Registered No: 01144899

Urenco UK Limited

Annual Report and Financial Statements

For the year ended
31 December 2022

Registered No: 01144899

Directors
C Chater
L Simmonds
D Sexton
C Lloyd
D Annan (appointed 1 December 2022)

Auditor
Deloitte LLP
Statutory Auditor
London
United Kingdom

Bankers
Citibank N.A.
Citigroup Centre Canary Wharf
33 Canada Square
London
E14 5LB

Registered Office
Capenhurst Works
Capenhurst
Chester
Cheshire
CH1 6ER

Strategic Report

The principal activity of Urenco UK Limited (the "Company") is the supply of enrichment services ("SWU") and the provision of enriched uranium product ("EUP") to generate fuel for nuclear power utilities.

Safety and innovating our core business continue to be the top priorities for the Company.

In addition, the Company continues to invest in its core enrichment plant and infrastructure to ensure rigorous, predictable and flexible operations. This investment will continue over the next few years enabling the Company to position itself to meet changing market conditions in the future.

Strategic direction

In 2020, Urenco Limited (Group) launched a new strategic planning process to reflect its view of the future and set out what it needs to achieve in the long term (5 to 15 years), mid term (3 to 5 years) and short term (12-24 months). The result is Our Strategy – developed and delivered by its people, for its people and refreshed each year to ensure it remains responsive to our customers' needs.

Our Strategy is designed around five building blocks:

- Create a winning team - our people
- Maintain our strong customer base
- Defend and innovate our core business operations
- Shape and utilise regulatory frameworks
- Promote organic growth

In 2022, the developments in Ukraine changed our market conditions significantly and, as a result, Urenco has refreshed Our Strategy to ensure the continued supply of enriched uranium to existing and new customers through the introduction of key plant lifetime and capacity extension initiatives.

These key objectives are built into the Urenco UK business plan and we are confident that this will help support the Urenco Group in sustaining its position as a global leader in enrichment services and enable expansion of our high-tech capabilities to more broadly serve the nuclear industry. The Group and the Company continue to engage in positive interactions with employees, explaining the need for change in an open and transparent way.

Key financial performance indicators

	2022 £'000	2021 £'000	**Change**
Revenue	**381,178**	365,603	**4.3%**
Income from operating activities	**111,890**	127,254	**(12.1%)**
Net income for the year	**79,007**	81,346	**(2.9%)**

Revenue for the year ended 31 December 2022 was 4.3% higher at £381.2m (2021: £365.6m). For SWU and uranium revenues, volumes were lower than the previous year however average unit revenues were higher.

Strategic Report (continued)

Income from operating activities for the year ended 31 December 2022 was 12.1% lower at £111.9m (2021: £127.2m) due to an increase in operating costs. For the year ended 31 December 2022, income tax was £18.9m (2021: £23.1m). Net income for the year ended 31 December 2022, at £79.0m, was 2.9% lower than 2021: £81.3m.

Principal risks and uncertainties

The Company is aligned with the Group's overarching risk management policy and procedure. The Company identifies and responds to risks in the areas of safety, safeguards, security, transport and regulation. For further details of risks in the uranium enrichment market, refer to the Urenco Limited annual report and financial statements. Please see note 32 for details on how to obtain these financial statements. Specific risks further relating to Urenco UK Limited are discussed below.

Covid-19

With the relaxation of COVID-19 restrictions worldwide, we have continued to keep our people safe, following rule changes and supporting our workforce to adapt to a hybrid style of working where appropriate.

Credit risk

The Company's principal financial assets are contract assets, derivative financial instruments and trade and other receivables totalling £873.2m (2021: £809.6m). In addition, the Company is party to composite guarantees of borrowings by the Urenco Limited Group from various loan arrangements which totalled £1,399m at the reporting date (2021: £1,212m). The Directors do not expect any liability to arise under these guarantees (see note 33).

The Company's credit risk is mainly attributable to counterparty credit risk associated with other participants in the nuclear fuel chain. 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.

The Company's credit risk on liquid funds is limited because the counterparties are primarily companies within the Urenco Group. The most significant counterparty is Urenco Limited. There are additionally some small balances held in current accounts with highly rated international banks.

Strategic Report (continued)

Foreign exchange risk

Foreign currency risk arises in the Company in respect of transactions entered into in currencies other than the Company's functional currency, sterling. The Group has transactional currency exposure as a result of approximately 54% of its revenues being denominated in US dollars (2021: 57%), and 36% in euros (2021: 42%). The Company is exposed to these risks due to revenue and cost recharges from Group. Foreign currency revenues are largely hedged with the parent company Urenco Limited.

Interest rate risk

The Company is exposed to interest rate risk on its other receivable balances. Interest rate risk is managed by Urenco Group. The primary balance is with the ultimate parent company, Urenco Limited.

Liquidity risk

The Company's liquidity risk is managed as part of the wider Urenco Group liquidity risk. The Urenco Group seeks to achieve flexibility and continuity of funding through the active use of a range of financial instruments, markets and currencies. External debt funding has a range of tenures in order to avoid a concentration of maturity.

Regulatory risk

Strong regulation in the nuclear industry means everything we do is about public safety, and we are proud to maintain a strong record to the highest standards.

Shaping and utilising regulatory frameworks – actively engaging with stakeholders and decision-making bodies in our target markets and across all aspects of our business.

We have a strong focus on governance and ethics – ensuring we are fully compliant with regulatory frameworks, preserving the security of the civil nuclear industry, operating in an open and accountable manner, and ensuring Urenco remains a trustworthy and valuable contributor to society.

We continuously improve our security measures to ensure we stay ahead of any threats and keep our assets and the environment safe. We use threat information provided by the intelligent services from the countries in which we operate as well as advice from industry organisations and the International Atomic Energy Agency (IAEA) on good practice in implementing security measures, plus thinking from commercial security providers on innovations in the security field.

The effectiveness of Urenco's security is tested and checked in periodic inspections by nuclear regulators and by security exercises with internal and external stakeholders. This provides a solid basis for verification that we continue to meet all regulatory requirements and ensure our processes are robust and fit for purpose. Additionally, we preserve the privacy of personal data, and continue to ensure strict adherence to all relevant regulatory and industry standards.

In 2023 we will continue to invest in further improved technical security measures, effective organisational security procedures and in maintaining a high level of security awareness among our workforce.

Strategic Report (continued)

Section 172(1) statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the matters set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. Those factors for example include our relationship with our regulators, our pension trustees, government agencies, trade unions, and non-governmental organisations. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and predictable.

We delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As a part of those meetings the directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions.

The Company's key stakeholders are its workforce, trade unions, customers, suppliers, the local communities in which it operates, regulators, Government agencies, and non-governmental organisations. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. The size and spread of both the Company's stakeholders and the Urenco Group means that generally our stakeholder engagement impact of our operations on the community and the environment, desirability to maintain reputation of high stands of business conduct and acting fairly with members of the company, takes place at an operational and Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details of the engagement that takes place with the Group's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see pages 62-64 of the Urenco Group's 2022 Annual Report.

We set out below some examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us:

In 2022, the UUK Board approved a plan for future site-wide capital investment, including options for extension of existing enrichment facilities, extending the plant life of the older facilities and the potential for new build capacity. In making its decision to proceed with this, the directors had regard to a number of factors including continued employment for the workforce.

Strategic Report (continued)

In 2022, the UUK Board considered a programme of continuous improvement initiatives. The programme includes employee welfare, asset management, maintaining its customer base, and company growth. The Board concluded that investment in this programme would help deliver long-term success to the Company.

In 2022, the UUK Board considered and agreed upon the continued investment in employee's capability, engagement and performance. The Board's decision-making process included discussions in relation to the continued culture programme and the introduction of a site wide employee contract. The Board concluded that on-going investment in the workforce would help deliver long-term success to the Company.

In 2022, the UUK Board approved a plan for future sustainability of the site, its workforce and its cost base. In making its decision to proceed with this, the directors had regard to a number of factors including reducing its carbon footprint and its use of refrigerants ensuring its operations were maintained in a more sustainable manner.

Approved by the board and signed on behalf of the board by

D Annan
Director
8 March 2023

Directors' Report

The Directors present the annual report and the audited financial statements for the year ended 31 December 2022.

Results, dividends and going concern

The income for the year, after taxation, amounted to £79.0m (2021: £81.3m). In the year, the Directors paid an interim dividend of £60m (2021: £80m). The Directors do not recommend payment of a final dividend (2021: £nil).

The Directors have assessed the latest forecast future cash flows, including appropriate sensitivities, which indicate that available cash and committed financing facilities in place are sufficient to cover the Company's cash needs for at least twelve months after the date of approval of these financial statements. They are satisfied that the Company has adequate resources to continue in operational existence for at least twelve months after the date of approval of these financial statements, and thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The Directors have considered the situation in Ukraine and have concluded that there is no substantial adverse impact on the going concern assumption.

Future developments

Details of future developments can be found in the Strategic Report on page 3.

Sustainability

The Company is committed to minimising the impact on the environment and has initiatives which cover energy efficiency, emissions, water usage and waste. The Directors have considered the Streamlined Energy and Carbon reporting (SECR) regulation, which requires large companies to disclose total energy consumption for the reporting period. The Company has an exemption for SECR disclosures because these are included in the SECR disclosures of its parent, Urenco Limited.

Customer and other business partner relationships

The Company carefully monitors and develops its long established relationships with its worldwide customer base and with policy makers in the nuclear industry. We regularly meet with our customers and enhance relationships by explaining, educating and enhancing their understanding and knowledge of our enrichment processes and operations.

Supplier payment policy and practice

The Company values its relationships with suppliers of goods and services. The Company negotiates terms and conditions of supply prior to delivery and, as a matter of policy, honours these terms once delivery has been made. At 31 December 2022, the Company had an average of 33 days purchases owed to trade creditors (2021: an average of 30 days purchases owed to trade creditors).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report on page 3.

Decontamination and disposal costs

The Directors are satisfied that adequate provision has been made in the accounts for all decommissioning, tails liabilities and cylinder liabilities (see note 1 Accounting Policies, "Provision for decommissioning, disposal, low assay feed and future personnel costs").

Directors' Report (continued)

Transactions with related parties

The Company is, indirectly, a wholly owned subsidiary of Urenco Limited and as such has taken advantage of the exemption available under Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") not to disclose transactions with other members of the Urenco Limited Group. Other related party transactions are set out in note 34.

Disabled employees

It is the Company's policy to give full and proper consideration to applications from disabled people for employment where the job can be performed adequately by a disabled person. In the event that an existing employee becomes disabled, it is the Company's policy to allow that person to continue in employment if possible or to provide alternative training if necessary. The Company will offer career development and promotion where appropriate.

Employee involvement

During the year employees have been informed of developments through Company newsletters and notices. There were, in addition, formal meetings between management and employee representatives as part of the on-going process of communication.

Directors

The Directors who served during the year, at 31 December 2022 and at the date of this report are listed on page 2.

Directors' interests

The Directors did not have any interest in the share capital of the Company or of the parent Company during the year. The Directors did not have any material interest during the year in any contract which is significant in relation to the Company's business.

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

The reappointment of Deloitte LLP as auditor was made via a written shareholder resolution on 8 March 2023.

The responsibilities of the auditor are set out in their report on page 11.

Approved by the board and signed on behalf of the board by

D Annan
Director

8 March 2023

Directors' Statement of Responsibilities

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of Urenco UK Limited

Independent auditor's report to the members of Urenco UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Urenco UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position
- the statement of changes in equity; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report (continued)

to the members of Urenco UK Limited

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have 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 a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

Independent Auditor's Report (continued)

to the members of Urenco UK Limited

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Group's operating licence, nuclear regulations and environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, financial instruments, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud to be within the recognition of revenue for long-term contracts under IFRS 15, particularly the calculation of the stand-alone selling price, and our procedures performed to address this risk are described below:

- obtaining an understanding of the relevant controls over management's revenue recognition process;
- reviewing the Group's revenue recognition policy for compliance with IFRS 15 Revenue from Contracts with Customers ("IFRS 15");
- evaluating the standalone selling price range determined at the start of the year, through review of forecasting and comparison to recently signed contracts;
- obtaining signed contracts and contract amendments entered into during the year, and reviewing the associated accounting treatment for compliance with IFRS 15; and
- challenging the timing and value of revenue recognised in the year, including the allocation between group entities.

Our procedures were performed on a groupwide basis, given the nature of revenue allocation within the Urenco group.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

Independent Auditor's Report (continued)

to the members of Urenco UK Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jon Thomson FCA
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London/United Kingdom
8 March 2023

Income Statement

For the year ended 31 December 2022

	Notes	**2022** Result for the year £'000	2021 Result for the year £'000
Revenue	2,35	**381,178**	365,603
Raw costs of materials and consumables used		**(3,974)**	(3,895)
Changes to inventories of work in progress and finished goods and SWU assets	18,19	**(27,629)**	(35,361)
Employee costs	7	**(30,796)**	(25,400)
Other expenses	8	**(112,783)**	(80,732)
Depreciation and amortisation	14,15,16	**(39,383)**	(44,885)
Net costs of nuclear and other provisions	21	**(54,723)**	(48,076)
Income from operating activities	3	**111,890**	127,254
Finance income	9	**14,772**	3,552
Finance costs	10	**(29,369)**	(26,381)
Other gains	11	**601**	42
Income before tax		**97,894**	104,467
Income Tax expense	12	**(18,887)**	(23,121)
Net income for the year attributable to the owners of the Company		**79,007**	81,346

All items in the income statement relate to continuing operations.

Statement of Comprehensive Income
For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Net income for the financial year		**79,007**	81,346
Items that may be reclassified subsequently to the income statement			
Cash flow hedges - transfers to revenue		**2,103**	(11,180)
Cash flow hedges - mark to market		**(44,147)**	5,844
Deferred tax on cash flow hedges	12	**10,512**	97
		(31,532)	(5,239)
Items that will not be reclassified subsequently to the income statement			
Actuarial (loss) gains recognised on defined benefit pension scheme	30	**(11,951)**	38,740
Current tax credit on actuarial loss	12	**546**	-
Deferred tax credit (expense) on actuarial loss / gain	12	**2,268**	(9,685)
		(9,137)	29,055
Other comprehensive income for the year		**(40,669)**	23,816
Total comprehensive income for the year attributable to owners of the company		**38,338**	105,162

Statement of Financial Position
As at 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Non current assets			
Property, plant and equipment	14	**490,765**	465,768
Investment property	15	**3,253**	3,487
Intangible assets	16	**2,261**	2,895
Net investment in sublease	31	**17,393**	17,411
Derivative financial instruments	23	**5,623**	10,777
Contract assets	17	**4,842**	3,672
Retirement benefit obligations	30	**23,412**	32,485
		547,549	536,495
Current assets			
Inventories	18	**52,953**	21,807
SWU assets	19	**32,514**	637
Net investment in sublease	31	**965**	965
Trade and other receivables	20	**859,942**	787,908
Derivative financial instruments	23	**2,840**	7,245
		949,214	818,562
Total assets		**1,496,763**	1,355,057
Non current liabilities			
Contract liabilities	25	**60,294**	18,664
Provisions	21	**945,053**	865,888
Lease liabilities	31	**17,469**	17,782
Derivative financial instruments	23	**22,085**	3,451
Deferred tax liability	12	**9,813**	20,561
		1,054,714	926,346
Current liabilities			
Provisions	21	**28,491**	19,522
Trade and other payables	24	**21,409**	30,446
Contract liabilities	25	**24,014**	16,808
Lease liabilities	31	**1,077**	429
Current corporation tax		**89,405**	76,097
Derivative financial instruments	23	**16,091**	2,185
		180,487	145,487
Total liabilities		**1,235,201**	1,071,833
Net assets		**261,562**	283,224
Equity			
Called up share capital	26	**40,000**	40,000
Informal capital	27	**15,566**	15,566
Retained earnings	28	**228,288**	218,418
Hedging reserve		**(22,292)**	9,240
Total equity		**261,562**	283,224

The financial statements of Urenco UK Limited (registered number 01144899) were approved and authorised for issue by the board of Directors on 8 March 2023.

D Annan
Director

Statement of Changes in Equity

For the year ended 31 December 2022

	Notes	Share Capital £'000	Informal Capital £'000	Retained earnings £'000	Hedging Reserve £'000	Attributable to the owners of the company £'000
As at 1 January 2022		**40,000**	**15,566**	**218,418**	**9,240**	**283,224**
		40,000	**15,566**	**218,418**	**9,240**	**283,224**
Income for the year		**-**	**-**	**79,007**	**-**	**79,007**
Other comprehensive expense		**-**	**-**	**(9,137)**	**(31,532)**	**(40,669)**
Total comprehensive income		**-**	**-**	**69,870**	**(31,532)**	**38,338**
Dividends	*13*	**-**	**-**	**(60,000)**	**-**	**(60,000)**
As at 31 December 2022		**40,000**	**15,566**	**228,288**	**(22,292)**	**261,562**
As at 1 January 2021		40,000	15,566	188,017	14,479	258,062
		40,000	15,566	188,017	14,479	258,062
Income for the year		-	-	81,346	-	81,346
Other comprehensive income (expense)		-	-	29,055	(5,239)	23,816
Total comprehensive income (expense)		-	-	110,401	(5,239)	105,162
Dividends	*13*	-	-	(80,000)	-	(80,000)
As at 31 December 2021		40,000	15,566	218,418	9,240	283,224

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

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies

General Information
Urenco UK Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's registered office is Capenhurst Works, Capenhurst, Chester, CH16ER. Refer to the Strategic Report for the principal activities of the company. The function currency of the company is British pound sterling (GBP).

Authorisation of financial statements
The Company's financial statements for the year ended 31 December 2022 were approved and authorised for issue by the board of Directors on 8 March 2023 and the statement of financial position was signed on behalf of the Board by D Annan.

The principal accounting policies which the Directors have adopted are set out below.

Basis of preparation
The Company financial statements have been prepared under the historical cost basis, except for those financial instruments and pension obligations that have been measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company has applied FRS 101 "Reduced Disclosure Framework" incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, standards not yet effective, presentation of financial statements, fair value measurement, revenue recognition, leases, financial instruments and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Urenco Limited. The Group accounts of Urenco Limited are available to the public and can be obtained as set out in note 32.

Going concern
After making enquiries, the Directors are satisfied that the Company has access to adequate resources to continue in operational existence for the 12 months from authorisation of these financial statements and continues to adopt the going concern basis in preparing the financial statements. In reaching their conclusion, the Directors have considered the Company's strong order book and financial position, notably net current assets of £769m.

Adoption of new and revised 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 Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

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

International Accounting Standards (IFRS / IAS)	IASB Effective Date - periods commencing on or after	UK adopted 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

Critical accounting judgements and key sources of estimation uncertainty

In the process of preparing financial statements, management are required to make significant estimates, assumptions and judgements that can have a significant impact on the financial statements.

Critical Accounting Judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Critical Accounting Judgements continued

- **Effectiveness of hedge accounting relationships**
  The Company holds derivative instruments, many of which are designated as accounting hedges. Judgement is applied in management's assessment of the effectiveness of these hedges in particular where the probability and timing of the cash revenues or expenditures (the hedged items) is concerned to which the hedging instruments are related. Details about hedging activities are given in note 22 and 23.

- **Timing of SWU revenue recognition**
  SWU revenue is recognised at a point in time, not over a period of time. Judgement is required in reaching this conclusion, including an assessment as to whether Urenco is enhancing any specific customer's asset as described in IFRS 15. The customer continues to have legal title to the uranium and retains the associated residual risks and rewards of ownership throughout the enrichment process. 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. 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 customer.

  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.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Critical Accounting Judgements continued

- **Determination of standalone selling price**
  The standalone selling price is the price at which the Company would sell a promised good or service to a customer. Management judge that 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.

- **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 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.

Key sources of estimation uncertainty

- **Tails provisions and decommissioning provisions**
  Provisions for tails disposal and for decommissioning of plant and machinery are made on a discounted basis to meet long-term liabilities. The discounting is unwound annually to recognise progression towards the full escalated cost estimate for eventual safe disposal or decommissioning.

  The final amounts of these provisions are uncertain but are evaluated based upon the planned operational activity and final capital investment costs involved in successfully achieving safe disposal or decommissioning as well as third party pricing assumption where available / applicable and the internal cost of deconversion services using the Group's Tails Management Facility.

  The timing of significant capital projects can change by a number of years, which can significantly change the quantum of the related decommissioning provisions. The key estimates are the discount rate and inflation rate.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

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 movement in the provision.

Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to 'brownfield' status.

Adjustments to the decommissioning provisions associated with property, plant and equipment result in adjustments to the value of the related asset. Where the related asset has no remaining useful life the movements in the provision are recognised in the income statement. The Directors intend to decommission plant used in the enrichment process as soon as practicably possible after it is shut down.

The cash flows have been inflated at a rate of 2.1% (2021: 2%) per annum and discounted at a rate of 3.50% (2021: 3.25%), to take account of the time value of money.

The forward inflation rate captures higher short term inflation rates, particularly for 2023, followed by a lower long-term inflation rate in line with Bank of England forecasts

- **Actuarial assumptions for defined benefit pensions**
  The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about life expectancies, discount rates, expected rates of return on assets, future salary increases, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The key assumptions are considered to be the discount rate and the inflation rate. Details of these assumptions and relevant sensitivity analysis for the key estimates are given in note 30.

Work performed by the entity and capitalised
Directly attributable costs for project management during construction of enrichment and deconversion facilities are capitalised to the statement of financial position at cost. These costs include direct materials and labour, plus attributable overheads. It is the Group's policy to capitalise the costs of facility construction and installing capacity. It also capitalises those costs directly associated with obtaining operating licences. Any labour costs capitalised in this way are recorded as a credit within employee costs in the income statement.

Leases and hire purchase commitments
The Company assesses whether a contract is a lease or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability, with respect to all lease agreements in which it is the lessee, except for short term leases with a lease term of 12 months or less and leases of low value assets. For such leases, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate. The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Leases and hire purchase commitments continued
Subsequently the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the Statement of Financial Position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. Subsequently, they are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the accounting policy for 'Property, Plant and Equipment' as set out below.

The right-of-use assets are presented within Property, Plant and Equipment, with each item included within the same asset category within which the corresponding underlying assets would be presented if they were owned.

Retirement benefit costs
The Company operated a defined benefit scheme for the benefit of all employees who started their employment prior to 31 December 2007. For employees joining the Company after this date, the Company operates a defined contribution scheme. Payments to the defined contribution scheme are charged as an expense on an accruals basis.

On 10 August 2009, the Company's defined benefit scheme merged with the Urenco Limited pension scheme. The scheme, which is funded by contributions partly from the employees and partly from the Company, is administered independently.

The scheme was closed for further accrual from 5 April 2017 for most employees following consultations with employees and their representatives and the pension scheme Trustees.

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in defined contribution retirement benefit schemes.

In accordance with IAS 19, for defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial assessment being carried out at each reporting date. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

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

The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligation as reduced by the fair value of scheme assets.

Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Net interest expense or income is recognised within finance costs or finance income.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Taxation
Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Net interest expense or income is recognised within finance costs or finance income.

Current tax is recognised at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Current tax is based on taxable income (or expense) for the year. Taxable income (or expense) differs from income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years ("temporary differences") and it further excludes items that are never taxable or deductible ("permanent differences").

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment
Property, plant and equipment are initially stated at cost, and subsequently net of depreciation and provision for impairment.

Depreciation has been provided on all fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of assets, less estimated residual value, evenly over their expected useful lives using the following as guidance:

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Property, plant and equipment continued

Asset Type	Property, plant and equipment	Right of use assets
Buildings	12-40 years	1-99 years
Plant and machinery	2-20 years	1-20 years
Office Fixtures & fittings	12 years	1-12 years
Motor vehicles	4 years	1-4 years
Computer equipment	3-5 years	1-5 years

Capitalised Decommissioning Costs are included in property, plant and equipment and depreciated over 15-20 years.

The cost for property, plant and equipment includes costs for land restoration and these costs are classified within Freehold land and buildings. That portion of the land is depreciated over the period of benefits obtained by incurring those costs.

Depreciation of centrifuges is calculated based on their expected operational life and is charged so as to write off the cost of assets over their estimated useful lives down to their residual value.

Investment Property

The Company has elected the cost model to measure its investment property. Information about the fair value is disclosed in note 15.

Investment property, which is property held to earn rentals, is stated at cost, less accumulated depreciation and impairment losses (if any).

Cost includes the purchase price and directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, excluding the costs of day-to-day servicing.

Depreciation is charged so as to write off the cost of the assets, other than the land element, over its estimated useful life of 10 years, using the straight-line method.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

The carrying amount of the investment property is reviewed for impairment when there is any indication that the carrying amount may not be recoverable.

Intangible assets

Intangible assets are recognised at cost, and subsequently net of amortisation and provision for impairment. Amortisation is provided evenly over the expected useful lives using the following as guidance:

	Years
Enterprise Resource Planning (ERP) Software Assets	4
Waiver Payments	8-10
License costs	2

Amortisation has been provided on all intangible assets at rates calculated to write off the valuation of the asset evenly over the period during which the intangible asset provides benefit to the Company. Rates are calculated with reference to the specific individual asset such as a waiver payment or capitalised software costs.

The waiver payment comprises the right for the Company to not have to make future royalty cash payments associated with certain plant and equipment at the Capenhurst site.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Intangible assets continued
The consideration for this waiver payment will be settled by contracted storage services to be provided in future years by another Group Company. Initial recognition was measured at valuation based on estimated cash flow savings for the royalty payments. Amortisation on this waiver payment takes place on a straight-line basis over the estimated useful life.

Impairment of property, plant and equipment and intangible assets
At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue recognition
The Company principally operates as a supplier of uranium enrichment services. Customers usually provide UF_6 to the Company as part of their contract for enrichment with Urenco. 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.

Revenue is recognised when the Company transfers control of a product or service to a customer. Revenue is measured based on a judgement 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 VAT and other 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.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Revenue recognition continued
The Company also generates revenue from the sale of Urenco 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. Where this is present, the interest calculated on the significant financing component is recognised in Note 9 as "Interest income on contract assets" (2022: nil, 2021: nil).

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 Urenco) or physical delivery by Urenco 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.

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

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Sale of services continued

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 contract 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.

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 Critical accounting judgements the treatment of a contract modification as a separate contract or not may require judgement.

Additionally, revenue is derived from the sales of services for handling uranic materials and from rental income on investment property, which is recognised over the period of time the service is provided.

As set out in this note under Critical accounting judgements the treatment of a contract modification as a separate contract or not may require judgement.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

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 Urenco 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 judgement of the comparative value of each delivery based on an allocation of the overall value of the contract.

This requires judgement of the standalone selling price (SSP) for UF_6 and for 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
Judgement 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 also this note under Critical accounting judgements. This is particularly relevant at period ends where a large volume of sales are made to customers, often for individually high values. This judgement 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 notes 2 and 3.

Inventories
Inventories are stated at the lower of cost or net realisable value. For raw materials, work-in-progress and finished goods, costs comprise direct material costs and, where applicable, direct labour and production costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is calculated predominantly by 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. Provision is made for obsolete, slow-moving or defective items where appropriate. Spares and other equipment are measured on a moving average basis

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 received 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 received or that has been recognised as a receivable.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Inventory borrowings from third parties
The Company periodically borrows SWU or natural uranium from third parties in order to optimise its operational efficiency and provide sufficient SWU or natural uranium stock. An allocation of the payments made by the Company under loan agreements are recorded in the income statement account under other expenses.

These payments are recorded as "non-operational expense" and therefore do not form part of the direct costs that go into the valuation of own stock production. During the term of the agreement the Company recognises a share of both an asset and liability on its statement of financial position, valued at the Company weighted average cost of SWU or natural uranium.

Any movements in the weighted average cost lead to revaluations of both asset and liability. At the end of the loan period the Company returns the SWU or natural uranium to the lender and the Company has the intention to source this from its own production.

Provision for tails disposal, decommissioning, low assay feed and other
A by-product of the enrichment process is depleted uranium. Depending on the concentration of fissionable uranium, this depleted uranium is classified as either "tails" or as "low assay feed". The definition of tails is where the concentration of fissionable uranium is such that it is currently considered unlikely that future enrichment would be economically viable.

Conversely, other concentrations of depleted uranium are economically viable for further enrichment and therefore categorised as low assay feed.

Provision has been made for all estimated costs and for the eventual disposal of tails. The costs for tails provisions take account of conversion to a different chemical state, intermediate storage, transport and safe disposal. As much of the expenditure involved may take place in the future, the cash flows have been inflated at a rate of 2.1% (2021: 2%) and discounted at a rate of 3.50% (2021: 3.25%), to take account of the time value of money, in accordance with industry practice.

Provision has also been made for the additional cost that will be incurred when low assay feed is enriched to the same level as natural uranium.

The Directors intend to decommission plant used in the enrichment process as soon as practicably possible after it is shut down. To meet these eventual costs of decommissioning, provisions are charged in the accounts for all plant and equipment in operation at a rate considered to be appropriate for the purpose. Once a plant or equipment has been commissioned, the full discounted cost of decommissioning is recognised in the accounts as a provision. This is matched by capitalised decommissioning costs which are included in property, plant and equipment. In addition, disposal costs of waste generated through operations are recognised within the decommissioning provision.

The sums provided for both decommissioning, re-enrichment and disposal costs are based on the best available technical assessments and are reviewed annually.

The fundamental assumptions underlying these provisions were reviewed in detail as part of the triennial review in 2021 and will continue to be revisited on an annual basis.

Provisions for the costs of land restoration are recognised when the obligation is incurred, at the directors' best estimate of the expenditure that would be required to restore the land. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Notes to the accounts

For the year ended 31 December 2022

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 income statement and is included in the “finance income” line item.

(ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost 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 income statement to the extent they are not part of a designated hedging relationship.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes to the accounts

For the year ended 31 December 2022

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since credit recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses (ECLs)
The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which the simplified approach was used.

Derecognition of financial assets
The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the consolidated income statement.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into, either at amortised cost of at fair value through profit and loss.

Trade payables
Trade payables are not usually interest bearing and are stated at amortised cost.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Foreign currencies
The Company's functional currency is sterling and the financial statements are presented in sterling. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Assets and liabilities in foreign currencies are re-translated at rates of exchange ruling at the reporting date. All differences are taken to the income statement.

Assets leased to third parties
The Company holds assets which are leased to third parties and are depreciated in line with Company policy. Rental income is recognised over the lease term within the income statement.

Retirement benefit obligations
The defined benefit pension scheme was closed for further accrual from 5 April 2017 for almost all employees. All current employees are offered membership of a defined contribution pension scheme.

In accordance with IAS 19, for defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial assessment being carried out at each reporting date. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

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

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

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Net interest expense or income is recognised within finance costs or finance income.

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

Related parties
As set out in note 34, the Company is, indirectly, a wholly owned subsidiary of Urenco Limited and as such has taken advantage of the exemption available under Financial Reporting Standard 101 "Reduced Disclosure Framework", not to disclose transactions with other members of the Urenco Limited Group. Transactions with other related parties are included in note 34 Related Party transactions.

Derivative financial instruments
The Company enters into derivative financial instruments with the parent Company, Urenco Limited, in order to manage its exposure to foreign exchange rate risk on its sales less expenses in foreign currency. Further details of derivative financial instruments are disclosed in note 23.

Notes to the accounts

For the year ended 31 December 2022

1. Significant accounting policies continued

Derivative financial instruments continued
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Company designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting
The Company designates certain hedging instruments as cash flow hedges, hedging foreign exchange risk on firm commitments.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 23 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in finance income or finance costs.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

Notes to the accounts

For the year ended 31 December 2022

2. Revenue

A portion of the Company's revenue which is denominated in foreign currencies is cash flow hedged. The amounts disclosed for revenue from the sale of goods and services include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a net loss of £2.1m (2021: net gain £11.2m).

All revenues relating to sales of goods and services recognised during the period arose from contracts with customers. Please see note 35 for analysis by geographical location.

The amount of revenue recognised during the year that was previously recorded as a contract liability was £17.4m (2021: £16.6m).

3. Income from operating activities

Income from operating activities is stated after charging / (crediting):

	Notes	***2022 £'000***	*2021 £'000*
Rental income from investment property	*15*	**(663)**	(662)
Exchange rate difference - operating gain	*8*	**(9,452)**	(7,454)
Exchange rate difference - operating loss	*8*	**8,507**	8,367
Unrealised operating exchange difference	*8*	**1,873**	(1,838)
Depreciation:			
- of owned and leased property, plant and equipment	*14*	**35,451**	35,650
- of capitalised decommissioning costs	*14*	**2,905**	8,875
- of investment property	*15*	**234**	233
Amortisation of owned intangible assets	*16*	**793**	127

4. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2022 £'000	*2021 £'000*
Fees payable to the Company's auditor for the audit of the Company's accounts	**73**	65
Total audit fees	**73**	65

There were no non-audit fees charged to the company in the year (2021: £nil).

5. Exceptional items

There have been no exceptional items in 2022 (2021: same)

Notes to the accounts

For the year ended 31 December 2022

6. Directors' emoluments and transactions

During the year, five Directors were employed as Directors of the Company. The remuneration of three Directors, together with pension contributions relating to them, were paid by and charged in the accounts of other Group Companies (2021: two Directors). and no amounts were reimbursed by these Companies (2021: one).

The other two Directors were paid by Urenco UK Limited, and the amounts paid are as follows:

	2022	*2021*
	£'000	*£'000*
Aggregate emoluments	**481**	365
Agregate amounts receivable under long term incentive schemes	**158**	124
Aggregate pension contributions in the year to defined contribution scheme	**49**	39
	688	528

	No.	*No.*
Members of defined contribution pension scheme	**2**	3

The remuneration of the highest Director paid by the Company

	2022	*2021*
	£'000	*£'000*
Aggregate emoluments	**484**	374
	484	374

Notes to the accounts

For the year ended 31 December 2022

7. Employee costs

	2022	2021
	£'000	£'000
Wages and salaries	**27,695**	26,278
Social security costs	**3,124**	2,730
Pension contributions	**4,084**	1,286
	34,903	30,294
Own work capitalised	**(4,107)**	(4,894)
Employee costs	**30,796**	25,400

The average monthly number of persons employed during the year was:

	2022	2021
	No.	**No.**
Technical	**366**	357
Administration	**68**	57
	434	414

8. Other expenses

		2022	2021
		£'000	£'000
Consultancy and third party services		**26,728**	6,420
Energy and other utilities		**18,281**	17,312
Intercompany services received		**16,612**	14,144
Loss on disposal of assets	14	**3,697**	408
Operating foreign exchange gains		**(9,452)**	(7,454)
Operating foreign exchange losses		**10,380**	6,529
Operating costs		**34,213**	31,324
Operator fees & commission		**12,324**	12,049
		112,783	80,732

Notes to the accounts

For the year ended 31 December 2022

9. Finance income

	2022	2021
	£'000	£'000
Interest receivable from Group undertakings	**13,854**	2,337
Intercompany lease interest income	**981**	1,200
Hedge ineffectiveness on cash flow hedges	**(63)**	15
	14,772	3,552

During the year the average interest rate on Group undertakings was 1.733% (2021: 0.304%)

10. Finance costs

	2022	2021
	£'000	£'000
Unwinding of discount on provisions	**28,046**	25,506
Interest expense on lease liabilities	**1,323**	875
	29,369	26,381

11. Other losses

	Notes	**2022**	2021
		£'000	£'000
Net interest expense on defined benefit pension scheme	30	**601**	42
		601	42

12. Taxation

a) Analysis of tax charge in the income statement:

	2022	2021
	£'000	£'000
Current tax:		
UK corporation tax on income for the year	**18,675**	20,733
Adjustments in respect of prior years	**(1,820)**	(379)
	16,855	20,354
Deferred tax:		
Origination and reversal of temporary differences	**(1,170)**	2,127
Adjustment in respect of prior years	**3,202**	640
	2,032	2,767
Total tax charge on income from ordinary activities	**18,887**	23,121

Notes to the accounts

For the year ended 31 December 2022

12. **Taxation** continued

Income tax on exceptional items within the income statement

During 2022 there were no exceptional items, and thus no income tax was recorded on exceptional items.

b) Factors affecting tax charge for the year:

The tax assessed for the year is higher than (2021: higher than) the average standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022	*2021*
	£'000	*£'000*
Income before tax	**97,894**	104,467
Income before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**18,600**	19,849
Effects of:		
Adjustment in respect of prior years	**1,382**	261
Expenses not deductible for tax purposes	**(814)**	1,140
Effect of changes in deferred tax rate	**-**	1,790
Deferred tax rate difference to standard rate of corporation tax	**(281)**	81
Total tax charge	**18,887**	23,121

c) Factors that may affect future tax charges:

The mainstream rate of UK corporation tax is due to increase from 19.0% to 25.0%, effective 1 April 2023. As a result, the Company's net deferred tax liabilities have been valued using the 25.0% tax rate (2021: 25.0%), resulting in a £nil expense (2021: £1.8m expense) to the income statement. The annual UK corporation tax rate for the year ended 31 December 2022 remained at 19.0% (2021: 19.0%).

Notes to the accounts

For the year ended 31 December 2022

12. **Taxation** continued

d) Deferred tax (liabilities) / assets

	Relating to fixed assets £'000	Relating to provisions £'000	Relating to retirement benefit obligations £'000	Relating to financial instruments £'000	Total £'000
At 1 January 2021	(29,299)	20,638	2,496	(2,041)	(8,206)
(Charge) / credit in the income statement	(6,624)	4,485	(932)	304	(2,767)
(Charge) / credit in other comprehensive income	-	-	(9,685)	97	(9,588)
At 31 December 2021	(35,923)	25,123	(8,121)	(1,640)	(20,561)
(Charge) / credit in the income statement	(2,233)	1,535		(1,334)	(2,032)
(Charge) / credit in other comprehensive income			2,268	10,512	12,780
At 31 December 2022	**(38,156)**	**26,658**	**(5,853)**	**7,538**	**(9,813)**

Current and deferred tax amounts recorded in comprehensive income are as follows:

	2022 £'000	*2021 £'000*
Current tax credit on actuarial loss	**546**	-
Deferred tax credit / (charge) on actuarial loss / gain	**2,268**	(9,685)
Deferred tax credit on cash flow hedges	**10,512**	97
	13,326	(9,588)

There are no tax consequences for the Company attaching to the payment of dividends to its shareholder.

Notes to the accounts

For the year ended 31 December 2022

13. Dividends

	2022	2021
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2022 (equivalent to 150p per share, 2021: 200p per share)	**60,000**	80,000
	60,000	80,000

No final dividend has been declared (2021: £nil).

14. Property, plant and equipment

	Freehold Land & Buildings	*Plant and Machinery*	*Fixtures, Fittings & Computer Equipment*	*Assets under construction*	*Capitalised decomm-issioning costs*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost of valuation:						
At 1 January 2022	149,273	1,196,750	19,784	105,838	154,532	1,626,177
Transfers	2,010	7,611	26	(9,806)	-	(159)
Transfers between sites	-	-	-	3,305	-	3,305
Additions	7,250	-	-	38,505	18,213	63,968
Written off	(4,936)	(2,654)	(417)	-	-	(8,007)
At 31 December 2022	153,597	1,201,707	19,393	137,842	172,745	1,685,284
Depreciation:						
At 1 January 2022	68,342	984,490	9,015	-	98,562	1,160,409
Charge for the year	5,795	28,060	1,596	-	2,905	38,356
Transfers	-	-	-	-	-	-
Written off	(3,612)	(281)	(414)	-	61	(4,246)
At 31 December 2022	70,525	1,012,269	10,197	-	101,528	1,194,519
Net book value:						
At 31 December 2022	83,072	189,438	9,196	137,842	71,217	490,765
At 1 January 2022	80,931	212,260	10,769	105,838	55,970	465,768

All land, buildings and other items of property, plant and equipment are carried at historical cost less accumulated depreciation and impairments.

No interest has been capitalised in the period.

The transfers in 2022 relate to a transfer from assets under construction to other items of property, plant and equipment.

Notes to the accounts

For the year ended 31 December 2022

14. Property, plant and equipment continued

From 1 January 2019, following the adoption of IFRS 16, right-of-use assets have been included within the table summarising property, plant and equipment above. See the following table for further details.

	Fixtures, Fittings & Computer Equipment £'000
Cost of valuation:	
At 1 January 2022	**344**
Disposals	**(66)**
At 31 December 2022	**278**
Depreciation:	
At 1 January 2022	**94**
Disposals	**(62)**
Charge for the year	**56**
At 31 December 2022	**88**
Carrying amount:	
At 31 December 2022	**190**
At 1 January 2022	**250**

Notes to the accounts

For the year ended 31 December 2022

15. Investment property

	Total
	£'000
Cost:	
At 31 December 2022	**5,355**
Depreciation:	
At 1 January 2022	**1,868**
Charge for the year	**234**
At 31 December 2022	**2,102**
Net book values:	
At 31 December 2022	**3,253**
At 1 January 2022	**3,487**

The investment property relates to land and buildings acquired by the Company in December 2013. The cost includes the purchase price of £4.5m and directly attributable costs at acquisition of £0.3m.

The costs are being depreciated on a straight-line basis over 10 years from the date of acquisition.

The Company leases out its investment property. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 31 sets out information about the operating leases of the investment property.

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £0.66m (£0.66m in 2021). Direct operating expenses arising on the investment property amounted to £0.12m (£0.13m in 2021).

The fair value has been assessed by the Directors using a discounted cash flow valuation method in support of the annual impairment review. The fair value, determined based on internal validation, at 31 December 2022 was £6.8m (31 December 2021: £5.1m). An external valuation expert with professional experience was not used.

Notes to the accounts

For the year ended 31 December 2022

16. Intangible assets

	Waiver Payment £'000	*ERP Assets £'000*	*Licence Costs £'000*	*Total £'000*
Cost or valuation:				
At 1 January 2022	**5,681**	**16,214**	**3,148**	**25,043**
Transfers	**-**	**159**	**-**	**159**
Disposals	**-**	**-**	**-**	**-**
At 31 December 2022	**5,681**	**16,373**	**3,148**	**25,202**
Amortisation:				
At 1 January 2022	**5,638**	**13,362**	**3,148**	**22,148**
Charge for the year	**43**	**750**	**-**	**793**
Transfers	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**
At 31 December 2022	**5,681**	**14,112**	**3,148**	**22,941**
Net book values:				
At 31 December 2022	**-**	**2,261**	**-**	**2,261**
At 1 January 2022	**43**	**2,852**	**-**	**2,895**

Intangible assets recognised relate to a long term waiver payment, ERP software and Licence costs.

17. 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.

	2022 £'000	*2021 £'000*
As at 1 January	**3,672**	3,787
Revenue recognised in the year	**713**	1,830
Reversal of accrued revenue	**-**	(1,862)
Exchange difference	**457**	(83)
	4,842	3,672
Included in current assets	**-**	-
Included in non-current assets	**4,842**	3,672
	4,842	3,672

Revenue recognised during the year related substantially to one contract which required a re-measurement of the revenue to be recognised in accordance with the relative stand-alone selling price .

Notes to the accounts

For the year ended 31 December 2022

18. Inventories

	2022 **£'000**	*2021* *£'000*
Raw materials and consumables	**52,399**	20,772
Finished goods	**554**	1,035
	52,953	21,807

All inventories are held at the lower of cost and net realisable value. No inventories are held at net realisable value (2021: £nil).

£27.6m of Inventories was recognised as an expense in 2022 (2021: £35.4m), including £nil intercompany purchase of SWU (2021: £9.9m).

19. SWU assets

	2022 **£'000**	*2021* *£'000*
SWU assets	**32,514**	637
	32,514	637

SWU assets are the costs incurred to date in enriching UF6 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.

Notes to the accounts

For the year ended 31 December 2022

20. Trade and other receivables (current)

	2022	2021
	£'000	£'000
Amounts due from Parent Company	**814,977**	720,026
Trade receivables	**35,672**	58,347
Other receivables	**5,057**	7,412
Prepayments and accrued income	**4,236**	2,123
	859,942	787,908

Amounts due from the ultimate parent company are not secured and attract interest at a rate of 1.73% (2021: 0.30%) payable on the balance outstanding at the end of each month and repayable on demand.

The trade and other receivables disclosed above are all classified as loans and receivables and are therefore measured at amortised cost less a loss allowance for expected credit losses.

The average contractual credit period taken on sales of goods and services is 34 days (2021: 59 days). Trade receivables can carry interest in accordance with contract conditions. Trade receivables are stated at their invoiced value as payments are usually received within the contract terms. The average age of the weighted value trade receivables in the table above is 15 days (2021: 17 days).

The decrease in trade receivables is mainly due to cash received from customers in relation to invoices issued but not paid at the end of 2021.

For terms and conditions relating to related party receivables, refer to note 34.

At the year end there was one trade receivable (2021: nil) that was past the due date.

The Company does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Company to the customer.

Trade receivables are stated net of a provision for expected credit losses of £0.2m (2021 £0.2m), wholly relating to receivables arising from revenue contracts.

Notes to the accounts

For the year ended 31 December 2022

21. 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 reliably estimated. Where the time value of money is material, provisions are discounted to the present value of those cash flows using pre-tax discount rates. Where discounting is used, the increase in the provision due to the passage of time is recognised within finance costs.

The Directors intend to decommission plant and machinery used in the enrichment process as soon as practicably possible after it has shut down. To meet these eventual decommissioning costs, provisions are recognised for all plant and equipment in operation, at a rate considered to be adequate for the purpose. Once the plant and equipment has been commissioned, the full discounted cost of decommissioning 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.

	Tails disposal *£'000*	Decomm-issioning of plant and machinery *£'000*	Re-enrichment low assay feed *£'000*	Other *£'000*	Total *£'000*
At 1 January 2022	**602,338**	**255,836**	**25,886**	**1,350**	**885,410**
Provided during the year	**51,862**	**23,278**	**35,502**	**8,418**	**119,060**
Effect of unwind of discount rate	**19,576**	**7,967**	**503**	**-**	**28,046**
Utilised	**(17,096)**	**(3,149)**	**-**	**(751)**	**(20,996)**
Transfer between accounts	**-**	**-**	**-**	**-**	**-**
Released	**(8,998)**	**(1,624)**	**(27,333)**	**(21)**	**(37,976)**
At 31 December 2022	**647,682**	**282,308**	**34,558**	**8,996**	**973,544**
Included in current liabilities					**28,491**
Included in non-current liabilities					**945,053**
					973,544

Adequate provision has been made for all tails and decommissioning liabilities.

	Tails disposal *£'000*	Decomm-issioning of plant and machinery *£'000*	Re-enrichment low assay feed *£'000*	Other *£'000*	Total *£'000*
At 1 January 2021	547,753	232,938	23,067	3,678	807,436
Provided during the year	71,808	37,501	8,957	417	118,683
Effect of unwind of discount rate	17,802	7,218	486	-	25,506
Utilised	(15,626)	(2,662)	-	(1,623)	(19,911)
Transfer between accounts	-	-	-	476	476
Released	(19,399)	(19,159)	(6,624)	(1,598)	(46,780)
At 31 December 2021	602,338	255,836	25,886	1,350	885,410
Included in current liabilities					19,522
Included in non-current liabilities					865,888
					885,410

Notes to the accounts

For the year ended 31 December 2022

21. Provisions continued

	Tails disposal *£'000*	**Decomm-issioning of plant and machinery** *£'000*	**Re-enrichment low assay feed** *£'000*	**Other** *£'000*	**Total** *£'000*
Additional provision in the year	**51,862**	**4,167**	**35,502**	**1,168**	**92,699**
Release of provision	**(8,998)**	**(1,624)**	**(27,333)**	**(21)**	**(37,976)**
Charged to income statement during the year	**42,864**	**2,543**	**8,169**	**1,147**	**54,723**
Decommissioning asset created	**-**	**18,152**	**-**	**7,250**	**25,402**
Exchange rate differences	**-**	**959**	**-**	**-**	**959**
Total provision provided during the year	**42,864**	**21,654**	**8,169**	**8,397**	**81,084**

	Tails disposal *£'000*	Decomm-issioning of plant and machinery *£'000*	Re-enrichment low assay feed *£'000*	Other *£'000*	Total *£'000*
Additional provision in the year	71,808	13,674	8,957	417	94,856
Release of provision	(19,399)	(19,159)	(6,624)	(1,598)	(46,780)
Charged to income statement 2021	52,409	(5,485)	2,333	(1,181)	48,076
Decommissioning asset created	-	25,010	-		25,010
Exchange rate differences	-	(1,183)	-	-	(1,183)
Total provision provided during the year	52,409	18,342	2,333	(1,181)	71,903

Provision for tails

The enrichment process generates depleted uranium (tails). Provision has been made on a discounted basis for the eventual safe disposal of the tails. The cost takes into account conversion to a different chemical state, intermediate storage, transport and safe disposal.

During the year the tails provision increased by £42.9m due to the tails generated in that period (2021: £52.4m), together with the increased costs for de-conversion. The planned costs are based on historic experience, operational assumptions, internal cost forecasts and third party contract prices for the relevant parts of the disposal cycle.

A key area of uncertainty remains the unit cost of deconversion which will remain uncertain until the group's deconversion plant has been commissioned. A 10% increase in the forecast TMF deconversion price would increase tails provisions by £33.4m and a 10% decrease in the forecast TMF deconversion price would decrease tails provisions by £33.4m.

The provision for tails disposal is dependent on certain assumptions and estimates, such as timing of disposal and the applicable discount and inflation rates. A 0.5% reduction in the real discount rate would lead to an increase of the provision by £148.8m, whilst a 0.5% increase in the real discount rate would lead to a decrease of the provision by £100.2m.

It is expected that the provision for the tails will be utilised over the next 100 years.

Notes to the accounts

For the year ended 31 December 2022

21. **Provisions** continued

Provision for decommissioning plant, machinery and cylinders
The Directors intend to decommission plant used in the enrichment process as soon as practicably possible after it is shut down. To meet these eventual costs of decommissioning, provisions are charged in the accounts, for all plant in operation, at amounts considered to be adequate for the purpose. The movement during the year is due to revised assumptions surrounding the decommissioning of plant and machinery and the disposal of legacy waste.

The provision for decommissioning plant and machinery is dependent on certain assumptions and estimates, such as timing of decommissioning and the applicable discount and inflation rates. A 0.5% reduction in the real discount rate would lead to an increase of the provision by £17.4m, whilst a 0.5% increase in the real discount rate would lead to a decrease of the provision by £15.7m.

It is expected that the decommissioning provision will be utilised over the next 30 years.

Provisions for the re-enrichment of low assay feed
Provisions for the future re-enrichment of low assay feed are calculated using assumptions on the amount of separative work that will be required in the future and the cost of providing enrichment capacity to perform that work. This cost includes the safe disposal of any resultant tails material. During the year, the provisions relating to the future re-enrichment of low assay feed increased by £35.5m due to the creation of low assay feed and reduced by £27.3m due to expenditure incurred on re-enrichment of low assay feed.

Other provisions
These comprise provisions relating to restoration provisions, restructuring provisions and other personnel provisions.

The restoration provisions at 31 December 2022 were £7.5m (2021: £0.6m) and relate to restoration of some land at the Capenhurst site. The final amount that will be incurred is uncertain, and may differ from the amount that is currently provided for. Uncertainty in this regard is dependent on the outcome of the investigation works on other areas of the Capenhurst site, which are expected to be completed in 2024, where the potential liability cannot be currently reliably measured.

Personnel provisions relate to restructuring and total £1.5m (2021: £0.8m), mainly relating to expected severance payments to be made. The movement in the year mainly relates to utilisation and a release of the provision. Uncertainties exist around the exact amount and timing of cash outflows as many elements of the restructuring programme are subject to employee consultation procedures.

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

These other provisions are not materially sensitive to discount rates.

22. Financial risk management objectives and policies

From 1 January 2015 the Company hedged a material proportion of its US dollar and Euro exposure into sterling. All hedges are taken out with Urenco Limited in the form of forward foreign exchange contracts. Hedge documentation is prepared at the inception of a hedge and hedges are reviewed regularly to ensure that they are effective,

Notes to the accounts

For the year ended 31 December 2022

23. Other financial assets and financial liabilities

	Amounts due within one year		Amounts due after more than one year	
	2022	2021	**2022**	2021
	£'000	*£'000*	***£'000***	*£'000*
Financial assets at fair value through the income statement				
Intercompany balances - relating to forward foreign exchange contracts	**2,840**	7,245	**5,623**	10,777
Total assets measured at fair value	**2,840**	7,245	**5,623**	10,777
Financial liabilities at fair value through the income statement				
Intercompany balances - relating to forward foreign exchange contracts	**(16,091)**	(2,185)	**(22,085)**	(3,451)
Total liabilities measured at fair value	**(16,091)**	(2,185)	**(22,085)**	(3,451)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

All financial assets and liabilities held are Level 2.

Notes to the accounts

For the year ended 31 December 2022

24. Trade and other payables (current)

	2022 £'000	2021 £'000
Amounts due to group undertakings	**-**	838
Trade payables	**3,425**	4,121
Other payables	**5,339**	8,576
Other taxes and social security costs	**850**	753
Accruals	**11,795**	16,158
	21,409	30,446

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2021: 30 days). The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

25. Contract Liabilities

	2022 £'000	2021 £'000
Contract liabilities	**84,308**	35,472
	84,308	35,472
Included in current liabilities	**24,014**	16,808
Included in non-current liabilities	**60,294**	18,664
	84,308	35,472

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

Notes to the accounts

For the year ended 31 December 2022

26. Share capital

	2022	2021
	£'000	£'000
Authorised		
Ordinary shares of £1 each	**60,000**	60,000

Allotted, called up and fully paid

	2022	2021	**2022**	2021
	No.	No.	**£'000**	£'000
Ordinary shares of £1 each	**40,000,000**	40,000,000	**40,000**	40,000

27. Informal capital

	2022	2021
	£'000	£'000
Informal capital	**15,566**	15,566

Amounts due to the ultimate parent undertaking were waived by way of a capital contribution in 1994.

28. Movements on retained earnings

	Retained earnings
	£'000
At 1 January 2022	**218,418**
Net income for the year	**79,007**
Dividends declared and paid	**(60,000)**
Actuarial loss on defined benefit pension scheme	**(11,951)**
Current tax relating to actuarial loss	**546**
Deferred tax relating to actuarial loss	**2,268**
At 31 December 2022	**228,288**
At 1 January 2021	188,017
Net income for the year	81,346
Dividends declared and paid	(80,000)
Actuarial gain on defined benefit pension scheme	38,740
Deferred tax relating to actuarial gain	(9,685)
At 31 December 2021	218,418

Notes to the accounts

For the year ended 31 December 2022

29. Capital commitments

Amounts authorised and contracted for but not provided for in the accounts at 31 December 2022 were £8.4m (2021: £14.1m) relating to a number of on-going capital projects where work has been contracted but service had not been provided at the end of the year. In addition, capital commitments includes £27m for the purchase of components from ETC in 2024 and 2025.

30. Retirement benefit obligations

Defined contribution schemes
In 2008, the Company introduced a defined contribution plan for new employees. The total cost of defined contribution arrangements of £3.9m (2021: £3.6m) has been fully expensed against income in the current year.

Defined benefit scheme
Urenco Group operates a defined benefit plan administered by a separate independent trust-administered fund. The assets and liabilities of Urenco Group can be identified separately from those of other sponsoring companies of the plan. The liabilities for Urenco UK Limited, which forms part of Urenco Group, can be identified and the disclosures in respect of Urenco UK Limited's retirement benefit obligations are included below.

The pension liabilities expose the Company to risks of longevity, inflation and the discount rate. The related pension assets expose the Company to market price volatility and default risk regarding the investments held by the pension fund.

The retirement benefit obligation cost figures included in the accounts relating to the pension scheme are stated in accordance with IAS 19 Employee Benefits.

The scheme was closed for further accrual from 5 April 2017 for most employees following consultations with employees and their representatives and the pension scheme Trustees.

Valuations of the scheme are carried out at least every three years. The most recent actuarial assessments for the UK scheme of plan assets and the present value of defined benefit obligations were carried out at 5 April 2021 and subsequently rolled forward to 31 December 2022 by a qualified actuary.

Following the triennial valuation of the pension scheme in April 2018, a revised deficit repair plan was agreed with the trustees for five years until 2022, resulting in a deficit recovery payment of £2.3m in 2022 (2021: £4.4m).

The scheme chose not to adopt CPI as permitted under recent legislative changes and therefore there have been no changes to the scheme liabilities in respect of this.

Amounts recognised in the statement of financial position

	2022 £'000	*2021 £'000*
Present value of funded obligations	**(173,787)**	(260,874)
Fair value of scheme assets	**197,199**	293,359
Surplus in scheme	**23,412**	32,485

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

Notes to the accounts

For the year ended 31 December 2022

30. Retirement benefit obligations continued

Change in plan assets

	2022	*2021*
	£'000	*£'000*
Fair value of plan assets at beginning of year	**293,359**	272,008
Employer contributions	**2,459**	4,536
Employee contributions	**6**	6
Benefits paid	**(8,897)**	(7,994)
Interest income	**5,217**	4,515
Actuarial (losses) / gains	**(94,931)**	20,297
Administrative expenses paid from scheme assets	**(14)**	(9)
Fair value of plan assets at end of year	**197,199**	293,359

Employer contributions include a £2.3m (2021: £4.4m) deficit reduction payment as discussed above.

	2022	*2021*
	£'000	£'000
Equity instruments	**31,917**	87,630
Debt instruments	**165,282**	205,729
	197,199	293,359

Change in benefit obligations

	2022	*2021*
	£'000	*£'000*
Benefit obligation at beginning of year	**260,874**	285,144
Current service costs	**168**	170
Interest cost	**4,616**	4,473
Employee contributions	**6**	6
Past service costs	**-**	(2,483)
Actuarial gains	**(82,980)**	(18,443)
Benefits paid	**(8,897)**	(7,993)
Benefit obligation at end of year	**173,787**	260,874

The average duration of the defined benefit obligation at 31 December 2022 is 13.2 years (2021: 17.0 years).

Notes to the accounts

For the year ended 31 December 2022

30. Retirement benefit obligations continued

Components of retirement benefit obligations cost

	2022	*2021*
	£'000	*£'000*
Current service cost	**168**	170
Interest cost	**4,616**	4,473
Interest (income) on scheme assets	**(5,217)**	(4,515)
Past service costs	**-**	(2,483)
Administrative expenses and taxes	**14**	9
Total retirement benefit obligation cost recognised in income statement	**(419)**	(2,346)

Amount recognised in the statement of comprehensive income (SOCI)

	2022	*2021*
	£'000	*£'000*
Actuarial losses / (gains)	**11,951**	(38,740)
Total retirement benefit obligation movement recognised in the SOCI	**11,951**	(38,740)

Weighted average assumptions used to determine benefit obligations at:

	2022	*2021*
Discount rate	**5.00%**	1.80%
Rate of salary increase	**4.10%**	4.30%
Rate of price inflation	**3.10%**	3.30%
Rate of increase of pensions in payment	**3.10%**	3.30%
Rate of increase in deferred pensions (pre 1/3/2010)	**3.10%**	3.30%
Rate of increase of pensions in deferment (post 28/2/2010)	**1.90%**	2.10%
Rate of increase of pensions in payment (post 28/2/2010)	**3.10%**	3.30%
Life expectancy at age 60 for a male currently aged 60	**27.3**	27.3
Life expectancy at age 60 for a female currently aged 60	**29.5**	29.4
Life expectancy at age 60 for a male currently aged 40	**28.8**	28.7
Life expectancy at age 60 for a female currently aged 40	**30.8**	30.7

The Company contributions paid in respect of the year were £0.2m (2021: £0.1m). The Company also made a contribution into the Plan (as part of a deficit funding plan) of £2.3m (2021: £4.4m).

Regular contributions into the Plan from both the members and employer are expected to be £0.2m (2021: £2.4m) for the year beginning 1 January 2023.

The Company has charged £0.05m (2021: £0.06m) in respect of unfunded benefits for employees who have retired early. The cost and associated provision utilisation are included within 'Employee Costs'.

Notes to the accounts

For the year ended 31 December 2022

30. Retirement benefit obligations continued

Risks

The pension liabilities expose the Company to risks of longevity, inflation and the discount rate. The related pension assets expose the Company to market price volatility and default risk regarding the investments held by this pension fund.

Sensitivity analysis

	Liabilities	Assets	Deficit (Surplus)
No change to basis	173,787	197,199	(23,412)
Discount rate + 0.25% pa	168,456	197,199	(28,743)
Discount rate - 0.25% pa	179,401	197,199	(17,798)
RPI + 0.25% pa	178,370	197,199	(18,829)
RPI - 0.25% pa	169,658	197,199	(27,541)

31. Leases

Leases classified as operating expenses under IFRS16

The total lease rentals charged as an expense in the income statement, are disclosed below:

	2022 £'000	*2021 £'000*
Expenses relating to short term leases	**40**	38
Hire of plant and equipment	**97**	48
	137	86

Leases as lessee

The Company leases items of equipment under a number of leases, which were classified as operating leases under IAS17. Under IFRS16 these items have been recognised in the Statement of Financial Position under Property, Plant and Equipment. Further Information is presented in note 14.

Maturity analysis

The following table sets out a maturity analysis of future discounted lease payments in relation to the Company's lease from the Nuclear Decommissioning Authority (NDA). The increase is the result of a backdated rent review.

	2022 £'000	*2021 £'000*
Less than one year	**1,077**	429
More than one year	**17,469**	17,782
	18,546	18,211

Notes to the accounts

For the year ended 31 December 2022

31. **Leases** continued

UUK as lessor
Rental income received by the Company in relation to its investment property during 2022 was £0.66m (2021: £0.66m).

The following table sets out a maturity analysis of this lease income, showing the undiscounted lease payments to be received after the reporting date.

Operating lease income maturity analysis	***2022 £'000***	*2021 £'000*
Less than one year	**655**	670
One to two years	**655**	655
Two to three	**655**	655
Three to four	**655**	655
Four to five	**655**	655
More than five years	**6,543**	6,543
	9,818	9,833

UUK also acts as the lessor regarding the sublease by UUK to Urenco Nuclear Stewardship (UNS) of the Rafts Area and Bays Area, on the Capenhurst site. UUK as the main lessee has the right to use these assets from the NDA for a total period of 99 years from the original start date. UUK has subleased this right to UNS under the same conditions. Previously, under IAS 17, this sublease was recognised as an operating lease, by both UUK and UNS. UUK as the main lessee also recognised the lease arrangement with the NDA as an operating lease.

From 1 January 2019, under IFRS 16, UUK as the intermediate lessor has classified its lease with UNS as a finance lease due to substantially all the risks and rewards arising from the use of the leased asset transferring to UNS, the intermediate lessee. This classification has been made by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

UUK has therefore derecognised the right-of-use asset relating to the head lease that it has transferred to UNS and recognised the net investment in the sublease and retained the lease liability relating to the head lease in its statement of financial position, which represents the lease payments owed to the head lessor.

Notes to the accounts

For the year ended 31 December 2022

31. Leases continued

Finance lease income maturity analysis (undiscounted)

	2022 £'000	2021 £'000
Less than one year	**989**	989
One to two years	**989**	989
Two to three	**989**	989
Three to four	**989**	989
Four to five	**989**	989
More than five years	**83,012**	84,000
	87,957	88,945
Impact of discounting	**69,599**	70,569
Intercompany lease receivable (net investment in sub-lease)	**18,358**	18,376
Intercompany lease receivable (current)	**965**	965
Intercompany lease receivable (non-current)	**17,393**	17,411
	18,358	18,376

32. Immediate and ultimate parent undertaking

The Company's immediate parent undertaking is Urenco Enrichment Company Limited, which is a wholly owned subsidiary of Urenco Limited. The place of incorporation and registered office of the Company is Urenco Court, Sefton Park, Bells Hill, Stoke Poges, Bucks, SL2 4JS.

Urenco Limited is the ultimate parent undertaking and controlling party and heads both the largest and smallest Group for which consolidated financial statements are prepared and of which the Company is a member. Copies of Urenco Limited's accounts may be obtained from its registered office at Urenco Court, Sefton Park, Bells Hill, Stoke Poges, Bucks, SL2 4JS.

33. Contingent liability

The Company is party to composite guarantees of borrowings by the Urenco Limited Group from various borrowings which, at the reporting date, amounted to £1,399m (2021: £1,212m). The Directors do not expect any liability to arise under these guarantees.

Notes to the accounts

For the year ended 31 December 2022

34. Related party transactions

During the year the Company entered into the following transactions with the following related parties:

	Sale of goods and services		Purchases of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2022	*2021*	**2022**	2021	**2022**	2021	**2022**	2021
	£'000	*£'000*	***£'000***	*£'000*	***£'000***	*£'000*	***£'000***	*£'000*
Other	-	-	**21,079**	25,822	**7,014**	-		851
Total	-	-	**21,079**	25,822	**7,014**	-	-	851

Other related parties include Enrichment Technology Company Limited due to Urenco Limited's 50% shareholding in the joint venture with Orano S.A.

Sales of goods and services to related parties and purchases of goods and services from them were made under the Group's normal trading terms and conditions.

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

Urenco UK Limited is, indirectly, a wholly owned subsidiary of Urenco Limited and as such has taken advantage of the exemption available under FRS 101 not to disclose transactions with other wholly owned members of the Urenco Limited Group.

35. Geographical information

Urenco UK's operations are located in England. The following tables present revenue by location by customer and certain asset information regarding UUK's geographical segments by location, irrespective of the origin of the goods/services and assets:

	UK	Europe	US	Rest of the World (i)	Total
	£'000	***£'000***	***£'000***	***£'000***	***£'000***
Total external revenue 2022	**34,776**	**109,480**	**129,234**	**82,886**	**356,376**
Location of non-current assets					
Property, plant and equipment	**419,358**	-	-	-	**419,358**
Investment property	**3,253**	-	-	-	**3,253**

	UK	Europe	US	Rest of the World (i)	Total
	£'000	***£'000***	***£'000***	***£'000***	***£'000***
Total external revenue 2021	3,080	112,971	148,140	77,973	342,164
Location of non-current assets					
Property, plant and equipment	409,548	-	-	-	**409,548**
Investment property	3,487	-	-	-	**3,487**

(i) Predominantly Asia

Notes to the accounts

For the year ended 31 December 2022

36. Events after the Statement of Financial Position date

As of 8 March 2023, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2022 financial statements.