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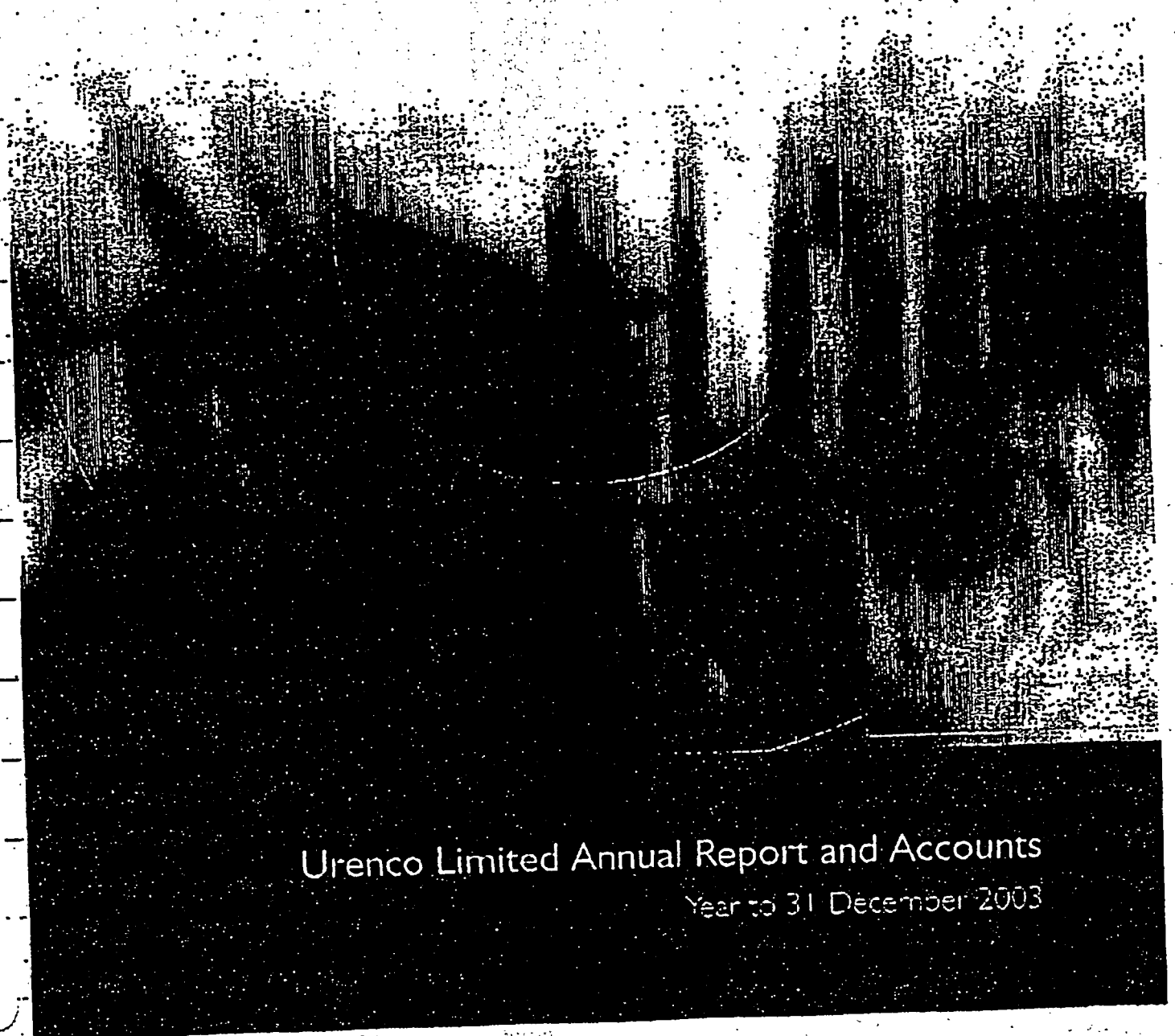
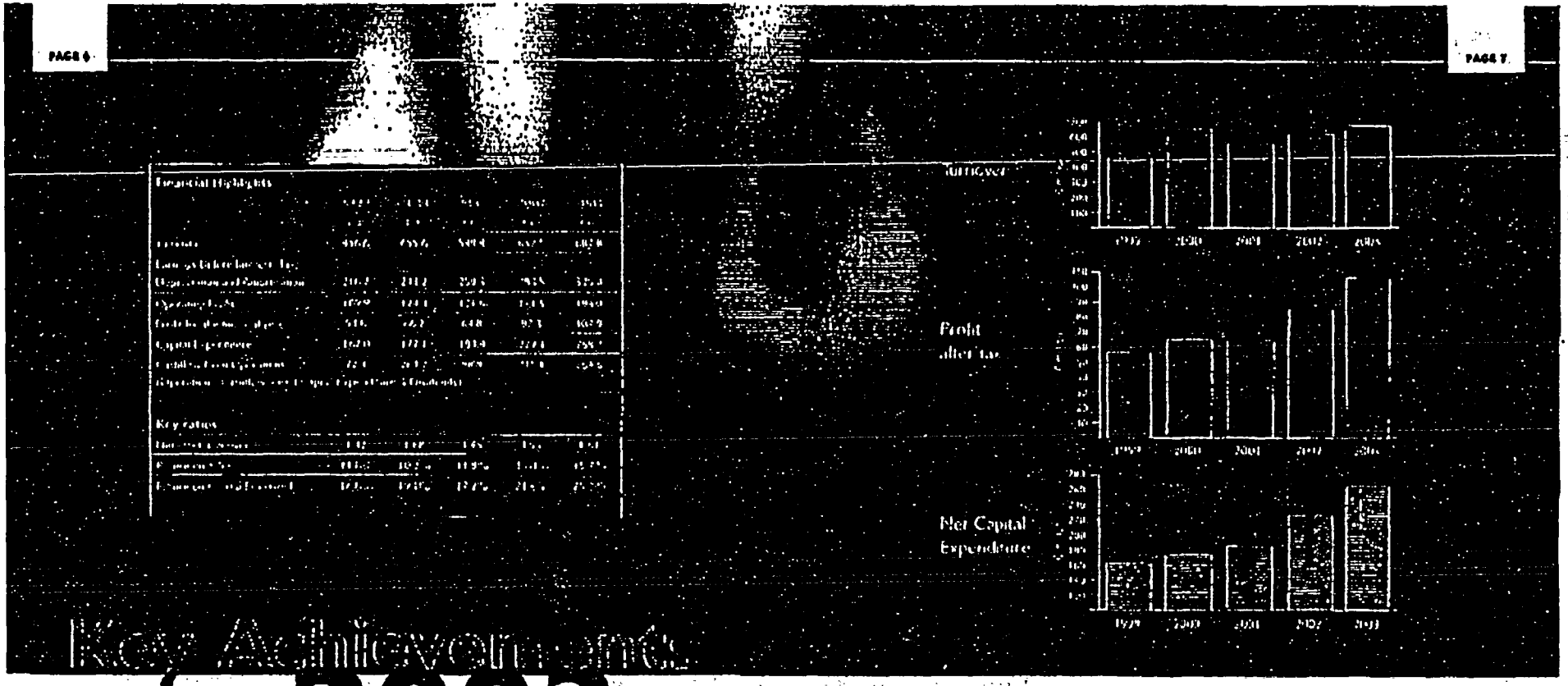
U.S. NUCLEAR REGULATORY COMMISSION
In the Matter of LOUISIANA ENERGY SERVICES LP
Docket No. 70-3103-ML Official Exhibit No. 69
OFFERED by: Applicant/Licensee Intervenor NIRS/PC
NRC Staff Other
IDENTIFIED on Witness/Panel M. Sheehan
Action Taken: ADMITTED REJECTED WITHDRAWN
Reporter/Clerk



Urenco Limited Annual Report and Accounts

Year to 31 December 2003



Key Achievements 2003

Deliveries & Production Capacity – 2003

In 2003, Urenco had another successful year of increased separative work unit ('SWU') deliveries to its customers. Urenco's market share for SWUs increased from 15% to around 18% of world demand.

Production at Urenco's three enrichment plants increased by around 10% in 2003. Production capacity increased from 5.7 million SWU in 2002 to 6.3 million SWU in 2003. Additional capacity was installed at all three locations.

Long Term Contracted Business

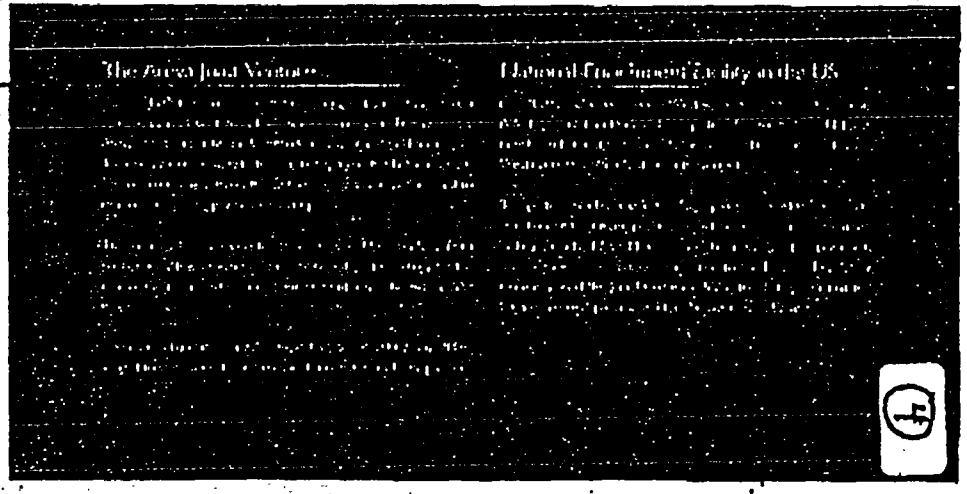
Long term contracted business is at a level of €40 billion. All planned capacity through to 2006 is contractually committed.

Net Profit – 2003

Net profit increased from €87.3 million in 2002 to €107.9 million in 2003. This represents an increase of 24%.

Re-organisation

The operational and legal re-organisation of the Urenco Group was completed in 2003. This resulted in the clear separation of the operating activities into enrichment services (Urenco Enrichment Company) and enrichment technology (Enrichment Technology Company). The new structure will allow management resource to be focused on operating activities rather than geographical location. This will lead to improved performance within both organisations, which will in turn improve Urenco's ability to supply its customers more efficiently.



As we look back, it is clear that 2003 was a momentous year for the Urenco Group.

Chairman and Chief Executive Statement

Neville Chamberlain CBE

Summary of 2003

Within UEC, greater cooperation between Urenco's three European enrichment plants is already evident. This will in future lead to enhanced services and greater flexibility being offered to our customers. Synergies will be exploited in the coming years, which will further improve Urenco's competitive position.

ETC has also benefited from the reorganisation with improved communication between research & development, design and manufacturing. This will mean that all customers will be provided with the optimal design of centrifuge enrichment plant.

In 2003, Urenco successfully negotiated an agreement to sell 50% of the ETC Group to the French nuclear company, Areva. The resulting joint venture will ensure that Urenco maintains its ability to grow capacity and will allow Urenco's technology to build a replacement for the French gas diffusion enrichment plant. This joint venture is not expected to be completed at the end of 2004 or early in 2005, subject to governmental and competition clearance being granted.

The project to build a National Enrichment Facility in the United States has progressed well in 2003. Successful negotiations have been concluded for Westinghouse to take a 24.5% share in the project. A suitable site in New Mexico has been selected. The licence application has been completed and was submitted in December 2003. Urenco expects that the licence will take between 2 – 2½ years to be approved.

Subject to approval, this will enable the plant to go into production in 2008 and be at full capacity by 2013.

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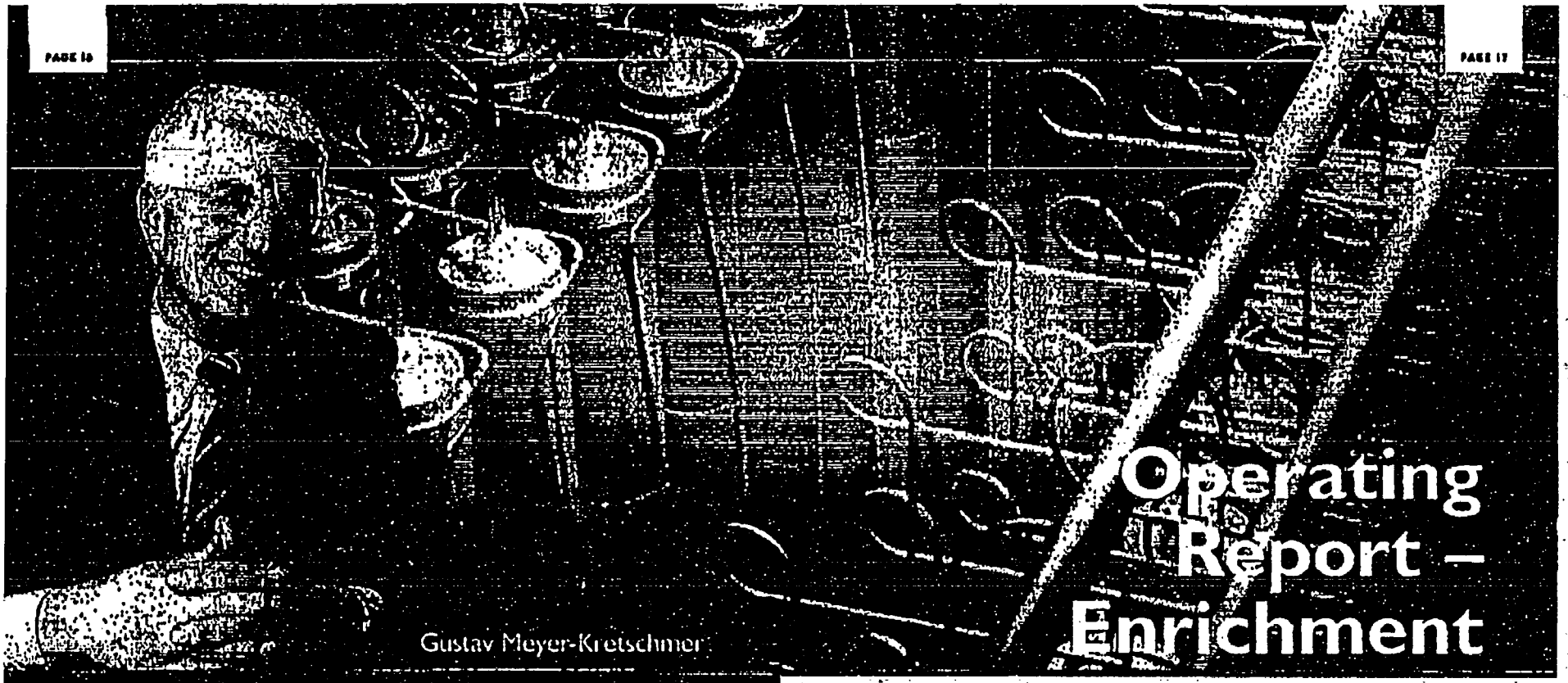

Gustav Meyer-Kretschmer

Operating Report – Enrichment Technology Company

The Enrichment Technology Company (ETC) was created as part of the reorganisation on 1 October 2003. ETC with its subsidiaries is a fully functional group able to design, develop, manufacture and install gas centrifuge enrichment capacity for Urenco and for any other potential customers. The factoring occurs in Almelo in the Netherlands and Jülich in Germany, research and development occurs in Jülich and plant design is concentrated at Capenhurst in the United Kingdom.

The aim of the group is to provide cost effective enrichment capacity, on a flexible basis, that can be installed on time and within customers requirements.

It is intended that in 2004 50% of ETC will be sold to the French nuclear company, Areva. This will secure a future demand for ETC's products well into the next decade.

Achievements in 2003

- Commissioning of new capacity increased by 55% in 2003.
- The manufacturing rate for the production of centrifuges increased by 25% in 2003.
- Restructuring of activities in ETC along process lines was completed.
- The new centrifuge generation has reached the end of the qualification phase, and has already shown excellent performance.

Manufacturing

Throughout 2003 centrifuge manufacturing in Almelo and Jülich continued smoothly with all quality and cost targets being achieved. This was a significant achievement given that the manufacturing rate increased by 25% during the year. Good progress was made throughout the year to ensure that the increased manufacturing capacity planned for 2005 will be achieved.

Cascade pipework manufacturing was successfully restarted within Germany from Jülich to Gronau without interruption to the supply of cascades.

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Directors' Report

Principal Activity

The Urenco Group's principal activity is providing a service by enriching uranium for nuclear power utilities. The Group has two principal subsidiaries, Urenco Enrichment Company Limited (UEC) and Enrichment Technology Company Limited (ETC). UEC provides a service by enriching uranium for nuclear power utilities on a toll basis using centrifuge machines. ETC provides centrifuges and centrifuge technology for uranium enrichment including plant design and future research and development.

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

Results and Dividends

Net Profit transferred to £167.9 million (2002: £87.3 million).

The Directors propose a final dividend for the year of £40 million (2002: £39 million).

Appointments and Resignations

The Directors as at 31 December 2003 are listed on page 2 of this report.

- Mr Ulrich Straube resigned from the Board on 1 January 2003
- Mr Willem Tolsma resigned from the Board on 8 April 2003
- Mr Norman Askew resigned from the Board on 19 June 2003
- Dr Charles Pryor resigned from the Board on 26 September 2003
- Mr Laurens de Leur retired from the Board on 10 December 2003
- Mr Arcadius Vos was appointed to the Board on 1 January 2003
- Dr Helmut Engelhardt was appointed to the Board on 8 April 2003
- Mr Victor Goodrich was appointed to the Board on 8 April 2003
- Mr John Edwards was appointed to the Board on 1 August 2003
- Mr Michael Fuller was appointed to the Board on 29 September 2003.
- Mr George Verberg was appointed to the Board on 10 December 2003.

Directors' Interests

The directors held no interests in the issued share capital of Urenco Limited either beneficially or otherwise at 31 December 2003 or at any other time during the year. No director had a material interest during the year in any contract which is significant in relation to the company's business.

Corporate Governance

The Company is committed to setting high standards of corporate governance and intends to further develop its corporate governance in accordance with best practice, taking account of the company's ownership structure. The Board recognises that it is accountable to the Company's shareholders for good governance.

Directors and the Board

The Board reviews the composition of the Board to take into account the skills and experience required in the context of the business and strategy of the Group. 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.

During 2003, the Board consisted of four Executive and nine Non-Executive directors. The roles of Chairman and Chief Executive are combined. All directors have access to advice from the Company Secretary and training is available for all directors of the Company.

The Board manages overall control of the Group's affairs and is responsible 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 financial statements, major acquisitions and disposals, authority levels for expenditure, treasury policies, risk management and major policies in respect of environment and health and safety issues.

The day-to-day operational management of the Group has been delegated by the Board to the Chief Executive acting in conjunction with the Executive Directors. They provide guidance and direction in addition to ensuring consistency with overall strategy and risk management. Their decisions are communicated throughout the Group on a regular basis.

Internal Control and Risk Management

The Board has overall responsibility for internal control, including risk management, and sets appropriate policies having regard to the objectives of the Group. The Chief Executive in conjunction with the Executive Directors has 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 purpose set out in a rolling 10 year business plan. The business plan is refined into 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 capital expenditure and form the basis of business plans for all the Group's business entities.

The Board has reviewed the effectiveness of the system of internal control for the financial year and the period to the date of approval of the financial statements. It should be understood that such systems are designed to provide reasonable management of and not absolute assurance against risk of failure of business objectives.

At the end of 2003 the Board appointed BDO Stoy Hayward as internal auditors to the Group.

A programme of communication exists and continues to be developed, to ensure that all staff are aware of the parameters constituting acceptable business performance and expectations of the Board in managing risk.

Audit Committee

The Board has an Audit Committee, chaired by Mr Williams and consisting entirely of Non-Executive Directors, which meets a minimum of three times a year. The other committee members are Mr Goodrich and Mr Vos. The Chief Executive and the Finance Director are invited to attend committee meetings. The Committee's primary responsibilities include reviewing the system of internal control of the Group, and providing a forum for reporting by the Group's external and internal auditors.

The Audit Committee also reviews annually the performance of the Company's auditors to ensure an objective, professional and cost-effective relationship is maintained.

Remuneration Committee and Report

The committee met twice in 2003. It is composed entirely of Non-Executive Directors. The members of the Remuneration committee in 2003 were:

Mr de Leur (Chairman)	1 January 2003 – 10 December 2003
Mr Verberg (Chairman)	From 10 December 2003
Mr Askew	1 January 2003 – 1 August 2003
Mr Edwards	From 1 August 2003
Dr Jaeger	All year 2003

The Chief Executive is invited to attend Committee meetings. The Committee determines the remuneration packages, including contract periods of the Executive Directors. The Committee is governed by terms of reference agreed by the Board and the Committee intends that the remuneration of all Executive Directors will continue to be determined, subject to review on these principles, by the Committee.

The policy of the Company is designed to attract, motivate and retain Executive Directors by providing appropriate remuneration to achieve this purpose.

Total Remuneration

In line with the principles referred to above, the total remuneration levels of the Executive Directors are reviewed annually by the Remuneration Committee having regard to remuneration levels of directors of comparable companies.

The total remuneration package of Executive Directors comprise the following components:

- Base salary – This is determined for each director by the Remuneration Committee taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies.
- Bonus – Performance related bonuses for Executive Directors are at the discretion of the Remuneration Committee.
- Contracts of service – The directors' service agreements provide for discretionary reviews of salary and for termination on twelve months' notice by either party.
- 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 the Inland Revenue.

Other benefits for each Executive Director include:

- Private Medical Insurance.
- The provision of a company car including petrol for private mileage or equivalent salary allowance.

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