

INTERNATIONAL NUCLEAR SERVICES LIMITED

Registered No. 1144352

**Annual Report and Financial Statements
for the year ended
31 March 2010**

DIRECTORS

John Clarke
Sean Balmer
Alaine Greaves
Mark Jervis
David Landon
Alan Moore
Adrian Simper (appointed 23 October 2009)

SECRETARY

Helen Elizabeth Hodgson (formerly Stephenson)

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

RBS plc
1 Spinningfield Square
Manchester
M3 3AP

REGISTERED OFFICE

Herdus House
Westlakes Science & Technology Park
Moor Row
Cumbria
CA24 3HU

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2010.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, is £3,364,000 (2009 restated: £5,404,000). The directors do not recommend payment of a dividend (2009: £nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company and its subsidiaries' principal activities during the year were:

- i) provision of an agency service to the Nuclear Decommissioning Authority (NDA), for the management of contracts, principally in relation to spent nuclear fuel reprocessing and plutonium-based fuel (MOX) manufacture;
- ii) provision of transportation services, including the operation of a fleet of ships for the carriage of nuclear materials to fulfil transportation contracts on behalf of the NDA.

The Company's key financial and other performance indicators' performance during the year were as follows:

Key performance indicators

| | Actual | Target |
|---|---------------|---------------|
| <i>Profit for the financial year (excl exceptional items & tax)</i> | £5,229k | £3,426k |
| <i>Average number of employees</i> | 131 | 145 |
| <i>Agency work for NDA</i> | £458M | £439M |

The Company had a successful year with profit for the financial year higher than target driven by additional income from customers in relation to new work performed in the year by the Company, together with cost reductions in a number of areas across the business. The Company also benefited from additional dividend payments from its subsidiaries.

Agency work for the NDA comprises invoices raised on behalf of the NDA during the financial year in the Company's role as agent to the NDA in relation to the management of contracts. The monies in relation to these invoices flow directly to the NDA. The Company exceeded the agreed target following successful negotiation of new contracts with customers.

During the year the decision was taken to restructure of the Company's subsidiary, INS France SA. This has resulted in 3 redundancies, disposal/repatriation of some assets and some liabilities in relation to restoration of the port facilities in France. The restructuring plan commenced during the year and is expected to complete in the next financial year. This will result in more efficient operations for the Company and its subsidiaries.

FUTURE DEVELOPMENTS

The contracts management and transport activities have committed business for a number of years. The focus of the directors is to manage the business and to prepare and execute a business development strategy to enable International Nuclear Services Limited and its subsidiaries to remain a leading international nuclear fuel cycle services and transport group.

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has established a risk review team that meets regularly to evaluate the key risks facing the Company and its subsidiaries and to identify and implement the action required to mitigate these risks. Key risks and uncertainties facing the Company and its subsidiaries can be broadly grouped as asset/route availability risk, legislative and financial instrument risk.

Legislative risk

Existing legislation requires package licences to be obtained from the competent authorities prior to shipment. If package licences are delayed this would result in a delay to the shipment until the licence is obtained. A dedicated team is responsible for reviewing and identifying all licence requirements. Any risks in relation to obtaining licences are identified with appropriate mitigating action taken where required.

Asset/route availability risks

The nature of the business means that the Company and its subsidiaries require the appropriate access to a number of international shipping routes and the appropriate assets (both existing and new assets) to enable safe and effective transportation. If routes are blocked, existing assets have technical failures or new assets are unable to be procured at the appropriate time then the Company's ability to meet transport requirements may be at risk. This risk is managed by reviewing on a regular basis all assets and routes required to meet transportation requirements. Any risks to meeting these requirements are identified with appropriate mitigating action taken where required.

Financial instrument risks

The investment policy of the Company and its subsidiaries is to hold funds in bank deposits which are invested on a short-term basis in the money market. Liquidity is managed by preparing short and medium-term cash flow forecasts against which the maturity of bank deposits is timed.

Some cash balances are held in bank accounts not legally owned by the Company but held legally by a key supplier to the Company in relation to shipping services. A Deed of Trust is in place to protect the counter-party risk faced by the Company, together with key financial controls in relation to monitoring cash balances and expenditure and also limiting the balances in such accounts to a minimum level required to support continued operations.

Forward foreign currency contracts are also used to reduce exposure to the variability of foreign exchange rates by fixing the rate of any significant payments in a foreign currency.

DONATIONS

There were no political donations made in the year. As part of the Company's commitment to the communities in which it operates, contributions totalling £17,554 (2009: £8,264) were made during the year primarily to local charities and community projects.

DIRECTORS

The directors who served during the year were as follows:

John Clarke
Sean Balmer
Alaine Greaves
Mark Jervis
David Landon
Alan Moore
Adrian Simper (appointed 23 October 2009)
Richard Waite (resigned 23 October 2009)

