



Annual report and accounts **2019**



Financial statements

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

In our opinion:

- **the financial statements of Urenco Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);**
- **the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statement of financial position;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes to the consolidated financial statements 1 to 36; and
- the related Parent Company notes 1 to 20.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 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 Group and the Parent 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.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Carrying value of the US enrichment business;
- European enrichment business tails provisioning;
- Revenue and feed profit recognition; and
- Enrichment site decommissioning provisioning.

These key audit matters are consistent with those identified in the prior year.

Materiality

The materiality that we used for the Group financial statements was €25 million (2018: €25 million) which was determined on the basis of approximately 3% of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities (2018: 4% of profit before tax excluding foreign exchange gains and losses on financing activities).

Scoping

Our Group audit scope focused on the four Urenco enrichment site operating entities (Urenco UK Limited, Urenco Deutschland GmbH, Urenco Nederland B.V. and Louisiana Energy Services, LLC), the entity constructing the Tails Management Facility (TMF) (Urenco ChemPlants Limited), the UK uranium handling services entity (Urenco Nuclear Stewardship Limited) and the UK head office entities. We performed full scope audits for all of these entities, which are significant to the Group. Our full scope audit procedures cover net assets (99% of Group total), revenue (99% of Group total) and profit before tax (98% of Group total).

Significant changes in our approach

There were no significant changes to our approach from our prior year audit.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of the US enrichment business

Key audit matter description

Management exercises judgement in assessing that the enrichment business is comprised of two cash-generating units ('CGUs'); being the US and European operations.

There is an ongoing requirement for management to assess each CGU for indicators of impairment or impairment reversal at each reporting period end. The 2019 year end impairment risk is focused on the US enrichment business CGU following identification of an indicator of impairment in respect of the long term forecasts for SWU market prices and costs, as a result of a number of political and geopolitical uncertainties, together with the increased potential for duties/tariffs being imposed that could impact the US enrichment business. In addition, during 2019, the tails provisions for the US enrichment business were adversely impacted by an increase in the unit tails rate indicated by the US Department of Energy. No indicator of impairment was identified for the European CGU.

Management has assessed the recoverable amount of the assets based on value in use, using a discounted cash flow model. The recoverable amount was €1,573 million and a pre-tax impairment charge of €500 million has been recorded in the income statement for 2019.

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There is a significant level of management judgement inherent in the value in use calculation, most significantly the forecast market price for SWU and the discount rate used to calculate the present value.

Forecast market prices for SWU have been derived from internal market analysis and external modelling, with expectations for future nuclear demand being a key input into this calculation. The discount rate was derived using the capital asset pricing model, and was validated by an independent external investment bank.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 50, and is a critical accounting judgement within note 2 to the consolidated financial statements. Note 2 to the consolidated financial statements also provides further details on the Urenco accounting policy for the impairment of enrichment assets. Further details on the impairment charge recognised are provided in note 6 to the consolidated financial statements.

How the scope of our audit responded to the key audit matter

We have obtained an understanding of the relevant controls over management's impairment assessment process, and have reviewed and concur with the overall impairment methodology.

We obtained a sample of underlying sales agreements to assess whether the cash inflows for the US and European enrichment businesses are separately identifiable and independent.

We challenged management's SWU and feed pricing forecasts, including assumptions on nuclear energy demand by jurisdiction, and other key assumptions in the impairment assessment through involvement of our nuclear industry specialists, by benchmarking to third party evidence where available and through challenge of operational and commercial management.

We met with and assessed the competence and capability of management's third party expert engaged to model forecast SWU and feed pricing.

We challenged whether management's board approved business plan (2020-2029) was consistent with the new sales contracts signed during 2019 and the actual operational and capital cost performance in 2019.

We challenged management on other key assumptions used in the forecast post 2029 by benchmarking to third party evidence where available and through challenge of these assumptions with operational and commercial management.

We involved valuation specialists to perform an independent recalculation of the discount rate used in the impairment assessment.

We reviewed the work performed by management's expert and challenged key assumptions such as the peer Group used. We assessed the competence, capability and objectivity of management's external expert.

Key observations

We concluded that the impairment recognised in respect of the US business has been appropriately determined by management.

European enrichment business tails disposal provisioning**Key audit matter description**

During 2019, management continued to base the European enrichment sites' tails provisions using the estimated future de-conversion cost of processing tails through the Tails Management Facility ('TMF') currently being commissioned. The TMF de-conversion cost estimate is reviewed by management at each reporting period end, as this TMF cost estimate is required to measure the future tails de-conversion provision. As at 31 December 2019, Urenco recognised a €1,056 million (31 December 2018: €853 million) provision in respect of tails currently held at the three European enrichment sites, reflecting an increase in the volume of tails held and the expected de-conversion rate.

Significant management judgement is required in estimating the TMF de-conversion forecast cost assumptions, most notably the eventual operating cost of the TMF facility, as well as the capital costs of commissioning the facility. The latest TMF project review undertaken by management during 2019 indicated a substantially unchanged capital construction and commissioning cost. The forecast commissioning date of the TMF facility is now during 2020 (2018: early 2020). The results of the 2019 review were included in the 2019 tails de-conversion cost forecast used to estimate the European tails provision. Until commissioning is complete and operations commence, the total capital cost remains a key estimate within the European tails provision valuation, similarly any increase in the TMF operating cost would increase the current and future European tails provision.

The other key management estimates in valuing this long term European tails provision are the determination of the final tails disposal and transport costs; and macroeconomic assumptions (inflation and discount rate) to recognise the provision at a present value cost. During 2019, the European tails provisions continued to reflect changes in tails disposal routes related to an optimisation of tails management operations across the Group and the impact of the reduction in higher assay tails associated with the enrichment services contracts.

Given the nature of the nuclear enrichment industry, there is often very limited independent third party data or past precedent as to the eventual cost and timing of these activities.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on pages 50 and 51, and is a key source of estimation uncertainty within note 2 to the consolidated financial statements. Further details on the tails provision are also provided in note 30 to the consolidated financial statements.

How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the tails provisioning processes.

We challenged the senior Group (the Urenco Limited executive Directors and executive management team) and operational management to understand the status of the TMF project, the residual risks and estimated contingency levels. The audit team performed the key audit procedures detailed below to challenge management's key assumptions in relation to the forecast capital cost, timing of completion and forecast operating cost.

We compared future cost and timing estimates, including TMF de-conversion costs, against internal project data and, where possible, external support. We tested the key assumptions through challenge of technical and operational personnel and a review of key management reports.

We have understood the rationale for, and reviewed the calculation of the relevant updates made to the TMF de-conversion cost model in 2019, we have agreed the underlying information to third party support where relevant.

The volume of tails to be de-converted was corroborated by operational and financial reports. For the high assay tails disposal contract, we reviewed the underlying contractual terms and challenged the accounting adopted by management against the relevant accounting standards.

We assessed and benchmarked the reasonableness of discount and inflation macroeconomic assumption rates adopted to external market data and relevant industry peers.

Key observations

Whilst noting the remaining key risks and uncertainties in completing the TMF commissioning and starting operations, we concluded that the key cost and operational assumptions were appropriately risk adjusted.

Revenue and feed profit recognition

Key audit matter description

The Group has recognised total revenue of €1,805 million in the year ended 31 December 2019 (31 December 2018: €1,958 million). Given the complex nature of the Group's sales contracts and contractual delivery terms, management judgement is required in applying the Group's revenue recognition policies to enrichment services, and uranium feed and natural uranium sale transactions.

The key management judgements include:

- As each individual delivery is considered a separate performance obligation, the assessment of the amount of the overall value of a long term enrichment contract that should be allocated to each of the individual deliveries based on management's assessment of the standalone selling prices of those deliverables;
- For enrichment sales, management judgement was required in concluding that when Urenco performs enrichment activity, this is not enhancing an asset that is controlled by any specific customer, and therefore revenues should be recognised at a point in time – not over a period of time;
- The assessment of the amount and timing of revenue to be recognised in respect of variable consideration and options in Urenco's sales contracts;
- The assessment of modifications to enrichment contracts and whether treatment as a separate contract is required; and
- The amount and timing of gains and losses recognised from commodity contracts held at fair value. Given the degree of judgement involved in revenue recognition, we also determined that there was a potential for fraud through possible manipulation of this balance.

This key audit matter is included as a significant issue related to the consolidated financial statements within the Audit Committee report on pages 51 and 52, and is a critical accounting judgement within note 2 to the consolidated financial statements. The Group's policy on revenue recognition is set out in note 2 of the consolidated financial statements and further details are included within the Revenue note 3 of the consolidated financial statements.

How the scope of our audit responded to the key audit matter

We obtained an understanding of relevant controls over both the revenue and commodity contract business cycles. We further performed testing on the relevant revenue controls.

We have reviewed the Group's revenue recognition policy for all sales types for compliance with IFRS 15 Revenue from Contracts with Customers, including the policies in respect of variable consideration and options within contracts.

We have reviewed and challenged the standalone selling price range determined by management at the start of the year, through review of management's forecasting process and comparison to recently signed contracts. We have recalculated the extent of any revenue accruals or deferrals calculated.

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We obtained signed contract amendments entered into during the year and reviewed the accounting treatment for these for compliance with IFRS 15.

We challenged the timing and value of revenue recognised through analytical reviews, agreement to executed contracts, signed delivery documentation and consideration received.

For revenue recognised in the period shortly before and after 31 December 2019, we agreed sales to physical delivery notifications confirming transfer of uranic material to the customer, and traced payments to bank statements.

For bill and hold transactions, where revenue has been recognised and uranic material continues to be held at Urenco enrichment sites, we reviewed customer requests and confirmations of legal title, in order to evidence whether irreversible sales of separately identified material had taken place.

For commodity contracts held at fair value, we have challenged the completeness and accuracy through our assessment of management's relevant processes and controls and verification to the underlying enacted contracts and deliveries. We have recalculated the fair value gains and losses using the third party independent forward pricing and have reviewed and challenged the relevant risk adjustments by reference to third party evidence.

Key observations

We are satisfied that the Group's revenue recognition policy was appropriately applied.

Enrichment site decommissioning provisioning

Key audit matter description

Decommissioning activity involves the deconstruction, decontamination and disposal of the centrifuges and related pipework. As at 31 December 2019, the provision was €713 million (31 December 2018: €612 million).

The cost and timing of decommissioning activities are key estimates, driven by useful economic lives of the enrichment plants as well as the local regulatory requirements, disposal methods employed and Group strategy for decommissioning activities.

The other key management estimate is the macroeconomic assumptions (inflation and discount rates) used to record the provision at its present value.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 51, and is a key source of estimation uncertainty within note 2 to the consolidated financial statements. Further details on the site decommissioning provision are also provided in note 30 to the consolidated financial statements. The cost and timing of Urenco's long term nuclear activities are subject to external factors that Urenco can influence but not control, for example, government policy for long term disposal costs.

How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the site decommissioning provisioning processes at each component as well as the Group-wide controls.

In assessing the decommissioning provision, we:

- have understood the rationale for the key updates made in the 2019 provision;
- performed a risk assessment to determine the principal underlying cost and strategic drivers;
- reviewed and challenged the key assumptions and critical estimates made in determining the timing of cash flows with senior operational and technical staff and determined the consistency of these assumptions with those used in forecasts and the wider Group strategy;
- assessed the competence, capability and objectivity of management's internal experts;
- challenged the cost assumptions made, comparing them against underlying support; and
- assessed and benchmarked the reasonableness of discount and inflation macro-economic assumption rates adopted to external market data and relevant industry peers.

Key observations

Whilst noting the inherent key risks and uncertainties in estimating the costs of future nuclear decommissioning activities, we concluded that the key cost and operational assumptions were appropriately risk adjusted.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality and Parent Company materiality

Group materiality was determined to be €25.0 million (2018: €25.0 million). Materiality for the Parent Company financial statements was determined to be €15.6 million (2018: €16.3 million).

Basis for determining materiality

Approximately 3% of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities (2018: approximately 4% of profit before tax excluding foreign exchange gains and losses on financing activities) for the Group.

Approximately 5% of profit before tax (2018: approximately 4% of profit before tax excluding foreign exchange gains and losses on financing activities) for the Parent Company.

Rationale for the benchmark applied

We have determined that profit before tax excluding exceptional items provides us with a consistent year on year basis for determining materiality and is the most relevant key performance measure to the stakeholders of the Group. Profit before tax is adjusted to exclude exceptional items which would, if included, distort materiality for the year. We considered this measure to be suitable having also compared to another benchmark; our materiality is below 2% of equity (2018: below 2%) for both the Group and the Parent Company.

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- a. the quality of the control environment we were able to take controls reliance on the revenue cycle and on general IT controls as planned; and
- b. the higher risk nature of the industry.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €1,250,000 (2018: €1,250,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

We also agreed with the Audit Committee that we would report to the Committee the aggregate of audit differences in excess of €250,000 which arose from factual misstatement.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The component materiality was €14.5 million (2018: €10.0 million to €16.3 million).

Additionally, we performed full scope audits on the four enrichment site operating entities, Urenco UK Limited, Urenco Deutschland GmbH, Urenco Nederland B.V. and Louisiana Energy Services, LLC, as they represent the Group's principal business units. The last three of which were performed by our component auditors in Germany, the Netherlands and USA respectively. We issued the component instructions on the audit strategy, the scope of their work, component materiality and other key information they should be aware of, as well as the requirements of their reporting to us. We held meetings and telephone calls throughout the audit, in order to direct and supervise their work.

We performed full scope audits on the entity constructing the TMF (Urenco ChemPlants Limited), the UK uranium handling services entity (Urenco Nuclear Stewardship Limited) and the UK head office entities, which are significant to the Group. Our full scope audit procedures cover net assets (2019: 99%, (2018: 99%) of Group total), revenue (2019: 99%, (2018: 99%) of Group total) and profit before tax (2019: 98%, (2018: 98%) of Group total).

Our consideration of the control environment

We performed testing of the general IT controls in respect of the SAP system, which is the general ledger used at each component, with the purpose of placing controls reliance over these controls. The results of this testing allowed us to take a controls reliant approach to this system.

We planned and were able to place controls reliance over the revenue cycle and tested operating effectiveness of relevant controls.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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 Group's and the Parent 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 Group or the Parent 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.

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 Group and of the Parent Company and their 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

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

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.



Christopher Thomas (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

11 March 2020

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

		2019	2019	2019	2018
	Notes	Result for the year (post-exceptional items) €m	Exceptional items in year €m	Result for the year (pre-exceptional items) €m	Result for the year €m
Revenue	3	1,804.5	-	1,804.5	1,957.7
Changes to inventories of work in progress, finished goods and SWU assets		(5.5)	-	(5.5)	(146.5)
Raw costs of materials and consumables used		(13.0)	-	(13.0)	(14.5)
Net costs of nuclear provisions	5	(297.7)	(143.0)	(154.7)	(174.1)
Employee costs	7	(168.4)	-	(168.4)	(160.3)
Depreciation and amortisation	5	(356.2)	-	(356.2)	(329.2)
Impairment of USA operations	6	(500.0)	(500.0)	-	-
Restructuring provision release	6	2.9	-	2.9	2.3
Other expenses	5	(264.8)	-	(264.8)	(311.7)
Share of results of joint venture	16	5.4	-	5.4	2.8
Income/(loss) from operating activities	5	207.2	(643.0)	850.2	826.5
Finance income	8	74.3	-	74.3	68.7
Finance costs	9	(181.4)	-	(181.4)	(174.7)
Income/(loss) before tax		100.1	(643.0)	743.1	720.5
Income tax (expense)/credit	10	(92.5)	85.8	(178.3)	(209.2)
Net income/(loss) for the year attributable to the owners of the Company		7.6	(557.2)	564.8	511.3
Earnings per share		€	€	€	€
Basic earnings per share	12	0.1	(3.3)	3.4	3.0

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 €m	2018 Restated ⁽ⁱ⁾ €m
Net income for the year attributable to the owners of the Company		7.6	511.3
Other comprehensive income/(loss):			
Items that have been or may be reclassified subsequently to the income statement			
Cash flow hedges – transfers to revenue ⁽ⁱ⁾	26	40.2	44.9
Cash flow hedges – mark to market losses ⁽ⁱ⁾	26	(23.6)	(98.1)
Movements on cost of hedging reserve	26	(15.6)	(14.0)
Deferred tax (expense)/income on financial instruments ⁽ⁱ⁾	10	(2.8)	20.1
Current tax (expense)/income on financial instruments ⁽ⁱ⁾	10	(5.8)	41.5
Exchange differences on hedge reserves	26	(12.2)	3.6
Total movements to hedging reserve ⁽ⁱ⁾		(19.8)	(2.0)
Exchange differences on foreign currency translation of foreign operations		48.3	126.7
Net investment hedge – mark to market gains ⁽ⁱ⁾		39.7	(75.7)
Deferred tax income/(expense) on financial instruments ⁽ⁱ⁾		2.5	(1.4)
Current tax income/(expense) on financial instruments ⁽ⁱ⁾		5.2	(14.9)
Share of joint venture exchange differences on foreign currency translation of foreign operations		0.1	(0.4)
Total movements to foreign currency translation reserve		95.8	34.3
Items that will not be reclassified subsequently to the income statement			
Actuarial (losses)/gains on defined benefit pension schemes	31	(16.9)	51.1
Deferred tax income/(expense) on actuarial (losses)/gains	10	1.8	(8.9)
Current tax income on actuarial losses	10	1.3	-
Share of joint venture actuarial (losses)/gains on defined benefit pension schemes		(3.8)	8.2
Exchange differences		-	0.9
Total movements to retained earnings		(17.6)	51.3
Other comprehensive income		58.4	83.6
Total comprehensive income for the year attributable to the owners of the Company		66.0	594.9

(i) To appropriately present the accumulation of gains/losses of hedging instruments in net investment hedges and the related deferred tax and current tax in the foreign currency translation reserve under IFRS 9 Financial Instruments, the mark to market gains and losses and related deferred tax and current tax of €363.0 million in respect of net investment hedges for the year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition, hedging reserves have been restated for the year ended 31 December 2018 by combining the hedging reserve with the cost of hedging reserve. Further details of both are shown in note 26.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019

	Notes	31 December 2019 €m	31 December 2018 Restated ⁽ⁱ⁾ €m	1 January 2018 Restated ⁽ⁱ⁾ €m
Assets				
Non-current assets				
Property, plant and equipment, including right-of-use assets	13	4,570.8	4,961.9	4,900.5
Investment property	14	6.5	6.1	6.8
Intangible assets	15	24.5	34.6	44.4
Investments including joint venture	16	21.2	18.9	7.5
Restricted cash	18	3.5	4.3	7.6
Derivative financial instruments	29	145.3	197.9	284.7
Deferred tax assets	10	183.1	166.1	207.2
Contract assets	21	5.2	-	-
		4,960.1	5,389.8	5,458.7
Current assets				
Inventories	19	128.8	135.0	213.5
SWU assets	20	289.5	241.9	332.4
Contract assets	21	11.1	-	-
Trade and other receivables	22	263.2	218.8	234.3
Derivative financial instruments	29	7.1	14.3	22.0
Income tax recoverable		89.0	44.6	77.8
Short term bank deposits	23	464.1	-	-
Cash and cash equivalents	24	323.2	531.2	59.1
		1,576.0	1,185.8	939.1
Total assets		6,536.1	6,575.6	6,397.8
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	25	237.3	237.3	237.3
Additional paid in capital	25	16.3	16.3	16.3
Retained earnings		1,310.0	1,620.0	1,356.8
Hedging reserves - restated ⁽ⁱ⁾	26	18.7	38.5	40.5
Foreign currency translation - restated ⁽ⁱ⁾	26	303.5	207.7	173.4
Total equity		1,885.8	2,119.8	1,824.3
Non-current liabilities				
Trade and other payables	32	-	41.4	-
Interest bearing loans and borrowings	29	1,693.4	1,902.1	1,888.8
Lease liabilities	28	19.6	-	-
Provisions	30	2,177.8	1,769.0	1,499.3
Contract liabilities	27	53.5	50.1	28.2
Derivative financial instruments	29	142.7	158.1	120.1
Deferred tax liabilities	10	99.4	97.7	94.7
Retirement benefit obligations	31	65.2	46.0	97.3
		4,251.6	4,064.4	3,728.4
Current liabilities				
Trade and other payables	32	250.6	255.4	436.6
Interest bearing loans and borrowings		-	-	275.0
Lease liabilities	28	2.4	-	-
Provisions	30	9.2	7.5	15.3
Contract liabilities	27	59.6	62.1	1.6
Derivative financial instruments	29	36.1	33.8	52.6
Income tax payable		40.8	32.6	64.0
		398.7	391.4	845.1
Total liabilities		4,650.3	4,455.8	4,573.5
Total equity and liabilities		6,536.1	6,575.6	6,397.8

(i) The amounts in the hedging reserve in respect of the net investment hedges as at 1 January 2018 and for the year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition hedging reserves have been restated for the year ended 31 December 2018 by combining the hedging reserve with the cost of hedging reserve. Total equity as at 1 January 2018 and 31 December 2018 remains unchanged. Further details of both are shown in note 26.

Registered Number 01022786

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2020.

They were signed on its behalf by:

Boris Schucht
Chief Executive Officer



Ralf ter Haar
Chief Financial Officer



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 31 December 2018	237.3	16.3	1,620.0	38.5	207.7	2,119.8
Income for the year	-	-	7.6	-	-	7.6
Other comprehensive income/(loss)	-	-	(17.6)	(19.8)	95.8	58.4
Total comprehensive income/(loss)	-	-	(10.0)	(19.8)	95.8	66.0
Equity dividends paid (see note 11)	-	-	(300.0)	-	-	(300.0)
As at 31 December 2019	237.3	16.3	1,310.0	18.7	303.5	1,885.8

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves Restated ⁽ⁱ⁾ €m	Foreign currency translation reserve Restated ⁽ⁱ⁾ €m	Attributable to the owners of the Company €m
As at 31 December 2017	237.3	16.3	1,356.8	(322.5)	536.4	1,824.3
Adjustment for IFRS 9 transition	-	-	0.6	363.0	(363.0)	0.6
Revised as at 1 January 2018	237.3	16.3	1,357.4	40.5	173.4	1,824.9
Income for the year	-	-	511.3	-	-	511.3
Other comprehensive income/(loss)	-	-	51.3	(2.0)	34.3	83.6
Total comprehensive income/(loss)	-	-	562.6	(2.0)	34.3	594.9
Equity dividends paid (see note 11)	-	-	(300.0)	-	-	(300.0)
As at 31 December 2018	237.3	16.3	1,620.0	38.5	207.7	2,119.8

- (i) To appropriately present the accumulation of gains/losses of hedging instruments in net investment hedges and the related deferred tax and current tax in the foreign currency translation reserve under IFRS 9 Financial Instruments, the mark to market gains and losses and related deferred tax and current tax of €363.0 million in respect of net investment hedges for the year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. In addition, hedging reserves have been re-presented for the year ended 31 December 2018 by combining the hedging reserve with the cost of hedging reserve. Further details of both are shown in note 26.

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CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Notes	2019 €m	2018 €m
Income before tax		100.1	720.5
Adjustments to reconcile Group income before tax to net cash flows from operating activities:			
Share of joint venture results	16	(5.4)	(2.8)
Depreciation and amortisation	5	356.2	329.2
Exceptional items	6	643.0	-
Finance income	8	(74.3)	(68.7)
Finance costs	9	181.4	174.7
Loss on disposal/write offs of property, plant and equipment		1.2	0.4
Increase in provisions		86.1	140.5
Operating cash flows before movements in working capital		1,288.3	1,293.8
(Increase)/decrease in inventories		(6.4)	64.0
(Increase)/decrease in SWU assets		(63.3)	93.4
(Increase)/decrease in receivables and other debtors		(39.9)	11.7
Decrease in payables and other creditors		(84.4)	(61.9)
Cash generated from operating activities		1,094.3	1,401.0
Income taxes paid		(141.5)	(119.3)
Net cash flow from operating activities		952.8	1,281.7
Investing activities			
Interest received		47.9	59.8
Purchases of property, plant and equipment		(142.1)	(183.0)
Purchases of intangible assets		(3.1)	-
Increase in investment		(0.1)	(0.1)
Net cash flow from investing activities		(97.4)	(123.3)
Financing activities			
Interest paid		(124.9)	(130.3)
Proceeds in respect of settlement of debt hedges		4.6	26.1
Dividends paid to equity holders	11	(300.0)	(300.0)
Proceeds from new borrowings		-	455.2
Placement of short-term deposits		(464.1)	-
Repayment of borrowings		(215.6)	(732.8)
Repayment of lease liabilities		(1.8)	-
Net cash flow from financing activities		(1,101.8)	(681.8)
Net (decrease)/increase in cash and cash equivalents		(246.4)	476.6
Cash and cash equivalents at 1 January		531.2	59.1
Effect of foreign exchange rate changes		38.4	(4.5)
Cash and cash equivalents at 31 December	24	323.2	531.2

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. General information

Urenco Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England, the United Kingdom under the Companies Act 2006. Urenco Limited is the ultimate controlling party of the Group. The address of the Company's registered office is given on page 42. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 4 and in the Strategic Report on pages 2 to 41.

2. Significant accounting policies

Basis of preparation and presentation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulations, and as applied in accordance with the provisions of the Companies Act 2006.

The Group 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 Group financial statements are presented in euros because the euro is the currency of the primary economic environment in which the Group operates. The Group consists of entities that have functional currencies of US dollar, sterling and euros. The Parent Company's functional currency is sterling because that is the currency of the primary economic environment in which the Parent Company operates. Foreign operations are included in accordance with the policies set out within this note.

The Group financial statements values are rounded to the nearest €0.1 million except where otherwise indicated.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Adoption of new and revised accounting standards

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

The accounting policies adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2019 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except as follows:

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	EU-endorsed Effective Date – periods commencing on or after
IFRS 16 Leases (issued on 13 January 2016)	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)	1 January 2019	1 January 2019
Amendments to IAS 28: Long term Interests in Associates and Joint Ventures (issued on 12 October 2017)	1 January 2019	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	1 January 2019	1 January 2019

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below.

For the year ended 31 December 2019**2. Significant accounting policies continued****IFRS 16 Leases (issued on 13 January 2016)**

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Details of these new requirements are described below. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

The Group has not restated comparative information. No additional arrangements have been identified which fall within the definition of a lease under IFRS 16.

The main impact of IFRS 16 is that the accounting by lessees for leases previously classified as operating leases under IAS 17 will result in the recognition in the statement of financial position of a right-of-use asset and a related liability for future lease payments at commencement of all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. Lease costs will be recognised in the income statement in the form of depreciation of the right-of-use asset over the lease term, and finance costs representing the unwinding of the discount on the lease liability.

The Group has elected not to recognise leases on the statement of financial position for leases with terms of 12 months or less or where the underlying asset is of low value. For these leases the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. These are presented in other expenses in the consolidated income statement.

Additionally, on the transition date the Group has elected two practical expedients, to apply a single discount rate to the leases with reasonably similar characteristics in terms of remaining lease term and class of underlying asset and to grandfather the Group's lease assessment under IFRIC 4.

On 1 January 2019, the Group recognised total lease liabilities of €22.4 million for leases previously classified as operating leases under IAS 17 and corresponding right-of-use assets of €22.4 million. These lease liabilities have been measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate. The Group has elected to recognise the right-of-use assets at an amount equal to the lease liabilities. On the transition date there was no impact on retained earnings. It is expected that thereafter the financial impact on the income statement will not be material.

The weighted average incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position at the date of initial application was 5.1%.

The nominal value of the operating lease commitments at 31 December 2018 applying IAS 17 was €89.3 million. The present value of this amount, discounted using the incremental borrowing rate at the date of initial application of IFRS 16 was €22.4 million, reflecting the long term tenure of the Group's principal lease arrangement.

The Group has presented the right-of-use assets 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. The carrying value of the right-of-use assets at 31 December 2019 was €21.8 million. The lease liabilities at 31 December 2019 were €22.0 million and they are presented separately from other liabilities, within non-current liabilities (€19.6 million) and current liabilities (€2.4 million).

The total expense recognised in the income statement for the year was €3.0 million, comprised of depreciation on the right-of-use assets of €1.9 million and finance costs of €1.1 million relating to the unwinding of the discount on the lease liabilities. In the cash flow statement, the Group has classified the repayments of the principal portion (€1.8 million) on a separate line and the interest portion (€1.1 million) of the lease liabilities in 'interest paid' within "Net cash flow from financing activities".

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For the year ended 31 December 2019

2. Significant accounting policies continued

New and revised accounting standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	EU-endorsed Effective Date – periods commencing on or after
Standards		
IFRS 17 Insurance Contracts (issued on 18 May 2017)	1 January 2021	Not yet endorsed
Amendments		
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	1 January 2020
Amendment to IFRS 3 Business Combinations (issued on 22 October 2018)	1 January 2020	Not yet endorsed
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	1 January 2020	Not yet endorsed
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued on 26 September 2019)	1 January 2020	15 January 2020

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

Basis of consolidation

The Group consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The financial statements also incorporate the Company's share of the results of its joint venture using the equity method made up to 31 December each year. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Subsidiaries continue to be consolidated until the date such control ceases to exist.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. If a subsidiary ceases to be controlled, other than by sale or exchange of shares, no income or loss will be recognised in the consolidated income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by the Group. The financial statements of subsidiaries and joint ventures are prepared for the same reporting year as the Parent Company.

All intra-group transactions, balances, income and expense are eliminated on consolidation.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described within this note, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

For the year ended 31 December 2019**2. Significant accounting policies continued****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 Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- **Enrichment cash generating unit carrying values – determination of cash generating units (CGUs)**

Enrichment CGUs are reviewed for impairment at period ends whenever events or circumstances indicate that the carrying value may not be fully recoverable.

Urenco has two key CGUs, its European operations and its US operations. Management has re-assessed that each of these CGUs are comprised of the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The European operations include the enrichment sites in Germany, The Netherlands and the United Kingdom and the TMF which is also based in the United Kingdom. The European enrichment sites are included in this CGU because together they are the Urenco counterparty for the majority of enrichment sales contracts. Additionally, the TMF is included because the cash inflows from their deconversion services are inextricably linked to the cash flows of the European enrichment business, because they are their key customers. The US operations include the enrichment site in the USA. During this assessment it was concluded that a possible merger of the European and US operations into one CGU would not be justified mainly because for the majority of enrichment sales contracts there are separate sales contracts for the European operations and for the US operations.

- **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. 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 on delivery. This is supported by the facts that the customer continues to have legal title to the uranium and retains the associated residual risks and rewards of ownership until the point control of SWU transfers to the customer. Further, as uranium is fungible the customer of any enrichment activity can only be identified just prior to the point of time that control of SWU transfers to the 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. The overall transaction price under an enrichment contract is allocated to each discrete SWU delivery in accordance with the relative stand-alone selling price. 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 stand-alone selling prices of the additional SWU deliveries, then this is treated as a separate contract. Otherwise the remaining deliveries under the existing contract 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 stand-alone selling price applicable at the date of contract modification. Assessing whether the change in contract meets these criteria requires significant judgement, particularly where the changes will affect deliveries not yet performed under the original contract.

- **Determination of stand alone selling price**

The stand-alone selling price is the price at which the Group 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 stand-alone 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 Group sells such services or goods. Hence judgement is required to determine the appropriate method to calculate the stand-alone selling prices over time for each type of performance obligation. Management assessed that the most appropriate method to determine this stand-alone selling price is an adjusted market assessment approach, whereby management evaluates the enrichment market and estimates a narrow range of prices 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 stand-alone 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.

- **Classification of contracts**

The vast majority of the Group's agreements are classified as "own use" as they are entered into in accordance with the Group's expected purchase, sale or usage requirements, and are not marked to market. Commodity contracts measured at marked to market fair value are agreements to buy or sell uranium or conversion services which are in the scope at IFRS 9. These agreements are designated as commodity contracts at inception where the Group has identified a potential intent to net settle these arrangements. Details about commodity contracts are provided in notes 3 and 28.

For the year ended 31 December 2019

2. Significant accounting policies continued

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- **Enrichment cash generating unit carrying values – indicators of impairment or reversal of impairment**

Where impairment indicators have been identified, management has assessed the recoverable amount of assets based on value in use, using discounted cash flow models.

The value in use calculations of the CGU of the US operations are based on long-term cash flow projections which utilise the most recent Group's ten year business plan in the short term and post business plan management forecasts covering the period to 2060, together with relevant sensitivity analysis for key assumptions and variables. The period to 2060 is deemed appropriate as it captures a full cycle of sustaining capital investment, the cash settlement of legacy tails disposal obligations and is commensurate with the long dated cycles of enrichment business planning.

The key accounting assumptions inherent within the value in use calculations are: estimations of future market dynamics (including forecast global nuclear generating capacity over time and the resulting demand for EUP) and associated market pricing projections and the 8.0% pre-tax nominal discount rate used. Further details on these key assumptions and sensitivity analysis are provided in note 6. Other assumptions include the enrichment capacity of the US operations, the extension of the USA operating licence beyond 2040 which management expect to receive in the ordinary course of business, ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating and nuclear tails waste disposal costs and US Government policy.

Where appropriate external data has been used to support the key assumptions. Assumptions for demand and pricing of enrichment services are based on a comprehensive internal market analysis of future market conditions, in conjunction with external modelling, with reference to external forecast data about market pricing and sales volume projections. The 2019 discount rate was prepared using the Capital Asset Pricing Model (CAPM) and other relevant market data, and was validated by an independent external investment bank.

An impairment test on the CGU of its US operations as at 31 December 2019 has been completed which showed that the carrying value of its assets exceeded the recoverable amount of €1,573.0 million for the USA operations, resulting in a pre-tax impairment charge of €500.0 million (€446.0 million post tax).

For 2019, the Directors concluded that there was no indicator of impairment for the European CGU and accordingly no impairment test has been carried out. The downward revision in SWU prices for future uncontracted enrichment capacity was not considered an impairment indicator due to adequate headroom in its enterprise value and a relatively lower carrying value for the majority of their assets. This lower carrying value represents the impact of higher cumulative depreciation reflecting that most European assets are older than the US assets.

There is continued inherent risk, given the significant level of management judgement required in determining the estimations of future market dynamics, that the associated Urenco SWU market pricing forecasts could further decrease or alternatively could increase in future. Any significant change could result in a new impairment indicator or reversal indicator, potentially leading to a change in the recoverable amount of the CGU of the US operations and an impairment charge or reversal respectively. Details of the carrying value of enrichment assets are given in notes 13 and 15.

- **Deferred tax asset valuations**

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that suitable taxable income will be available against which the deductible temporary differences can be utilised. Significant management judgements are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future suitable taxable profits. For 2019 these included estimates of the impact that the underlying assumptions used to calculate the impairment on the US operations will have on future suitable taxable profits and resulting deferred tax assets. Further details of deferred tax assets and the relevant sensitivity are given in note 10.

- **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 assumptions where available/applicable and the internal cost of deconversion services using TMF. 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 availability and cost of a repository suitable for the final disposal of depleted U_3O_8 are also key judgements and the level of uncertainty varies widely across the four countries in which Urenco operates. The Group closely monitors potential regulatory developments and no changes are envisaged, although this remains a long term risk as set out on page 30. The key estimates are the TMF deconversion rate, the US tails rate, the discount rate, inflation rate and timing of cash flows, for which sensitivity analysis is provided in note 30.

For the year ended 31 December 2019

2. Significant accounting policies continued

Key sources of estimation uncertainty continued

Tails provisions and decommissioning provisions 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, excluding any changes due to translation of non-euro denominated provisions to the reporting currency of euros. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to 'greenfield' or '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 is fully written down to residual value and the provision has decreased, a gain will be taken directly to the income statement.

The cash flows have been inflated at rates varying from 1.5% to 2.0% (2018: 2.0%) per annum and discounted at rates varying from 3.0% to 4.0% (2018: 4%), to take account of the time value of money. In the current year, changes in these rates have been recognised as exceptional items as discussed further in note 6. The difference in the inflation and discount rates is associated with the country in which the cash flows are expected to be paid or received. The fundamental assumptions underlying these provisions are reviewed on an annual basis. In addition, decommissioning provisions are subject to a detailed triennial review. The last triennial review was carried out in 2018 and the next one is planned for 2021. Details of the provisions and sensitivities, in relation to the quantum and timing of cash flows, as well as the net discount rate, are given in note 30.

- **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 all these assumptions, relevant sensitivity analysis for the key assumptions and the Group pension liability are given in note 31.

- **Assessment of fair value**

The assessment of fair value is principally used in accounting for impairment testing and the valuation of certain financial assets and liabilities (as discussed further in note 29). The fair value of an asset or liability is the price that would be received to sell the asset, or paid to transfer a liability, in an orderly transaction between market participants. Fair value is determined based on observable market data, discounted cash flow models and other valuation techniques, contractual agreements and other assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The estimation of the fair value of identified assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results and position. Details about fair values of financial assets and financial liabilities are provided in note 29. An assessment of the sensitivities of Urenco's forward foreign exchange contracts to changes in foreign exchange rates are provided in note 28.

Revenue recognition

The Group principally operates as a supplier of uranium enrichment services. Customers usually provide UF₆ to the Group 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 U₂₃₅ than natural uranium and depleted uranium having a lower percentage of U₂₃₅ 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 Group 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.

The Group 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. Contracts may also include volume flexibilities for the customer to take off additional quantities of enrichment services or uranium over and above contractual minimums.

Sale of services

An enrichment contract usually has a series of distinct performance obligations, each one relating to the enrichment of uranium as provided by the customer. The timing of passing of control of the enriched uranium to the customer occurs at the same time when the Group acquires title to the uranium provided by the customer and the point in time when the Group 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.

For the year ended 31 December 2019**2. Significant accounting policies continued****Revenue recognition continued****Sale of services** continued

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 Group allocates a variable amount entirely to a single delivery if the terms of a variable payment relate specifically to the Group'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 Group 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. The transaction price excludes any incremental amounts that become payable only if the customer chooses to exercise an option to purchase additional goods or services. Where that option includes a discount giving rise to a material right, an element of the transaction price is allocated to that material right and deferred accordingly. 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.

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 on the consolidated statement of financial position.

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

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 Group 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 stand-alone 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 Group'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 Group's revenue recognition policy and updating of this policy for any new types of transactions. Details of revenues are given in notes 3 and 4.

Interest Income

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

Financial statements

Notes to the Consolidated Financial Statements continued**For the year ended 31 December 2019****2. Significant accounting policies continued****Uranium commodity contracts**

Derivative instruments, which include contracts to buy or sell uranium commodities that do not meet the own use exemption from IFRS 9, are initially recognised at fair value on the statement of financial position when the Group becomes party to the contractual provisions of the instrument and are subsequently re-measured to fair value (marked to market) at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotations or by using models and other valuation techniques. The key inputs for which include forward market prices and contractual prices for the underlying instrument, time to expiry and the relevant credit, counterparty and performance risks.

Realised and unrealised net gains and losses on these derivative instruments are recognised in the "Net fair value gain on commodity contracts" line of revenue. In addition any uranium commodity contract inventories within the scope of IFRS 9 which arise due to timing differences between the commodity purchase and sale transactions are valued at fair value less costs to sell. Unrealised gains and losses from changes in fair value of these inventories are also reported in the "Net fair value gain on commodity contracts" line of revenue.

The policy for derecognition of uranium commodity contracts is set out under Financial instruments within this note.

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.

Leasing and hire purchase commitments

The Group assesses whether a contract is a lease or contains a lease, at inception of a contract. The Group 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 Group 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. 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 Consolidated 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.

Foreign currencies

The individual financial statements of each group company are measured based on the currency of the primary economic environment in which it operates (its functional currency). The functional currencies across the Group are sterling, US dollar, and the euro.

Transactions in currencies other than an entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign (non-euro) operations are translated into euros (Group reporting currency) at exchange rates prevailing on the statement of financial position date. Income and expenditure items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. As most of the Group's transactions are in stable currencies, the use of average rates of exchange is appropriate. However, if exchange rates were subject to significant fluctuations, translation would be made using closing rates of exchange and with appropriate explanation. Exchange differences arising are recognised as other comprehensive income and transferred to the Group's foreign currency translation reserves in equity.

For the year ended 31 December 2019**2. Significant accounting policies continued****Retirement benefit costs**

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. Some are defined benefit schemes (three in total during the year) which, with the exception of Germany, are funded externally; and others are defined contribution schemes. No post-retirement benefits other than pensions are provided.

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 Group's obligations under the schemes are equivalent to those arising in defined contribution retirement benefit schemes.

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial assessments being carried out at each statement of financial position date.

Actuarial gains and losses are recognised in full in the consolidated 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 income or expense is recognised within Finance income (see note 8) or Finance costs (see note 9).

Interests in joint ventures

The Group has an interest in a joint venture which is a joint arrangement. The Group has accounted for the results of its Enrichment Technology Company (ETC) joint venture in accordance with IFRS 11 Joint Arrangements. The Group has recognised and measured the investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures. ETC's principal place of business is Capenhurst, United Kingdom and the holding company for the ETC group is incorporated in Capenhurst, United Kingdom.

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The arrangement with ETC is a joint venture, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement rather than rights to the assets and obligations for the liabilities, relating to the arrangement.

Financial statements of jointly controlled entities are prepared for the same reporting period as the Group. The carrying value of the investment in the joint venture and the share of results of the joint venture are based on information provided by the joint venture as well as other adjustments that Urenco believe are necessary.

When the Group contributes or sells assets to the joint venture, any portion of the gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the income of the joint venture from the transaction until it uses the purchased assets to sell enrichment services to an independent party.

The carrying value of the investment in the joint venture is increased or decreased to recognise the Group's share of the net profit or net loss of the joint venture and for changes in the Group's share of the joint venture's other comprehensive income. Distributions received from the joint venture reduce the carrying amount of the investment. The Group's share of the net profit or net loss of the joint venture is recognised in the consolidated income statement. The Group's share of changes recognised in other comprehensive income of the joint venture is recognised in the consolidated statement of comprehensive income. The Group discontinues recognising its share of net assets or its share of net results from the joint venture when the value of the investment has reduced to nil. After the Group's interest is reduced to nil, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports a positive equity, the Group resumes recognising its share of net assets, net result and other comprehensive income of the joint venture.

Taxation

The tax expense represents the sum of the tax currently payable on the Group's net income for the year and attributable deferred tax.

Current tax

The tax currently payable is based on taxable profit. Taxable profit differs from profits as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Current tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

Financial statements

Notes to the Consolidated Financial Statements continued**For the year ended 31 December 2019****2. Significant accounting policies continued****Deferred tax**

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 income and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax income nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income 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 the tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also recorded within other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Plant and machinery is stated at cost less accumulated depreciation and impairment losses (if any). Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Decommissioning assets are also reported under plant and machinery and are measured at net present value of future decommissioning costs and revised for changes. Decommissioning assets are depreciated over 2 – 20 years using the straight-line method.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost less accumulated depreciation and impairment losses (if any). Freehold land is not depreciated.

Assets under construction are carried at cost including directly attributable costs, less any recognised impairment loss (if any).

Office fixtures and fittings, motor vehicles and computer equipment are stated at cost less accumulated depreciation and any recognised impairment (if any).

Depreciation is charged so as to write off the cost of assets less their residual values, other than freehold land and assets under construction, over their estimated useful lives or in the event of right-of-use assets, over the shorter of the useful life of the underlying asset and the lease term, using the straight-line method, on the following basis:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

For the year ended 31 December 2019**2. Significant accounting policies continued****Investment property**

The Group has elected the cost model to measure investment property, whilst information about the fair value is disclosed in note 14 about investment property.

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 ten 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 sales 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**Research and development expenditure (internally generated intangible assets)**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in the income statement in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Licence costs

Licences acquired are measured initially at cost. Subsequently, licence costs are amortised on a straight-line basis over their estimated useful lives.

The USA enrichment operating licence was granted in 2006. The first amortisation took place in 2010 when the USA enrichment plant started its production. The current licence term ends in 2040.

Other software assets

Software and development costs are held at cost.

Amortisation of these costs takes place on a straight-line basis, based on a useful economic life of between three and five years, with no residual value.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Waiver payment

The waiver payment comprises the right for Urenco UK Limited to not have to make future royalty cash payments associated with certain plant and equipment at the Capenhurst site. The consideration for this waiver payment will be settled by contracted storage services to be provided in future years by Urenco Nuclear Stewardship Limited. 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 of 10 years.

For the year ended 31 December 2019**2. Significant accounting policies continued****Impairment of property, plant and equipment and intangible assets**

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and its intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

The majority of inventories are stated at the lower of cost and 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 except for spares and other equipment that are valued on a FIFO basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Inventories arising from commodity contracts are measured at fair value as explained in the uranium commodity contracts accounting policy above.

SWU assets

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.

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.

Inventory borrowings from third parties

Urenco periodically borrows SWU or uranium feed from third parties in order to optimise its operational efficiency and inventory position. During the term of the agreement Urenco recognises both an asset and liability on its statement of financial position, valued at the weighted average cost of SWU or feed, unless sales have been made from borrowings, in which case the liability is measured at market price. Any movements in the Group's weighted average cost does lead to revaluation of both asset and liability. At the end of the loan period Urenco returns the SWU or feed to the lender and Urenco has the intention to source this from its own production.

Short term bank deposits

Short term bank deposits comprise deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash at bank earns or pays interest at floating rates based on the banks' current account rates.

Cash equivalents comprise on demand deposits, together with short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

For the year ended 31 December 2019

2. Significant accounting policies continued

Financial instruments

Financial instruments are initially recognised at fair value. Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when either the rights to receive cash flows from those assets have expired or when the Group transfers its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has transferred control of the asset. Financial liabilities are derecognised when the Group's obligations under the liability are discharged, or cancelled, or have expired.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognised immediately in the consolidated income statement.

Financial assets

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

Classification of financial assets

(i) Amortised cost and effective interest method

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

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

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

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

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

(ii) Financial assets at fair value through 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 consolidated income statement to the extent they are not part of a designated hedging relationship (see hedge accounting policy under "Derivative financial instruments and hedging").

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Group 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 Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group'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.

For all other financial instruments, the Group 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 Group 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.

For the year ended 31 December 2019**2. Significant accounting policies continued*****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 Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group 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 Group 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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Trade receivables

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

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into, either at amortised cost or at FVTPL.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Depreciation of these assets commences when the assets are commissioned for use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value.

After initial recognition, interest bearing loans and borrowings are subsequently remeasured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Trade payables

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

For the year ended 31 December 2019

2. Significant accounting policies continued

Derivative financial instruments and hedging

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses derivative financial instruments (foreign exchange forward contracts and cross currency interest rate swaps) to hedge these exposures. The Group does not use derivative financial instruments for trading purposes. All derivative financial instruments that are not designated in a hedge relationship, or do not qualify for hedge accounting purposes, are economic hedges for existing exposures.

Derivative financial instruments are initially recognised and subsequently remeasured at fair value. The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of cross currency interest rate swaps is the net present value of all expected future cash flows based on current market rates taking due account of counterparty credit risk and own credit risk.

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.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the consolidated income statement. Such gains or losses are recorded in finance income or finance costs.

Financial assets and financial liabilities are disclosed on a gross basis. Urenco has ISDA agreements (International Swaps and Derivatives Association) with some financial counterparties that give a right to net settlement under mutual agreement only. ISDA is a trade organisation of participants in the market for over-the-counter derivatives, and has created a standardised contract (the ISDA Master Agreement) governing derivative transactions. Urenco settles all financial assets and liabilities on a gross basis and intends to continue to do so.

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group 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 ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship as follows:

For the year ended 31 December 2019**2. Significant accounting policies continued****Cash flow hedges**

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of highly probable future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in the consolidated income statement. The ineffective portion is recorded in finance income or finance costs.

Amounts deferred in other comprehensive income are recognised in the consolidated income statement in the same period in which the hedged item affects net income or loss. These amounts are recorded in the same line of the income statement as the hedged item.

In the case of hedged forecast transactions that result in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to the consolidated income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to the consolidated income statement.

Fair value hedges

For an effective hedge of changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged and the gains and losses are taken to income or loss; the derivative is remeasured at fair value and gains and losses are taken to income or loss. Both the change in fair value of the hedged item and the value movement of the derivative are recorded in finance costs in the income statement. These amounts are recorded in the same line of the consolidated income statement as the hedged item. At the current year end, Urenco had no such hedging arrangements in place.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity in the foreign currency translation reserve while any gains or losses relating to the ineffective portion are recognised in income and loss (in finance income or finance costs). Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to the consolidated income statement on the disposal or partial disposal of the foreign operation.

Cost of hedging reserve

The cost of hedging reserve is a separate component of equity used to record changes in the fair value of the currency basis spread as included in the fair value of financial instruments that are in a hedge relationship and the changes in the fair value of the forward points of forward foreign exchange contracts that are hedging future revenue.

The Group designates only the spot rate of forward foreign exchange contracts in relation to hedged forecast transactions, i.e. excluding the forward points of the contracts. An exception to this relates to residual foreign exchange contracts that were entered into before the Group transitioned to IFRS9 on 1 January 2018. These transactions were designated at the forward rate and have no cost of hedge component. The currency basis spread element of cross currency swaps is likewise excluded from the hedging relationship. The initial fair value of the calculated forward points and currency basis is retained in the cost of hedge reserve. The changes in the fair value of the aligned forward points and currency basis are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the initial fair value is reclassified to the consolidated income statement when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to the consolidated income statement on a rational basis, by applying straight-line amortisation. Those reclassified amounts are recognised in the consolidated income statement in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in the cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to the consolidated income statement.

For the year ended 31 December 2019

2. Significant accounting policies continued

Provisions

Provisions are recognised when the Group 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 enrichment process generates depleted uranium ("tails"). Provisions are made for all estimated costs for the deconversion, storage and disposal of tails and cash flows are discounted to reflect the expected timing of expenditure or consumption of other economic benefits in the future. The costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal.

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.

The Group's other provisions are for restructuring costs, refeeding of low assay feed and a specific counterparty provision.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for refeeding low assay feed represent the full cost to the Group of re-enriching low assay feed in the future, back to the assay of natural uranium. This includes the deconversion, storage and disposal of any resultant tails material. These provisions 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.

Contract liabilities

Contract liabilities relate to balances due to customers under enrichment contracts or storage service agreements for which the Group 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.

3. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Sales of goods and services	1,804.9	1,952.2
Net fair value (loss) / gain on commodity contracts	(0.4)	5.5
Total revenue	1,804.5	1,957.7

The Group hedges a portion of future cash flows arising from its net contracted US dollar and sterling exposures. The amounts disclosed above 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 €40.2 million (2018: net loss €44.9 million) (see note 29). The Group is a party to various commodity contracts to sell or buy uranium, which are within the scope for IFRS 9 and are therefore held at fair value. The net fair value result on these contracts is recognised within revenue. The inventories arising from these commodity contracts, where applicable, and the fair value of these contracts are disclosed in note 29.

All revenues relating to sales of goods and services recognised during the period arose from contracts with customers.

The amount of revenue recognised during the year that was previously recorded as a contract liability was €54.7 million (2018: €1.6 million). During the year no revenue was recognised from performance obligations satisfied, or partially satisfied, in previous periods.

For the year ended 31 December 2019**4. Segment information**

The Urenco Group's principal activity is the provision of a service to enrich uranium to provide fuel for nuclear power utilities, by enriching uranium provided by customers.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision makers. The chief decision makers have been identified as the Executive Directors. Operating segments have been identified based on the risk and returns of the Group's major operations. The risks and returns of the Group's operations are primarily determined by the nature of the different activities that the Group engages in, rather than by the geographical location of these operations.

The Group's operating segments and reportable segments under IFRS 8 are therefore as follows:

- for the enrichment business: the provision of enrichment, associated services, uranium sales and commodity contracts for the nuclear power industry and the construction of the Tails Management Facility at the UK site for deconversion of depleted UF_6 into U_3O_8 .
- for construction of centrifuges (being ETC): the research, development, manufacture and installation of plant and equipment for the provision of enrichment services.
- other relates to Head Office and Urenco Nuclear Stewardship Limited which provides uranium handling services at the Capenhurst facility; and Group accounting consolidation adjustments.

Segment performance is evaluated based on net income or loss which is calculated on the same basis as income or loss from operating activities in the consolidated financial statements. The accounting policies for the reportable segments are the same as the Group's accounting policies described in note 2.

Urenco also measures and discloses EBITDA, which is a non-IFRS defined financial measure, to assess the Group's overall and segment performance. EBITDA is also used by investors and analysts to evaluate the financial performance of Urenco and its peer companies.

For the year ended 31 December 2019

4. Segment information continued

Segment information for these businesses, based upon the accounting policies set out in note 2, is presented below:

Year ended 31 December 2019	Enrichment business €m	ETC €m	Other ⁽ⁱ⁾ €m	Consolidated €m
Revenue				
External sales	1,770.2	-	34.3	1,804.5
Total external revenue	1,770.2	-	34.3	1,804.5
Result				
Income from operating activities	198.8	5.9	2.5	207.2
Finance income	9.8	-	64.5	74.3
Finance costs	(59.3)	-	(122.1)	(181.4)
Income/(loss) before tax	149.3	5.9	(55.1)	100.1
Income tax	(105.6)	-	13.1	(92.5)
Net income/(loss) for the year	43.7	5.9	(42.0)	7.6
Other information				
Total depreciation and amortisation	358.3	-	(2.1)	356.2
Less: depreciation recognised in increased inventories and SVU assets	(1.5)	-	-	(1.5)
Add: depreciation expenses within net costs of nuclear provisions	20.1	-	-	20.1
Depreciation and amortisation for EBITDA calculation	376.9	-	(2.1)	374.8
Income from operating activities (post-exceptionals)	198.8	5.9	2.5	207.2
Exceptional items	643.0	-	-	643.0
Income from operating activities (pre-exceptionals)	841.8	5.9	2.5	850.2
Depreciation and amortisation	376.9	-	(2.1)	374.8
Joint venture result	-	(5.9)	0.5	(5.4)
EBITDA⁽ⁱⁱ⁾	1,218.7	-	0.9	1,219.6
Capital additions:				
Property, plant and equipment	254.9	-	30.3	285.2
Intangible assets	0.3	-	-	0.3
Contract assets	5.2	-	-	5.2
Segment assets	5,489.4	19.8	1,026.9	6,536.1
Segment liabilities	3,149.0	-	1,501.3	4,650.3

⁽ⁱ⁾ Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.

⁽ⁱⁱ⁾ EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

4. Segment information continued

Year ended 31 December 2018	Enrichment business €m	ETC €m	Other ⁽ⁱ⁾ €m	Consolidated €m
Revenue				
External sales	1,905.0	-	52.7	1,957.7
Total external revenue	1,905.0	-	52.7	1,957.7
Result				
Income/(loss) from operating activities	825.3	3.6	(2.4)	826.5
Finance income	14.4	-	54.3	68.7
Finance costs	(54.6)	-	(120.1)	(174.7)
Income/(loss) before tax	785.1	3.6	(68.2)	720.5
Income tax	(199.4)	-	(9.8)	(209.2)
Net income/(loss) for the year	585.7	3.6	(78.0)	511.3
Other information				
Total depreciation and amortisation	331.5	-	(2.3)	329.2
Add: depreciation recognised in decreased inventories and SWU assets	45.8	-	-	45.8
Add: depreciation expenses within net costs of nuclear provisions	1.7	-	-	1.7
Depreciation and amortisation for EBITDA calculation	379.0	-	(2.3)	376.7
Income/(loss) from operating activities (post-exceptionals)	825.3	3.6	(2.4)	826.5
Exceptional items	-	-	-	-
Income from operating activities (pre-exceptionals)	825.3	3.6	(2.4)	826.5
Depreciation and amortisation	379.0	-	(2.3)	376.7
Joint venture result	-	(3.6)	0.8	(2.8)
EBITDA ⁽ⁱⁱ⁾	1,204.3	-	(3.9)	1,200.4
Capital additions:				
Property, plant and equipment	295.4	-	3.4	298.8
Intangible assets	0.3	-	-	0.3
Segment assets	5,755.2	17.6	802.8	6,575.6
Segment liabilities	2,852.1	-	1,603.7	4,455.8

⁽ⁱ⁾ Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.

⁽ⁱⁱ⁾ EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results.

For the year ended 31 December 2019

4. Segment information continued

Geographical information

The Group's operations are located in the UK, Germany, the Netherlands and the USA.

The following tables present revenue by the customer location and certain asset information regarding the Group's geographical segments by location, irrespective of the origin of the goods/services and assets:

Year ended 31 December 2019	UK €m	Rest of Europe €m	US €m	Rest of the world* €m	Consolidated €m
Total external revenue	50.8	575.7	975.3	202.7	1,804.5
Location of non-current assets					
Property, plant and equipment	2,088.2	922.3	1,560.3	-	4,570.8
Investment property	4.7	1.8	-	-	6.5
Intangible assets	4.6	7.2	12.7	-	24.5

* predominantly Asia

Year ended 31 December 2018	UK €m	Rest of Europe €m	US €m	Rest of the world* €m	Consolidated €m
Total external revenue	85.0	533.9	1,145.7	193.1	1,957.7
Location of non-current assets					
Property, plant and equipment	1,815.7	984.9	2,161.3	-	4,961.9
Investment property	4.6	1.5	-	-	6.1
Intangible assets	7.7	9.3	17.6	-	34.6

* predominantly Asia

5. Income from operating activities

Income from operating activities before tax and net finance costs has been arrived at after charging:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Net costs of nuclear provisions (note 30)	297.7	174.1
Depreciation of property, plant and equipment (note 13)	346.3	321.1
Depreciation of investment property (note 14) ⁽ⁱ⁾	(0.1)	0.4
Amortisation of intangible assets (note 15)	10.0	7.7
Depreciation and amortisation	356.2	329.2
Employee costs (note 7)	168.4	160.3
Energy, utilities, maintenance and ETC costs	134.6	137.7
Other operating costs ⁽ⁱⁱ⁾	103.4	134.4
Administrative and other costs	31.7	31.1
Expense relating to short-term leases	0.4	-
Minimum lease payments under operating leases recognised as an expense for the year	-	2.8
Research and development costs	6.2	7.7
Operating foreign exchange gains ⁽ⁱⁱⁱ⁾	(13.0)	(2.4)
Operating foreign exchange losses ⁽ⁱⁱⁱ⁾	1.5	0.4
Other expenses	264.8	311.7

⁽ⁱ⁾ Depreciation of investment property for the year ended 31 December 2019 includes an impairment reversal of €0.4 million.

⁽ⁱⁱ⁾ Includes insurance, rates, delivery costs and third party services.

⁽ⁱⁱⁱ⁾ Derivatives relating to financing activities that do not qualify as effective hedges are reported in Finance income and Finance cost (see notes 8 and 9).

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

5. Income from operating activities continued

Auditor's remuneration

An analysis of auditor's remuneration is provided below:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Audit of the financial statements	0.6	0.3
Audit of subsidiaries	0.7	0.6
Total audit fees	1.3	0.9
Non-audit services	0.2	0.1
Total fees	1.5	1.0

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Details of the Company's policy on the use of auditor's for non-audit services, the reason why the auditor was used and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 48. No services were provided pursuant to contingent fee arrangements.

6. Exceptional items

Exceptional items are those items of financial performance that due to their size, nature and incidence, the Group believes should be separately disclosed in the income statement to assist in understanding the underlying financial performance achieved by the Group. The appropriate classification of exceptional items involves subjective judgement by management including whether the item is truly exceptional and non-recurring. Items that are exceptional due to their nature and incidence should only be reported as exceptional per the Group's exceptional item policy when they exceed an absolute amount of at least €25.0 million on a pre-tax basis. The exceptional items recognised this year and presented in a separate column on the face of the consolidated income statement were €643.0 million (2018:nil) on a pre-tax basis and €557.2 million (2018: nil) on a post-tax basis.

Impairment charge

The USA operations cash generating unit provides enrichment and associated services for the nuclear power industry in the USA and forms part of the enrichment business reporting segment.

Impairment testing on the USA operations was performed as at 31 December 2019, based on the methodology as set out in note 2 and using a nominal pre-tax discount rate of 8.0%.

The recoverable amount, based on the value in use, was €1,573.0 million, which was €500.0 million lower than the carrying value. Therefore a pre-tax impairment charge of €500.0 million has been recorded in the income statement for 2019.

The carrying value of the related deferred tax asset increased by a net €54.0 million through the 2019 income statement, being a combination of a gross deferred tax asset of €130.7 million and an offsetting valuation allowance of €76.7 million. This net increase reflected both the reduced accounting carrying value of the impaired USA enrichment assets compared to the tax base, and the effect of not having sufficient future probable profits to support full recognition of all deferred tax assets. Therefore a pre-tax impairment charge of €500.0 million has been recorded, which together with a net income tax credit of €54.0 million, led to a post-tax impairment charge of €446.0 million.

The impairment charge relates to property, plant and equipment and intangible assets. The gross amounts allocated to each asset category are disclosed in notes 13 and 15 respectively.

Urenco monitors the market continually and in recent years has not noted any one significant enough indicator to affect demand enough to materially impact price curves. However, during 2019 it became clear to management a number of events had resulted in additional market pressures on long term revenues and costs. These events included political and geopolitical uncertainties that could impact the US enrichment business. In addition, during 2019, the tails provisions for the US enrichment business were adversely impacted by an increase in the unit tails rates. Therefore, during 2019 the Group concluded that the cumulative impact of these events constituted an indicator of impairment for the US enrichment business. Accordingly, an impairment analysis was performed.

The value in use prepared as at 31 December 2019 assumes that SWU prices and volumes for uncontracted sales have been benchmarked against external forecast data. These assumed prices are applied to all uncontracted sales volumes which are then met from own production.

Critical assumptions used in the impairment analysis that had a significant impact on the outcome are the pre-tax discount rate and the SWU price for uncontracted sales. The table below summarises the impact on the impairment charge for either: (i) a +/- 1% change in the pre-tax discount rate; or (ii) a +/- 15% change in the SWU price for uncontracted sales. In each case, all other assumptions and variables are unchanged.

For the year ended 31 December 2019

6. Exceptional items continued

Key assumption	Sensitivity	(Increase)/decrease in Impairment charge €m
Pre-tax discount rate	Increase by 1% (to 9%)	(89.0)
	Decrease by 1% (to 7%)	103.0
SWU price	Increase by 15%	194.0
	Decrease by 15%	(325.0)

The recoverable value of the USA enrichment business remains sensitive to price and discount rate. Reasonably possible adverse or favourable changes to these assumptions based on the sensitivity analysis above, could result in further impairments or reversals of impairments respectively in future periods.

Net costs of nuclear provisions

The Group has undertaken its annual assessment of the use of a 4.0% discount rate and the associated 2.0% inflation assumption applied in determining the current value of its nuclear liabilities across multiple jurisdictions.

In light of continued downward pressure on interest rates in Europe, management has concluded in conjunction with an investment bank, that the real discount rate of 1.96% is no longer suitable, and a material reduction is appropriate in all European jurisdictions. Management also concluded that the applicable inflation and discount rates should be calculated on a jurisdiction specific basis, resulting in real discount rates varying from 1.23% to 1.48% in the three European jurisdictions. However, the real discount rate for the US continues to be appropriate and will, therefore, remain unchanged at 1.96%.

The reduction in the real discount rate for the European jurisdictions has increased the nuclear provisions by €176.2 million, of which €111.3 million is associated with tails and €64.9 million with decommissioning. Of the €176.2 million, €143.0 million has been charged to the consolidated income statement while the remaining €33.2 million has been recognised as an increase to decommissioning assets.

This increase in the provisions resulted in a current and deferred income tax credit for a total amount of €31.8 million.

The gross amounts allocated to each type of provision and its impact on both the consolidated statement of financial position and the consolidated income statement have been disclosed in note 30.

Restructuring provision

In 2019 an amount of €2.9 million (2018: €2.3 million) has been released from the restructuring provision. This has been recognised as a gain within restructuring provision release. This item has not been presented as an exceptional item because the amount is below the pre-tax materiality threshold of €25.0 million.

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Notes to the Consolidated Financial Statements continued**For the year ended 31 December 2019****7. Employee costs**

The average monthly number of Group employees (including Executive Directors) was:

	Year ended 31/12/19 Number	Year ended 31/12/18 Number
Technical	1,084	1,095
Commercial	39	38
Administration	377	351
	1,500	1,484

Their aggregate remuneration comprised:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Wages and salaries	148.5	140.5
Work performed by the Group and capitalised	(18.3)	(16.5)
Social security costs	16.9	15.3
Pension costs	21.3	21.0
	168.4	160.3

Directors' emoluments (see page 56):

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Emoluments	3.0	3.1
Amounts receivable under long term incentive scheme	0.5	2.3
	Number	Number
Members of defined contribution schemes	3	2

In respect of the highest paid Director:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Emoluments including pension	1.5	3.5

8. Finance income

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Interest on bank and other deposits	1.2	2.0
Interest rate/cross currency interest rate swaps	46.6	52.3
Gains from non-designated derivatives	-	9.0
Amortisation of gains on financial instruments	1.4	0.5
Foreign exchange gains on financing activities	25.1	4.9
	74.3	68.7

For the year ended 31 December 2019

9. Finance costs

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Interest on bank borrowings and other loans	45.2	51.4
Interest rate/cross currency interest rate swaps	73.8	78.2
Interest expense on lease liabilities	1.1	-
Unwinding of discount on provisions	69.2	58.9
Net interest expense on defined benefit pension schemes	1.0	2.2
Premium paid on bond repurchase	9.9	-
Surety bond	3.0	3.0
Charge to the income statement from non-designated derivatives	-	2.6
Expected credit losses	-	(0.1)
Foreign exchange losses on financing activities	40.6	35.0
Less: capitalised interest expense	(62.4)	(56.5)
	181.4	174.7

10. Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Consolidated income statement		
Current tax		
UK corporation tax	(4.9)	23.6
Foreign income tax	108.6	122.3
Adjustments in respect of prior periods	6.8	1.6
Total current tax expense	110.5	147.5
Deferred tax (see Deferred income tax analysis below)		
Origination and reversal of temporary differences	(84.3)	66.0
Adjustments in respect of prior periods	(11.6)	(0.8)
Write-off of expired tax losses	-	-
Movement in unrecognised deferred tax(i)	76.7	-
Impact of change in tax rate for deferred tax	1.2	(3.5)
Total deferred tax (income) / expense	(18.0)	61.7
Income tax expense reported in the consolidated income statement	92.5	209.2

⁽ⁱ⁾ The movement in unrecognised deferred tax of €76.7 million expense (2018: €nil million) arose solely on the exceptional impairment of the US operations.

Income tax on exceptional items within the income statement

The €500.0 million pre-tax impairment charge detailed in note 6 resulted in a €130.7 million deferred tax income which is included within origination and reversal of temporary differences above, offset by a €76.7 million valuation allowance that has been included within the movement in unrecognised deferred tax above. The carrying value of the net US deferred tax asset therefore increased by €54.0 million through the 2019 income statement tax line. This increase reflects both the reduced accounting carrying value of the impaired US enrichment assets compared to the tax base, and the effect of not having sufficient future probable profits to support full recognition of all deferred tax assets. Further details are available in note 6.

The €143.0 million pre-tax nuclear provisions related exceptional cost detailed in note 6 resulted in a 2019 current tax income of €22.8 million within current tax above, and a deferred tax income of €9.0 million within the origination and reversal of temporary differences above.

During 2018 there were no exceptional items, and thus no income tax was recorded on exceptional items.

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10. Income tax continued

Income tax related to items charged or credited directly to other comprehensive income	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Current tax		
Arising on financial instruments reported in hedge reserve	5.8	(41.5)
Arising on financial instruments reported in currency translation reserve	(5.2)	14.9
Arising on actuarial loss / gain on defined benefit pension schemes	(1.3)	-
Total current tax expense	(0.7)	(26.6)
Deferred tax		
Arising on financial instruments reported in hedge reserve	2.8	(20.1)
Arising on financial instruments reported in currency hedging reserve	(2.5)	1.4
Arising on actuarial loss / (gain) on defined benefit pension schemes	(1.8)	8.9
Total deferred tax expense	(1.5)	(9.8)
Income tax income reported in the consolidated statement of comprehensive income	(2.2)	(36.4)

The charge for the year can be reconciled to the expense in the consolidated income statement as follows:

	€m	Year ended 31/12/19 %	€m	Year ended 31/12/18 %
Income before tax	100.1		720.5	
Weighted at the average UK statutory income tax rate of 19.0% (2018: 19.0%)	19.0	19.0	136.9	19.0
Adjustments in respect of income tax of previous years	(4.8)	(4.8)	0.8	0.1
Tax effect of non-deductible/non-taxable items	7.4	7.4	43.5	6.0
Movement in unrecognised deferred tax	76.7	76.6	-	-
Effect of rate changes on deferred tax	1.2	1.2	(3.5)	(0.5)
Effect of different foreign tax rates	(7.0)	(7.0)	31.5	4.4
Income tax expense reported in consolidated income statement	92.5	92.4	209.2	29.0

A reduction in the UK mainstream corporation tax rate from 20.0% to 19.0% became effective on 1 April 2017. A further reduction to 17.0%, effective from 1 April 2020, was substantively enacted on 15 September 2016. The Group's UK deferred tax assets and liabilities have been valued using a 17.0% tax rate (2018: 17.0%). Consequently, the average annual UK corporation tax rate for the year ended 31 December 2019 is 19.0% (2018: 19.0%).

The UK Government have announced their intention to cancel the remaining enacted UK tax rate reduction to 17.0%, effective 1 April 2020. This cancellation was not enacted at the reporting date, and hence the Group continues to hold its UK deferred tax assets and liabilities at a 17.0% tax rate. Upon enactment, management estimate that the net UK deferred tax liability held at 31 December 2019 would increase by €9.9 million, predominately through the consolidated income statement.

During 2019, the previously enacted reductions in The Netherlands mainstream corporation tax rate were amended such that a single reduction would arise from 25.0% to 21.7% (effective from 1 January 2021). Consequently, the Group's Dutch deferred tax assets and liabilities have been predominantly valued using a 21.7% tax rate (2018: 20.5%). The 2019 annual Dutch corporation tax rate however remained at 25.0% (2018: 25.0%).

For the year ended 31 December 2019

10. Income tax continued

Deferred income tax

Deferred income tax recognised at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated income statement	
	2019 €m	2018 €m	Year ended 2019 €m	Year ended 2018 €m
Deferred tax (liabilities)/assets				
Relating to fair value movements on financial instruments	(6.0)	7.3	(0.2)	(0.5)
Relating to fixed assets ^①	(205.3)	(173.9)	(18.4)	(19.5)
Relating to other temporary differences	31.9	3.8	9.7	(0.2)
Relating to prior years	-	-	10.9	2.6
Relating to provisions	35.6	48.0	3.6	9.7
Relating to retirement benefits	5.9	3.2	1.5	-
Relating to tax losses	38.5	13.9	1.7	(1.0)
Effect of rate changes on deferred tax	-	-	(1.2)	3.5
Total deferred tax liabilities	(99.4)	(97.7)		
Deferred tax assets/(liabilities)				
Relating to fair value movements on financial instruments	7.0	1.4	(0.1)	(0.2)
Relating to fixed assets ^①	(77.2)	(195.6)	125.6	(17.0)
Relating to other temporary differences	2.8	6.8	(4.5)	4.4
Relating to prior year	-	-	0.7	(1.8)
Relating to provisions	140.7	111.6	27.7	10.2
Relating to retirement benefits	6.0	5.2	(0.2)	(0.9)
Relating to start up costs	27.4	32.4	(5.7)	(5.4)
Relating to tax losses	247.6	298.2	(56.4)	(45.6)
Valuation allowance	(171.2)	(93.9)	(76.7)	-
Total deferred tax assets	183.1	166.1		
Deferred tax expense/(income)			18.0	(61.7)

^① Fixed assets consists of (a) property, plant and equipment, (b) investment property, and (c) intangible assets.

The recognition of the deferred tax assets set out above requires management to use judgements in determining the likely timing and level of future suitable taxable profits. In the case of the Group's US enrichment operations, net deferred tax assets of €128.3 million (2018: €102.1 million), relating predominately to unused tax losses and start up costs, have been recognised based on the expectations of future taxable profits within the Urenco business plan. At 31 December 2019, a 10% increase in future taxable profits in the plan period would lead to an increase of €12.7 million (2018: €13.0 million) in the amount of the net US deferred tax assets recognised, whilst a 10% decrease in future taxable profits would lead to a decrease of €11.7 million (2018: €13.0 million) in the amount of US net assets recognised. At 31 December 2019, as shown in the above table, a valuation allowance totalling €171.2 million (2018: €93.9 million) was provided against gross deferred tax assets.

Urenco assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Group records its best estimate of these tax liabilities. Inherent uncertainties exist in estimates of tax contingencies due to the complexities of interpretation and changes in tax laws. Whilst Urenco believes it has adequately provided for the outcome of these matters, future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved. The final outcome of tax examinations may result in a materially different outcome than assumed in the tax liabilities.

There are no income tax consequences for the Urenco Group attaching to the payment of dividends by Urenco Limited to its shareholders.

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11. Dividends paid and proposed

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 178.57 cents per share (2017: 178.57 cents per share)	300.0	300.0
	300.0	300.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the period ended 31 December 2019 of 178.57 cents per share (2018: 178.57 cents per share)	300.0	300.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The payment of this dividend will not have any tax consequences for the Group.

12. Earnings per share

Earnings per share amounts are calculated by dividing net earnings attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The calculation of the basic earnings per share is based on the following data:

	Year ended 31/12/19	Year ended 31/12/18
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the parent	7.6	511.3
In millions of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	168.0	168.0
In euros		
Basic earnings per share	0.1	3.0

There has been no movement in the number of issued ordinary shares during the year (see note 25).

No information for diluted earnings per share is included as there are no potentially dilutive shares (of any class or category) in issue and hence no dilutive impact.

For the year ended 31 December 2019

13. Property, plant and equipment

2019	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 31 December 2018	2,264.6	6,732.6	174.8	20.6	1,311.7	10,504.3
Adjustment for IFRS 16 adoption	20.4	1.1	0.3	0.6	-	22.4
Cost as at 1 January 2019	2,285.0	6,733.7	175.1	21.2	1,311.7	10,526.7
Additions	58.3	58.4	4.1	0.3	141.9	263.0
Transfers (see note 14 and 15)	86.1	49.2	7.9	0.2	(143.5)	(0.1)
Disposals	(0.4)	(1.2)	-	(0.3)	-	(1.9)
Written off	-	-	-	-	(0.6)	(0.6)
Exchange adjustments	59.3	142.7	1.8	0.1	74.9	278.8
Cost as at 31 December 2019	2,488.3	6,982.8	188.9	21.5	1,384.4	11,065.9
Depreciation as at 1 January 2019	845.3	4,484.4	139.8	18.8	54.1	5,542.4
Charge for the year	59.3	271.2	14.7	1.1	-	346.3
Impairment charge (see note 6)	228.7	266.2	0.9	0.1	-	495.9
Disposals	(0.2)	(0.7)	-	(0.3)	-	(1.2)
Exchange adjustments	14.4	94.6	1.5	0.1	1.1	111.7
Depreciation as at 31 December 2019	1,147.5	5,115.7	156.9	19.8	55.2	6,495.1
Carrying amount as at 31 December 2018	1,419.3	2,248.2	35.0	1.8	1,257.6	4,961.9
Carrying amount as at 31 December 2019	1,340.8	1,867.1	32.0	1.7	1,329.2	4,570.8

All land, buildings and other items of property, plant and equipment are carried at historical cost less accumulated depreciation and impairments. The category of fixtures and fittings comprises office fixtures and fittings and computer equipment.

The transfers in 2019 relate to a transfer from assets under construction to other items of property, plant and equipment and a reclassification of €0.1 million from property, plant and equipment to intangible assets.

2018	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2018	2,022.7	6,428.8	160.4	20.2	1,417.0	10,049.1
Additions	90.7	70.2	3.1	0.2	134.6	298.8
Transfers (see notes 14 and 15)	104.7	163.1	10.2	0.2	(274.6)	3.6
Disposals	-	-	(0.1)	(0.1)	-	(0.2)
Written off	-	-	-	-	(0.4)	(0.4)
Exchange adjustments	46.5	70.5	1.2	0.1	35.1	153.4
Cost as at 31 December 2018	2,264.6	6,732.6	174.8	20.6	1,311.7	10,504.3
Depreciation as at 1 January 2018	768.9	4,188.0	122.3	17.8	51.6	5,148.6
Charge for the year	53.3	250.3	16.4	1.1	-	321.1
Disposals	-	-	(0.1)	(0.1)	-	(0.2)
Exchange adjustments	23.1	46.1	1.2	-	2.5	72.9
Depreciation as at 31 December 2018	845.3	4,484.4	139.8	18.8	54.1	5,542.4
Carrying amount as at 1 January 2018	1,253.8	2,240.8	38.1	2.4	1,365.4	4,900.5
Carrying amount as at 31 December 2018	1,419.3	2,248.2	35.0	1.8	1,257.6	4,961.9

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13. Property, plant and equipment continued

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

Right-of-Use Assets

2019	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 31 December 2018	-	-	-	-	-	-
Adjustment for IFRS 16 adoption	20.4	1.1	0.3	0.6	-	22.4
Cost as at 1 January 2019	20.4	1.1	0.3	0.6	-	22.4
Additions	0.7	0.1	-	0.3	-	1.1
Exchange adjustments	0.2	-	-	-	-	0.2
Cost as at 31 December 2019	21.3	1.2	0.3	0.9	-	23.7
Depreciation as at 1 January 2019	-	-	-	-	-	-
Charge for the year	1.1	0.2	0.3	0.3	-	1.9
Impairment charge (see note 6)	-	-	-	-	-	-
Exchange adjustments	-	-	-	-	-	-
Depreciation as at 31 December 2019	1.1	0.2	0.3	0.3	-	1.9
Carrying amount as at 1 January 2019	20.4	1.1	0.3	0.6	-	22.4
Carrying amount as at 31 December 2019	20.2	1.0	-	0.6	-	21.8

The Group leases several assets including buildings, plant and machinery and motor vehicles. Additions to the right-of-use assets during 2019 were €1.1 million.

The maturity analysis of lease liabilities is presented in note 29.

At 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €39.5 million (2018: €30.7 million) principally in relation to cascades, equipment and buildings.

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

	2019 €m	2018 €m
Cost as at 31 December	455.2	403.4
Impairment	(15.2)	(6.4)
Depreciation as at 31 December	(258.0)	(231.4)
Carrying amount as at 31 December	182.0	165.6

Included in property, plant and equipment are the following amounts relating to capitalised interest costs:

	2019 €m	2018 €m
Cost as at 31 December	567.1	485.6
Impairment	(57.4)	(25.7)
Depreciation as at 31 December	(60.2)	(78.2)
Carrying amount as at 31 December	449.5	381.7

The borrowing costs capitalisation rate of assets under construction was 4.80% (2018: 5.17%).

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14. Investment property

2019	Total €m
Cost as at 1 January 2019	8.3
Exchange adjustments	0.4
Cost as at 31 December 2019	8.7
Depreciation as at 1 January 2019	2.2
Charge for the year	0.3
Reversal of impairment loss	(0.4)
Exchange adjustments	0.1
Depreciation as at 31 December 2019	2.2
Carrying amount as at 1 January 2019	6.1
Carrying amount as at 31 December 2019	6.5

Investment property includes land and buildings acquired by Urenco UK Limited in December 2013 and land and buildings owned by Urenco Nederland B.V. transferred from property, plant and equipment during 2015.

The fair value of the investment property held by Urenco Nederland B.V. as at 31 December 2019 was €2.4 million, based on a formal valuation performed at the end of 2019. This valuation was performed by an independent valuer who holds a recognised and relevant professional qualification.

No formal valuation has been conducted on the investment property held by Urenco UK Limited during 2019.

The fair value of the investment property held by Urenco UK Limited has been assessed by management using a discounted cashflow valuation method to identify any material changes to the formal valuations conducted previously. The fair value as at 31 December 2019 under this method was €7.9 million (31 December 2018: €6.1 million). There has been no change to the valuation technique used during the year.

The rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €0.1 million (2018: €0.3 million). Associated direct operating expenses amounted to €0.2 million (2018: €0.3 million). Rental income is recognised within revenue.

2018	Total €m
Cost as at 1 January 2018	8.7
Transfers (see note 13)	(0.4)
Exchange adjustments	-
Cost as at 31 December 2018	8.3
Depreciation as at 1 January 2018	1.9
Charge for the year	0.4
Exchange adjustments	(0.1)
Depreciation as at 31 December 2018	2.2
Carrying amount as at 1 January 2018	6.8
Carrying amount as at 31 December 2018	6.1

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15. Intangible assets

2019	Licence costs €m	Other software assets €m	Customer Contracts €m	Waiver payments €m	Total €m
Cost as at 1 January 2019	67.6	94.5	-	6.3	168.4
Additions	-	0.1	3.0	-	3.1
Transfers (see note 13)	0.1	-	-	-	0.1
Exchange adjustments	0.9	2.9	-	0.4	4.2
Cost as at 31 December 2019	68.6	97.5	3.0	6.7	175.8
Amortisation as at 1 January 2019	41.4	87.5	-	4.9	133.8
Charge for the year	3.0	3.2	3.0	0.8	10.0
Written off	-	-	-	-	-
Impairment charge (see note 6)	3.9	0.2	-	-	4.1
Transfers	1.2	-	-	(1.2)	-
Exchange adjustments	(1.4)	3.5	-	1.3	3.4
Amortisation as at 31 December 2019	48.1	94.4	3.0	5.8	151.3
Carrying amount as at 1 January 2019	26.2	7.0	-	1.4	34.6
Carrying amount as at 31 December 2019	20.5	3.1	-	0.9	24.5

The licence costs mainly relate to the costs of obtaining an operating licence in the USA. This licence was granted to Louisiana Energy Services, LLC in 2006 and ends in 2040, 30 years after the start of operations. The costs are amortised on a straight-line basis over the remaining licence period from the date of the commencement of production in the USA. The USA enrichment plant commenced commercial operations in June 2010 having received the necessary approvals from the USA Nuclear Regulatory Commission.

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised. Amortisation of capitalised project costs takes place on a straight-line basis, with no residual value. The initial costs have been amortised based on a useful economic life of five years. Costs which have been capitalised subsequently are amortised based on a useful economic life of three to four years.

The Group has no intangible assets assessed as having an indefinite life.

Included in intangible assets are the following amounts relating to capitalised interest costs:

	2019 €m	2018 €m
Cost as at 31 December	2.8	2.7
Depreciation as at 31 December	(1.2)	(1.1)
Impairment	(0.2)	-
Carrying amount as at 31 December	1.4	1.6

The borrowing costs capitalisation rate of items included in intangible assets was 4.80% (2018: 5.17%).

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15. Intangible assets continued

2018	Licence costs €m	Other software assets €m	Waiver payments €m	Total €m
Cost as at 1 January 2018	66.1	96.3	6.4	168.8
Additions	-	0.3	-	0.3
Transfers (see note 13)	-	(3.2)	-	(3.2)
Exchange adjustments	1.5	1.1	(0.1)	2.5
Cost as at 31 December 2018	67.6	94.5	6.3	168.4
Amortisation as at 1 January 2018	37.6	82.4	4.4	124.4
Charge for the year	3.0	3.9	0.8	7.7
Exchange adjustments	0.8	1.2	(0.3)	1.7
Amortisation as at 31 December 2018	41.4	87.5	4.9	133.8
Carrying amount as at 1 January 2018	28.5	13.9	2.0	44.4
Carrying amount as at 31 December 2018	26.2	7.0	1.4	34.6

16. Investments

Investments in joint venture

The Group has a 50% interest in Enrichment Technology Company Limited (ETC), a joint arrangement whose principal activity is in the research, development, manufacture and installation of plant and equipment for the provision of enrichment services. The Group's 50% share is held for 21.7% by Urenco Limited and for 28.3% by Urenco Deutschland GmbH. The Group accounts for its interest in ETC using the equity accounting method (see note 2).

The share of the assets, liabilities and expenses of the joint arrangement at 31 December were:

	2019 €m	2018 €m
Share of the joint venture statement of financial position		
Non-current assets	22.9	19.9
Current assets	82.2	73.9
Share of gross assets	105.1	93.8
Non-current liabilities	(59.2)	(53.2)
Current liabilities	(26.1)	(23.0)
Share of gross liabilities	(85.3)	(76.2)
Group's share of net assets	19.8	17.6

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Share of joint venture results		
Total revenue	61.2	66.7
Group's share of profit for the year	5.9	3.6
Consolidation adjustments	(0.5)	(0.8)
Share of results of joint venture	5.4	2.8

	2019 €m	2018 €m
Share of net assets of joint venture		
As at 1 January	17.6	6.3
Group's share of profit for the year	5.9	3.6
Group's share of other comprehensive (loss)/income	(3.7)	7.7
As at 31 December 2019	19.8	17.6

On consolidation, the Group makes the necessary adjustments to the joint venture results to ensure that income from direct transactions with the joint venture is not recognised.

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16. Investments continued

Other Investments

	€m
Cost as at 1 January 2019	1.3
Additions	0.1
Cost as at 31 December 2019	1.4
Carrying value as at 1 January 2019	1.3
Carrying value as at 31 December 2019	1.4

The Group invested in a 9.9% share in Twente Technology Fund (TTF). TTF is an innovative venture capital fund. The fund invests in promising young and starting high tech corporations in the Twente area in the Netherlands. In 2019 Ureco has invested €0.1 million (2018: €0.1 million) in the fund which is held at cost.

	€m
Cost as at 1 January 2018	1.2
Additions	0.1
Cost as at 31 December 2018	1.3
Carrying value as at 1 January 2018	1.2
Carrying value as at 31 December 2018	1.3

17. Subsidiaries

The Group parent company, Ureco Limited is incorporated in the UK and has a number of wholly owned subsidiaries. A list of investments in subsidiaries held directly and indirectly by the Company, including the name, country of incorporation and proportion of ownership interest, is given in note 7 to the Company's separate financial statements.

18. Restricted cash

	31/12/19 €m	31/12/18 €m
Restricted cash	3.5	4.3

Restricted cash primarily represents two items:

- An amount which is held in an Escrow account for an agreement for relocation of a pipeline dated August 2006. The Escrow agreement terminates on the earlier of the 50th anniversary of the agreement or receipt by the Escrow Agent of written notice of termination executed by Trinity Pipeline, L.P. and Louisiana Energy Services, LLC.
- A money market account. The money market account is an account for the purpose of an employee deferred compensation arrangement.

19. Inventories

	31/12/19 €m	31/12/18 €m
Raw materials	73.6	82.7
Work-in-progress	53.3	49.4
Finished goods	1.9	2.9
	128.8	135.0

Work-in-progress mainly relates to SWU inventories borrowed from third parties. All inventories are held at the lower of cost and net realisable value.

€42.7m of inventories was recognised as an expense in 2019 (2018: €51.0m).

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20. SWU assets

	31/12/19 €m	31/12/18 €m
SWU assets	289.5	241.9

SWU assets are the costs incurred to date in enriching UF₆ to fulfil enrichment contracts with customers.

21. 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.

	2019 €m	2018 €m
As at 1 January	-	-
Revenue recognised during the year	16.3	-
Expected credit losses	-	-
Exchange difference	-	-
As at 31 December	16.3	-
Included in current assets	11.1	-
Included in non-current assets	5.2	-
	16.3	-

Revenue recognised during the year related to a contract that had been modified during the year and which resulted in a re-measurement of the revenue to be recognised for the duration of the contract in accordance with the relative stand-alone price. It is expected that this accrual of revenue will significantly reduce in 2020.

22. Trade and other receivables (current)

	31/12/19 €m	31/12/18 €m
Trade receivables	219.8	166.3
Trade receivables due from related parties (see note 36)	0.2	0.2
Other receivables	22.8	30.5
Prepayments	20.4	21.8
	263.2	218.8

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 44 days (2018: 31 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 these trade receivables is 20 days (2018: 20 days).

The increase in trade receivables is mainly due to a higher portion of invoices raised just before the year end.

For terms and conditions relating to related party receivables, refer to note 36 on page 138.

At the year end no trade receivables (2018: two receivables totalling €0.1 million) were past their due date.

The Group 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 Group to the customer.

Trade receivables are stated net of a provision for expected credit losses of €0.5 million (2018 €0.5 million), wholly relating to receivables arising from revenue contracts.

23. Short term deposits

	31/12/19 €m	31/12/18 €m
Short term deposits	464.1	-

Short term bank deposits comprise deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

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24. Cash and cash equivalents

	31/12/19 €m	31/12/18 €m
Cash	85.4	136.1
Cash equivalents	237.8	395.1
Total cash and cash equivalents	323.2	531.2

Cash comprises cash at bank and in hand. Cash at bank earns or pays interest at floating rates based on the banks' current account rates. Cash equivalents comprise on demand deposits, together with short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

25. Share capital

	31/12/19 €m	31/12/18 €m
Authorised:		
240 million ordinary shares of £1 each		
'A' ordinary	113.0	113.0
'B' ordinary	113.0	113.0
'C' ordinary	113.0	113.0
	339.0	339.0
Issued and fully paid:		
168 million ordinary shares of £1 each		
'A' ordinary	79.1	79.1
'B' ordinary	79.1	79.1
'C' ordinary	79.1	79.1
	237.3	237.3

The 'A', 'B' and 'C' ordinary shares have identical rights, which carry no right to fixed income.

Additional paid in capital

This represents the 21.7% shares given to Urenco Limited by its shareholders as additional paid in capital bringing the Urenco holding in ETC to 50% in 2006.

26. Reserves

The reserves outlined in the consolidated statement of changes in equity on page 76 are as follows:

Additional paid in capital

This represents the 21.7% shares given to Urenco Limited by its shareholders as additional paid in capital bringing the Urenco holding in ETC to 50% in 2006.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and the parent entity into the euro presentational currency and the fair value movements on net investment hedges.

For the year ended 31 December 2019

26. Reserves continued

Hedging reserves

This is a combination of the hedging reserve and the cost of hedging reserve for which further explanation is provided below.

Hedging reserve - summary

	Year ended 31/12/19	Year ended 31/12/18 Restated ^①
	€m	€m
Carried forward as at 31 December	35.3	(322.5)
Adjustment for IFRS 9 transition ^①	-	348.4
Revised as at 1 January	35.3	25.9
Other comprehensive income/(loss):		
Cash flow hedges – transfers to revenue	40.2	44.9
Cash flow hedges – mark to market losses	(23.6)	(98.1)
Deferred tax (expense)/income on financial instruments	(4.1)	17.4
Current tax (expense)/income on financial instruments	(5.8)	41.5
Exchange differences	(12.5)	3.7
Other comprehensive income/(expense)	(5.8)	9.4
Carried forward as at 31 December	29.5	35.3

Cost of hedging reserve - summary

	Year ended 31/12/19	Year ended 31/12/18 Restated ^①
	€m	€m
Carried forward as at 31 December	3.2	-
Adjustment for IFRS 9 transition ^①	-	14.6
Revised as at 1 January	3.2	14.6
Other comprehensive income/(loss):		
Movements before tax	(15.6)	(14.0)
Deferred tax income	1.3	2.7
Exchange differences	0.3	(0.1)
Other comprehensive loss	(14.0)	(11.4)
Carried forward as at 31 December	(10.8)	3.2

Hedging reserves - totals

Carried forward as at 31 December	18.7	38.5
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^① The adjustment for IFRS 9 transition has been restated to appropriately present the accumulation of gains/losses of hedging instruments in net investments hedges and the related deferred and current tax in the foreign currency translation reserve. The mark to market gains and losses and related deferred and current tax in respect of net investment hedges for the year ended 31 December 2018 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. Total equity as at 31 December 2018 remains unchanged. The reserves prior to and after this restatement are shown below.

Hedging reserve

The hedging reserve is a separate component of equity used to record changes in the fair values of cash flow hedging instruments.

Cost of hedging reserve

The cost of hedging reserve is a separate component of equity used to record changes in the fair value of the currency basis spread as included in the fair value of financial instruments that are in a hedge relationship and the changes in the fair value of the forward points of forward foreign exchange contracts that are hedging future revenue.

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Notes to the Consolidated Financial Statements continued**For the year ended 31 December 2019**

26. Reserves continued

The impact of the restatement between hedging and cost of hedging reserves and between hedging and foreign currency translation reserves, described in footnote (i) on the previous page, are set out below.

Hedging reserve - Restatement of 2018

	Year ended 31/12/18		As reported €m
	Restated €m	Hedging to foreign currency translation reserve Restatement €m	
Carried forward as at 31 December	(322.5)	-	(322.5)
Adjustment for IFRS 9 transition	348.4	363.0	(14.6)
Revised as at 1 January	25.9	363.0	(337.1)
Other comprehensive income/(loss):			
Cash flow hedges – transfers to revenue	44.9	-	44.9
Cash flow hedges – mark to market losses	(98.1)	-	(98.1)
Net investment hedges – mark to market gains	-	75.7	(75.7)
Deferred tax income on financial instruments	17.4	1.4	16.0
Current tax income on financial instruments	41.5	14.9	26.6
Exchange differences	3.7	-	3.7
Other comprehensive income	9.4	92.0	(82.6)
Carried forward as at 31 December	35.3	455.0	(419.7)

Foreign currency translation reserve – Restatement of 2018

	Year ended 31/12/18		As reported €m
	Restated €m	Hedging to foreign currency translation reserve Restatement €m	
Carried forward as at 31 December	536.4	-	536.4
Adjustment for IFRS 9 transition	(363.0)	(363.0)	-
Revised as at 1 January	173.4	(363.0)	536.4
Exchange differences on foreign currency translation of foreign operations	126.7	-	126.7
Net investment hedges – mark to market losses	(75.7)	(75.7)	-
Deferred tax expense on financial instruments	(1.4)	(1.4)	-
Current tax expense on financial instruments	(14.9)	(14.9)	-
Share of joint venture exchange difference on foreign currency translation of foreign operations	(0.4)	-	(0.4)
Other comprehensive income/(loss)	34.3	(92.0)	126.3
Carried forward as at 31 December	207.7	(455.0)	662.7

For the year ended 31 December 2019

27. Contract liabilities

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

	2019 €m	2018 €m
As at 1 January	112.2	29.8
Revenue recognised during the year	(54.7)	(1.6)
Other movements during the year	51.1	84.8
Exchange difference	4.5	(0.8)
As at 31 December 2019	113.1	112.2
Included in current liabilities	59.6	62.1
Included in non-current liabilities	53.5	50.1
	113.1	112.2

Revenue recognised during the year mainly related to deliveries made in the year for which the customer made payments in advance in 2018. Other movements during the year were mainly driven by customer payments in the year of €50.5 million in advance of deliveries to be made in 2020. The current contract liabilities balance at year end mainly relates to deferred income for SWU deliveries to be recognised as revenue in 2020. The non-current contract balance at year end relates to deferred income for SWU deliveries to be recognised as revenue during the period from 2021 to 2023, and contracted storage services to be provided by Urenco Nuclear Stewardship Limited to be recognised during the period from 2021 to 2077 for which the consideration was received in advance.

28. Financial risk management objectives and policies

The Group's principal financial liabilities consist of trade payables and other financial instruments including bank loans, private and publicly traded debt and financial derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations or debt issues. All financial instruments, including derivatives, are unsecured. No collateral is pledged or received in respect of the Group's financial instruments.

The Group's key transactions in derivative financial instruments are principally forward currency contracts, interest rate swaps and cross-currency swaps. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Additionally the Group entered into commodity contracts with the purpose to buy or sell uranium or conversion services which are not supported by or in support of the Group's products and services provided to customers.

It is the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

The Group is exposed to credit risk, interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties. The Group has not pledged and does not hold collateral over any balances.

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Notes to the Consolidated Financial Statements continued**For the year ended 31 December 2019**

28. Financial risk management objectives and policies continued

The following table details the Group's maximum exposure to credit risk:

	Financial assets at amortised cost			Financial assets at fair value
	Trade and other receivables €m	Short term bank deposits €m	Cash and cash equivalents €m	Derivative financial assets with positive fair value €m
As at 31 December 2019				
AAA	-	-	197.1	-
AA+	30.4	-	-	-
A+	-	129.5	68.3	61.6
A	-	334.6	55.7	73.1
A-	89.7	-	2.1	0.9
AA-	21.4	-	-	-
BBB+	25.7	-	-	-
B+	0.2	-	-	-
BBB-	39.3	-	-	-
CCC+	11.4	-	-	-
Unrated	45.1	-	-	16.8
	263.2	464.1	323.2	152.4

	Financial assets at amortised cost			Financial assets at fair value
	Trade and other receivables €m	Short term bank deposits €m	Cash and cash equivalents €m	Derivative financial assets with positive fair value €m
As at 31 December 2018				
AAA	15.8	-	42.1	-
A+	-	-	138.9	34.8
A	0.1	-	347.8	129.8
A-	56.3	-	2.3	24.7
BB+	2.9	-	-	-
BB	29.5	-	-	-
B+	17.7	-	-	-
B	5.9	-	-	-
BBB-	38.1	-	0.1	-
Unrated	52.5	-	-	22.9
	218.8	-	531.2	212.2

For the year ended 31 December 2019**28. Financial risk management objectives and policies continued**

Details of how credit risk is managed across the asset categories is provided below:

Trade and other receivables

The Group trades only with what it considers are creditworthy third parties, who are mainly other participants in the nuclear fuel supply chain. It is the Group's policy that all customers wishing to trade on credit are subject to an internal approval process based on an internally devised system of credit scoring. 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.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit loss. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historic credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 22 includes further details on the loss allowance for these assets.

Short term bank deposits, cash and equivalents and derivative financial assets

With respect to credit risk arising from other financial assets of the Group, comprising cash and cash equivalents, short term deposits, and certain derivative financial instruments, the Group's credit risk is the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Counterparties for these assets are banks with investment-grade credit ratings assigned by international credit-rating agencies. The Group has assessed that no significant increase in credit risk has taken place on these balances since initial recognition. Accordingly, the expected credit loss modelled is the 12-month expected credit loss.

Interest rate risk

The Group is exposed to interest rate risk on cash balances which are subject to short term variable interest rates. The Group's borrowings to finance its operations are at fixed rates of interest and do not expose the Group to interest rate risk.

The Group manages its cash balances to protect itself against adverse changes in rates while maintaining liquidity to meet its operating requirements. The Group does not use derivative hedging strategies to fix interest rates on its cash balances.

The Group's exposure to interest rates on financial assets and liabilities are detailed in the section about liquidity risk management of this note.

The Group's policy to manage interest rate risk is to keep a proportion of its borrowings at fixed rates of interest. The Group enters into cross currency interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge the underlying debt obligations. As at 31 December 2019, the Group does not hold any interest rate derivatives.

The Financial Conduct Authority (FCA) has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR. The Group has assessed the impact of the IBOR reform on its current hedging strategies and does not expect a material impact resulting from the LIBOR reforms as the Group is not exposed to IBOR linked derivatives. The Group has assessed its current commercial contracts and where LIBOR is referenced in relation to penalty interest. These contracts will be re-negotiated.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition away from LIBOR (including GBP LIBOR, USD LIBOR and JPY LIBOR) to the Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Tokyo Overnight Average Rate (TONA) respectively.

Interest rate sensitivity analysis

In respect of non-derivative financial instruments with fixed interest rates, changes in market interest rates will only affect income if these are measured at their fair value. All financial instruments with fixed interest rates are carried at amortised cost and are therefore not subject to interest rate risk as defined in IFRS 7.

Changes in market interest rates affect the interest income or expense of non-derivative variable interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities. The Group does not hold any derivative financial instruments subject to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at reporting date. The analysis is prepared assuming the amount of the cash balances receivable at reporting date was receivable for the whole year. A 1 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates .

For the year ended 31 December 2019**28. Financial risk management objectives and policies continued**

If market interest rates had been one percent higher/(lower) at 31 December 2019 and all other variables were held constant, interest income, would increase/decrease by €7.9 million (31 December 2018: €1.6 million higher / €6.0 million lower). This is mainly attributable to the Group's exposure to interest rates on its short term deposits.

The Group's exposure to variable interest rate risk has increased during the current year arising from an increase in cash balances managed by the Group.

Foreign currency risk

Currency risk as defined by IFRS 7 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Transaction risk

The Group has transactional currency exposures as a result of approximately 71% (2018: 69%) of its revenues being denominated in US dollars, whilst currently only approximately 23% (2018: 22%) of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 36% (2018: 37%) of Group costs being denominated in sterling, whilst revenue is mainly in euros and US dollars.

In order to mitigate these exposures, the Group's policy is to hedge its net contracted US dollar and sterling exposures in its UK and rest of European businesses (i.e. cash revenues less cash costs) using forward currency contracts and related derivative financial instruments. The Group's policy is to hedge forward its net contracted US dollar and sterling exposures to a minimum of 80% in the current and following year, 50% in the second year and 20% in the third year ahead.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

Translation risk

The Group is exposed to translation currency risk as a result of its net investments in US and UK operations. The risk is that the euro value of the net assets of foreign operations will decrease with changes in exchange rates. The Group's policy is to mitigate its currency exposure by entering, where appropriate, into net investment hedging arrangements utilising holdings of foreign currency debt, entering into foreign currency derivatives or a mixture of both.

Foreign currency sensitivity analysis

The following sensitivity analysis addresses the effect of currency risks on the Group's financial instruments:

- A number of external and inter-company loans which are denominated in US dollars and euro are designated as, and are effective hedges, of the Group's investments in US dollars and euro denominated assets. Any gains/losses arising on the retranslation of these US dollar or euro loans are recorded directly to other comprehensive income and would be offset in equity by a corresponding loss/gain arising on the retranslation of the related hedged foreign currency net asset.
- The Group enters into currency forward contracts to mitigate currency risk, the majority of which are against the US dollar. These are currency derivatives that are part of an effective cash flow hedge for currency fluctuations resulting from exchange rate movements in accordance with IFRS 9. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Any ineffectiveness or ineffective hedges affect the income statement. The potential sources of hedge ineffectiveness are considered to be the credit risk and cost of hedging such as currency basis and forward points. Cost of hedging is recorded as a separate component of reserves.

For the year ended 31 December 2019

28. Financial risk management objectives and policies continued

The Group has removed all material sources of hedge ineffectiveness from its designated hedge relationships.

The following table demonstrates the sensitivity to a 10 per cent increase and decrease in currency units against the currencies to which the Group is exposed. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding exposures to forward foreign exchange contracts used in the hedging of highly probable forecast revenue:

	Rate Change	£/US\$		€/US\$		€/£
		Effect on income/(loss) before tax €m	Effect on equity €m	Effect on income/(loss) before tax €m	Effect on equity €m	Effect on equity €m
2019	+10%	6.2	42.5	2.0	93.8	(24.7)
	-10%	(7.6)	(51.9)	(2.4)	(114.6)	30.2
2018	+10%	(2.1)	50.5	(0.8)	112.9	(23.8)
	-10%	2.5	(61.7)	1.0	(137.9)	29.0

The Group's sensitivity to foreign currency exposure relating to forecast revenue hedging activities has remained largely unchanged as seen in the effect on equity. The Group has experienced an increase in its currency exposure on unhedged positions in comparison to the prior year as a result of de-designations of trades from its forecast sales hedging strategy. This is reflected in the effect on income/ (loss) heading of the sensitivity analysis.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Liquidity risk

The Group plans its funding operations and monitors the risk of a shortage of funds on a monthly basis, using a forward planning model that considers the maturity of existing borrowings, projected capital expenditure and projected cash flows from operations.

The Group has €750 million (2018: €750 million) undrawn committed bank facilities. The Group manages liquidity risk by a combination of undrawn credit facilities and by refinancing debt in advance of the maturity date.

The Group seeks to achieve flexibility and continuity of funding through the active use of a range of different instruments, markets and currencies. External debt funding is sought over a range of different tenors in order to avoid a concentration of maturities. At 31 December 2019, nil % (2018: nil %) of the Group's interest bearing loans and borrowings will mature in less than one year.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 based on contractual undiscounted payments:

2019	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Interest bearing loans and borrowings	13.4	30.2	1,646.2	260.1	1,949.9
Trade and other payables	209.2	41.4	-	-	250.6
Cross currency swap (inflows)	(26.6)	(18.8)	(1,493.4)	(164.0)	(1,702.8)
Cross currency swap outflows	30.4	33.5	1,500.0	224.6	1,788.5
Foreign exchange (receipts)	(12.3)	(27.5)	(68.0)	-	(107.8)
Foreign exchange payments	2.0	3.5	23.9	-	29.4
Lease liabilities	0.7	1.8	5.7	89.0	97.2
Other financial liabilities	-	40.8	-	-	40.8
	216.8	104.9	1,614.4	409.7	2,345.8

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

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Notes to the Consolidated Financial Statements continued

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28. Financial risk management objectives and policies continued

2018	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Interest bearing loans and borrowings	18.4	30.1	1,385.9	756.2	2,190.6
Trade and other payables	255.4	-	41.4	-	296.8
Cross currency swap (inflows)	(23.3)	(15.6)	(1,366.3)	(143.0)	(1,548.2)
Cross currency swap outflows	26.5	30.0	1,371.4	223.9	1,651.8
Foreign exchange (receipts)	(7.2)	(34.5)	(96.4)	-	(138.1)
Foreign exchange payments	8.3	35.1	69.5	2.4	115.3
Other financial liabilities	-	42.9	-	-	42.9
	278.1	88.0	1,405.5	839.5	2,611.1

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong investment-grade credit rating and healthy capital ratios in order to support the long-term success of the business and to maintain an appropriate level of shareholder returns.

The Group is subject to externally imposed covenants on its issued debt. In the event of a credit downgrade, in conjunction with a change in control of ownership, the holders of the Group's outstanding debt may demand repayment.

The principal means of adjusting the Group's capital structure is through changes in the proportion of cash reinvested in the business or returned to shareholders.

The Group monitors its capital structure through the use of financial ratios, principally those of Net Debt to Total Assets and Funds From Operations to Total Adjusted Debt (FFO/TAD). FFO is defined as EBITDA adjusted for interest costs, current tax expenses and pension obligations. TAD is interest bearing loans and borrowings adjusted for cash and short term bank deposits, lease liabilities, retirement benefit obligation deficit, and tails and decommissioning provisions.

The Group targets an FFO/TAD ratio that results in a strong investment-grade credit rating as set out in the Group finance report. The Group targets a long-term ratio of less than 60% for Net Debt to Total Assets, which the Group defines as Interest bearing loans and borrowings (current and non-current) less cash and cash equivalents and short term deposits divided by Total Assets.

Following the adoption of IFRS 16 from January 2019, the Group has amended its definition of Net Debt and TAD to include lease liabilities. Additionally, the Group has amended its definition of FFO from January 2019 to exclude the adjustment for operating lease depreciation.

	2019 €m	2018 €m
Net debt (see page 126)	928.1	1,370.9
Total assets	6,536.1	6,575.6
Net debt to total assets	14.2%	20.8%

For the year ended 31 December 2019

28. Financial risk management objectives and policies continued

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
EBITDA	1,219.6	1,200.4
Less:		
Net interest on bank borrowings and other loans	(86.2)	(80.4)
Unwinding of discount on provisions	(69.2)	(58.9)
Current tax expenses	(110.5)	(147.5)
Add:		
Operating lease depreciation	-	3.1
Pension normalisation	(3.9)	(5.2)
Funds from operations (FFO)	949.8	911.5
Interest bearing loans and borrowings	1,693.4	1,902.1
Cash and short-term bank deposits	(787.3)	(531.2)
Operating lease adjustment	-	48.6
Lease liabilities	22.0	-
Pensions deficit	65.2	46.0
Deferred tax on pensions deficit	(11.9)	(8.4)
Tails and decommissioning provisions	1,983.4	1,613.6
Depreciation within tails provisions	(380.7)	(317.3)
Deferred tax on provisions	(176.3)	(159.6)
Deferred tax on depreciation within tails provisions	80.2	65.6
Total adjusted debt (TAD)	2,488.0	2,659.4
FFO/TAD	38.2%	34.3%

29. Other financial assets and financial liabilities

Interest bearing loans and borrowings

As at 31 December 2019	Effective interest rate %	Maturity	2019 €m	2018 €m
Non-current				
€750 million Eurobond	2.50%	Feb 21	533.9	748.6
€500 million Eurobond	2.25%	Aug 22	498.1	497.4
€500 million Eurobond	2.375%	Dec 24	497.4	496.9
Yen 20 billion Loan Agreement	6.24%	Apr 38	164.0	159.2
			1,693.4	1,902.1

As at 31 December 2019, after taking into account the effect of interest rate swaps, 100% (2018: 100%) of the Group's borrowings are at a fixed rate of interest.

Amounts recognised in the income statement are interest expense of €45.2 million (2018: €51.4 million).

There were no drawings under the €750 million revolving credit facility at the end of the year (2018: none), which expires in June 2023.

The Group repurchased and cancelled €215.6 million of the February 2021 Eurobonds for a price of 104.6% at an amount of €225.5 million. The transaction was completed on 22 January 2019 for a total amount of €230.5 million, which included €5.0 million of accrued interest of these Eurobonds. A nominal amount of €534.4 million remains outstanding.

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Notes to the Consolidated Financial Statements continued**For the year ended 31 December 2019**

29. Other financial assets and financial liabilities continued

Hedging activities and derivatives

Revenue related hedges

The Group maintains a rolling portfolio of forward foreign exchange contracts ('FFECs') designated as cash flow hedges against forecast revenues to be received in foreign currencies. This is in order to hedge contracts denominated in euros and US dollars to the underlying European enrichment entities' functional currencies, which are split between sterling and euro.

For the hedges of highly probable forecast revenue, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

Potential sources of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in the foreign exchange rates and the timing of the forecast revenue. These potential sources of ineffectiveness are not considered to be material in the performance of the hedge.

No other sources of ineffectiveness emerged from these hedging relationships.

As at 31 December 2019, the net liability of the FFECs was €49.4 million (31 December 2018: liability of €54.0 million), with the movement driven principally by the US dollar forward rates weakening against sterling and strengthening against the euro in the year. The vast majority of FFECs are designated as cash flow hedges, with the gains and losses deferred in equity. There is a small minority of FFECs that have been de-designated from hedge relationships and, therefore, their gains and losses are recognised in the income statement. Also, a small number of FFECs were not formally designated in a hedge and are revalued through the income statement.

During the year, €40.2 million of hedging losses (2018: losses of €44.9 million) were recycled to revenues due to the maturing of contracts in effective hedging relationships.

Borrowing related hedges

The Group uses Cross Currency Interest Rate Swaps ('CCIRSs') to hedge its US dollar, euro and yen debt instruments into sterling as they are held by Urenco Limited, a sterling functional currency entity. The Group's portfolio of CCIRS help to manage the foreign exchange volatility which would be recognised through the income statement.

The CCIRS are split into two legs, the first leg swaps foreign denominated debt into sterling, and is designated as a cash flow hedge, and the second leg swaps sterling into US dollar and is designated as a net investment hedge of the Group's investment in USA subsidiaries (Urenco USA Inc. and Louisiana Energy Services LLC).

For borrowing related hedges, as the critical terms (i.e. the notional amount, life and underlying) of the CCIRSs and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the CCIRSs and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

Potential sources of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the CCIRSs, which is not reflected in the fair value of the hedged item attributable to changes in the foreign exchange rates. These potential sources of ineffectiveness are not considered to be material in the performance of the hedge.

No other sources of ineffectiveness emerged from these hedging relationships.

As at 31 December 2019, the Group's portfolio of CCIRSs was held as an asset of €10.0 million (31 December 2018: asset of €56.4 million). The movement in the year of €46.4 million is mainly attributable to fair value movements resulting from the weakening of euro against the US dollar.

Included in loans at 31 December 2019 were borrowings of €500.0 million (31 December 2018: €650.0 million), which have been designated as hedges of the net investment in the Group's European sites. Gains or losses on the retranslation of these borrowings are transferred to other comprehensive income to offset any gains or losses on translation of the net investment in subsidiaries.

For the year ended 31 December 2019

29. Other financial assets and financial liabilities continued

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments as at 31 December that are carried in the financial statements:

	Book value 2019 €m	Fair value 2019 €m	Book value 2018 €m	Fair value 2018 €m
Financial assets				
Loans and receivables				
Trade and other receivables ⁽ⁱ⁾	263.2	263.2	218.8	218.8
Derivative financial assets at fair value through profit or loss				
Forward foreign exchange contracts – hedged	23.5	23.5	19.7	19.7
Forward foreign exchange contracts – non-hedged	0.6	0.6	-	-
Cross currency interest rate swaps	111.5	111.5	169.6	169.6
Commodity contracts at fair value	16.8	16.8	22.9	22.9
Short term bank deposits ⁽ⁱⁱ⁾	464.1	464.1	-	-
Cash and cash equivalents ⁽ⁱⁱⁱ⁾	323.2	323.2	531.2	531.2
Total	1,202.9	1,202.9	962.2	962.2
Financial liabilities				
Financial liabilities measured at amortised cost				
Fixed rate borrowings	1,693.4	1,905.6	1,902.1	1,962.3
Trade and other payables ⁽ⁱⁱⁱ⁾	250.6	250.6	296.8	296.8
Derivative financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts – hedged	67.8	67.8	73.7	73.7
Forward foreign exchange contracts – non-hedged	5.7	5.7	-	-
Cross currency interest rate swaps	101.5	101.5	113.2	113.2
Commodity contracts at fair value	3.8	3.8	5.0	5.0
Total	2,122.8	2,335.0	2,390.8	2,451.0

⁽ⁱ⁾ For trade and other receivables, as disclosed per note 22, the book value and fair value are deemed to be the same as no debtors are past their due date and the balances have been assessed for credit losses.

⁽ⁱⁱ⁾ For short term bank deposits and cash and cash equivalents, per notes 23 & 24, the book value is considered a reasonable approximation of fair value due to the short term nature, variable interest on balances and high credit ratings of the counter-parties.

⁽ⁱⁱⁱ⁾ For trade and other payables, as disclosed per note 32, the Group considers the book value to approximate the fair value due to the short term nature to settle the outstanding balances.

Market values have been used to determine the fair value of the Group's listed Eurobond based on the published price and of derivative financial instruments, based on valuations calculated using Bloomberg forward foreign exchange and discount rates. The fair values of all other items have been calculated by discounting the future cash flows at prevailing interest rates.

The recognised financial instruments are not subject to an enforceable master netting arrangement or similar agreement. Hence the financial assets and financial liabilities reported in the table above are disclosed on a gross basis rather than being offset.

Fair value disclosures

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There have been no transfers between level 1, level 2 and level 3 recurring fair value measurements during the year.

The fair value of fixed rate borrowings in the table above has been measured at level 2.

There have been no changes in the valuation techniques of the level 2 measurements.

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Notes to the Consolidated Financial Statements continued

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29. Other financial assets and financial liabilities continued

Derivative financial instruments are initially recognised, categorised as level 2 and are subsequently remeasured at fair value. The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of interest rate swaps is the net present value of all expected future cash flows based on current market rates taking due account of counterparty credit risk and own credit risk. Fair value of commodity contracts is the risk adjusted present value of the difference between the contract price and the current forward price multiplied by the volume of the agreed sales or purchases.

As at 31 December, the Group's financial instruments, were measured at fair value (recurring measurement) using level 2 hierarchy inputs:

	2019 €m	2018 €m
Financial assets at fair value		
Forward foreign exchange contracts – hedged	23.5	19.7
Forward foreign exchange contracts – non hedged	0.6	-
Cross currency interest rate swaps	111.5	169.6
Commodity contracts at fair value	16.8	22.9
Total assets measured at fair value	152.4	212.2
Financial liabilities at fair value		
Forward foreign exchange contracts – hedged	(67.8)	(73.7)
Forward foreign exchange contracts – non hedged	(5.7)	-
Cross currency interest rate swaps	(101.5)	(113.2)
Commodity contracts at fair value	(3.8)	(5.0)
Total liabilities measured at fair value	(178.8)	(191.9)
Net FFEC liability	(49.4)	(54.0)
Net CCIRS asset	10.0	56.4
Net commodity assets at fair value	13.0	17.9
Total net (liability)/asset	(26.4)	20.3

Total liabilities from financing activities

As at 31 December 2019, the Group held the following liabilities from financing activities, measured at book value:

	2018	Cash flows			Cash flows			2019
	€m	Proceeds debt hedges €m	Cash outflows €m	Foreign exchange movement €m	Fair value changes €m	Additions €m	Interest €m	€m
Non-current borrowings	1,902.1	-	(215.6)	4.8	2.1	-	-	1,693.4
Lease liabilities	-	-	(2.9)	0.3	-	23.5	1.1	22.0
Net liabilities/assets held to hedge borrowings	(56.4)	4.6	(18.9)	(5.3)	66.0	-	-	(10.0)
Total liabilities from financing activities	1,845.7	4.6	(237.4)	(0.2)	68.1	23.5	1.1	1,705.4

For the year ended 31 December 2019

29. Other financial assets and financial liabilities continued

Net Debt

The Group had a total net debt of €928.1 million as at 31 December 2019 (31 December 2018: €1,370.9 million).

Debt is split between euro denominated debt of €1,529.4 million (31 December 2018: €1,742.9 million) and yen denominated debt of €164.0 million (31 December 2018: €159.2 million).

After the impact of the CCIRSS, which swap either euro or yen debt into US dollar debt, the Group has an effective split of US dollar denominated debt of €939.0 million (31 December 2018: €1,034.2 million) and euro denominated debt of €754.4 million (31 December 2018: €867.9 million).

The value of net debt has moved from €1,370.9 million to €928.1 million principally due to cash generated operationally during the year.

The calculation of net debt as at 31 December is set out below:

	2019 €m	2018 €m
Non-current interest bearing loans and borrowings	1,693.4	1,902.1
Non-current lease liabilities	19.6	-
Current lease liabilities	2.4	-
Less: Short term deposits	(464.1)	-
Less: Cash and cash equivalents	(323.2)	(531.2)
Net debt	928.1	1,370.9

Classification of assets and liabilities

2019	Cash and receivables €m	Derivatives €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment, including right-to-use assets	-	-	4,570.8	4,570.8
Investment property	-	-	6.5	6.5
Intangible assets	-	-	24.5	24.5
Investments including joint venture	-	-	21.2	21.2
Restricted cash	3.5	-	-	3.5
Derivative financial instruments ⁽ⁱ⁾	-	152.4	-	152.4
Deferred tax assets	-	-	183.1	183.1
Contract assets	-	-	16.3	16.3
Inventories	-	-	128.8	128.8
SWU assets	-	-	289.5	289.5
Trade and other receivables ⁽ⁱⁱ⁾	242.6	-	20.6	263.2
Income tax recoverable	-	-	89.0	89.0
Short term bank deposits ⁽ⁱⁱ⁾	464.1	-	-	464.1
Cash and cash equivalents ⁽ⁱⁱ⁾	323.2	-	-	323.2
Total	1,033.4	152.4	5,350.3	6,536.1

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

29. Other financial assets and financial liabilities continued

2018	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	-	-	4,961.9	4,961.9
Investment property	-	-	6.1	6.1
Intangible assets	-	-	34.6	34.6
Investments including joint venture	-	-	18.9	18.9
Restricted cash	4.3	-	-	4.3
Derivative financial instruments ⁽ⁱ⁾	-	212.2	-	212.2
Deferred tax assets	-	-	166.1	166.1
Inventories	-	-	241.9	241.9
SWU assets	-	-	135.0	135.0
Trade and other receivables ⁽ⁱⁱ⁾	197.0	-	21.8	218.8
Income tax recoverable	-	-	44.6	44.6
Cash and cash equivalents ⁽ⁱⁱ⁾	531.2	-	-	531.2
Total	732.5	212.2	5,630.9	6,575.6

2019	Loans and payables €m	Derivatives €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables ⁽ⁱⁱ⁾	250.6	-	-	-	250.6
Interest bearing loans and borrowings ⁽ⁱⁱ⁾	1,693.4	-	-	-	1,693.4
Lease liabilities	-	-	22.0	-	22.0
Provisions	-	-	-	2,187.0	2,187.0
Contract liabilities	-	-	-	113.1	113.1
Derivative financial instruments ⁽ⁱ⁾	-	178.8	-	-	178.8
Deferred tax liabilities	-	-	-	99.4	99.4
Retirement benefit obligations	-	-	-	65.2	65.2
Income tax payable	-	-	-	40.8	40.8
Total	1,944.0	178.8	22.0	2,505.5	4,650.3

2018	Loans and payables €m	Derivatives €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables ⁽ⁱⁱ⁾	296.8	-	-	-	296.8
Interest bearing loans and borrowings ⁽ⁱⁱ⁾	1,902.1	-	-	-	1,902.1
Provisions	-	-	-	1,776.5	1,776.5
Contract liabilities	-	-	112.2	-	112.2
Derivative financial instruments ⁽ⁱ⁾	-	191.9	-	-	191.9
Deferred tax liabilities	-	-	-	97.7	97.7
Retirement benefit obligations	-	-	-	46.0	46.0
Income tax payable	-	-	-	32.6	32.6
Total	2,198.9	191.9	112.2	1,952.8	4,455.8

⁽ⁱ⁾ Derivative financial instruments are measured FVTOCI when part of a cash flow or a net investment hedge. Derivatives not designated in a hedge relationship, or designated as a fair value hedge, are measured at FVTPL. In the table following, the derivatives held by the Group are analysed by both maturity and usage.

⁽ⁱⁱ⁾ Financial assets and liabilities recognised at amortised cost.

For the year ended 31 December 2019

29. Other financial assets and financial liabilities continued

The fair values of derivative financial instruments at 31 December are set out below, with the following maturities:

	Fair value asset 2019 €m	Fair value liability 2019 €m	Fair value asset 2018 €m	Fair value liability 2018 €m
Forward foreign exchanges				
Cash flow hedges				
Within 1 year	5.4	(29.9)	5.9	(32.0)
1 to 2 years	6.8	(14.8)	5.7	(22.3)
2 to 3 years	5.4	(11.3)	5.2	(6.3)
3 to 4 years	3.3	(11.8)	1.1	(6.2)
More than 4 years	2.6	-	0.1	(6.9)
	23.5	(67.8)	18.0	(73.7)
Net investment hedges				
Within 1 year	-	-	0.1	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	-	-	-
	-	-	0.1	-
Fair value hedges				
Within 1 year	-	-	1.6	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	-	-	-
	-	-	1.6	-
Not designated and charged to income				
Within one year	0.6	(5.7)	-	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	-	-	-
	0.6	(5.7)	-	-
Cross currency interest rate swaps				
Cash flow hedges				
Within 1 year	-	-	-	-
1 to 2 years	70.6	-	-	-
2 to 3 years	40.9	-	113.6	-
3 to 4 years	-	-	56.0	-
More than 4 years	-	-	-	-
	111.5	-	169.6	-

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

29. Other financial assets and financial liabilities continued

	Fair value asset 2019 €m	Fair value liability 2019 €m	Fair value asset 2018 €m	Fair value liability 2018 €m
Net investment hedges				
Within 1 year	-	-	-	-
1 to 2 years	-	(54.4)	-	-
2 to 3 years	-	(37.3)	-	(71.1)
3 to 4 years	-	-	-	(40.8)
More than 4 years	-	-	-	-
	-	(91.7)	-	(111.9)
Designated in part as cash flow hedges and in part as net investment hedges				
Within 1 year	-	-	-	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	(9.8)	-	(1.3)
	-	(9.8)	-	(1.3)
Commodity contracts not designated and charged to income				
Within 1 year	1.1	(0.5)	6.7	(1.8)
1 to 2 years	9.4	(2.6)	1.4	(0.5)
2 to 3 years	1.6	(0.4)	9.6	(1.9)
3 to 4 years	1.5	(0.3)	1.3	(0.4)
More than 4 years	3.2	-	3.9	(0.4)
	16.8	(3.8)	22.9	(5.0)
Total	152.4	(178.8)	212.2	(191.9)
Of which – non-current	145.3	(142.7)	197.9	(158.1)
Of which – current	7.1	(36.1)	14.3	(33.8)

A total of €nil (2018: €4.1 million) was included within hedge reserves relating to hedges of financial instruments that settled during the year.

For the year ended 31 December 2019

29. Other financial assets and financial liabilities continued

As at 31 December, the Group held the following financial instruments of the major foreign currency (FC) pairs to hedge its foreign exchange risk:

	Average exchange rate 2019	Nominal amount 2019 FC m	Average exchange rate 2018	Nominal amount 2018 FC m
Forward foreign exchange contracts		Buy/(Sell)		Buy/(Sell)
Cash flow hedges				
USD/EUR		USD		USD
Within 1 year	1.19	(455.5)	1.17	(382.5)
1 to 2 years	1.20	(426.7)	1.21	(404.0)
2 to 3 years	1.27	(170.0)	1.23	(206.7)
3 to 4 years	1.33	(130.0)	1.31	(120.0)
More than 4 years	-	-	1.33	(130.0)
USD/GBP		USD		USD
Within 1 year	1.38	(230.7)	1.52	(205.0)
1 to 2 years	1.34	(150.0)	1.41	(234.0)
2 to 3 years	1.36	(100.0)	1.35	(150.0)
3 to 4 years	1.40	(55.0)	1.36	(95.0)
More than 4 years	-	-	1.40	(55.0)
EUR/GBP		EUR		EUR
Within 1 year	0.89	(50.0)	0.90	(114.0)
1 to 2 years	0.93	(44.0)	0.90	(30.0)
2 to 3 years	0.93	(68.0)	0.93	(30.0)
3 to 4 years	0.94	(50.0)	0.95	(20.0)
More than 4 years	0.95	(42.0)	0.95	(69.0)
Net investment hedges				
USD/GBP		USD		USD
Within 1 year	-	-	1.28	(227.6)
Fair value hedges				
EUR/GBP		EUR		EUR
Within 1 year	-	-	0.89	200.0
Cross currency interest rate swaps				
Cash flow hedges				
EUR/GBP		EUR		EUR
Within 1 year	-	-	-	-
1 to 2 years	0.74	525.0	-	-
2 to 3 years	0.71	250.0	0.75	625.0
3 to 4 years	-	-	0.71	250.0
Net investment hedges				
USD/GBP		USD		USD
Within 1 year	-	-	-	-
1 to 2 years	1.48	(575.7)	-	-
2 to 3 years	1.56	(276.5)	1.47	(687.1)
3 to 4 years	-	-	1.56	(276.5)
Designated in part as cash flow hedges and in part as net investment hedges				
JPY/USD		JPY		JPY
More than 4 years	102.30	20,000.0	102.30	20,000.0

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30. Provisions

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Other €m	Total €m
At 1 January 2019	1,001.7	611.9	114.8	48.1	1,776.5
Additional provision in the year	323.8	83.6	125.7	9.9	543.0
Unwinding of discount	42.3	24.8	2.1	-	69.2
Utilisation of provision	(42.5)	(8.9)	(85.0)	(10.1)	(146.5)
Release of provision	(88.8)	(9.7)	-	(5.3)	(103.8)
Transfers	1.4	-	-	-	1.4
Exchange difference	32.6	11.2	1.8	1.6	47.2
At 31 December 2019	1,270.5	712.9	159.4	44.2	2,187.0
Included in current liabilities					9.2
Included in non-current liabilities					2,177.8
					2,187.0

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Other €m	Total €m
At 1 January 2018	882.0	484.5	109.2	38.9	1,514.6
Additional provision in the year	144.7	125.8	119.4	27.5	417.4
Unwinding of discount	37.2	19.4	2.3	-	58.9
Utilisation of provision	(34.5)	(8.9)	(117.9)	(15.7)	(177.0)
Release of provision	(29.2)	(8.8)	-	(2.6)	(40.6)
Transfers	-	-	-	-	-
Exchange difference	1.5	(0.1)	1.8	-	3.2
At 31 December 2018	1,001.7	611.9	114.8	48.1	1,776.5
Included in current liabilities					7.5
Included in non-current liabilities					1,769.0
					1,776.5

The net costs of nuclear provisions of €297.7 million (2018: €174.1 million) recognised in the consolidated income statement are set out below:

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Total €m
Additional provision in the year	212.5	-	125.7	338.2
Change in discount rates	111.3	31.7	-	143.0
Release of provision	(88.8)	(9.7)	-	(98.5)
Utilisation of provision	-	-	(85.0)	(85.0)
Charged to income statement 2019	235.0	22.0	40.7	297.7

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Total €m
Additional provision in the year	144.7	65.9	119.4	330.0
Change in discount rates	-	-	-	-
Release of provision	(29.2)	(8.8)	-	(38.0)
Utilisation of provision	-	-	(117.9)	(117.9)
Charged to income statement 2018	115.5	57.1	1.5	174.1

For the year ended 31 December 2019

30. Provisions continued

Discount Rates for tails and decommissioning provisions

Management has considered the applicable inflation rate and the risk free discount rate and concluded that these should be calculated on a jurisdiction specific basis as follows:

	Inflation Rate	Nominal Discount Rate	Real Discount Rate
USA	2.00%	4.00%	1.96%
UK	2.00%	3.50%	1.47%
Germany	1.50%	3.00%	1.48%
The Netherlands	1.75%	3.00%	1.23%

In 2018, the applicable rates in all jurisdictions were 2.00% inflation, 4.00% nominal discount rate and 1.96% real discount rate.

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 costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal and include the depreciation of capital cost of the facility that will perform these tasks.

The final amount of the provision is currently uncertain (as detailed in note 2 within the critical accounting judgements and key sources of estimation uncertainty) but is evaluated based upon the planned operational activity involved in successfully achieving safe disposal in accordance with regulatory requirements. 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 in Europe which will remain uncertain until such time that the TMF project has been completed and the deconversion plant has been commissioned. A 10% increase in the forecast TMF deconversion price would increase tails provisions by €56.0 million and a 10% decrease in the forecast TMF deconversion price would decrease tails provisions by €56.0 million. The availability and cost of a repository suitable for the final disposal of depleted U_3O_8 is a key judgement and the level of uncertainty varies widely across the four countries in which Urenco operates. These costs are escalated where appropriate based on current expectations of inflation and discounted to provide a present value cost per unit, or tails rate, which is applied to the quantity of tails held at the statement of financial position date. Further description of the estimates and assumptions applied are given in note 2. A key area of uncertainty in the US remains the rate charged by the US Department of Energy (DOE) for the deconversion, storage and disposal of tails which will remain uncertain until such time that these activities are performed. A 10% increase in the forecast DOE rate would increase tails provisions by €20.4 million and a 10% decrease in the forecast DOE rate would decrease tails provisions by €20.4 million.

During the year the tails provision increased by €323.8 million (2018: €144.7 million) due to tails generated in that period, an increase in the applied tails rate and a change in discount rates. This addition to the tails provision has been recognised as a cost in the income statement under net costs of nuclear provision movements. Expenditure incurred during the year for the safe deconversion, storage and disposal of tails of €42.5 million (2018: €34.5 million) have been utilised against the provision. A provision release of €88.8 million (2018: €29.2 million) was recorded reflecting the impact of a review of various key underlying assumptions, an optimisation of operations and the impact of the reduction in higher assay tails, associated with enrichment service contracts.

It is expected that €506.7 million of the tails provision will be used within the next 10 years, €522.6 million of the provision will be used within the next 10 to 30 years and €241.2 million will be used within the next 30 to 100 years. The tails provisions held at 31 December 2019 comprised €889.8 million (2018: €684.4 million) of discounted future cash flows and €380.7 million (2018: €317.3 million) of discounted future depreciation of assets currently at cost held for the purpose of meeting tails liabilities.

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 0.25% reduction in the real discount rate would lead to an increase of the provision by €79.2 million, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by €66.8 million. A delay of 5 years to all disposal activities would reduce the provision by €98.7 million and an advancement by 5 years of all disposal activities would lead to an increase in the provision of €91.5 million.

Provision for decommissioning of plant and machinery

The Directors intend to decommission plant and machinery as soon as practicably possible after it is taken out of use. The enrichment plants will be disassembled, declassified, decommissioned and the sites returned to 'greenfield' or 'brownfield' status. Uranium containers will be cleaned, dismantled and scrapped. To meet these eventual costs of decommissioning, provisions are recognised in the financial statements, for all plant and machinery in operation, at amounts considered to be adequate for the purpose.

The final amount of the provision is currently uncertain but is evaluated based upon the planned operational activity involved in successfully achieving full decommissioning of any plant or equipment used in enrichment activities, in accordance with the Directors' intention and regulatory requirements. The planned costs are based on historic experience and price estimates for the relevant activities and processes of the decommissioning cycle, which include deconstruction, decontamination and disposal of all materials involved in the enrichment process. A key area of uncertainty remains the cost for disposal of waste streams arising from the decommissioning process. A 10% increase/decrease in either the volume or cost of waste to be disposed of would increase/decrease decommissioning provisions by €17.1 million. These costs are escalated based on current expectations of inflation and discounted to provide a present value cost based on the expected useful life of the asset in use and timing of subsequent decommissioning activity. Further description of the estimates and assumptions applied are given in note 2.

For the year ended 31 December 2019**30. Provisions** continued

During the year the decommissioning provision increased by €83.6 million (2018: €125.8 million) due to the installation of additional plant and machinery of €13.6 million (2018: €0.3 million), additional container purchases of €3.7 million (2018: €2.5 million) and €66.3 million due to revised assumptions surrounding the decommissioning of plant and machinery (2018: €123.0 million). Of the €66.3 million (2018: €123.0 million) resulting from revised assumptions, €31.7 million (2018: €65.9 million) has been expensed to the Income Statement and €34.6 million (2018: €57.1 million) has been recognised in decommissioning assets. The impact of the revised assumptions of €66.3 million mainly related to the impact of the change in discount rates of €64.9 million, of which €31.7 million has been expensed to the Income Statement and €33.2 million has been recognised in decommissioning assets. The addition to the decommissioning provision associated with the installation of plant and machinery and additional container purchases has been recognised as an equivalent addition to the decommissioning asset in the statement of financial position.

It is expected that this provision will be used over the next five to 50 years.

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 0.25% reduction in the real discount rate would lead to an increase of the provision by €39.3 million, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by €35.7 million. A delay of 5 years to all decommissioning activities would reduce the provision by €54.1 million and an advancement of all decommissioning activities would lead to an increase in the provision of €50.3 million.

Re-enrichment of low assay feed

Provisions for the future re-enrichment of low assay feed are calculated using assumptions on the amount of separate 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 €125.7 million (2018: €119.4 million) due to the creation of low assay feed and reduced by €85.0 million (2018: €117.9 million) due to expenditure incurred on the re-enrichment of low assay feed. Both the increase and reduction are reported within net nuclear provision movements.

Other provisions

These comprise provisions relating to restructuring provisions and other personnel provisions, and a specific counterparty provision. The other provisions include an amount of €4.0 million (2018: €8.2 million) for restructuring costs, mainly relating to expected severance payments to be made, see also note 6. During the year €1.8 million of the restructuring provisions was utilised for severance payments and an amount of €2.9 million was released. Uncertainties exist around the exact amount and timing of cash outflows as elements of the restructuring programme are subject to employee consultation procedures. Of the total amount it is estimated that €2.9 million will be paid within one year and the remainder of €1.1 million after one year.

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.

For the year ended 31 December 2019

31. Retirement benefit obligations

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. During the year, the Group sponsored defined benefit plans for qualifying employees of its subsidiaries in the UK, Germany and the Netherlands and defined contribution schemes in the UK, the Netherlands and USA. The defined benefit schemes comprise both funded and unfunded schemes. No other post-retirement benefits are currently provided by the Group. ETC forms part of Urenco's defined benefit pension schemes. Assets and liabilities are allocated on a notional basis by employee to enable correct accounting across the subsidiaries.

The defined benefit plans are administered by separate funds which are legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension funds are responsible for the investment policy with regard to the assets of the funds.

In the first half of 2019 the assets and liabilities of the Dutch defined benefit pension scheme were transferred to Pensioenfond Grafische Bedrijven ("PGB"), a multi-employer pension scheme. This transfer had no net financial impact on retained earnings. However, it resulted in a gain of €6.9 million to other comprehensive income, representing the recognition of the surplus net pension assets that were previously not recognised and a loss of €6.9 million to the income statement. This loss comprised the curtailment gain of €14.9 million offset by a settlement loss of €21.8 million and has been presented as pension costs within employee costs. The PGB has all the features of a defined contribution pension scheme and therefore accounting for this scheme following the transfer will be done on that basis.

The transfer to PGB and the corresponding liquidation of Urenco Nederland BV's (UNL) own company pension fund ("SPUN"), was the result of a process of three years, in which the board of SPUN, the board of UNL and the employees working council worked together. The aim was to reduce the effort, both by the employer and the employees involved in the governance of UNL's pension arrangements to maintain a dedicated company pension fund and to increase larger scale efficiencies. The resulting financial gain is estimated at approximately €0.7 million per year, which is equally shared between the employee and UNL, in the form of lower contributions.

Valuations of the schemes 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 the defined benefit obligations were carried out at 5 April 2018 and subsequently rolled forward to 31 December 2019.

Following the triennial valuation of the UK schemes in April 2018, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of €6.6 million annually for five years, until 2022. Urenco closed the UK defined benefit section for further accrual from 5 April 2017 for most Group employees following consultations with employees and their representatives and the pension scheme trustees.

Actuarial assessments of plan assets and the present value of the defined benefit obligations are due to be carried out in accordance with the regulatory timetable of the relevant country. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Key financial assumptions used:	2019 %	2018 %
Discount rate	1.0-2.1	1.8-2.9
Expected rate of salary increases	2.3-4.2	2.3-4.4
Future pension increases	1.5-4.2	1.1-3.4

In addition to the key financial assumptions shown above, the Group reviews the demographic and mortality assumptions. Mortality assumptions reflect best practice in the countries in which the Group operates defined benefit schemes (the Netherlands, UK and Germany) and have regard to the latest available published tables, adjusted where appropriate, to reflect the experience of the Group and an extrapolation of past longevity improvements into the future. The tables used and key assumptions are as follows:

	Netherlands		UK		Germany	
	2019 years	2018 years	2019 years	2018 years	2019 years	2018 years
Mortality assumptions:						
Life expectancy at age 60 for a male currently aged 60	-	26.4	29.2	29.1	24.8	24.6
Life expectancy at age 60 for a female currently aged 60	-	28.3	30.6	30.4	28.6	28.5
Life expectancy at age 60 for a male currently aged 40	-	28.8	31.2	31.1	27.8	27.6
Life expectancy at age 60 for a female currently aged 40	-	30.6	32.5	32.4	30.9	30.8

Mortality tables:	Netherlands		UK		Germany	
2019	AG Prognosetafel 2018 with WTW fund specific mortality experience 2016	S2PA YOB tables with appropriate age weightings using CMI 2017 projections 1.75% minimum improvements p.a.			Heubeck table 2018 G	
2018	AG Prognosetafel 2018 with WTW fund specific mortality experience 2016	S2PA YOB tables with appropriate age weightings using CMI 2017 projections 1.75% minimum improvements p.a.			Heubeck table 2018 G	

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

31. Retirement benefit obligations continued

Risks

The liabilities of all defined benefit pension plans expose the Group to risks of longevity, inflation and the discount rate. The related assets of the defined benefit plans in the UK expose the Group to market price volatility and default risk regarding the investments held by this pension fund. The German pension plans do not have related pension assets and therefore do not result in an exposure for the Group, aside from the risks related to the liabilities detailed above. As the Dutch defined benefit pension plan ceased to exist during the year, there were also no exposures to related pension assets as at 31 December 2019.

Sensitivity analysis

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefit obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2019 for the Group's retirement benefit schemes would have had the effects shown in the table below. The sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

		(Increase)/decrease in retirement benefit obligations €m
Discount rate	Effect of increase in discount rate by +0.25% at 31 December 2019	19.3
	Effect of decrease in discount rate by -0.25% at 31 December 2019	(23.2)
Inflation rate	Effect of increase in inflation rate by +0.25% at 31 December 2019	(19.8)
	Effect of decrease in inflation rate by -0.25% at 31 December 2019	19.4

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Current service cost	(6.6)	(8.0)
Administrative expense paid from scheme assets	(0.1)	(0.5)
Net interest expense on defined benefit pension scheme	(1.0)	(2.2)
Past service cost	(7.8)	(5.5)
	(15.5)	(16.2)

The net interest cost charge for the year has been included in the consolidated income statement within finance costs.

The amount charged to income in respect of defined contribution pension schemes was €8.0 million (2018: €7.3 million).

The actual return on scheme assets was a gain of €55.4 million (2018: loss of €6.6 million).

Amounts recognised in the statement of comprehensive income in respect of these defined benefit schemes are as follows:

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Actuarial (losses)/gains	(16.9)	51.1
Exchange difference	(1.5)	0.1
	(18.4)	51.2

For the year ended 31 December 2019

31. Retirement benefit obligations continued

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	2019 €m			2018 €m		
	Total	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes
At 1 January	(672.0)	(644.2)	(27.8)	(740.1)	(711.8)	(28.3)
Current service cost	(6.6)	(6.0)	(0.6)	(8.0)	(7.3)	(0.7)
Past service cost	(0.9)	(0.9)	-	(5.5)	(5.5)	-
Interest cost	(12.0)	(11.5)	(0.5)	(17.1)	(16.7)	(0.4)
Actuarial gains/(losses)	(61.3)	(58.0)	(3.3)	72.6	72.0	0.6
Benefits paid to members	13.1	12.2	0.9	23.1	22.1	1.0
Contributions by members	4.5	4.5	-	(1.0)	(1.0)	-
Dutch pension curtailments	264.9	264.9	-	-	-	-
Settlements	14.9	14.9	-	-	-	-
Transfers	-	0.0	-	-	-	-
Foreign exchange	(25.9)	(25.9)	-	4.0	4.0	-
At 31 December	(481.3)	(450.0)	(31.3)	(672.0)	(644.2)	(27.8)

	2019 €m	2018 €m
Movements in the fair value of plan assets		
At 1 January	626.0	642.8
Interest income	11.0	14.9
Actuarial gains/(losses)	44.4	(21.5)
Contributions by employer	8.8	15.5
Contributions by members	0.2	1.0
Benefits paid to members	(13.2)	(22.1)
Dutch pension curtailments	(271.8)	-
Settlements	(13.6)	-
Administrative expenses paid from scheme assets	(0.1)	(0.5)
Foreign exchange	24.4	(4.1)
At 31 December	416.1	626.0

	2019 €m	2018 €m
Present value of defined benefit obligation	(481.3)	(672.0)
Fair value of plan assets	416.1	626.0
Recognised liability at 31 December	(65.2)	(46.0)

The major categories and fair values of scheme assets at 31 December for each category are as follows:

	Fair value of assets	
	2019 €m	2018 €m
Equity instruments	196.8	245.8
Debt instruments	219.3	368.9
Other assets	-	11.3
	416.1	626.0

Other assets primarily relate to the mark to market position on the LDI swap portfolio.

Experience adjustments (surplus/deficits) arise where actuarial assumptions made at a previous valuation have not been borne out in practice.

The estimated amount of contributions expected to be paid to the schemes during the current financial year (2020) is €8.4 million.

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Notes to the Consolidated Financial Statements continued**For the year ended 31 December 2019****32. Trade and other payables**

Current

	31/12/19 €m	31/12/18 €m
Trade payables	47.6	55.6
Other payables	59.1	36.7
Accruals	80.9	109.5
Amounts due to joint venture	63.0	53.6
	250.6	255.4

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 29 days (2018: 27 days). The Group 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.

Non-current

	31/12/19 €m	31/12/18 €m
Other payables	-	41.4

Non-current other payables comprised SWU inventory borrowed from third parties for the purpose of optimising Urenco's production flexibility. The SWU borrowings as at 31 December 2019 have been classified as current payables as they are expected to be returned in 2020.

33. Contingent assets

The Group has made claims for compensation of loss of future revenue from a customer who went into Chapter 11 bankruptcy proceedings in 2018. The Group's assessment as at year end was that it is probable that a maximum amount of approximately €43.0 million will be received in due course following approval of these claims by the Bankruptcy Court and approval of the customer reorganisation plan in October 2019; however, the receipt of this income was not virtually certain at 31 December 2019 and was then dependent on a number of substantive conditions precedent to be met which are not under the control of the Group or the customer. Subsequent to year end, the Bankruptcy Court issued a notice confirming these conditions precedent had been met on 27 February 2020. Accordingly, as the conditions precedent had not been met at year end, the claim has not been recognised in the Group's financial statements.

For the year ended 31 December 2019

34. Contingent liabilities

There are no material contingent liabilities as at 31 December 2019 (2018: nil).

35. Events after the statement of financial position date

On 31 January 2020 the UK left the European Union, beginning a transition period set to end on 31 December 2020, during which the UK and European Union will negotiate their future relationship. We are well prepared for the UK's full withdrawal from the European Union and Euratom Treaty and do not anticipate major adverse consequences.

As of 11 March 2020, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2019 financial statements.

36. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements.

Transactions with the Urenco pension scheme are detailed in note 31.

During the year, Group companies entered into the following transactions with the following related parties who are not members of the Group:

	Sales of goods and services		Purchases of assets, goods and services		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/19 €m	Year ended 31/12/18 €m	Year ended 31/12/19 €m	Year ended 31/12/18 €m	31/12/19 €m	31/12/18 €m	31/12/19 €m	31/12/18 €m
BEIS	35.9	52.7	-	1.8	3.0	4.6	-	-
E.ON	5.0	-	15.5	-	-	-	-	-
RWE	-	-	0.3	15.7	-	-	-	1.3
ETC ⁽ⁱ⁾	-	-	72.9	80.6	0.2	0.2	63.0	53.6

⁽ⁱ⁾ These amounts are 100% of the sales/purchases and amounts due to Enrichment Technology Company Limited.

The Department for Business, Energy & Industrial Strategy (BEIS), E.ON SE (E.ON) and RWE AG (RWE) are all related parties of the Group because of their indirect shareholdings in Urenco Limited. The amounts reported under BEIS include transactions with the NDA. Enrichment Technology Company Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of assets, goods and services from them were made under the Group's normal trading terms.

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.

The Enrichment Technology Company Limited pension scheme is administered as part of the Urenco pension scheme. Included in Urenco's share of results of Joint Venture and Investments is 50% of the Enrichment Technology Company Limited Income Statement charges and liabilities arising from retirement benefit obligations. Included in the amounts recognised in the share of results of joint venture in respect of the defined benefit schemes is a charge of €4.0 million relating to the Joint Venture (2018: €2.6 million). Included in the share of net assets of the Joint Venture as a recognised liability is €25.9 million relating to the defined benefit pension obligations of the Joint Venture (2018: €20.1 million).

During the year, Group companies contributed €14.4 million (2018: €21.0 million) for the benefit of employees into post-employment benefit plans.

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Notes to the Consolidated Financial Statements continued**For the year ended 31 December 2019**

36. Related party transactions continued

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Remuneration report on page 55.

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Short term employee benefits	3.0	3.1
	3.0	3.1

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for his services as a Director, as detailed in the Remuneration report on page 55.

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COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2019

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DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 31 December 2019

Statement of Directors' responsibilities in respect of the accounts

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, including Financial Reporting Standard (FRS) 101 "Reduced Disclosure Framework" and applicable law. 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 the Parent Company 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.

By order of the Board.



Ralf ter Haar
Director

11 March 2020

Financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019

	Notes	2019 €m	2018 €m
Non-current assets			
Property, plant and equipment	5	18.9	7.1
Intangible assets	6	2.7	5.0
Investments in subsidiaries and associate	7	294.9	294.9
Amounts due from Group undertakings	8	2,755.3	3,373.6
Deferred tax asset	3	37.7	3.5
Derivative financial instruments	14	167.7	224.1
		3,277.2	3,908.2
Current assets			
Amounts due from Group undertakings	8	719.4	287.2
Trade and other receivables	8	188.3	179.4
Derivative financial instruments	14	41.6	39.6
Short term deposits	9	464.1	-
Cash and cash equivalents	10	316.9	526.3
		1,730.3	1,032.5
Total assets		5,007.5	4,940.7
Current liabilities			
Amounts due to Group undertakings - restated ⁽ⁱ⁾	12	(1,655.9)	(1,425.3)
Trade and other payables - restated ⁽ⁱ⁾	13	(95.3)	(86.2)
Lease liabilities		(0.7)	-
Derivative financial instruments	14	(41.1)	(37.9)
		(1,793.0)	(1,549.4)
Non-current liabilities			
Interest bearing loans and borrowings	11	(164.0)	(159.2)
Amounts due to Group undertakings	12	(1,557.6)	(1,798.2)
Derivative financial instruments	14	(157.4)	(167.0)
Other payables		(2.1)	(4.3)
Lease liabilities		-	-
Retirement benefit obligations	15	(4.2)	(0.2)
		(1,885.3)	(2,128.9)
Total liabilities		(3,678.3)	(3,678.3)
Net assets		1,329.2	1,262.4
Equity			
Share capital	16	237.3	237.3
Retained earnings	17	1,087.7	1,011.5
Hedging reserve	17	4.2	13.6
Total equity		1,329.2	1,262.4

(i) Monies received on behalf of subsidiaries in respect of future revenues have been presented in current amounts due to Group undertakings in the current year and the prior year comparative has been restated accordingly, to reflect the recognition of the contract liability in the entity in which the future revenues will be recognised. The prior year restatement is a €49.4 million reclassification from Trade and other payables to current amounts due to Group undertakings, which did not have any impact on net income or equity.

Registered Number 01022786

The net income for the financial year of the Parent Company amounts to €314.9 million (2018: €451.3 million).

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2020.

They were signed on its behalf by:

Boris Schucht
Chief Executive Officer



Ralf ter Haar
Chief Financial Officer



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COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 1 January 2019	237.3	1,011.5	13.6	1,262.4
Income for the period	-	314.9	-	314.9
Other comprehensive income/(loss) (note 17)	-	61.3	(9.4)	51.9
Total comprehensive income/(loss)	-	376.2	(9.4)	366.8
Equity dividends paid (note 4)	-	(300.0)	-	(300.0)
As at 31 December 2019	237.3	1,087.7	4.2	1,329.2

	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 31 December 2017	237.3	1,064.0	2.2	1,303.5
Transition adjustments on adoption of IFRS 9	-	(2.0)	-	(2.0)
As at 1 January 2018	237.3	1,062.0	2.2	1,301.5
Income for the period	-	451.3	-	451.3
Other comprehensive (loss)/income (note 17)	-	(201.8)	11.4	(190.4)
Total comprehensive income	-	249.5	11.4	260.9
Equity dividends paid (note 4)	-	(300.0)	-	(300.0)
As at 31 December 2018	237.3	1,011.5	13.6	1,262.4

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NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Significant accounting policies

General information

Ureco Limited (“the Company”) is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. Ureco Limited is the ultimate parent company and controlling party of the Group. The address of its registered office is given on page 160. Its main activity is that of a holding company for the Group’s operations.

Basis of preparation and presentation

The separate financial statements of the Parent Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard (FRS) 101 “Reduced Disclosure Framework”.

The accounts are prepared under the historical cost basis, except for those financial instruments which have been measured at fair value.

The Company’s financial statements are presented in euros. This is consistent with the presentation of the Group consolidated financial statements. The functional currency is sterling as that is the primary economic environment in which the company operates.

No Company income statement or statement of comprehensive income is presented for Ureco Limited, as permitted under section 408 of the Companies Act 2006.

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 Ureco Limited. The auditor’s remuneration for audit and other services is disclosed in note 5 to the Group’s consolidated financial statements.

Adoption of new and revised accounting standards

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

The accounting policies adopted in the preparation of the Company’s annual financial statements for the year ended 31 December 2019 are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2018, except as follows:

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

The following new standards and interpretations became effective from 1 January 2019:

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	EU-endorsed Effective Date – periods commencing on or after
IFRS 16 Leases (issued on 13 January 2016)	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)	1 January 2019	1 January 2019
Amendments to IAS 28: Long term Interests in Associates and Joint Ventures (issued on 12 October 2017)	1 January 2019	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	1 January 2019	1 January 2019

For the year ended 31 December 2019

1. Significant accounting policies continued

Assessment of impact

The Directors have reviewed the changes to accounting standards as listed in the table above and have assessed that with the exception of the adoption of IFRS 16, these changes have not had any impact on the financial statements of the Company.

IFRS 16 Leases

The Company is a lessee, mainly for property and land lease rentals and has adopted IFRS 16 for all accounting periods beginning on 1 January 2019. The Company has applied this standard based on the modified retrospective method with the cumulative effect of initially applying this standard recognised as an adjustment to the opening balance of retained earnings. The Company has not restated comparative information. No additional arrangements have been identified which fall within the definition of a lease under IFRS 16.

On the transition date the Company has elected two practical expedients, to apply a single discount rate to the leases with reasonably similar characteristics in terms of remaining lease term and class of underlying asset and to grandfather the Company's lease assessment under IFRIC 4.

Under IFRS 16, the distinction between finance ("on balance sheet") and operating ("off balance sheet") leases has been removed for lessees. Virtually all future leases will have to be recorded as a liability for the future lease payments and an asset for the right-to-use the underlying asset on the balance sheet.

The liability will be recorded as the present value of the future contracted cash obligations discounted by the Company's incremental borrowing rate, which, at the date of initial application, was 4.0%. The same value will be capitalised as a related right-to-use asset, which will be depreciated.

The nominal value of the operating lease commitments at 31 December 2018 applying IAS 17 was €1.4 million. The present value of this amount, discounted using the incremental borrowing rate at the date of initial application of IFRS 16 was €1.3 million. Payments made of €0.6m reduced the lease liabilities to €0.7 million at 31 December 2019, and they are presented separately from other liabilities, within current liabilities.

The Group has presented the right-of-use assets 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. The right-of-use assets at 31 December 2019 were €0.7 million.

The total expense recognised in the income statement for the year 2019 was €0.6 million, comprised of depreciation on the right-of-use assets of €0.6 million.

Going concern

As discussed in the Directors' Report, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Taxation

The charge for tax is based on the result for the year and takes into account deferred tax.

Deferred tax is recognised in respect of all temporary differences that have originated but not been reversed by the reporting date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the reporting date. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is not provided on temporary differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings.

A net deferred tax asset is regarded as recoverable, and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates or laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

The Company's functional currency is sterling because that is the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in euros as that is the same presentational currency of the Group to which it belongs. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date, with all differences being taken to profit and loss. All other translation differences are taken to total comprehensive income. The average sterling to euro rate for 2019 was £0.88 to €1 (2018: £0.89 to €1) and the year-end rate was £0.85 to €1 (2018: £0.90 to €1).

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Notes to the Company Financial Statements continued**For the year ended 31 December 2019**

1. Significant accounting policies continued

Property, plant, equipment and depreciation

Property, plant and equipment are included at cost less depreciation. Depreciation is charged so as to write off the cost of assets less their residual values, other than freehold land and assets under construction, over their estimated useful lives or in the event of right-of-use assets, over the shorter of the useful life of the underlying asset and the lease term, using the straight-line method, on the following basis:

Asset Type	Property, plant and equipment	Right-of-use assets
Buildings	12 – 40 years	2 – 40 years
Fixtures and fittings	12 years	12 years
Motor vehicles	4 years	4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Leases

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 these 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. 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 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.

Intangible fixed assets

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised within computer equipment. Depreciation of these capitalised project costs takes place on a straight-line basis, based on a useful economic life of five years, with no residual value.

Investments

Investments in subsidiary undertakings are held at cost, less accumulated impairment losses (if any). The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the investment's recoverable amount. The recoverable amount is the higher of the amount at which the investment could be disposed of, less any direct selling costs, and value in use. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Any impairment loss is recognised as an expense immediately. If, after an impairment loss has been recognised, the recoverable amount of an investment increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised as income to the extent that it increases the carrying amount of the investment up to the amount that it would have been had the original impairment not occurred.

Short term bank deposits

Short term bank deposits comprise deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash at bank earns or pays interest at floating rates based on the banks' current account rates.

Cash equivalents comprise on demand deposits, together with short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

For the year ended 31 December 2019

1. Significant accounting policies continued

Derivative financial instruments

The Company enters into derivative financial instruments in order to manage foreign exchange risk on behalf of Urenco Group. Additionally the Company uses interest rate swaps and cross currency interest rate swaps. Further details of derivative financial instruments are disclosed in note 14.

Derivative financial instruments are initially recognised at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gains or losses are recorded as finance income or finance costs unless the derivative financial instrument is designated and effective as a hedging instrument, in which event the timing of recognition in the income statement depends on the nature of the hedge relationship. 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.

The fair value on initial recognition is the transaction price unless part of the consideration given or received is for something other than the instrument itself. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of interest rate swaps is the net present value of all expected future cash flows based on current market rates taking due account of counterparty credit risk and own credit risk.

Retirement benefit obligations

The Company operates a defined benefit pension 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 as they fall due. On 10 August 2009, the Company's defined benefit scheme merged with the Urenco UK pension scheme.

Regarding the defined benefit scheme, in accordance with IAS 19, the Company has recognised the retirement benefit obligations. The scheme, which is funded by contributions partly from the employees and partly from the Company, is administered independently.

The cost of providing benefits is determined using the projected unit credit method, with actuarial assessments 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. They are recognised directly in retained earnings and included as a movement in the present value of the net defined benefit liability.

Past service cost is recognised immediately as an expense to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

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.

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 and is recorded on a net basis as net finance income or expense.

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.

Management has identified a significant estimate in the preparation of the Company financial statements, being the determination of the expected credit losses (ECLs) on financial assets. The key estimate in the calculation of a particular ECL is the probability weighting applied to the scenarios used. The value of the ECL and sensitivity analysis is disclosed in note 8.

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 key estimates are subject to significant uncertainty. Please see note 15.

No critical accounting judgements were identified.

2. Employee benefits expense

The average monthly number of Company employees (including Executive Directors) was:	2019 Number	2018 Number
Technical	32	32
Administration	102	105
	134	137

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Notes to the Company Financial Statements continued

For the year ended 31 December 2019

2. Employee benefits expense continued

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Their aggregate remuneration comprised:		
Wages and salaries	21.4	22.2
Social security costs	2.5	2.2
Pension costs	1.0	1.2
	24.9	25.6

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Directors' emoluments (see page 56):		
Emoluments	3.0	3.1
Amounts receivable under long term incentive scheme	0.5	2.3
	Number	Number
Members of defined contribution schemes	3	2

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
In respect of the highest paid Director:		
Emoluments including pension	1.5	3.5

3. Taxation

Deferred tax

	2019 €m	2018 €m
Deferred tax balances recognised at 31 December 2019 and 31 December 2018 are as follows:		
Relating to property, plant and equipment and intangible assets	(0.6)	(0.3)
Relating to tax losses	24.0	1.7
Relating to short term temporary differences	8.5	1.1
Relating to fair value movements on financial instruments	5.1	0.8
Relating to retirement benefits	0.7	0.2
Total deferred tax asset	37.7	3.5

The deferred tax credit recognised in the income statement was €28.2 million (2018: tax credit €5.8m).

4. Dividends paid and proposed

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2018 of 178.57 cents per share (2017: 178.57 cents per share)	300.0	300.0
	300.0	300.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2019 of 178.57 cents per share (2018: 178.57 cents per share)	300.0	300.0

The 2019 final dividend of €300 million is subject to approval by shareholders at the Annual General Meeting on 11 March 2020 and has not been included as a liability in these financial statements.

For the year ended 31 December 2019

5. Property, plant and equipment

	Freehold land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Motor vehicles €m	Total €m
Cost as at 31 December 2018	-	6.6	5.8	-	12.4
Adjustment for IFRS 16 adoption	1.2	-	-	0.1	1.3
Cost as at 1 January 2019	1.2	6.6	5.8	0.1	13.7
Additions	-	-	11.2	-	11.2
Exchange adjustments	-	0.4	0.5	-	0.9
Cost as at 31 December 2019	1.2	7.0	17.5	0.1	25.8
Depreciation as at 1 January 2019	-	5.3	-	-	5.3
Charge for the year	0.6	0.7	-	-	1.3
Exchange adjustments	-	0.3	-	-	0.3
Depreciation as at 31 December 2019	0.6	6.3	-	-	6.9
Carrying amount as at 31 December 2018	-	1.3	5.8	-	7.1
Carrying amount as at 31 December 2019	0.6	0.7	17.5	0.1	18.9

All land, buildings and other items of property, plant and equipment are carried at historical cost less accumulated depreciation. The category of fixtures and fittings comprises office fixtures and fittings and computer equipment.

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

	Freehold land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Motor vehicles €m	Total €m
Cost as at 31 December 2018	-	-	-	-	-
Adjustment for IFRS 16 adoption	1.2	-	-	0.1	1.3
Cost as at 1 January 2019	1.2	-	-	0.1	1.3
Additions	-	-	-	-	-
Exchange adjustments	-	-	-	-	-
Cost as at 31 December 2019	1.2	-	-	0.1	1.3
Depreciation as at 1 January 2019	-	-	-	-	-
Charge for the year	0.6	-	-	-	0.6
Exchange adjustments	-	-	-	-	-
Depreciation as at 31 December 2019	0.6	-	-	-	0.6
Carrying amount as at 1 January 2019	-	-	-	-	-
Carrying amount as at 31 December 2019	0.6	-	-	0.1	0.7

6. Intangible assets

	Software assets €m
Cost as at 1 January 2019	14.8
Transfers	0.1
Exchange adjustments	0.9
Cost as at 31 December 2019	15.8
Amortisation as at 1 January 2019	9.8
Charge for the year	2.6
Exchange adjustments	0.7
Amortisation as at 31 December 2019	13.1
Carrying amount as at 1 January 2019	5.0
Carrying amount as at 31 December 2019	2.7

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Notes to the Company Financial Statements continued

For the year ended 31 December 2019

7. Investments in subsidiaries and associate

	Share in subsidiary and associated undertakings €m
Cost as at 1 January 2019 and 31 December 2019	527.8
Impairment as at 1 January 2019 and 31 December 2019	(232.9)
Carrying amount as at 1 January 2019 and 31 December 2019	294.9

Details of the Company's subsidiaries and associate at 31 December 2019 are as follows:

Name of subsidiary	Nature of business	Registered office	Note	Proportion of ownership interest and voting power held %
Urenco Enrichment Company Limited	Holding / central services	(1)		100
Urenco UK Limited	Enrichment services	(2)	(i)	100
Urenco ChemPlants Limited	Deconversion	(2)		100
Urenco Deutschland GmbH	Enrichment services	(3)	(i)	100
Urenco Nederland BV	Enrichment services	(4)	(i)	100
Urenco Deelnemingen BV	Holding	(4)	(i)	100
Urenco Finance NV	Financing	(4)		100
Urenco USA Holdings Limited	Holding	(1)		100
Urenco USA Inc.	Holding	(5)	(i)	100
Urenco Inc.	Sales / marketing	(6)	(i)	100
Urenco Finance UK Limited	Dormant	(1)	(i)	100
Urenco Finance US LLC	Dormant	(7)	(i)	100
Louisiana Energy Services, LLC	Enrichment services	(7)	(i)	100
Urenco Nuclear Stewardship Limited	Uranium handling services	(2)		100
Urenco USA Energy Services LLC	Dormant	(5)	(i)	100
U-Battery Limited	Holding	(1)		100
U-Battery Developments Limited	New technology	(1)	(i)	100
U-Battery Canada Limited	New technology	(9)	(i)	100
Urenco UK Pension Trustee Company Limited	Dormant	(2)	(i)	100
Urenco Logistics GmbH	Dormant	(3)	(i)	100
National Enrichment Facility Series 2004 LLC	Financing	(7)	(i)	100
Urenco Funding Limited	Dormant	(1)		100
Urenco Stable Isotopes North America LLC	Sales / marketing	(7)	(i)	100
Name of associate				
Enrichment Technology Company Limited	Manufacturing	(8)	(ii)	50

Address of registered office of subsidiary or associated companies:

- (1) Urenco Court, Sefton Park, Bells Hill, Stoke Poges, Buckinghamshire, SL2 4JS, England
- (2) Capenhurst Works, Capenhurst, Chester, Cheshire, CH1 6ER, England
- (3) Rontgenstrasse 4, 48599 Gronau, Germany
- (4) Drienemansweg 1, 7601 PZ Almelo, The Netherlands
- (5) 275 Highway 176, Eunice, New Mexico, 88231, USA
- (6) 1560 Wilson Boulevard, Suite 300, Arlington, Virginia, 22209-2463, USA
- (7) 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA
- (8) Unit 6, South Capenhurst Technology Park, Capenhurst, Chester, CH1 6EH, England
- (9) 250 Howe Street, Suite 1400, Vancouver, British Columbia, V6C 3S7

Detail of direct and indirect holdings:

- ⁽ⁱ⁾ Denotes companies / partnership whose shares are indirectly held by Urenco Limited
- ⁽ⁱⁱ⁾ 21.7% is held directly by Urenco Limited, with the remaining 28.3% held by Urenco Deutschland GmbH.

For the year ended 31 December 2019

8. Trade and other receivables

	31/12/19 €m	31/12/18 €m
Amounts due from Group undertakings (<12 months)	719.4	287.2
Amounts due from Group undertakings (>12 months)	2,755.3	3,373.6
Other receivables	3.8	1.8
Corporation tax receivable	128.4	112.1
Prepayments and accrued income	56.1	65.5
	3,663.0	3,840.2

The amounts due from Group undertakings include intercompany current accounts and intercompany loan balances; the majority of these are subject to interest. The average annual rate prevailing in the year was 0.63% (2018: 0.72%) on current balances and 3.43% (2018: 1.49%) on non-current balances. The maturity dates of the non-current balances vary from 2023 to 2049.

The amounts due from Group undertakings are stated net of a provision for expected credit losses of €49.3 million (2018: €0.4 million) which has been offset against the intercompany current account and €4.0 million (2018: €4.1 million), which has been offset against the intercompany loan balances. The majority of the expected credit losses relate to an intercompany balance due from a US Group company where the increase in provision is based on a revised forecast prepared for the consolidated impairment analysis.

The key estimate in the calculation of a particular ECL is the probability weighting applied to the scenarios used. The weighting was split across the base case, upside and downside scenarios 80%, 5% and 15% respectively. A change of these probabilities to 85%, 5% and 10% respectively would decrease the ECL by €10.6m, whereas using 75%, 5% and 20% respectively would increase the ECL by €10.6m.

Prepayments and accrued income includes interest accrued on intercompany receivables of €nil (2018: €nil).

9. Short term deposits

	31/12/19 €m	31/12/18 €m
Short term deposits	464.1	-

Short term bank deposits comprise deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

10. Cash and cash equivalents

	31/12/19 €m	31/12/18 €m
Cash	79.1	131.2
Cash equivalents	237.8	395.1
Total cash and cash equivalents	316.9	526.3

Cash comprises cash at bank and in hand. Cash at bank earns or pays interest at floating rates based on the banks' current account rates. Cash equivalents comprise on demand deposits, together with short-term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

11. Interest bearing loans and borrowings

		31/12/19 €m	31/12/18 €m
Bank and other loans repayable:			
Greater than 5 years:			
Yen 20 billion Loan Agreement	6.24%	164.0	159.2
Total non-current		164.0	159.2

The outstanding amount of the loan has the additional protection of cross guarantees from the Urenco subsidiary companies Urenco Deutschland GmbH, Urenco UK Limited, Urenco Nederland B.V., Urenco Finance N.V., Urenco Enrichment Company Limited, Urenco USA Inc., Louisiana Energy Services LLC, Urenco USA Holdings Limited and Urenco ChemPlants Limited.

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Notes to the Company Financial Statements continued

For the year ended 31 December 2019

12. Amounts due to Group undertakings

	31/12/19 €m	31/12/18 €m Restated ^①
Current liabilities ^①	1,655.9	1,425.3
Non-current liabilities	1,557.6	1,798.2
	3,213.5	3,223.5

^① Monies received on behalf of subsidiaries in respect of future revenues have been presented in current amounts due to Group undertakings in the current year and the prior year comparative has been restated accordingly, to reflect the recognition of the contract liability in the entity in which the future revenues will be recognised. The prior year restatement is a €49.4 million reclassification from Trade and other payables to current amounts due to Group undertakings, which did not have any impact on net income or equity.

Intercompany accounts included in amounts due to Group undertakings are subject to interest. The average annual rate prevailing in the year was 0.61% (2018: 0.72%) on current balances and 3.03% (2018: 2.96%) on non-current balances. The intercompany payable is not secured on the Company's assets and is payable on demand.

13. Trade and other payables

	31/12/19 €m	31/12/18 €m Restated ^①
Accruals	30.2	35.3
Trade payables	8.4	4.3
Amounts due to related parties	56.2	46.2
Other taxes and social security costs	0.5	0.4
	95.3	86.2

^① Monies received on behalf of subsidiaries in respect of future revenues have been presented in current amounts due to Group undertakings in the current year and the prior year comparative has been restated accordingly, to reflect the recognition of the contract liability in the entity in which the future revenues will be recognised. The prior year restatement is a €49.4 million reclassification from Trade and other payables to current amounts due to Group undertakings, which did not have any impact on net income or equity.

Accruals includes interest accrued on intercompany payables of €17.3 million (2018: €22.0 million).

14. Derivative financial instruments

Categories of financial instruments at fair value

	Amounts due within one year		Amounts due after more than one year	
	31/12/19 €m	31/12/18 €m	31/12/19 €m	31/12/18 €m
Financial assets at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	35.6	32.0	37.9	42.5
Interest rate/cross currency contracts	-	-	111.6	169.4
Forward foreign exchange contracts	6.0	7.6	18.2	12.2
Total assets measured at fair value	41.6	39.6	167.7	224.1
Financial liabilities at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	(5.5)	(5.9)	(18.2)	(12.2)
Interest rate/cross currency contracts	-	-	(101.7)	(113.1)
Forward foreign exchange contracts	(35.6)	(32.0)	(37.5)	(41.7)
Total liabilities measured at fair value	(41.1)	(37.9)	(157.4)	(167.0)

For the year ended 31 December 2019

14. Derivative financial instruments continued

The Company is subject to currency exposures arising from transactions made by other members of the Urenco Group, in US dollar and euro. The functional currency of the Company is sterling.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts on behalf of the Group. The Company hedges the net cash flows of its European business, by selling US dollar customer revenues, buying forward sterling required to meet the costs of the UK operations and selling the remaining US dollars to buy euros. The Company reduces the impact of changes in foreign exchange rates by using a progressive rolling programme of buying and selling currencies over a period of up to four years ahead.

Under cross currency interest rate swap contracts, the Company agrees to exchange the difference between fixed interest in euro and Yen currency, into fixed interest in sterling, and from fixed interest in sterling to fixed interest in US dollars on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing foreign currency exchange rates on the fair value of interest payments in foreign currency, and the fair value of investments in subsidiaries at the Urenco Group level. The fair value of cross currency interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

15. Retirement benefit obligations

The Company operates a defined benefit pension scheme and the pension cost relating to the defined benefit scheme is assessed in accordance with the advice of independent, professionally qualified actuaries using the projected unit credit method.

The defined benefit plan is administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The valuation used for IAS19R disclosures has been based on the most recent actuarial valuation and updated by the actuaries during 2019 to take account of the requirements of IAS19R in order to assess the liabilities of the scheme at 31 December 2019. Scheme assets are stated at their market values at the reporting dates.

Main assumptions:

Key financial assumptions	2019	2018
Discount rate	2.1%	2.9%
Salary increases	4.2%	4.4%
Pension increases	3.2%	3.4%
Price inflation	3.2%	3.4%

Mortality assumptions	2019	2018
Life expectancy at age 60 for a male currently aged 60	29.2	29.1
Life expectancy at age 60 for a female currently aged 60	30.6	30.4
Life expectancy at age 60 for a male currently aged 40	31.2	31.1
Life expectancy at age 60 for a female currently aged 40	32.5	32.4

The assets and liabilities of the scheme at 31 December are:

	Market value 2019 €m	Market value 2018 €m
Equities	29.1	23.7
Bonds	32.4	31.0
Total market value of scheme assets	61.5	54.7
Present value of scheme liabilities	(65.7)	(54.9)
Pension liability	(4.2)	(0.2)

Movement in present value of benefit obligation	2019 €m	2018 €m
At 1 January	(54.9)	(67.9)
Interest cost	(1.5)	(1.7)
Actuarial (losses) / gains	(7.1)	12.4
Benefits paid to members	1.4	1.7
Exchange difference	(3.6)	0.6
At 31 December	(65.7)	(54.9)

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Notes to the Company Financial Statements continued

For the year ended 31 December 2019

15. Retirement benefit obligations continued

The assets and liabilities of the scheme at 31 December are:

	2019 €m	2018 €m
Movements in the fair value of plan assets		
As at 1 January	54.7	57.7
Interest income	1.5	1.5
Actuarial gains / (losses)	2.7	(2.7)
Contribution by employer	0.4	0.4
Benefits paid to members	(1.4)	(1.7)
Exchange difference	3.6	(0.5)
As at 31 December	61.5	54.7
Components of pension cost		
Interest on pension scheme liabilities	(1.5)	(1.7)
Interest on scheme assets	1.5	1.5
Total pension cost recognised in income statement	-	(0.2)
Actuarial (losses) / gains	(4.4)	9.7
Total pension movement recognised in the Statement of Comprehensive Income	(4.4)	9.7
	2019 €m	2018 €m
Present value of defined benefit obligation	(65.7)	(54.9)
Fair value of plan assets	61.5	54.7
Recognised liability at 31 December	(4.2)	(0.2)

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefit obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2019 for the Company's retirement benefit schemes would have had the effects shown in the table below. The sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	(Increase)/decrease in retirement benefit obligations 31/12/19 €m
Discount rate	
Effect of increase in discount rate by +0.25% at 31 December 2019	3.1
Effect of decrease in discount rate by -0.25% at 31 December 2019	(3.3)
Inflation rate	
Effect of increase in inflation rate by +0.25% at 31 September 2019	(2.9)
Effect of decrease in inflation rate by -0.25% at 31 September 2019	2.8

Experience adjustments (surplus/deficits) arise where actuarial assumptions made at a previous valuation have not been borne out in practice.

Regular contributions to the scheme from both the members and employer for the year beginning 1 January 2020 are expected to be €0.4 million (2018 actual contributions: €0.4m) reflecting that the scheme was closed to further accruals from 5 April 2017.

A triennial valuation for the pension scheme was completed as at 5 April 2018 and has been updated to 31 December 2019 by a qualified actuary. Urenco closed the UK defined benefit section for further accrual from April 2017 having conducted consultations with employees and their representatives and the pension scheme trustees.

In 2008, the Company also introduced a defined contribution scheme for new employees. The total cost of defined contribution arrangements of €0.8 million (2018: €0.8 million) has been fully expensed against profits in the current year.

For the year ended 31 December 2019

16. Called up share capital

	31/12/19 €m	31/12/18 €m
Authorised		
Ordinary share capital, 240 million ordinary shares of £1 each:		
'A' Ordinary Shares	113.0	113.0
'B' Ordinary Shares	113.0	113.0
'C' Ordinary Shares	113.0	113.0
	339.0	339.0
Issued		
Allotted, called up and fully paid, 168 million ordinary shares of £1 each:		
'A' ordinary shares	79.1	79.1
'B' ordinary shares	79.1	79.1
'C' ordinary shares	79.1	79.1
	237.3	237.3

The 'A', 'B' and 'C' ordinary shares have identical rights.

17. Retained earnings

	€m
As at 31 December 2017	1,064.0
Transition adjustments on adoption of IFRS 9	(2.0)
As at 1 January 2018	1,062.0
Net profit for the year 2018	451.3
Dividends paid	(300.0)
Actuarial gains on retirement benefit obligation	9.7
Deferred tax on actuarial gains	(1.8)
Foreign exchange translation differences	(209.7)
As at 31 December 2018 and 1 January 2019	1,011.5
Net profit for the year 2019	314.9
Dividends paid	(300.0)
Actuarial losses on retirement benefit obligation	(4.4)
Current tax on actuarial losses	0.1
Deferred tax on actuarial losses	0.7
Foreign exchange translation differences	64.9
As at 31 December 2019	1,087.7

The €9.4 million loss in the Hedging reserve (2018: €11.4 million gain) relates to fair value movements recognised on debt instruments that are designated in a hedge relationship.

As at 31 December 2019, the Company had distributable reserves available of €1,059.3 million (2018: €956.3 million).

Financial statements

Notes to the Company Financial Statements continued**For the year ended 31 December 2019****18. Related party transactions**

During the year, the Company entered into the following transactions with the following related party:

	Purchases of assets, goods and services	
	Year ended 31/12/19 €m	Year ended 31/12/18 €m
ETC ⁽ⁱ⁾	0.8	0.8

⁽ⁱ⁾ These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

	Amounts owed to related parties	
	Year ended 31/12/19 €m	Year ended 31/12/18 €m
ETC ⁽ⁱ⁾	56.2	46.2

⁽ⁱ⁾ These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

The Company has taken advantage of the exemption in FRS 101 not to disclose transactions between wholly owned subsidiaries of the Group.

Enrichment Technology Company Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of assets, goods and services from them were made under the Group's normal trading terms.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Amounts owed by related parties are stated at amortised cost less provision for expected credit losses.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Remuneration report on page 55.

	Year ended 31/12/19 €m	Year ended 31/12/18 €m
Short term employee benefits	3.0	3.1
	3.0	3.1

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for his services as a Director, as detailed in the Remuneration report on page 55.

19. Contingent liabilities

The Company is party to a number of composite guarantees of borrowings by certain of its subsidiaries which at the reporting date amounted to €534.5 million (2018: €505.2 million). The Directors do not expect any liability to arise under these guarantees.

20. Events after the reporting period

As of 11 March 2020, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2019 financial statements.