken as uranic materials are supplied if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the value of the uranic materials supplied in a given period, by recording turnover and related costs (as defined in Stocks above). Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Taxation

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences are taken to the profit and loss account.

Post Retirement Benefits

The Company participates in the Combined Pension scheme, a group wide pension scheme providing benefits based on final pensionable pay. Contributions are paid to and benefits are paid by Her Majesty's Government via the Consolidated Fund. The contributions to each of these funds are based on independent actuarial valuations designed to secure the benefits as set out in the rules. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

1. ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery 5 to 10 years

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated financial statements.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to the management of the supply and transport of uranic materials. An analysis of turnover by geographical market is given below:

	2006 £000	2005 £000
United Kingdom	134,387	97,906
Europe – EU	655	-
Europe – Non EU	688	-
Japan and Far East	94	-
North and South America	2,212	8,754
	<hr/> 138,036	<hr/> 106,660

3. NET OPERATING COSTS AND EXPENSES

Net operating costs and expenses include:

	2006 £000	2005 £000
Raw materials and consumables	102,727	86,502
Employee costs (see note 4)	1,637	643
Depreciation	45	-
Auditors' remuneration - audit services	29	13
Income received from other group companies for services provided	-	(252)
Foreign exchange gains	(299)	-
Other external and operating charges	10,003	408
	<hr/> 114,142	<hr/> 87,314

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

4. EMPLOYEE INFORMATION (including Executive Directors)

The average weekly number of employees during the year was as follows:

	2006 No.	2005 No.
Administration	<u>34</u>	<u>13</u>

Employee costs borne by the Company during the year were as follows:

	2006 £000	2005 £000
Wages and salaries	1,510	583
Social security costs	127	60
	<u>1,637</u>	<u>643</u>

5. a. DIRECTORS' EMOLUMENTS

For the previous year 2004/5, all Directors were paid by either the ultimate holding company or by one of its Group Companies. For 2005/6, one Director was paid by the Company for the two months to 31 March 2006.

	2006 £000	2005 £000
Payments to executive directors	<u>16</u>	<u>-</u>

b. PENSIONS OF DIRECTORS

	2006 No.	2005 No.
No. of directors who were members of defined benefit pension scheme	<u>1</u>	<u>-</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £000	2005 £000
Bank interest	1,187	618
Interest receivable from Group Undertakings	7,719	994
Other interest receivable	4,594	2,656
	<u>13,500</u>	<u>4,268</u>

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£000	£000
Interest payable to Group Undertakings	12,781	14,136
Bank interest payable	-	29
Other interest payable	-	833
	<u>12,781</u>	<u>14,998</u>

8. EXCEPTIONAL ITEMS

The Energy Act 2004 created the Nuclear Decommissioning Authority (NDA) to secure the operation, decommissioning and clean up of designated nuclear sites. This resulted in transfers of assets and liabilities between the British Nuclear Fuels plc (BNFL) group and the NDA as well as transfers within the BNFL Group.

As part of this restructuring, on 1 April 2005, the company acquired the Transport business from British Nuclear Fuels plc (now renamed British Nuclear Group Sellafield Ltd), by way of a transfer scheme under the Energy Act 2004.

All transfers of assets and liabilities under the Energy Act 2004 resulting in realised profits or losses have been either charged or credited to the profit and loss account as an exceptional item. Transfers of assets which did not result in realised profits have been credited to reserves and shown in the Statement of Total Recognised Gains and Losses.

	2006	2005
	£000	£000
Exceptional profit arising from transfers of assets and liabilities under the Energy Act 2004	<u>1,390</u>	<u>-</u>

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£000	£000
Taxation charge for the year	<u>9,111</u>	<u>-</u>

The taxation assessed on the profit on ordinary activities for the year is different from the standard rate of corporation taxation in the UK of 30%. The differences are reconciled below:

	2006	2005
	£000	£000
Profit on ordinary activities before taxation	<u>26,003</u>	<u>8,616</u>
Taxation on profit at 30% (2005: 30%)	<u>7,800</u>	<u>2,585</u>
Effects of:		
Expenses not deductible for corporation taxation purposes	1,741	1,723
Expenditure allowable for taxation - Capital Allowances	(13)	-
Utilisation of brought forward non-trading losses	-	(1,280)
Group Relief Claimed - not paid for	-	(3,028)
Exceptional item not subject to corporation tax	<u>(417)</u>	<u>-</u>
Current taxation charge for the year	<u>9,111</u>	<u>-</u>

The Company has an unrecognised deferred taxation asset amounting to £Nil (2005: £4,471k). All of the Company's brought forward tax losses were extinguished on 1 April 2005 as a result of the operation of Section 44 of the Energy Act 2004.

10. TANGIBLE FIXED ASSETS

	Plant & machinery £000
Cost	
At 1 April 2005	-
Additions	276
At 31 March 2006	<u>276</u>
Accumulated depreciation	
At 1 April 2005	-
Charge for the year	45
At 31 March 2006	<u>45</u>
Net book value	
At 31 March 2006	<u>231</u>
At 1 April 2005	<u>-</u>

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

11. STOCKS

	2006	2005
	£000	£000
Raw materials and consumables	232,554	284,155

12. DEBTORS

	2006	2005
	£000	£000
Trade debtors	2,390	-
Amounts owed by Group Undertakings	11,218	12,883
Other debtors and accrued income	6,274	7,572
	19,882	20,455

13. CREDITORS: amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	213	3,370
Amounts owed to Group Undertakings	13,842	828
Accruals and deferred income	1,421	1,296
	15,476	5,494

14. CREDITORS: amounts falling due after more than one year

	2006	2005
	£000	£000
Amounts owed to Group Undertakings	214,773	266,254

Amounts owed to Group Undertakings comprise a funding loan from the ultimate holding company which is repayable after five years.

15. SHARE CAPITAL

	2006	2005
	£000	£000
Authorised: 50 million ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid: 48,715,457 ordinary shares of £1 each	48,715	48,715

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

16. RESERVES

	Capital reserve £000	Profit and loss account £000
At 1 April 2005	-	7,816
Profit for the financial year	-	16,892
Gains recognised on intra group transactions under the Energy Act 2004	276	-
Realisation of gains in accordance with Schedule 6(2) of the Energy Act 2004	(276)	276
	<hr/>	<hr/>
At 31 March 2006	-	24,984

Gains arising from the restructuring under the Energy Act 2004 which do not initially qualify as realised profits have been credited to reserves. By operation of Schedule 6(2) of the Energy Act 2004, such amounts have then been redesignated as realised profits and transferred to the profit and loss account reserve.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £000	2005 £000
Profit for the financial year	16,892	8,616
Gains recognised on intra group transactions under the Energy Act 2004	276	-
Opening shareholders' funds	56,531	47,915
	<hr/>	<hr/>
Closing shareholders' funds	73,699	56,531

18. PENSION PROVISIONS

During the year, all of the Company's employees, excluding all but one of the Executive Directors, were members of The Combined Pension Scheme of the United Kingdom Atomic Energy Authority. This is a defined benefit pension scheme. No contributions were paid during the period (2005: £Nil). The company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and hence the scheme has been accounted for as if it was a defined contribution scheme. Information regarding the pension scheme can be found in the accounts of the ultimate holding company.

The FRS 17 valuation at 31 March 2006 indicates the pension scheme had a surplus of £426m (2005: £449m). Detailed FRS 17 disclosures in relation to the group pension scheme are included in the British Nuclear Fuels plc statutory accounts for the year ended 31 March 2006.

No pension contributions were paid during the year as the company was on a pension holiday, however the contributions have resumed with effect from 1 April 2006 at a rate of 15% of employees' salaries.

NOTES TO THE ACCOUNTS (continued)
At 31 March 2006

19. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31 March 2006, the ultimate parent Company continued to be British Nuclear Fuels plc (company registration no. 5027024) which is incorporated in Great Britain. The immediate parent undertaking of the Company was Westinghouse Electric UK Limited (WEC UK Limited). The Company and WEC UK Limited are included in the Group Accounts of British Nuclear Fuels plc. Copies of the Group Accounts of British Nuclear Fuels plc may be obtained from its registered office at 1100 Daresbury Park, Daresbury, Warrington, WA4 4GB. The Company is not included in any other Group accounts.

In the Directors' opinion, the Company's ultimate controlling party is Her Majesty's Government.

20. RELATED PARTY TRANSACTIONS

The Company, being a wholly owned subsidiary of Westinghouse Electric UK Limited (WEC UK), which is itself wholly owned by British Nuclear Fuels plc, has taken advantage of the exemption from the disclosure requirements as available in para. 3(c) of FRS8.