Louisiana Energy Services, LLC

Consolidated Financial Statements as of and for the Years Ended 31 December 2022 and 2021 and Independent Auditors’ Report

LOUISIANA ENERGY SERVICES, LLC

COMPANY INFORMATION

LOUISIANA ENERGY SERVICES LLC (LES) BOARD OF MANAGERS

Ms. Karen D. Fili	Chairperson of the Board, LES President & Chief Executive Officer
Mr. Chris Chater	Member of the Board
Mr. Paul Lorskulsint	Member of the Board – appointed 7 July 2021
Mr. David Sexton	Member of the Board – appointed 10 August 2020 – resigned 13 January 2023
Mr. Stephen Cowne	Member of the Board – appointed 10 August 2020 – resigned 6 July 2021

LES MANAGEMENT

Ms. Karen D. Fili	LES President & Chief Executive Officer
Mr. Stephen Cowne	LES Chief Nuclear Officer – resigned 6 July 2021
Mr. Paul Lorskulsint	LES Compliance Manager – resigned 1 July 2021
Mr. Paul Lorskulsint	LES Chief Nuclear Officer – appointed 7 July 2021
Mr. Wyatt Padgett	LES Compliance Manager – appointed 2 July 2021
Mr. Steven G. Roddy	LES Site Controller
Mr. Brandt Graham	LES Secretary & Senior Attorney – resigned 1 November 2022
Ms. Jenise Dahlin	LES Safety and Emergency Preparedness Manager – reassigned to URENCO LTD 1 September 2021
Ms. Staci White	LES Safety and Emergency Preparedness Manager – appointed 1 September 2021
Mr. Jody Blackshear	LES Operations Manager – reassigned to URENCO LTD 1 January 2021
Mr. Scott Diggs	LES Operations Manager – appointed 1 January 2021
Mr. Randy Shaffer	LES Maintenance Manager – resigned 6 July 2021
Mr. Dale Rush	LES Maintenance Manager – appointed 7 July 2021 – resigned 16 January 2023
Ms. Nicole Wyatt	LES Human Resources Manager
Mr. Stan Scott	LES Engineering and Projects Manager – resigned 30 July 2021
Mr. Steve Magill	LES Interim Engineering and Projects Manager – appointed 1 August 2021 - resigned 28 November 2021
Mr. Brian Dorathy	LES Engineering and Projects Manager – appointed 29 November 2021
Mr. Steve Magill	LES Decommissioning and Recycling Manager – resigned 11 April 2021 and position removed from LES Management team - 12 April 2021
Mr. Shawn O'Brien	LES Logistics Manager – appointed 18 November 2021
Ms. Lisa Hardison	LES Communications Manager

AUDITORS

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BANKERS

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LOUISIANA ENERGY SERVICES, LLC

COMPANY INFORMATION - continued

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LOUISIANA ENERGY SERVICES, LLC

CONTENTS

CORPORATE GOVERNANCE

Louisiana Energy Services, LLC's ("LES" or the "Company") 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 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.

The Board and its Committees

During 2022, the Board was comprised of the Chairperson and three members of the Board of Managers. The LES Management is comprised of the Executive positions on site at the enrichment facility.

LES BOARD OF MANAGERS

Ms. Karen D. Fili	Chairperson of the Board, LES President & Chief Executive Officer
Mr. Chris Chater	Member of the Board
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Mr. Shawn O'Brien	LES Logistics Manager – appointed 18 November 2021
Ms. Lisa Hardison	LES Communications Manager

Operation of the Board

LES Board of Managers and LES Management provide overall control of the affairs and are responsible for policies and strategic direction. They meet on a regular basis to consider matters specifically reserved for their approval. These include the approval of the business plan, financing policies, budget and financial statements, enrichment facility operation, enrichment facility capital projects and major regulatory issues.

CORPORATE GOVERNANCE - CONTINUED

Total Remuneration

The Company's policy on LES Executive Management remuneration is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Company's objectives and thereby enhancing value. The package consists of basic salary, benefits and related bonuses based on performance and dependent upon the achievement of targets.

INDEPENDENT AUDITOR'S REPORT

The Board of Managers and Members of Louisiana Energy Services, LLC.

Opinion

We have audited the consolidated financial statements of Louisiana Energy Services, LLC and its wholly-owned subsidiary (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive profit, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

Dallas, Texas

March 2, 2023

Consolidated Statements of Operations
For the year ended 31 December

	Notes	2022 Results for the year $000	2021 Results for the year $000
Revenue from sale of goods and services	3	**554,437**	506,879
Work performed by the entity and capitalised		**2,104**	1,585
Changes to inventories of finished goods and work in progress		**(144,587)**	(38,435)
Raw materials and consumables used		**(1,564)**	(2,703)
Tails provision expense	17	**(67,070)**	(45,078)
Employee benefits expense	5	**(40,673)**	(39,057)
Depreciation and amortisation		**(149,874)**	(154,597)
Recoverable amount of impairment		**968,490**	-
Gain on asset disposals		**151**	-
Other expenses	26	**(95,415)**	(65,135)
Profit from operating activities		**1,025,999**	163,459
Finance income	6	**15,511**	1,884
Net gains – Nuclear decommissioning fund	27	**1,277**	-
Finance costs	7	**(77,430)**	(71,228)
Net Profit for the year attributable to equity holders of the parent		**965,357**	94,115

Consolidated Statement of Comprehensive Profit
For the year ended 31 December

	Notes	2022 Results for the year $000	2021 Results for the year $000
Net Profit for the year		**965,357**	94,115
Total Comprehensive Profit relating to the year attributable to equity holders of the parent		**965,357**	94,115

The consolidated financial statements were approved by the Board of Managers and LES Management and authorised for issue on 2 March 2023

They were signed on its behalf by:

Karen D. Fili
LES President & Chief Executive Officer

Steven G. Roddy
LES Site Controller

See notes to the consolidated financial statements

Consolidated Statement of Comprehensive income
For the year ended 31 December

	Notes	**2022 Results for the year $000**	2021 Results for the year $000
Other comprehensive income			-
Net loss on debt instrument at fair value through other comprehensive income			
Fair value gain/(loss) on investments in debt instruments measured at FVTOCI	27	**(211)**	-
Total other comprehensive income/(loss) for the year		**(211)**	-

Consolidated Statements of Financial Position
At 31 December

	Notes	**2022 Results for the year $000**	2021 Results for the year $000
Assets			
Non-current assets			
Property, plant and equipment, including right of use assets	8	**2,493,812**	1,622,903
Contract assets	11	**9,420**	25,212
Intangible assets	9	**21,189**	13,806
Nuclear decommissioning fund	27	**516,067**	-
Restricted cash	14	**400**	962
		3,040,888	1,662,883
Current assets			
Inventories	10	**12,421**	10,097
SWU assets	10	**62,784**	95,868
Contract assets	11	**15,792**	14,218
Prepayments and receivables	12	**36,833**	115,536
Amounts due from related parties	12,23	**550,420**	648,383
Cash	13,16	**1,476**	663
		679,726	884,765
Total assets		**3,720,614**	2,547,648
Equity and liabilities			
Members' equity accounts	25	**2,353,132**	2,353,132
Investments revaluation reserve	27	**(211)**	-
Retained losses	25	**(575,717)**	(1,541,074)
Total equity attributable to equity holders of the parent		**1,777,204**	812,058
Non-current liabilities			
Trade and other payables	18	**60,166**	44,847
Contract liabilities	19	**64,996**	29,494
Obligations under lease liabilities	20	**420**	540
Interest bearing loans and borrowings	16	**1,066,090**	1,012,530
Provisions	17	**690,955**	586,866
		1,882,627	1,674,277
Current liabilities			
Trade and other payables	18	**50,199**	44,522
Obligations under lease liabilities	20	**202**	273
Interest bearing loans and borrowings	16	**10,382**	16,518
		60,783	61,313
Total liabilities		**1,943,410**	1,735,590
Total equity and liabilities		**3,720,614**	2,547,648

See notes to the consolidated financial statements

Consolidated Statements of Changes in Equity
For the year ended 31 December

	Note 25	Members' Interest $000	Retained Losses $000	Total attributable to members $000
As at 1 January 2022		**2,353,132**	**(1,541,074)**	**812,058**
Fair value gain/(loss) – nuclear decommissioning fund	**27**	**-**	**(211)**	**(211)**
Total comprehensive profit		**-**	**965,357**	**965,357**
As at 31 December 2022		**2,353,132**	**(575,928)**	**1,777,204**

	Note 25	Members' Interest $000	Retained Losses $000	Total attributable to members $000
As at 1 January 2021		2,353,132	(1,635,189)	717,943
Total comprehensive profit		-	94,115	94,115
As at 31 December 2021		2,353,132	(1,541,074)	812,058

See notes to the consolidated financial statements

Consolidated Statements of Cash Flows for the year ended 31 December

	Notes	**2022 $000**	2021 $000
Net Profit		**965,357**	94,115
Adjustments to reconcile net profit to net cash outflows from operating activities			
Depreciation and amortisation		**149,874**	154,597
Finance income	6	**(15,511)**	(1,884)
Finance cost	7	**77,430**	71,151
(Gain) or Write off / disposal of property, plant and equipment		**(151)**	68
Impairment recovery on fixed assets and intangibles		**(968,490)**	-
Increase in provisions		**45,407**	25,090
Affiliate funded costs		**28,040**	27,976
Other non-operating income		**(77)**	-
Foreign exchange loss / (gain)		**(3,142)**	(2,217)
Operating cash flows before movements in working capital		**278,737**	368,896
(Increase) / decrease in inventories and SWU assets		**39,177**	12,566
(Increase) / decrease in receivables, other prepayments and restricted cash		**5,792**	(94,455)
Increase / (decrease) in payables and SWU liabilities[1]		**35,502**	26,013
Net cash from operating activities		**359,208**	313,020
Investing activities			
Purchases of property, plant and equipment [1]		**(30,129)**	(17,910)
Contributions to Nuclear Decommissioning Trust	27	**(515,001)**	-
Purchases of intangibles		**(20)**	-
Net cash (used) from investing activities		**(545,150)**	(17,910)
Financing activities			
Interest Paid		**(52)**	(3,082)
Borrowings from affiliate		**882,849**	109,997
Payments to affiliate		**(695,856)**	(402,000)
Repayment of lease liabilities		**(186)**	(174)
Net cash used in financing activities		**186,755**	(295,259)
Net (Decrease) in cash		**813**	(149)
Cash at 1 January		**663**	812
Cash at 31 December	13	**1,476**	663

[1] The 2022 working capital changes for payables and PP&E additions have been reduced by $2.8 million (2021: $1.0 million) for non-cash capital liabilities.

See notes to the consolidated financial statements

Notes to the Consolidated Financial Statements
For the years ended 31 December 2022 and 2021

1. Authorisation of consolidated financial statements and compliance with IFRS

The consolidated financial statements of Louisiana Energy Services, LLC (LES or the "Company") for the years ended 31 December 2022 and 2021, were authorised for issue by the Board of Managers and LES Management on 2 March 2023 and the financial statements were signed on behalf of Management by Karen D. Fili and Steven G. Roddy.

Louisiana Energy Services, LLC is a limited liability company domiciled and registered in the United States. Louisiana Energy Services, L.P. was formed as a limited partnership on 9 April 1990, and was converted to Louisiana Energy Services, LLC on 28 April 2008. The nature of the Company's operations and its principal activities are to provide services to enrich uranium.

The LES financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared based on the accounting policies consistent with the ultimate parent company Urenco Limited, an entity incorporated in the United Kingdom (UK).

2. Significant accounting policies

Basis of preparation and presentation

LES is part of the Urenco Group (the "Group"). Urenco Limited (ULTD), the parent company of the Group is registered in the United Kingdom. The Group has two main activities, the enriching of uranium and development of plant and equipment for enrichment. LES is part of the enrichment activity. The LES consolidated statements have been prepared on a historical cost basis. In addition, LES has one wholly-owned subsidiary. The NEF Series 2004, LLC (NO4) was created for the specific purpose of the Industrial Revenue Bond with Lea County, New Mexico.

LES' business is long-term by nature. The Company has adequate financial resources through funding and loan agreements with Urenco USA Inc. and ULTD (the ultimate parent). For this reason, the Company continues to utilize the going concern basis in preparing the consolidated financial statements. The Group seeks to achieve flexibility and continuity of funding through the active use of a range of different instruments, markets and currencies. Funding arrangements for LES are ultimately dependent on the Group's ability to continue to obtain funding in the markets or through cash generated from operations.

The Company's consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand ($000) except where otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary as of 31 December each year. A Nuclear Decommissioning Trust fund (NDT) has also been consolidated from the date of its establishment in November 2022 and funded December 2022. See Note 27 for details on the NDT. Control is achieved when the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with the investee and has the ability to use powers to affect the returns. The subsidiary continues to be consolidated until the date such control ceases to exist.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

2. Significant accounting policies – continued

Adoption of new and revised accounting standards

Amendments to accounting standards that are mandatorily effective for the current year.

The accounting policies adopted in the preparation of the Company's annual financial statements for the year ended 31 December 2022 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except as follows.

In the current year, the Company has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. These amendments are deemed to have no impact on disclosures or on the amounts reported in these financial statements.

International Accounting Standards (IFRS / IAS)	**IASB Effective Date - periods commencing on or after**	**IFRS effective Date - periods commencing on or after**
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022	1 January 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022	1 January 2022
Annual Improvements to IFRS 2018– 2020: • Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a First-time Adopter. • Amendment to IFRS 9 Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities. • Amendment to IFRS 16 Leases – removal of the illustration of the reimbursement of leasehold improvements. • Amendment to IAS 41 Agriculture - Taxation in Fair Value Measurements.	1 January 2022	1 January 2022

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective.

International Accounting Standards (IFRS / IAS)	**IASB Effective Date - periods commencing on or after**	**IFRS effective date - periods commencing on or after**
Standards		
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	1 January 2023	1 January 2023
Amendments		
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and Deferral of Effective Date Amendment (issued on 15 July 2020)	1 January 2024*	Not yet endorsed

2. Significant accounting policies – continued

Adoption of new and revised accounting standards – continued

Definition of Accounting Estimates (Amendments to IAS 8) (issued on 12 February 2021)	1 January 2023	Not yet endorsed
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Issued on 12 February 2021)	1 January 2023	Not yet endorsed
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) (issued on 7 May 2021)	1 January 2023	Not yet endorsed

*Deferred until not earlier than 1 January 2024

The Managers do not expect that the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Significant estimates and assumptions

In the process of applying the Company's accounting policies, Management has to make estimates and assumptions. There could be a risk that the carrying values of the Company'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**
  Where impairment indicators are identified, management assesses the recoverable amount of assets based on value in use, using discounted cash flow models.

  Determination of the value in use requires management to make an estimation of value for the cash generating units (CGUs) involved and changes in estimates could impact the recoverable values of these assets. The key accounting assumptions inherent within the value in use calculations are reviewed regularly and include: estimations of future market dynamics (including forecast global nuclear generating capacity over time and the resulting demand for EUP) and associated market pricing projections and the pre-tax nominal discount rate used. Other assumptions include the enrichment capacity of the US and European operations, the extension of the USA operating license beyond 2040 which management expect to receive in the ordinary course of business, ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating and nuclear tails waste disposal costs and US Government policy.

  If there is an impairment indicator, then the value in use calculations for CGUs are based on long-term cash flow projections which utilise the Company's most recent ten year business plan. Assumptions for demand and pricing of enrichment services are based on a comprehensive internal market analysis of future market conditions with reference to external forecast data about market pricing and sales volume projections where available. For the years ended 31 December 2022 indicators for reversal of impairment have been identified.

- **Timing of Separative Work Unit (SWU) revenue recognition**
  SWU revenue is recognised at a point in time, not over a period of time. Judgment is required in reaching this conclusion, including an assessment as to whether LES is enhancing any specific customer's asset as described in IFRS 15. Management has assessed that enrichment activity does not meet the definition of enhancing a customer's asset and that therefore control of SWU passes to the customer at a point in time. This is supported by the facts that the customer continues to have legal title to the uranium and retains the associated residual risks and rewards of ownership until the point control of SWU transfers to the customer. Further, as uranium is fungible, the customer of any enrichment activity can only be identified just prior to the point of time that control of SWU transfers to the owner.

2. Significant accounting policies – continued

- **Timing of Separative Work Unit (SWU) revenue recognition - continued**
  Management has applied judgement in concluding that each SWU delivery under an enrichment contract is a separate performance obligation and therefore each contract is a series of performance obligations rather than a single overall service. This applies when there is a series of fixed or minimum deliveries stated in the contract at inception.

  Certain SWU and feed contracts have deliveries on a 'requirements basis', where the quantities are dependent on the operation and reload patterns of nuclear power stations. Therefore, these contracts have variable quantities that are considered to be a series of individual options rather than performance obligations. The overall transaction price under an enrichment contract is allocated to each discrete performance obligation in accordance with the relative standalone selling price at inception. The transaction price for options are accounted for when enacted and therefore become committed. Any amount invoiced to the customer in excess of the revenue recognised is recorded as a contract liability and any amount invoiced to the customer below the revenue recognised is recorded as a contract asset. Over the life of an enrichment contract the total revenue recognised will equal the overall transaction price, it is only the timing of revenue recognition that may be deferred or accrued.

  Judgement is required when enrichment contracts are modified, to assess whether or not treatment as a separate contract is necessary. If the contract modification results in an addition of promised SWU deliveries and an increase of the transaction price by an amount that reflects the standalone selling prices of the additional SWU deliveries, then this is treated as a separate contract. Otherwise the remaining deliveries under the existing contract, which are considered distinct, and the additional deliveries under the new contract are combined and the allocation of the revenue under this combined contract is determined based on the relative standalone selling price applicable at the date of contract modification.

  This treatment is based on the judgement that the combined contract contains performance obligations, rather than just options. Assessing whether the change in contract meets these criteria requires significant judgement, particularly where the changes will affect deliveries not yet performed under the original contract.

- **Determination of standalone selling price**
  The standalone selling price is the price at which LES would sell a promised good or service to a customer. In management's judgement this price varies over time and therefore separate deliveries will have different standalone selling prices at the contract inception. Due to the absence of a liquid market for sales of enrichment services or uranium related goods, there is no observable price available when the Company sells such services or goods. Hence judgement is required to determine the appropriate method to calculate the standalone selling prices over time for each type of performance obligation. Management assessed that the most appropriate method to determine this standalone selling price is an adjusted market assessment approach, whereby management evaluates the uranium and the enrichment market and estimates a narrow range of prices for feed, uranium enrichment and conversion services for each point in time that a customer in that market would be willing to pay, supported by information on observable inputs and including previous contract prices. The array of standalone selling prices, including their range, for each type of performance obligation over time, is reviewed on a periodic basis for application to new contracts or contract modifications.

2. Significant accounting policies – continued

Significant estimates and assumptions – continued

- **Determine transaction price**
  The transaction price calculated for any uranium supply or enrichment services contract is based on the total amount which Urenco expects to receive. The total consideration to which Urenco is expected to be entitled to at inception of enrichment and uranium supply contracts can include elements of variable consideration. The Company uses its accumulated historical experience to estimate variable revenue using the most likely method to ensure it is highly probable that a significant reversal of cumulative revenue recognised will not occur. In the assessment of the transaction price, Urenco applies appropriate constraints of the composite elements of variable consideration. Management will use judgement in considering which elements of variable consideration are to be constrained, which may include price caps and floors and variable pricing frameworks across a series of performance obligations.'

- **Depreciation of centrifuges**
  Depreciation charges are based on estimated useful life for the fixed assets involved. The estimated useful lives of centrifuges are evaluated from time to time, but no changes were made in 2021 and 2022.

- **Provisions for tails disposal and decommissioning of plant and machinery**
  Provisions for tails disposal and decommissioning of plant and machinery including cylinders are 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 decommissioning. The final amounts of these provisions are uncertain but are evaluated based upon the planned operational activity involved in successfully achieving safe disposal or decommissioning. The provision for tails is calculated as a rate applicable to the quantity of tails held at the statement of financial position date. Consequently, a movement in the rate or quantity of tails held would result in a similar movement in the provision. In 2017, the assumed initial commencement of tails disposal was extended from 2026 to 2034. Capital costs to increase storage capacity have been included in the long range capital plan. The movement in the tails provision is taken directly to the statement of operations. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with decommissioning the relevant equipment. Adjustments to the decommissioning provisions associated with property, plant and equipment result in adjustments to the value of the related asset. The cash flows which have been used to measure both provisions have been inflated at a rate of 2.2% (2021: 2.1%) per annum and discounted at a rate of 3.45% (2021: 3.35%) per annum to take account of the time value of money. In 2022, LES updated the 10 year look back methodology to a prospective methodology through internal examination of long dated bond yields and through consultation with independent third party advisors. This resulted in a 10 bps increase in nominal discount rates and a 10 bps increase in the inflation rate to re-base rates to an acceptable range. As a result, the net real US rate remained consistent at 1.22%.This conclusion is based on current market data analysis which has enabled management to determine an acceptable range through statistical analysis of long dated bond yields. Details of the provisions are given in Note 17.

Revenue recognition

The Company principally operates as a supplier of uranium enrichment services. Customers usually provide UF_6 (Uranium hexafluoride) to the Company as part of their contract for enrichment with LES. Customers are billed for the enrichment services, expressed as SWU deemed to be contained in the EUP delivered. SWU is a standard unit of measurement that represents the effort required to separate a given amount of uranium into two streams: EUP having a higher percentage of U_{235} than natural uranium and depleted uranium having a lower percentage of U_{235} than natural uranium. The SWU contained in EUP is calculated using an industry standard formula based on the physics of enrichment.

2. Significant accounting policies – continued

Revenue recognition – continued

Revenue is recognised when the Company transfers control of a product or service to a customer. Revenue is measured based on a judgment of the comparative value of each delivery based on an allocation of the total consideration received or receivable during the life of the contract and represents amounts receivable for services and goods provided in the normal course of business, excluding sales related taxes.

Customers may make advance payments to be applied against future orders or deliveries. Advances are accounted for as a contract liability and revenue is recognised on provision of the service or transfer of legal title to the goods.

The Company also generates revenue from the sale of LES owned uranium to customers. Contracts with customers are usually for the long term supply of enrichment services or uranium related goods and normal payment terms are 30 days from the invoice date. Generally, the date of invoicing is the date that control of the SWU or uranium transfers to the customer. Contracts will typically comprise elements of fixed and variable consideration, the latter of which may include, but not be limited to indexation and price formulae referencing customer volume uptakes. Contracts may include volume flexibilities for the customer to take off additional quantities of enrichment services or uranium over and above contractual minimums, which are treated as options. Contracts may also include, within the transaction price, a significant financing component.

Sale of services

An enrichment contract usually has a series of distinct performance obligations, where there is a specified set of fixed or minimum quantity deliveries, each one relating to the enrichment of uranium as provided by the customer. Contracts that deliver on a 'requirement basis', those which deliver a quantity equivalent to a percentage amount of the customer's SWU requirements needs, are considered to be a series of options. This may also apply in other situations where quantities are not fixed or additional amounts can be sought.

The timing of passing of control of the enriched uranium to the customer occurs at the same time when the Company acquires title to the uranium provided by the customer and the point in time when the Company acquires title to the tails generated by the associated enrichment activity. Revenue is derived from the sales of the SWU component of EUP arising from the enrichment service provided. Revenue is recognised at the point in time control of the service transfers to the customer, which is at the point the underlying SWU is transferred to the customer. This is the earlier of allocation of the enrichment activity (SWU) to the customer's book account (either held at a third party or with LES) or physical delivery by LES of the SWU component of EUP.

The overall contract price is determined based on the contractual terms agreed with the customer, combined with management's forecast of future customer deliveries and inflation assumptions where appropriate. If the transaction price includes variable consideration, then this amount is constrained to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration that is promised in a contract may be attributable to the entire contract or to a specific delivery. The Company allocates a variable amount entirely to a single delivery if the terms of a variable payment relate specifically to the Company's efforts to satisfy that delivery and this allocation method is consistent with the objective to allocate the transaction price to each delivery in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer. In typical contracts, price indexation adjustments are allocated to the specific delivery to which they relate.

Where variable consideration is allocated to multiple deliveries the transaction price is estimated considering all elements present in a contract, these include prices with maximum and minimum restrictions and pricing differentials across performance obligations. At each relevant reporting period, the Company will re-estimate those contracts which possess variable consideration, recognising any relevant impacts to the income statement or statement of financial position in the same financial period at which the update is performed.

2. Significant accounting policies – continued

Sale of services - continued

The transaction price excludes any incremental amounts that become payable only if the customer chooses to exercise an option to purchase additional goods or services. Where that option includes a discount giving rise to a material right, an element of the transaction price is allocated to that material right. This overall transaction price is allocated to the discrete performance obligations based on an assessment of the standalone selling price for each performance obligation. The determination of the standalone selling price requires judgement, as explained in this note under Critical accounting judgements.

There are occasions where a contract might be amended resulting in different prices which gives rise to a material right to acquire future goods or services which are the same goods or services for which there is no material right. As permitted under IFRS 15, as a practical alternative to estimating the standalone selling price of the option included in the material right, Urenco thereby allocates the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration. Urenco considers this to be a reasonable expedient as the delivery of the goods and services subject to the price realignment are typically provided under requirements contracts, which are not considered as options by the customers, as they reflect long-term operation of their nuclear power plants. Typically, those types of options are for contract renewals.

Revenue from sales of SWU is recorded at the point in time when control of the underlying SWU passes to the customer and therefore there are no SWU assets relating to partially completed performance obligations. Any direct costs incurred to fulfil enrichment contracts prior to transfer of control of the SWU to the customer are capitalised and classified as SWU assets on the statement of financial position.

Where contracts are modified, an assessment is made on a contract-by-contract basis as to whether the effective price of any additional quantities is equal to the standalone selling price for those quantities. If additional quantities are assessed to be at the standalone selling price, then the additional quantities are treated as a new contract with the revenues under the existing deliveries being recognised in accordance with the pre-modified contract. If the additional quantities are assessed to be at a price which is not the standalone selling price, then this is treated as a contract modification to be applied prospectively, resulting in an allocation of revenues to the sum of remaining deliveries under the pre modified contract and additional deliveries under the modified contract that does not necessarily accord with the amounts invoiced or cash received. Any such differences will be recognised as contract assets if the amounts invoiced for deliveries are lower than revenue recognised or as contract liabilities, if the amounts invoiced are higher than revenue recognised. As set out in this note under Significant estimates and assumptions, the treatment of a contract modification as a separate contract may not require judgment.

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

Sale of goods

Revenue is derived from the sale of uranium in the form of UF_6 or U_3O_8 that is owned by LES and occasionally from the sale of the uranium component of EUP. Revenue from the sale of goods is recognised for each delivery when the Company has transferred control of goods to the buyer. Measurement is based on a judgment of the comparative value of each delivery based on an allocation of the overall value of the contract.

This requires judgment of the standalone selling price for UF_6 or U_3O_8. The standalone selling price for each type of good is determined based on observable inputs, including spot prices, estimated forward prices and management's ongoing assessments. The overall contract price for the sale of these goods is allocated to each delivery on a relative standalone selling price basis, based on the same methodology as adopted for sale of services.

Application of the Company's revenue recognition policy

Judgment is required in determining the amount and timing of recognition of revenue for enrichment services and uranium related sales due to the complex nature of certain enrichment contracts and contractual delivery terms. See note under significant estimates and assumptions. This is particularly relevant at period ends

2. Significant accounting policies – continued

Application of Company's revenue recognition policy - continued

where a large volume of sales are made to customers, often for individually high values. This judgment includes an assessment of whether revenues are recognised in accordance with the Company's revenue recognition policy and updating of this policy for any new types of transactions. Details of revenues are given in Note 3.

SWU assets

SWU assets are the costs incurred to date in enriching UF_6 to fulfil customer SWU contracts. These costs are capitalised in accordance with IFRS 15 as costs incurred to fulfil a contract with a customer. The costs are charged to the income statement at the point in time the revenue associated with these assets is recognised.

Contract assets

Contract assets relate to balances due from customers under enrichment contracts that arise when the revenue recognised for a delivery exceeds the amount of consideration or for which a receivable has been recognised.

Contract liabilities

Contract liabilities relate to balances due to customers under enrichment contracts or storage service agreements for which the Company has received consideration from the customer prior to transferring control of the underlying good or service. These balances also arise when the revenue recognised for a delivery is lower than the amount of consideration or that has been recognised as a receivable. See Note 19.

Finance income

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

Work performed by the entity and capitalised

Costs of project management employees during capital projects for the enrichment facility are capitalised. Own work capitalised is credited to the consolidated statement of operations at cost. Costs capitalised relate substantially to employee pay related expenses. It is the Company's policy to capitalise the full costs of the facility capital projects and installing capacity.

Foreign currencies

The Company's functional currency is US Dollar due to the operational expenses and revenues that are largely denominated in US Dollar. 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 consolidated statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the consolidated statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Gains and losses arising on retranslation are included in the statement of operations.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset have been capitalised. Construction at the LES site has been deemed substantially complete and no interest has been capitalised for ongoing operating capital.

Retirement benefit costs

The Company offers a defined contribution plan in accordance with United States Internal Revenue Service sections 401K and 409A. Payments to the defined contribution retirement benefit plan are charged as an expense as they fall due.

2. Significant accounting policies – continued

Retirement benefit costs - continued

The Company has a non-qualified defined benefit plan for one former key employee that is categorised as an unfunded plan. The retirement benefit obligations recognised in the balance sheet represents the present value of the defined benefit obligation. The benefit obligation is recognised in the statement of financial position over the former employee's actuarial benefit period. See Note 17.

Taxation

LES is treated as a flow-through entity for federal and state income tax purposes given the legal form of the business being a limited liability company, whereby each Member is taxable on its respective share of income and tax-benefited on its respective share of loss.

Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and impairment recoveries. Such costs 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 consolidated statement of financial position at their cost less accumulated depreciation and impairment recoveries.

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 recovery. Cost includes professional fees and borrowing costs in accordance with the Company's accounting policy. Depreciation of these assets commences when the assets are commissioned for use. Office fixtures, fittings and computer equipment are stated at cost less accumulated depreciation and any recognised impairment recovery.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight line method, on the following bases:

Buildings	30 – 40 years
Plant and machinery	2 – 20 years
Office fixtures and fittings	3 – 5 years
Land Improvements	15 years
Motor vehicles	4 years

Decommissioning assets are also reported under plant and machinery and are measured at net present value of future decommissioning costs and revised for changes. Decommissioning assets are also depreciated over 2 – 20 years using straight-line method.

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 statement of operations.

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. For 2022, the Company recovered the prior years' impairment losses as a result of forecasted future cash flow increases.

Licence costs

Licences acquired are recorded at cost and are amortised on a straight line basis over the initial licence period.

Water rights

Water rights acquired are recorded at cost and are not amortised due to the indefinite life of the assets.

Plant site cost

Plant site cost is recorded at the internal cost incurred during site selection in the State of New Mexico. The plant site costs are amortised on a straight line basis over their useful lives.

2. Significant accounting policies – continued

Other software assets

Other software assets are recorded at cost and are amortised on a straight line basis over their useful lives.

Impairment of property, plant and equipment and intangible assets

At each consolidated statement of financial position date, the Company 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The 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 was recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials costs comprise direct material costs, work-in-progress 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.

Inventory borrowings

The Company periodically borrows SWU or uranium (‘feed’) from third parties and related parties in order to optimise its operational efficiency and inventory position. The payments made by the Company under these loan agreements are recorded in the statement of operations under other expenses. These payments are recorded as non-operational expenses and therefore do not form part of the direct costs that go into the Company’s valuation of own inventory production. During the term of the agreement the Company recognises both an asset and liability on its statement of financial position, valued at the weighted average cost of SWU or feed. Any movements in the Company’s weighted average cost would lead to a revaluation of both the asset and liability. At the end of the loan period the Company returns the SWU or feed to the lender and the Company has the intention to source this from its own production.

Cash

Cash in the consolidated statement of financial position and consolidated statement of cash flows comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Trade receivables

Trade receivables can carry interest in accordance with the contract conditions. Trade receivables are measured at amortised cost, less any expected credit losses.

2. Significant accounting policies – continued

Financial assets

Financial assets are measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

Classification of financial assets

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all legal fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective rate to the gross carrying amount of the financial asset.

Interest income is recognised in the consolidated income statement and is included in the "finance income" line item.

(II) Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at FVTOCI. The debt securities held by the Company, via the NDT fund, are classified as FVTOCI. This is because the business model for the financial assets is to grow the asses that have been contributed in the NDT by generating investment returns, in accordance with the investment policy. This will be achieved by a combination of collecting contractual cash flows and by selling financial assets. The NDF wholly invests in debt instruments and money market funds. The debt instruments and money market funds give rise to the contractual cash flows on specified dates that solely relate to payments of principal and interest on the principal outstanding.

Selling of financial assets will be required due to various reasons, including

a. Reallocation of investments between types of investments within same asset category
b. Rebalancing of percentages of amounts invested in different asset categories
c. To satisfy liabilities for decommissioning liabilities or tails costs

2. Significant accounting policies – continued

Financial assets - continued
Classification of financial assets – continued
Financial assets at fair value through other comprehensive income (FVTOCI) - continued

d. To pay administrative costs and other incidental expenses of the NDT

Fair value is determined in the manner described in Note 27. The debt securities are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt securities as a result of impairment gains or losses and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt securities had been measured at amortised cost. However, the loss allowance for expected credit losses is recognised in other comprehensive income instead of reducing the carrying amount of the debt securities. All other changes in the carrying amount of these debt securities are recognised in other comprehensive income and accumulated under the heading of Fair value gain/(loss) on investments in debt instruments measured at FVTOCI. When these debt securities are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss, within finance income or finance costs.

(iii) Financial assets at fair value through profit or loss (FVTPL)
Financial assets that do not meet the criteria for being measured at amortised cost or at FVTOCI are measured at FVTPL.
Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidate income statement to the extent they are not part of a designated hedging relationship.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the underlying contractual arrangements, either at amortised cost or at fair value through profit or loss.

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

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 income and finance cost.

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

Provisions
Provisions are recognised when the Company 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 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.

2. Significant accounting policies – continued

Provisions – continued

The Company is required to decommission uranium enrichment equipment as required under the Company's operating licence. To meet these eventual decommissioning costs, provisions are charged in the accounts at amounts considered to be adequate for the purpose. The plant was commissioned in 2010 and the full discounted cost of decommissioning the enrichment equipment placed in service as of year-end 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. See Note 8.

The enrichment process generates depleted uranium (tails). Provisions are made for all estimated costs and for the eventual disposal of tails. The costs take account of conversion to a different chemical state, immediate storage, transport and safe disposal.

In 2015, the Company began utilizing new enrichment capacity for refeeding. Provisions for refeeding low assay feed represent the cost to the Company of re-enriching low assay feed in the future, back to the assay of natural uranium. See Note 17.

3. Revenue

During 2022, LES continued to sell its own enriched SWU product. Revenues received during the year were from 30 customers (2021: 37) geographically based in the United States of which 2 (2021: 3) contributed 10% or more and 4 customers (2021: 8) geographically based outside the United States totalling $23.6 million (2021: $36.2 million). Revenues for the year amounted to $554.4 million (2021: $506.9 million).

Customers representing more than 10% of revenue

	2022 Sales $000	**Percentage**	2021 Sales $000	Percentage
Customer 1	**148,364**	**25%**	84,879	17%
Customer 2	**140,154**	**23%**	83,585	16%
Customer 3	**-**	**-**	61,288	12%

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision makers. The chief decision makers have been identified as the Board of Managers and LES Management. Operating segments have been identified based on risk and returns of the Company's major operations and there is only one operating segment, being enrichment of uranium and supply of enrichment services.

5. Employee benefits expense

The number of Company employees (including LES Management) at 31 December was:

	2022 Number	2021 Number
Technical	**210**	190
Administration	**35**	38
	245	228

Their aggregate remuneration comprised:

	Year ended 31/12/22 $000	Year ended 31/12/21 $000
Wages and Salaries	**36,071**	34,825
Social Security Costs	**2,048**	1,701
Pension Costs and 401K Matching	**2,554**	2,531
	40,673	39,057

6. Finance income

	Year ended 31/12/22 $000	Year ended 31/12/21 $000
Interest on intercompany loans, bank and other deposits	**15,511**	1,884
Net interest gains nuclear decommissioning fund	**1,277**	-
	16,788	1,884

2022 and 2021 finance income was primarily due to interest recognised on ULTD receivable balance.

7. Finance costs

	Year ended 31/12/22 $000	Year ended 31/12/21 $000
Interest on loans and borrowings	**55,051**	52,386
Unwinding of discount on provisions	**18,638**	15,342
Surety bond and letter of credit fees	**3,741**	3,500
	77,430	71,228

The surety bond and letter of credit fees is the cost for a financial surety bond that LES is required to maintain by the Nuclear Regulatory Commission (NRC) to provide funds for decommissioning of the LES plant and ultimate disposal of any tails that may remain in the event the Company defaults on its obligation to complete these decommissioning and disposal activities.

8. Property, plant and equipment

LES has entered into an Industrial Revenue Bond (IRB) for $4.0 billion with the State of New Mexico and Lea County, New Mexico to construct the enrichment facility. The IRB is self-funded through NEF Series 2004, LLC (N04), a wholly owned subsidiary of LES. The county does not make any loan to N04 or LES. LES funds N04 and in return receives bond proceeds from N04, the bond holder, for investment in the construction of the enrichment facility. The IRB is controlled under a Lease and Purchase Agreement that was executed in 2004.

While the county technically owns the land and assets of LES, LES maintains complete control of the assets and profits and therefore bears the entire risk and reward of the assets. The IRB requires that the County sells the land and assets back to LES for $1 on the earlier of 30 years from the anniversary of the IRB being executed or any earlier date requested by LES. As the county technically owns the land and assets comprising the enrichment facility, no property taxes are due. Instead, LES makes a payment in lieu of tax equivalent to only 20% of the property tax that would have otherwise been due. LES will become subject to property tax when the IRB is terminated. The IRB also eliminates New Mexico gross receipts tax on certain tangible personal property purchases.

At the end of 2015, LES entered into an agreement for an additional $1.4 billion IRB with the State of New Mexico and Lea County, New Mexico. For assets added under the additional IRB, a 20% payment in lieu of tax will apply only to property taxes imposed by Lea County and the State of New Mexico. All other local taxing jurisdictions will receive 100% of the designated property tax.

During 2018, LES entered into a negotiation with Lea County, New Mexico to restructure payments in lieu of taxes. An agreement was reached on 3 May 2018 that payments in lieu of taxes for future years will be based on a flat payment schedule representing assets in service as of 31 December 2018. Assets placed in service after 31 December 2018 will be subject to payments in lieu of taxes according to the terms of the 2015 IRB.

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

8. Property, plant and equipment – continued

2022	Land & buildings $000	Plant & machinery $000	Fixtures & fittings $000	Motor vehicles $000	Assets under construction $000	Total $000
Cost as at 1 January 2022	**1,748,410**	**3,111,454**	**37,532**	**1,934**	**15,340**	**4,914,670**
Reclassification to intangible assets	-	-	-		(487)	**(487)**
Additions	**-**	**-**	**-**	**264**	**59,663**	**59,927**
Transfers	**-**	**28,351**	**468**	**-**	**(28,819)**	**-**
Impairment recovery*	**(2,347)**	**2,322**	**(1,126)**	**(231)**	**(2,175)**	**(3,557)**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Written off			**735**	**-**	**-**	**735**
Cost as at 31 December 2022	**1,746,063**	**3,142,127**	**37,609**	**1,967**	**43,522**	**4,971,288**
Depreciation as at 1 January 2021	971,948	2,280,247	35,976	1,663	1,933	3,291,767
Transfers	**-**	**-**	**-**	**-**	**486**	486
Impairment recovery*	**(505,070)**	**(454,445)**	**(1,788)**	**(251)**	**(2,419)**	**(963,973)**
Disposals	**-**	**70**	**-**	**193**	**-**	263
Written off	**-**	**-**	**735**	**(14)**	**-**	721
Charge for the year	**30,442**	**117,503**	**358**	**(91)**	**-**	148,212
Depreciation as at 31 December 2022	**497,320**	**1,943,375**	**35,281**	**1,500**	**-**	**2,477,476**
Carrying amount as at 1 January 2022	971,948	2,280,247	35,976	1,663	1,933	3,291,767
Carrying amount as at 31 December 2022	**1,248,743**	**1,198,752**	**2,328**	**467**	**43,522**	**2,493,812**

*PPE impairment recovery includes the original cost less offset for prior year disposals and the remainder of the recovery is presented through depreciation for the total income statement impact. Intangibles impairment recovery is shown in Note 9.

Asset impairment detail is shown in the table below with the corresponding 2022 recovery. The 2022 recoverable amounts as shown in Depreciation 31 December 2022 are the original 2016 and 2019 impairments less the unrecoverable impairments.

	Land & buildings $000	Plant & machinery $000	Fixtures & fittings $000	Motor vehicles $000	Assets under construction $000	Intangibles $000	Total $000
2016 impairment	264,448	378,958	1,304	18	-	5,272	650,000
2019 impairment	315,330	380,962	1,103	110	1,982	5,513	705,000
Cumulative historical impairment	579,778	759,920	2,407	128	1,982	10,785	1,355,000
2022 impairment recovery recognised as expense	(502,724)	(456,766)	(662)	(20)	(244)	(8,074)	(968,490)
Unrecoverable amount	77,054	303,154	1,745	109	1,738	2,711	386,510

The right-of-use assets were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate and are held in land and buildings, plant and machinery and fixtures and fittings. The amortized period for the right-of use asset is from 1 January 2019 to the earlier of the end of the lease term or the end of the useful life of the asset.

The category of fixtures and fittings comprises office fixtures and fittings and computer equipment.
Included in property, plant, and equipment are the following costs for right-of use assets:

	Land $000	**Buildings $000**	**Office Equipment $000**	**Plant & Machinery $000**
Cost at 31 December 2021	**154**	**53**	**362**	**105**
Additions / (Release)	**-**	**(53)**	**(134)**	**-**
Recoverable amount from impairment reversal	**69**	**25**	**-**	**57**
Accumulated Depreciation	**(21)**	**(25)**	**53**	**(109)**
Carrying amount at 31 December 2022	**202**	**0**	**281**	**53**

8. Property, plant and equipment – continued

At 31 December 2022, the Company had contractual commitments outstanding for the acquisition of property, plant and equipment amounting to $84.2 million substantially relating to 2022 purchases (2021: $1.3 million).

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

	2022	2021
	$000	$000
Cost at 31 December	**86,793**	121,671
Additions / (release)	**21,241**	-
Accumulated depreciation	**(4,529)**	(51,722)
Recoverable amount from impairment reversal	**(11,109)**	-
Carrying amount at 31 December	**92,396**	69,949

Increase to the decommissioning assets were triggered by cylinder purchases and updated asset discounting rates. See Note 2 for explanation of change in rates.

2021	**Land & buildings $000**	**Plant & machinery $000**	**Fixtures & fittings $000**	**Motor vehicles $000**	**Assets under construction $000**	**Total $000**
Cost as at 1 January 2021	**1,742,029**	**3,074,963**	**40,830**	**1,791**	**15,073**	**4,874,686**
Reclassification to intangible assets	-	-	-	-	(1,175)	(1,175)
Additions	**106**	**24,455**	**402**	**-**	**16,264**	41,227
Transfers	**6,275**	**12,036**	**(3,700)**	**143**	**(14,754)**	-
Disposals	**-**	**-**	**-**	**-**	**-**	-
Written off	**-**	**-**	**-**	**-**	**(68)**	(68)
Cost as at 31 December 2021	**1,748,410**	**3,111,454**	**37,532**	**1,934**	**15,340**	**4,914,670**
Depreciation as at 1 January 2020	941,520	2,157,330	36,014	1,477	1,983	3,138,324
Written off	**-**	**-**	**-**	**-**	**-**	**-**
Transfers	**-**	**-**	**(764)**	**-**	**(309)**	**(1,073)**
Disposals	**-**	**-**	**-**	**(81)**	**-**	**(81)**
Charge for the year	**30,428**	**122,917**	**726**	**267**	**259**	**154,597**
Depreciation as at 31 December 2021	**971,948**	**2,280,247**	**35,976**	**1,663**	**1,933**	**3,291,767**
Carrying amount as at 1 January 2021	800,509	917,633	4,816	314	13,090	1,736,362
Carrying amount as at 31 December 2021	**776,462**	**831,207**	**1,556**	**271**	**13,407**	**1,622,903**

9. Intangible assets

The licence costs relate to the costs of obtaining an operating licence from the NRC. This licence was granted to Louisiana Energy Services, LLC in 2006 and ends in 2040, 30 years after the start of enrichment operations in June 2010. The costs are amortised on a straight line basis from grant date with a remaining life of 19 years.

Development costs consist of costs related to the initial site selection in New Mexico ($3.2 million) and water rights ($0.9 million). The development costs related to site selection are amortised according to the remainder of the life of the NRC licence.

9. Intangible assets - continued

2022	**Development costs $000**	**Licence costs $000**	**Other software costs $000**	**Total $000**
Cost as at 31 December 2021	**4,099**	**33,805**	**37,690**	**75,594**
Amortisation as at 31 December 2021	(1,759)	(23,399)	(36,630)	(61,788)
Allocation amortisation	**51**	**423**	**-**	**474**
Recoverable amount from impairment reversal	**873**	**7,200**	**1**	**8,074**
Charge for the year	**(711)**	**(588)**	**(362)**	**(1,661)**
Amortisation as a 31 December 2022	**(1,546)**	**(16,364)**	**(36,991)**	**(54,901)**
Additions	**-**	**-**	**496**	**496**
Carrying amount as at 1 January 2022	2,340	10,406	1,060	13,806
Carrying amount as at 31 December 2022	**2,553**	**17,441**	**1,195**	**21,189**

2021	Development costs $000	Licence costs $000	Other software costs $000	Total $000
Cost as at 31 December 2020	4,099	33,805	36,515	74,419
Amortisation as at 31 December 2020	(1,671)	(22,667)	(36,304)	(60,642)
Charge for the year	(88)	(732)	(326)	(1,146)
Amortisation as a 31 December 2021	(1,759)	(23,399)	(36,630)	(61,788)
Additions	-	-	1,175	1,175
Carrying amount as at 1 January 2021	2,428	11,138	211	13,777
Carrying amount as at 31 December 2021	2,340	10,406	1,060	13,806

10. Inventories and SWU assets

	31/12/22 $000	31/12/21 $000
Inventories and SWU assets		
Raw materials	**12,421**	10,097
SWU assets – Current *	**62,784**	95,868
Total inventories and SWU assets	**75,205**	105,965

*During 2022, the Company entered into an intercompany SWU asset non-cash purchase from UD, UNL and UUK totalling $96.3 million.

11. Contract assets

Contract assets relate to balances due from customers under enrichment contracts that arise when the revenue recognised for a delivery exceeds the amount of consideration received and/or receivable.

	31/12/22 $000	31/12/21 $000
Contract assets		
As at 1 January	**39,430**	18,940
Revenue recognised during the year	**35,502**	25,280
Reversal of accrued revenue during the year	**(49,720)**	(4,790)
As at 31 December	**25,212**	39,430
Included in current assets	**15,792**	14,218
Included in non-current assets	**9,420**	25,212
Total	**25,212**	39,430

11. Contract assets - continued

Revenue recognised during the year related to a contract that had been modified during the year and which resulted in a re-measurement of the revenue to be recognised for the duration of the contract in accordance with the relative stand-alone price.

12. Prepayments and receivables

	31/12/22 $000	31/12/21 $000
Prepayments	**1,417**	3,529
Trade receivables	**23,463**	108,265
Amounts due from related parties	**550,420**	648,383
Other receivables	**11,954**	3,742
Total prepayments and receivables	**587,254**	763,919

The average credit period taken on sales of goods and services is 45 days (2021 45 days). Trade receivables can carry interest in accordance with contract conditions. Trade receivables are stated at amortised cost less a loss allowance for expected credit losses. LES does not currently carry any trade receivables carrying interest.

At the year end, none of the trade receivables were past their due date. Out of the carrying amount of trade receivables, 0% (2021: 78%) were from the largest single customer for the respective year (See Note 3).

LES Management considers that the carrying amount of prepayments and other receivables approximates their fair value.

13. Cash

	31/12/22 $000	31/12/21 $000
Current cash at bank	**1,476**	663

Cash as of December 31, 2022 comprised of cash held by the Company and the carrying amount approximates fair value.

14. Restricted cash

Restricted cash primarily represents two items:

- An amount which is held by an Escrow account for a pipeline agreement for relocation of a pipeline and was agreed to in August 2006. The Escrow agreement shall terminate on the earlier of the 50th anniversary of the agreement or receipt by the Escrow Agent of written notice of termination executed by Trinity Pipeline, L.P. and LES.
- A money market account for the purpose of an employee deferred compensation arrangement. This money market account is referenced in Note 16 – Financial assets and liabilities at fair value.

15. Financial risk management objectives and policies

The Company's financial instruments mainly consist of trade receivables (including due from related parties), cash, restricted cash, trade and other payables, obligations under leases and interest bearing loans and borrowings. All financial instruments are unsecured. No collateral is pledged or received in respect of the Company's financial instruments.

It is, and has been throughout 2022 and 2021, the Company's policy that no speculative trading in financial instruments shall be undertaken.

15. Financial risk management objectives and policies - continued

The main risks arising from the Company's financial instruments are credit risk, market risk (primarily foreign currency and interest rate risk) and liquidity risk. Management reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Company's principal financial assets are cash, restricted cash, nuclear decommissioning fund, prepaids and receivables which represent the Company's maximum exposure totalling $1,105.2 million (2021: $765.5 million).

The Company trades only with creditworthy third parties, who are mainly other participants in the nuclear fuel supply chain and related parties. It is the Company'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 Company under this procedure.

With respect to credit risk arising from other financial assets of the Company, comprising cash, the Company'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.

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.

The Company has transactional currency exposures as a result of approximately 29% (2021: 21%) of its capital expenditure costs being denominated in Euro (EUR) and Sterling (GBP).

Foreign currency sensitivity analysis

During 2022, the Company did not take part in any currency forward contracts. The company was exposed for an insignificant amount to currency risks.

Liquidity risk

LES, as part of 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. Funding arrangements for LES are ultimately dependent on the Group's ability to obtain funding in the markets.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2022 and 2021, based on contractual undiscounted payments (including contractual interest payments):

2022	<3 months $000	3 – 12 months $000	1 – 5 years $000	>5 years $000	Total $000
Loans and borrowings (1)	**12**	**10,370**	**1,066,090**	**-**	**1,076,472**
Trade and other payables (2)	**50,134**	**267**	**60,586**	**-**	**110,987**
Total	**50,146**	**10,637**	**1,126,676**	**-**	**1,187,459**

15. Financial risk management objectives and policies - continued

Liquidity risk - continued

2021	<3 months $000	3 – 12 months $000	1 – 5 years $000	>5 years $000	Total $000
Loans and borrowings (1)	10	16,508	1,012,530	-	1,029,048
Trade and other payables (2)	44,490	268	45,423	-	90,181
Total	44,500	16,776	1,057,953	-	1,119,229

(1) Loans and borrowings maturity details see Note 16.
(2) Trade and other payables includes lease liabilities.

Interest rate risk

The majority of the Company's borrowings are at fixed rates of interest and therefore are not exposed to interest rate risk. One loan payable to a related party has floating rates based on monthly SOFRA. The Company is exposed to interest rate risk on this loan instrument.

Capital management

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. LES defines net debt to total assets as interest bearing loans and borrowings, interest bearing affiliate payable and lease liabilities (current and non-current) net of cash divided by total assets.

Funds from operations comprise operating cash flow before working capital changes less tax and interest paid adjusted for provisions and pension normalization. Total adjusted debt comprises net debt increased by tails, decommissioning and pension provisions.

	Year ended 31/12/22 $000	Year ended 31/12/21 $000
Net Debt	**1,075,618**	1,029,198
Total Assets	**3,720,614**	2,547,648
Net Debt to Total Assets	**29%**	**40%**

16. Loans and borrowings

Foreign currency risk

At 31 December 2022 and 2021 there are no foreign exchange contracts outstanding for LES.

Loans and borrowings

At 31 December	Effective Interest Rate (%)	Maturity (30 day cancellation by either party)	2022 $000	2021 $000
Loans to parent and affiliate				
Current				
Related party loan to ULTD (1)	Monthly SOFRA composite rate plus .25% margin	Evergreen until cancelled	**549,770**	647,926
Related party loan to USINAL (5)	0%	Evergreen until cancelled	**650**	457
Total current loans to parent and affiliate			**550,420**	648,383
Total loans to parent and affiliate			**550,420**	648,383
Loans from parent and affiliate				
Current				
Related party loan from UUI (2)	0%	Evergreen until cancelled	**9,567**	15,651
Related party loan from UI (3)	0%	Evergreen until cancelled	**12**	10
Related party loan from UUES (6)	0%	Evergreen until cancelled	**803**	857
Total current loans from parent and affiliate			**10,382**	16,518
Non-current				
Related party loan from UUI (4)	5.15%	1/28/2026	1,066,090	1,012,530
Total non-current loans from parent and affiliate			**1,066,090**	1,012,530
Total loans from parent and affiliate			**1,076,472**	1,029,048

1. Related party account is the current account with ULTD, the Company's ultimate parent. In 2022, cash received from customer collections exceeded cash funding requests resulting in a net receivable from ULTD.
2. Related party account is the current account with Urenco USA Inc. (UUI), the Company's parent.
3. Related party account is the current account with Urenco Inc., a fellow subsidiary undertaking.
4. Related party account is the long term debt with UUI, the Company's parent. In December 2017, this loan was assigned from UFUS. In December 2022, with an effect date of 28 January 2023, the maturity date of the loan was extended to 28 January 2026 and therefore this loan has been classified as non-current.
5. Related party account represents the current amount due to Urenco Stable Isotopes North America LLC. (USINAL), a fellow subsidiary of UUI.
6. Related party account represents the current amount due to Urenco USA Energy Services (UUES), a fellow subsidiary of UUI. The loan was created to support the development and acquisition of land by UUES.

16. Loans and borrowings - continued

Fair values

Set out below is a comparison by category of book values and fair values of the Company's financial assets and liabilities as at 31 December 2022 and 2021:

	Book Value	**Fair Value**	Book Value	Fair Value
	2022	**2022**	2021	2021
	$000	**$000**	$000	$000
Financial assets				
Cash and short-term deposits	**1,476**	**1,476**	663	663
Receivables	**585,836**	**585,836**	760,390	760,390
Financial liabilities				
Fixed rate borrowings	**1,066,090**	**942,381**	1,012,530	1,088,249
Variable rate borrowings	**10,382**	**10,382**	16,518	16,518
Trade and other payables	**110,366**	**110,366**	89,369	89,369

For financial assets (cash and short-term deposits and receivables) and financial liabilities (variable rate borrowings) that have a short-term contractual maturity (less than three months), it is assumed that the carrying amounts approximate their fair values. The fair values of fixed rate borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2022	**Level 1**	**Level 2**	**Level 3**
	$000	**$000**	**$000**	**$000**
Financial assets and liabilities at fair value				
Nuclear Decommissioning fund	**516,067**	**416,212**	**99,855**	-
Money market account	**149**	**149**	-	-
Deferred compensation liability	**148**	**148**	-	-

	2021	Level 1	Level 2	Level 3
	$000	$000	$000	$000
Financial assets and liabilities at fair value				
Money market account	562	562	-	-
Deferred compensation liability	561	561	-	-

Except for mortgage-backed securities categorised as level 2, all investments in the nuclear decommissioning fund are level 1. Except for an immaterial balance relating to other investments, which was held in money market funds as at 31 December 2022, all investments are made in highly liquid listed debt securities issued by or backed by the US Government. The fair value on initial recognition is based on the transaction price paid for the debt securities including any accrued interest. The debt securities are classified as at FVTOCI and subsequent remeasurements of the fair value are based on quoted prices plus accrued interest (see Note 27). The money market account is for the purpose of an employee deferred compensation arrangement (see Note 14) and it is included in restricted cash in the Consolidated Statements of Financial Position (see page 10).

16. Loans and borrowings - continued
Classification of financial instruments

2022	**Cash and receivables $000**	**Non-financial assets $000**	**Total $000**
Assets			
Property, plant and equipment	**-**	**2,493,812**	**2,493,812**
Intangible assets	**-**	**21,189**	**21,189**
Prepayments and receivables	**35,416**	**1,417**	**36,833**
Amounts due from related parties	**550,420**	**-**	**550,420**
Inventories	**-**	**12,421**	**12,421**
SWU assets	**-**	**62,784**	**62,784**
Contract assets	**-**	**25,212**	**25,212**
Cash	**1,476**	**-**	**1,476**
Restricted cash	**516,467**	**-**	**516,467**
Total	**1,103,779**	**2,616,835**	**3,720,614**

2022	**Loans and payables $000**	**Non-financial liabilities $000**	**Total $000**
Liabilities			
Trade and other payables(1) (2)	**50,821**	**60,166**	**110,987**
Contract liabilities	**-**	**64,996**	**64,996**
Affiliate payable	**1,076,472**	**-**	**1,076,472**
Provisions	**-**	**690,955**	**690,955**
Total	**1,127,293**	**816,117**	**1,943,410**

2021	Cash and Receivables $000	Non-financial assets $000	Total $000
Assets			
Property, plant and equipment	-	1,622,903	1,622,903
Intangible assets	-	13,806	13,806
Prepayments and receivables	112,007	3,529	115,536
Amounts due from related parties	648,383	-	648,383
Inventories	-	10,097	10,097
SWU assets	-	95,868	95,868
Contract assets	-	39,430	39,430
Cash	663	-	663
Restricted cash	962	-	962
Total	762,015	1,785,633	2,547,648

2021	Loans and Payables $000	Non-financial liabilities $000	Total $000
Liabilities			
Trade and other payables(1) (2)	45,335	44,847	90,182
Contract liabilities	-	29,494	29,494
Affiliate payable	1,029,048	-	1,029,048
Provisions	-	586,866	586,866
Total	1,074,383	661,207	1,735,590

16. Loans and borrowings - continued

Classification of financial instruments - continued

(1) Trade and other payables include non-cash borrowings of SWU classified as non-financial liabilities. Repayment of the loan will occur through a return of SWU to the lender in 2025.
(2) Trade and other payables includes financial liabilities in the amount of $0.2 million for current obligations under lease liabilities and $0.4 million for non-current obligations under lease liabilities.

17. Provisions

2022	**Tails Disposal $000**	**Decommissioning of Plant & Machinery $000**	**Overfeeding $000**	**Personnel $000**	**Total $000**
At 1 January 2022	**344,658**	**172,429**	**65,140**	**4,638**	**586,865**
Additional provision in the year	**67,070**	**21,814**	**74,660**	**222**	**163,766**
Release of provision	**-**	**(907)**	**(73,430)**	**(300)**	**(74,637)**
Unwinding of discount	**11,545**	**6,132**	**959**	**-**	**18,636**
Exchange differences	**-**	**(3,675)**	**-**	**-**	**(3,675)**
At December 2022	**423,273**	**195,793**	**67,329**	**4,560**	**690,955**

2021	Tails Disposal $000	Decommissioning of Plant & Machinery $000	Overfeeding $000	Personnel $000	Total $000
At 1 January 2021	289,869	130,120	99,387	4,704	524,080
Additional provision in the year	46,261	41,192	29,697	234	117,384
Release of provision	(1,183)	(804)	(65,437)	(300)	(67,724)
Unwinding of discount	9,711	4,139	1,493	-	15,343
Exchange differences	-	(2,217)	-	-	(2,217)
At December 2021	344,658	172,430	65,140	4,638	586,866

Tails disposal

The enrichment process generates depleted uranium (“tails”). The provision has been made for all estimated future costs for the eventual safe disposal of the tails. The costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal.

The final amount of the provision is uncertain but is evaluated based upon the planned operational activity involved in successfully achieving safe disposal in accordance with current regulatory requirements. The tails disposal cost is included in provisions on the basis of up to date cost estimates from external parties at amounts the Board of Managers see to be adequate for the purpose. Further description of the estimates and assumptions applied are given in Note 2.

The tails provision is valued by disposal rates provided by the Department of Energy (DoE) and by using an inflation rate of 2.2% and a discount rate of 3.45%. See Note 2 for explanation of change in rates.

During the year the tails provision increased by $78.6 million (2021: $54.8 million) due to tails generated in that period offset with an increase in DOE rate of 3.6% (2021: 2.0% increase). The DoE has been performing analysis of their cost of deconversion at their plant in Paducah, Kentucky and an estimate of $6.27 - $9.83 per kgU has been provided. The financial impact of adopting the lower end of the range i.e. $6.27 instead of $9.83 would be to reduce tails provisions by around $141.3 million. An additional cost component for DoE disposal includes capital cost for the DoE to comply with Resource Conservation and Recovery Act (RCRA) low level waste requirements.

17. Provisions – continued

Tails disposal - continued

The range provided by the DOE remains an estimate with some level of uncertainty due to operational challenges and the length of time until processing of LES tails. A 10% increase in the DOE rate forecast results in a $38.9 million increase to the tails provision while a 10% decrease of the DOE rate forecast results in a $38.9 million decrease to the tails provision.

This provision reflects the inflation of tails disposal cost to the estimated disposal date commencing in the year 2034 discounted back to year-end December 2021. The addition to the tails provision has been recognised as a cost in the statement of operations under tails provision created and under finance costs.

It is expected that this provision will be used before the cylinder fill dates approach 25 years as per the NRC operating licence.

The provision for tails is dependent on certain assumptions and estimates, such as timing of disposal and the applicable discount rate. A 10% reduction of the discount rate would lead to an increase of the provision by $19.8 million (2021: $17.3 million), while a 10% increase in the discount rate would lead to a decrease of the provision by $19.4 million (2021: $16.2 million).

Decommissioning of plant and machinery

LES is required to decommission the plant as soon as possible after it is shut down under the operating licence granted by the NRC. Equipment will be disassembled and decommissioned. To meet these eventual costs of decommissioning, provisions are charged in the accounts at amounts considered to be adequate for the purpose.

The final amount of the provision is uncertain but is evaluated based upon the planned operational activity involved in successfully achieving full decommissioning of any land, plant or equipment used in enrichment activities, in accordance with the Board of Managers' intention and current regulatory requirements. The planned costs are based on historic experience and price estimates for the relevant activities and processes of the decommissioning cycle, which include deconstruction, decontamination and disposal of all materials involved in the enrichment process. These costs are escalated based on current expectations of inflation and discounted to provide a present value cost based on the expected useful life of the asset in use. Further description of the estimates and assumptions applied are given in Note 2.

The applicable inflation rate of 2.2% and discount rate of 3.45% have been reviewed by management and deemed appropriate. See Note 2 for explanation of change in rates.

During the year the decommissioning provision increased by $27.0 million (2021 $44.5 million) due to accelerated timing of the decommissioning process based on our review of the useful lives of the assets, updated cost estimates obtained from reputable vendors, and the site's share of the Group wide cylinder decommissioning provision of $7.8 million (2021: $5.2 million). An offset ($3.7) million (2021: ($2.2) million) for FX revaluation was incurred for euro dominated decommissioning costs. This addition to the decommissioning provision has been recognised as an equivalent addition to the decommissioning asset in the statement of financial position.

The provision for decommissioning is dependent on certain assumptions and estimates, such as timing of decommissioning and the applicable discount rate. A 10% reduction of the discount rate would lead to an increase of the provision by $6.9 million (2021: $6.4 million), while a 10% increase in the discount rate would lead to a decrease of the provision by $6.7 million (2021: $6.0 million).

It is expected that this provision will be used once the NRC operating licence expires, estimated to be 18 years. The company expects to extend the licence of the facility and will submit the request to the NRC at the appropriate time.

17. Provisions – continued

Overfeeding
In 2015, the Company began utilizing new enrichment capacity for refeeding. Provisions for refeeding low assay feed represent the future cost to the Company of re-enriching low assay feed back to the assay of natural uranium. During the year, the provisions relating to the future re-enrichment of low assay feed increased $74.7 million (2021: $29.7 million) due to the release of low assay feed and reduced by $73.4 million (2021: $65.4 million) due to expenditure incurred on re-enrichment of low assay feed.

Personnel
At year-end 2010, the Company had created a non-qualified defined benefit plan for one key former employee that is categorised as an unfunded plan. The plan provides for a specified payment annually for life upon the former employee's retirement and includes spousal survivor provisions. The actual valuation remained consistent with a benefit obligation for unfunded plans totalling $4.6 million at 31 December 2022 (2021: $4.6 million). The assumptions used are a discount rate of 4.9% and the RP-2017 mortality table, no collar adjustment, projected to 2023 with Scale MP-2017.

18. Trade and other payables

Current	**31/12/22 $000**	31/12/21 $000
Trade payables	**6,261**	3,118
Other payables	**888**	649
Accruals	**40,741**	39,046
Amounts due to related parties	**2,309**	1,709
	50,199	44,522

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2021: 15).

The Board of Managers and LES Management consider that the carrying amount of trade payables approximates their fair value.

Non-current	**31/12/22 $000**	31/12/21 $000
Other payables	**60,166**	44,847
	60,166	44,847

Other payables comprise non-current liabilities and third party SWU borrowings $59.8 million (2021: $44.3 million moved from accruals to non-current borrowings) with expectation of settlement to occur in 2025.

19. Contract liabilities

Contract liabilities relate to the obligation to transfer enrichment services to customers for which the Company has received or recognised as a receivable consideration from the customer prior to transferring control of the underlying good or service.

	31/12/22	31/12/21
	$000	$000
As at 1 January	**29,494**	4,214
Revenue deferred during the year	**35,502**	25,280
Revenue recognised in the current year	**-**	-
As at 31 December	**64,996**	29,494

Included in current liabilities	**-**	-
Included in non-current liabilities	**64,996**	29,494
	64,996	29,494

The non-current contract liabilities balance at year end relates to deferred income for SWU deliveries to be recognised as revenue in future years.

20. Lease arrangements

The Company as lessee

LES obligations under leases are secured by the lessor's title to the leased assets. Future minimum lease payments under leases and hire purchase contract, together with the present value of the net minimum lease payments are, as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	31/12/22	31/12/21	**31/12/22**	31/12/21
	$000	$000	**$000**	$000
Amounts payable:				
Within one year	**202**	273	**202**	273
In the second to fifth years inclusive	**449**	568	**420**	540
	651	841	**622**	813
Less: finance charges allocated to future period	**(29)**	(28)	**-**	-
Present value of lease obligations	**622**	813	**622**	813

The Company held commercial leases on certain items of fixtures and fittings with the lease term fulfilled and the arrangement renewed on a monthly basis. For short term lease with a lease term of 12 months or less and leases of low value assets, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease. During 2022 the amounts recognised as an expense for short term leases was $0.3 million (2021: $0.2 million).

21. Contingent liabilities

The Company is a party to a number of legal proceedings that arose in the ordinary course of business for which, in many instances, no provision has been made in the financial statements. While the final outcome of these proceedings cannot be predicted with certainty, the Board of Managers and LES Management believe that these proceedings, when resolved, will not have a material adverse effect on consolidated results of operations, financial position or liquidity.

21. Contingent liabilities - continued

The Company is party to composite guarantees of various borrowings of Group companies which, at the balance sheet date, amounted to $1.3 billion (2021: $1.2 billion). The Board of Managers and LES Management do not expect any liability under these guarantees.

22. Events after the reporting period

LES and UUI executed a modification to the long term related party debt in December 2022 to extend the original maturity of 28 January 2023 to 28 January 2026. Due to this extension of maturity, the debt will continue to be classified as a long term liability.

The spread of the coronavirus (COVID-19) continues to be monitored and evaluated by LES. LES has ongoing detailed preparations in place to ensure the safety and wellbeing of our employees, communities and key stakeholders and our ability to keep our plant operating. Dedicated teams are working to manage the risk while closely monitoring local conditions and government advice.

All business travel to other countries has resumed, visitor tours have also resumed and employees who can work from home are being allowed to do so. Increased hygiene measures have been implemented. Guidance has been issued and employees are being updated on any new actions and protocols.

We are working closely with suppliers to mitigate any risks and are receiving regular updates. LES is confident that due to our proactive preventative preparations we will be able to continue to serve our customers.

No further material structural changes have occurred in the Company that might serve to alter any of the disclosures contained in the 2022 consolidated financial statements.

23. Related party transactions

Trading transactions

During the years ended 31 December 2022 and 2021, the Company entered into the following transactions with the following related parties (in $000):

	Sales of good & services		Purchases of goods & services		Amounts owed by related		Amounts owed to related	
	Year Ended 31/12/22	Year Ended 31/12/21	Year Ended 31/12/22	Year Ended 31/12/21	Year Ended 31/12/22	Year Ended 31/12/21	Year Ended 31/12/22	Year Ended 31/12/21
ETC/ETUS	-	-	**21,646**	21,296	-	-	**2,309**	1,709
URENCO USA Inc.	**6,366**	314	-	-	-	-	**1,090,034**	1,050,985
URENCO Inc.	-	-	**50**	10	-	-	**12**	10
URENCO Stable Isotopes	**26**	362	-	-	**650**	457	-	-
URENCO USA Enrichment Services	**54**	-	-	857	-	-	**803**	857
URENCO Ltd	**4,325**	1,385	**93,787**	19,143	**549,770**	647,925	-	-
URENCO Enrichment Company Ltd	-	492	**2,867**	6,241	-	-	-	-
URENCO Chemplants	-	473	**647**	-	-	-	-	-
URENCO Deutschland GMBH	-	-	**29,164**	19,633	-	-	-	-
URENCO UK Limited	-	-	**33,995**	22,841	-	-	-	-
URENCO Nederland B.V.	-	-	**41,427**	26,975	-	-	-	-
	10,771	3,026	**223,583**	116,997	**550,420**	648,383	**1,093,158**	1,053,562

Urenco USA Inc. (UUI) is the Company's immediate parent undertaking.

Urenco Inc. (UI) is a subsidiary of Urenco Enrichment Company.

ETC Limited (ETC) 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 were made under the Group's normal trading terms. Related party purchases predominantly relate to construction related goods and services but also included are operator fees based on produced output. ETUS is a subsidiary of ETC Limited.

23. Related party transactions - continued

Trading transactions - continued

Urenco Stable Isotopes North America LLC. (USINAL), a fellow subsidiary of UUI.

Urenco Energy Services (UUES), a fellow subsidiary of UUI.

Urenco Limited (ULTD) is the ultimate parent company of LES. Purchases from ULTD were mainly related to shared service costs.

Urenco Enrichment Company Limited (UEC) is the parent company of the European enrichment division of the Group. This is a fellow subsidiary undertaking.

Urenco Chemplants (UCP) is a fellow subsidiary undertaking.

Urenco Deutschland GMBH (UD) is the German subsidiary of UEC engaged in enrichment of uranium. This is a fellow subsidiary undertaking. Amounts purchased are related to intellectual property charges as defined by the Intellectual Property Agreement.

Urenco UK Limited (UUK) is the British subsidiary of UEC engaged in enrichment of uranium. This is a fellow subsidiary undertaking. Amounts purchased are related to intellectual property charges as defined by the Intellectual Property Agreement.

Urenco Nederland B.V. (UNL) is the Dutch subsidiary of UEC engaged in enrichment of uranium. This is a fellow subsidiary undertaking. Amounts purchased are related to intellectual property charges as defined by the Intellectual Property Agreement.

The amounts outstanding are unsecured and will be settled in either cash or the related party current account. The Company is currently operating under debt agreements from ULTD, UUI, and UEC and any cash payments to ETC, UUI, or UI originate from surplus operating cash or advances on that debt. LES is part of the Group wide cross composite guarantee structure of borrowings with the other three European enrichment sites.

At the consolidated statement of financial position date total amounts due from Group undertakings were \$550.4 million (2021: \$648.3 million).

At the consolidated statement of financial position date total amounts due to Group undertakings were \$1,090.0 million (2021: \$1,050.9 million) comprising current liabilities of \$23.9 million (2021: \$38.5 million) long term loans of \$1,066.1 million (2021: \$1,012.5 million).

Sales of goods, services and interest charges to related parties and purchases of goods, services and interest charged by them were made under normal trading terms.

24. Ultimate parent undertaking

LES' immediate members are UUI and Urenco Deelnemingen, B.V. which are wholly owned subsidiaries of ULTD. ULTD is the ultimate parent undertaking. Copies of ULTD accounts may be obtained from its registered office at Urenco Court, Sefton Park, Bells Hills, Stoke Poges, Bucks SL2 4JS, United Kingdom.

25. Members' Equity

The Members' of LES at 31 December are listed below.

Contributed Capital **Member**	**2022 Additions $000**	**2022 Contributed Capital $000**	2021 Additions $000	2021 Contributed Capital $000
Urenco USA, Inc.	**-**	**2,255,050**	-	2,255,050
Urenco Deelnemingen, B.V.	**-**	**98,082**	-	98,082
Totals	**-**	**2,353,132**	-	2,353,132

Retained (Losses) **Member**	**2022 Additions $000**	**2022 Retained Losses $000**	2021 Additions $000	2021 Retained Losses $000
Urenco USA, Inc.	**964,181**	**(494,136)**	94,021	(1,458,317)
Urenco Deelnemingen, B.V.	**965**	**(81,792)**	94	(82,757)
Totals	**965,146**	**(575,928)**	94,115	(1,541,074)

The results of LES are allocated to the Members' equity accounts on a quarterly basis. This allocation is a weighted average of inception to date equity contribution and activity to achieve the ownership percentages. Retained losses are inclusive of both retained losses as stated in the Consolidated Statements of Financial Position on page 10.

26. Other income and expenses

	31/12/22 $000	31/12/21 $000
Other income	**-**	-
Other expenses	**(95,415)**	(65,135)

2022 other expenses include overfeeding provision of $1.2 million (2021: $35.7 million) intercompany shared services costs 37.1 million (2021: $27.2 million); operating and regulatory fees, $23.3 million (2021: $24.0 million); property taxes, $4.8 million (2021: $4.8 million); utilities, $7.5 million (2021: $6.4 million); and the remaining costs are attributable to all other expenses.

27. Nuclear decommission fund

The Company has contributed an amount of $515.0 million into the NDT (Nuclear Decommissioning Trust) in December 2022. Due to the nature of the contribution through Group intercompany funding of the NDT, the funding amount of $515.0 million is included in new borrowings in the section Cash flows from financing activities.

The initial investment strategy is to invest solely in low-risk US government backed securities. All investments are made in US dollar to match the currency of the decommissioning and tails liabilities. The long-term investment strategy is under consideration and it is envisaged that once established this will require an update to the Investment policy statement.

The fair value of the funds held in the NDT as at 31 December 2022 was $516.1 million and was comprised of debt securities of $513.0 million and other investments of $3.1 million.

The movements in the fair value of the funds in the NDT are as follows:

	Year ended 31/12/22 Other investments	**Year ended 31/12/22 Debt Securities**	**Year ended 31/12/22 Total**
		$000	**$000**
As at 1 January	**-**	**-**	**-**
Contributions	**515,001**	**-**	**515,001**
Purchase investments	**(512,552)**	**512,552**	**-**
Interest income	**603**	**674**	**1,277**
Unrealised fair value gains/(losses)	**-**	**(211)**	**(211)**
As at 31 December	**3,052**	**513,015**	**516,067**

Other investments at 31 December 2022 relate to money market funds and accrued interest.

The investments in the nuclear decommissioning fund are comprised of investments in debt securities which are measured at fair value through other comprehensive income and of other investments for which the book value is considered a reasonable approximation of fair value.

Market values have been used to determine the fair value of the investments in the nuclear decommissioning fund, based on the published price, based on valuations calculated using Bloomberg forward discount rates.

The Company has established a Nuclear Decommissioning Trust fund (“NDT”) in November 2022, in order to satisfy the requirements of the US NRC that it provides financial assurance for its decommissioning and tails liabilities. The objective of the NRC’s financial assurance requirements is to ensure that a suitable mechanism for financing the decommissioning of a licensed facility is in place in the event that a licensee is unable or unwilling to complete decommissioning. Previously this was achieved through a combination of letters of credit and a surety bond. In order to reduce reliance on short-term financial instruments for providing assurance on long-term liabilities and given the increasing requisite level of financial assurance associated with increasing nuclear liabilities, the Company has decided to establish the NDT.

The NDT has been established under a Trust agreement entered into between LES and with the Huntington National Bank as the Trustee. The Trustee is required to hold the funds in the NDT and to maintain the necessary records. Contributions to the NDT will be made by the Company in the form of cash, securities or other liquid assets acceptable to the Trustee. There are restrictions regarding both the use of the assets in the NDT and the withdrawal of funds from the NDT. The assets of the NDT shall be used exclusively a) to satisfy, in whole or in part, any expenses or liabilities incurred with respect to decommissioning and tails disposal costs of the Company, b) to pay the administrative costs and other incidental expenses of the NDT, and c) to invest in publicly-traded securities and investments, as directed by the Investment manager or the Company. No investments are permitted in securities or other obligations of the Company or of its affiliates or owners. Except

27. Nuclear decommission fund – continued

for payments of ordinary administrative costs, including taxes and other incidental expenses of the NDT and withdrawals being made at the written direction of the NRC, no disbursement may be made from the NDT until written notice of the request for a disbursement has been given by the Company to the Director, Office of Nuclear Safety and Safeguards at least 30 days before the date of the intended disbursement. The Trustee may only make the disbursement from the NDT after the Company has notified them at the end of the 30-day notice period that no objection has been received on the request for disbursement.

The Trust shall be irrevocable and shall continue until terminated, in whole or in part, at the written agreement of the Company, the Trustee and NRC that the Trust is no longer needed under the NRC Licence, or by the Trustee and the NRC if the Company ceases to exist. The Trust would terminate automatically in whole, upon the earliest of: a) termination of the NRC license; b) written confirmation by the Company and the NRC that the Trust is no longer needed under the NRC license; or c) the distribution of all of the assets from the Trust.

Upon termination of the Trust all remaining funds less final trust administration fees and expenses shall be delivered to the Company or its successor.

The Company has signed an engagement letter with an Investment manager, setting out their role and responsibilities regarding investment advisory services. The investment manager needs to abide with the Investment policy statement issued by the Company as may be amended by the Company from time to time and which sets out the roles of the Company and the investment manager, the investment objective, risk tolerance, permitted and non-permitted investments by the NDT and activities relating to investment monitoring and control.

The NRC accepts financial assets as acceptable financial assurance based on its valuation at inception. The NRC require that if the value of the fund drops during a calendar quarter (below the amount necessary to cover the cost of decommissioning, but is not below 75 percent of the cost), additional cash or assets or alternative security should be provided to top up cover of 100% of the liabilities within 30 days of the quarter end. If the fund falls at any time by more than this (i.e. if the fund balance falls below 75 percent of the amount necessary to cover the cost of decommissioning) then the remedial action must take place within 30 days, and is not linked to a quarter end measurement date. By selecting a reasonably conservative investment portfolio, with low volatility, then the risk of short term calls for additional cash should be mitigated. Growth from investment returns would reduce the amount of additional capital or contingent assets needed at the next annual review.