The Energy to Succeed

Delivering for a net zero world

Annual report and accounts 2021

Financial statements
Independent Auditor's Report

Report on the audit of the financial statements

Opinion

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 2021 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (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 statement of changes in equity;
- the consolidated cash flow statement;
- the related notes to the consolidated financial statements 1 to 35; 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, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. 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; and
- Enrichment site decommissioning provisioning.

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

Materiality

The materiality that we used for the Group financial statements was €25 million which was determined on the basis of approximately 4.5% of annual profit before tax ("PBT").

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), 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 total assets (96% of Group total), revenue (98% of Group total) and profit before tax (94% of Group total).

Significant changes in our approach

We have concluded that revenue no longer represents a key audit matter for the 31 December 2021 year end audit. This is because the revenue contracts entered into in the current year are less complex in nature than previous years and management has improved their process for identifying and assessing associated accounting considerations.

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Independent Auditor's Report continued

Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessment of current financing facilities including the nature of undrawn facilities, repayment terms and covenants;
- assessment of the consistency of the forecasts with the business model and medium term risks;
- evaluating the assumptions used in the forecasts;
- performing a sensitivity analysis on management's forecast cash flows; and
- assessing the Group's level of forward order book and contracted future cash flows.

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

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

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 has identified the US and European operations of the Group's uranium enrichment business as two cash generating units ('CGUs').

There is an ongoing requirement for management to assess each CGU for indicators of impairment or impairment reversal at each reporting period end. At 31 December 2021, impairment risk is focused on the US enrichment business CGU given the significant carrying value of the more recently constructed assets (carrying value as at 31 December 2021: €1,364 million) and the €500 million pre-tax impairment charge recognised at the 2019 year end.

The 2019 impairment charge of the US CGU was primarily driven by deteriorations in the long term forecast market price for Separative Work Units (SWU), as a result of a number of political and geopolitical uncertainties.

There is a significant level of management judgement inherent in determining whether an impairment indicator or impairment reversal indicator exists as at the 2021 year end. Management's assessment focused on whether there has been any observable change during 2021 to the future enrichment market dynamics, the associated SWU market pricing projections and forecast sales volume demand estimations, compared to those previously adopted.

As part of their impairment consideration process for 2021, management has reassessed forecast SWU market prices by forecasting future expected SWU demand and supply, in order to derive a forecast for future SWU prices.

This future SWU supply curve was considered by management, alongside other factors such as financial and operational performance against budget and production plans.

On this basis and following an assessment of the other key assumptions detailed below, management has concluded that there are no indicators for a further impairment charge or an impairment reversal and hence no requirement to perform a full impairment assessment. However, management have performed a value in use calculation to support these conclusions.

Key assumptions modelled within management's assessment include the post–tax nominal discount rate; the risk adjusted contracted and agreed future order book including any amendments during 2021; the extension of the US Nuclear site operating licence beyond 2040 which management continues to 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 costs, the US disposal cost of tails produced from enrichment and US government policy. In addition, the value in use is supported by the assumption that LEU+ (uranium enriched to higher assays than conventional fuel) will be adopted by US customers and therefore support a higher future SWU price.

This key audit matter is included as a significant matter related to the financial statements within the Audit Committee report on page 54, and is a critical accounting judgement within note 2 to the financial statements on page 86. Note 2 to the financial statements on page 95 also provides further details on the Urenco significant accounting policy for the impairment of enrichment assets.

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

In assessing the carrying value of the US enrichment business, we:

- obtained an understanding of the relevant controls over management's impairment indicator review processes;
- evaluated management's assessment of CGUs by obtaining a sample of underlying sales agreements to assess whether the cash inflows for the US and European enrichment businesses are separately identifiable and independent;
- challenged management's review of the relevant internal updates and external market information, including reviewing for any contradictory evidence, when scrutinising the 2021 impairment indicator or impairment reversal analysis;
- assessed significant new sales contracts and contract extensions signed during 2021, and those currently under discussion with customers, and compared pricing with both current market spot and forward prices, and the assumptions included in the US CGU impairment model;
- involved our nuclear industry specialists in our assessment of the long term forecast price for SWU, including the assumptions on nuclear energy demand and associated product assays;
- benchmarked key assumptions to third party evidence where available;
- challenged the operational and commercial management on the key assumptions;
- assessed and benchmarked the reasonableness of the post-tax nominal discount rate adopted to external market data; and
- challenged management's expectation of receiving an extension to the US nuclear site operating licence.

Key observations

We have concluded that management's assessment that there are no indicators of impairment or reversal is appropriate based on the work performed. Key assumptions within this assessment include an extension to the US operating licence, and demand quantities / assays within the long term forecast price model for SWU.

European enrichment business tails disposal provisioning

Key audit matter description

During 2021, 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'), which is 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 2021, Urenco recognised a €1,279 million (31 December 2020: €1,128 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, capital costs of commissioning the facility, and likely deconversion throughput levels.

The latest TMF project review undertaken by management indicated a marginally increased capital construction and commissioning cost in comparison to the assumptions at 31 December 2020. These factors, alongside the delayed commissioning of TMF, have led to an increase in the associated tails provision.

As detailed on page 8 of the annual report, TMF commissioning commenced in 2020, and has encountered challenges to date. The forecast commissioning date of the TMF facility is now during 2022 (2020: 2021). Until commissioning is complete and operations commence, the estimated throughput and operating costs are uncertain, and these therefore represent key estimates within the European tails provision valuation. Our key audit matter is focused to the throughput assumption, as the provision is most sensitive to changes in this assumption. This is based on nameplate capacity of the facility provided by the entity who sold the plans to Urenco.

The other key management estimates in valuing this long term European tail provision are macroeconomic assumptions, being the inflation and discount rate applied to recognise the provision at a present value cost, and the determination of the final tails disposal and transport costs. During 2021, 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.

This key audit matter is included as a significant matter related to the financial statements within the Audit Committee report on page 54, and is a key source of estimation uncertainty within note 2 to the consolidated financial statements on page 87. Further details on the tails provision are also provided in note 30 to the consolidated financial statements.

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

In assessing the tails provision, we:

- obtained an understanding of the relevant controls over management's tails provisioning processes;
- challenged the senior Group management (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;
- challenged management's key assumptions in relation to the forecast capital cost, timing of completion and forecast operating cost by performing the following procedures:
  - evaluated future cost and timing estimates, including TMF de-conversion costs, against internal project data and, where possible, external support;
  - tested the key assumptions through discussion with technical and operation personnel, and an assessment of key management reports;
  - understood the rationale for, and reviewed the calculation of, the relevant updates made to the TMF de-conversion cost model in 2021 and have agreed the underlying information to third party support where relevant;
- challenged management on the feasibility of hitting capacity forecasts by comparing throughput assumptions against publicly available information, review of associated technical / engineering documents, and meeting with key operational personnel;
- assessed and benchmarked the reasonableness of discount and inflation macroeconomic assumption rates adopted to external market data and relevant industry peers; and
- assessed the disclosures of the key source of estimation uncertainty.

Key observations

We concluded that the key assumptions applied by management in the provision calculation, as well as related disclosures, were appropriate.

Enrichment site decommissioning provisioning

Key audit matter description

Decommissioning activity involves the deconstruction, decontamination and disposal of the centrifuges and related infrastructure. As at 31 December 2021, the provision was €1,002 million (31 December 2020: €840 million).

A triennial review was performed in 2021, whereby management reassessed their provisions assumptions and estimates. The most significant changes were to the proposed timing of some elements of decommissioning works, and revisions to a number of third party quotes for planned decommissioning activity.

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

The other key management estimates are macroeconomic assumptions, being the inflation and discount rate applied to recognise the provision at a present value cost.

Other assumptions in management's decommissioning provision include cost estimates (both externally and internally generated) for the deconstruction, decontamination and disposal of the centrifuges and related infrastructure.

This key audit matter is included as a significant matter related to the financial statements within the Audit Committee report on page 55, and is a key source of estimation uncertainty within note 2 to the consolidated financial statements on page 87. Further details on the site decommissioning provision are also provided in note 30 to the consolidated financial statements.

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

In assessing the decommissioning provision, we:

- obtained an understanding of the relevant controls over the site decommissioning provisioning processes at each component as well as the Group-wide controls;
- understood the rationale for the key updates made in the 2021 provision, including the timing of activity and updated external quotes;
- 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 experts where cost estimates were internally generated;
- challenged the cost assumptions made by comparing them against underlying support; and
- assessed and benchmarked the reasonableness of discount and inflation macroeconomic assumption rates adopted to external market data and relevant industry peers.

Key observations

We concluded that the key assumptions applied by management in the provision calculation, as well as related disclosures, were appropriate.

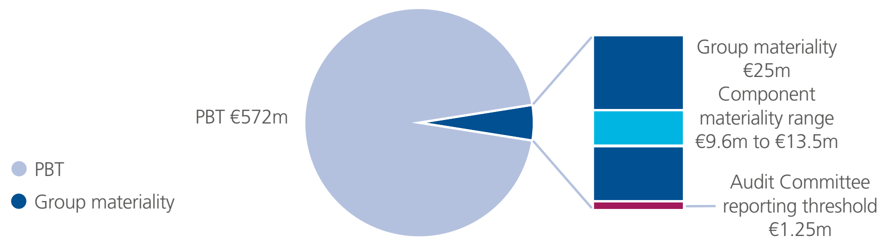
Our application of materiality

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 financial statements	Parent Company financial statements
Materiality	€25.0 million (2020: €25.0 million)	€19.3 million (2020: €19.5 million)
Basis for determining materiality	Approximately 4.5% of annual profit before tax ("PBT") (2020: approximately 3.5% of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities).	Approximately 1.5% of Net Assets (2020: approximately 5% of profit before tax) 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 (2020: below 2%) for both the Group and the Parent Company.	We have determined that net assets is the most relevant key benchmark as the primary purpose of the company is that of a holding 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 financial statements	Parent Company financial statements
Performance materiality	70% (2020: 70%) of Group materiality	70% (2020: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. The quality of the control environment and that we were able to take controls reliance on the revenue and payables cycles, and on general IT controls as planned; b. The higher risk nature of the industry; c. Changes in the internal control environment related to remote working for management; and d. The number and volume of misstatements in the interim and prior year.	

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 (2020: €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.

An overview of the scope of our audit

Identification and scoping of components

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.

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.

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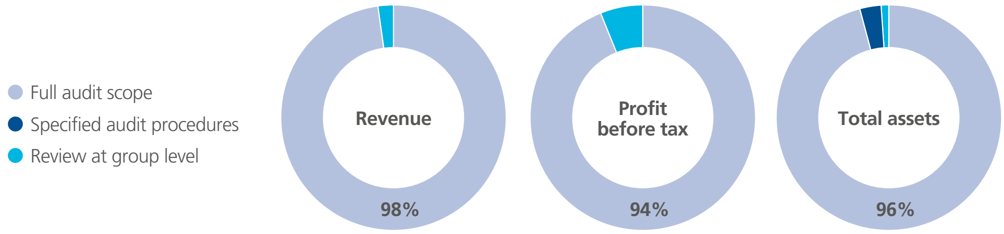
Additionally, we performed full scope audits on the entity constructing the TMF (Urenco ChemPlants Limited), and the UK head office entities, which are significant to the Group. Our full scope audit procedures cover total assets (2021: 96%, (2020: 98%), of Group total), revenue (2021: 98%, (2020: 99%) of Group total) and profit before tax (2021: 94%, (2020: 98%) of Group total).



Our consideration of the control environment

We performed testing of the general IT controls in respect of the Group's ERP finance 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 for this system.

We planned and were able to place controls reliance on the relevant controls in relation to the accuracy, cut off and occurrence of both revenue and payables, which were reviewed and challenged as part of the audit procedures undertaken.

Working with other auditors

Component auditors were directed and supervised via clear group team instructions, regular email communication and calls, direct file reviews of their work, and meetings at key stages of the audit. 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.

Due to COVID-19 related travel restrictions and health considerations, no visits to the enrichment sites were performed in the current year and stock counts were performed virtually. Additional remote file reviews were performed during the planning phase of the audit process and the UK group team engaged in calls with local management and component auditors, in addition to the usual component audit close meetings.

Our consideration of climate related risks

As highlighted in management's climate related disclosures on page 21, the Group is exposed to the transitional impacts of climate change on its business and operations. We considered the risks associated with climate change when determining our scope and audit approach. In particular, we pinpointed potential risks associated with climate change to the likely role of nuclear power in the future likely energy production mix.

Our consideration of climate related risks also extended to our work in respect of going concern.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

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

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

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including, fraud and non compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non compliance with laws and regulations;
- the matters discussed among the audit engagement team, including significant component audit teams and relevant internal specialists, including tax, financial instruments, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: management's assessment of impairment indicators in the US enrichment business and management's judgements in applying the Group's revenue recognition policy, specifically in relation to the application of IFRS 15. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation, tax legislation and nuclear regulations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence and environmental regulations.

Audit response to risks identified

As a result of performing the above, we identified carrying value of the US enrichment business and feed profit recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee, internal audit and in house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with nuclear regulators;
- challenging the timing and value of revenue recognised through analytical procedures, and agreeing to executed contracts, signed delivery documentation and consideration received. We have also recalculated the extent of any revenue accruals or deferrals to assess the compliance with IFRS15; and
- addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non compliance with laws and regulations throughout the audit.

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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 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.

J. Thomson.

Jon Thomson FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

9 March 2022

Financial statements
Consolidated Income Statement

For the year ended 31 December 2021

	Notes	**2021** Result for the year €m	2020 Re-presented[(i)(ii)] Result for the year €m
Revenue	3	**1,669.3**	1,700.1
Changes to inventories of work in progress, finished goods and SWU assets[(i)]		**(89.0)**	(43.3)
Raw costs of materials and consumables used[(i)]		**(16.0)**	(13.2)
Net costs of nuclear provisions[(ii)]	5,6	**(144.4)**	(163.8)
Employee costs	7	**(180.3)**	(167.2)
Depreciation and amortisation	5	**(331.0)**	(328.6)
Restructuring provision release	6	**0.5**	0.9
Other expenses	5	**(275.9)**	(249.9)
Share of results of joint venture	16	**2.6**	13.8
Income from operating activities	5	**635.8**	748.8
Finance income	8	**69.3**	85.5
Finance costs	9	**(133.6)**	(167.9)
Income/(loss) before tax		**571.5**	666.4
Income tax expense	10	**(207.0)**	(161.1)
Net income for the year attributable to the owners of the Company		**364.5**	505.3
Earnings per share		**€**	€
Basic earnings per share	12	**2.2**	3.0

(i) For the year ended 31 December 2020, an amount of €4.6 million has been reclassified from Raw costs of materials and consumables used to Changes to inventories of work in progress, finished goods and SWU assets (see note 19).

(ii) Net costs of nuclear provisions includes €25.6 million for the year ended 31 December 2020 classified as exceptional items. Refer to note 6.

Financial statements
Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 €m	2020 Re-presented(i) €m
Net income for the year attributable to the owners of the Company		**364.5**	505.3
Other comprehensive income/(loss):			
Items that have been or may be reclassified subsequently to the income statement			
Cash flow hedges – recycled in relation to hedges of revenue	26	**(3.9)**	38.9
Cash flow hedges – recycled in relation to hedges of debt(i)	26	**40.9**	(49.6)
Cash flow hedges – mark to market (losses)/gains on hedges of revenue(i)	26	**(69.5)**	67.4
Cash flow hedges – mark to market (losses)/gains on hedges of debt(i)	26	**(28.7)**	29.3
Movements on cost of hedging reserve(ii)	26	**1.5**	(6.7)
Deferred tax income/(expense) on financial instruments	10	**13.8**	(18.8)
Current tax income/(expense) on financial instruments	10	**1.0**	(7.7)
Exchange differences on hedging reserves(iii)	26	**5.6**	8.2
Total movements to hedging reserves		**(39.3)**	61.0
Exchange differences on foreign currency translation of foreign operations		**95.4**	(111.0)
Net investment hedge – mark to market gains/(losses)		**38.8**	(12.8)
Deferred tax income on financial instruments		**6.7**	3.8
Current tax expense on financial instruments		**(4.9)**	(3.3)
Share of joint venture exchange differences on foreign currency translation of foreign operations		**(0.1)**	(0.1)
Total movements to foreign currency translation reserve		**135.9**	(123.4)
Items that will not be reclassified subsequently to the income statement			
Actuarial gains on defined benefit pension schemes	31	**68.0**	1.6
Deferred tax expense on actuarial gains	10	**(17.2)**	-
Share of joint venture actuarial gains/(losses) on defined benefit pension schemes		**5.5**	(1.9)
Share of joint venture deferred tax (expense)/income on actuarial gains/(losses) on defined benefit pension schemes		**(0.5)**	2.5
Total movements to retained earnings		**55.8**	2.2
Other comprehensive income/(loss)		**152.4**	(60.2)
Total comprehensive income for the year attributable to the owners of the Company		**516.9**	445.1

(i) Previously, the line items above, cash flow hedges – recycled in relation to hedges of debt, cash flow hedges – mark to market (losses)/gains on hedges of revenue and cash flow hedges – mark to market (losses)/gains on hedges of debt were shown as a single line, cash flow hedges mark to market gains/(losses) with a net gain of €47.1 million disclosed in the year ended 31 December 2020 accounts.

(ii) The movements on cost of hedging reserve relate to both Cash Flow and Net Investment Hedges.

(iii) Exchange differences on the hedging reserves arise as a result of the effects of translating the hedging reserves from the functional currency of the entities in which the hedging reserves are held to the Group's presentational currency.

Financial statements
Consolidated Statement of Financial Position

For the year ended 31 December 2021

	Notes	31 December 2021 €m	31 December 2020 €m
Assets			
Non-current assets			
Property, plant and equipment, including right-of-use assets	13	**4,510.8**	4,308.2
Investment property	14	**5.8**	5.9
Intangible assets	15	**23.3**	20.7
Investments including joint venture	16	**29.7**	30.8
Retirement benefit assets	31	**51.2**	-
Restricted cash	18	**0.9**	1.5
Derivative financial instruments	29	**30.4**	110.0
Deferred tax assets	10	**82.8**	114.2
Contract assets	21	**35.5**	12.1
		4,770.4	4,603.4
Current assets			
Inventories	19	**146.9**	122.4
SWU assets	20	**277.5**	313.4
Contract assets	21	**12.5**	16.3
Trade and other receivables	22	**357.9**	236.6
Derivative financial instruments	29	**53.1**	126.0
Income tax recoverable		**101.4**	45.0
Short term bank deposits	23	**516.3**	528.8
Cash and cash equivalents	24	**559.5**	630.0
		2,025.1	2,018.5
Total assets		**6,795.5**	6,621.9
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	25	**237.3**	237.3
Additional paid in capital	25	**16.3**	16.3
Retained earnings		**1,487.8**	1,367.5
Hedging reserves	26	**6.8**	46.1
Foreign currency translation	26	**349.6**	213.7
Total equity		**2,097.8**	1,880.9
Non-current liabilities			
Trade and other payables	32	**38.9**	32.5
Interest bearing loans and borrowings	29	**651.3**	1,060.4
Lease liabilities	28	**28.1**	18.2
Provisions	30	**2,721.5**	2,350.5
Contract liabilities	27	**126.1**	74.4
Derivative financial instruments	29	**56.5**	64.6
Deferred tax liabilities	10	**261.9**	159.1
Retirement benefit obligations	31	**30.9**	56.8
		3,915.2	3,816.5
Current liabilities			
Trade and other payables	32	**229.4**	242.8
Interest bearing loans and borrowings	29	**404.7**	534.3
Lease liabilities	28	**3.2**	1.6
Provisions	30	**3.6**	5.2
Contract liabilities	27	**62.6**	61.4
Derivative financial instruments	29	**62.7**	51.9
Income tax payable		**16.3**	27.3
		782.5	924.5
Total liabilities		**4,697.7**	4,741.0
Total equity and liabilities		**6,795.5**	6,621.9

The financial statements were approved by the Board of Directors and authorised for issue on 9 March 2022.
They were signed on its behalf by:

Registered Number 01022786

Boris Schucht
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer

Financial statements
Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves(i) €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 31 December 2020	**237.3**	**16.3**	**1,367.5**	**46.1**	**213.7**	**1,880.9**
Income for the year	-	-	**364.5**	-	-	**364.5**
Other comprehensive income/(loss)	-	-	**55.8**	**(39.3)**	**135.9**	**152.4**
Total comprehensive income/(loss)	-	-	**420.3**	**(39.3)**	**135.9**	**516.9**
Equity dividends paid (see note 11)	-	-	**(300.0)**	-	-	**(300.0)**
As at 31 December 2021	**237.3**	**16.3**	**1,487.8**	**6.8**	**349.6**	**2,097.8**

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves(i) €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 31 December 2019	237.3	16.3	1,310.0	(14.9)	337.1	1,885.8
Income for the year	-	-	505.3	-	-	505.3
Other comprehensive income/(loss)	-	-	2.2	61.0	(123.4)	(60.2)
Total comprehensive income/(loss)	-	-	507.5	61.0	(123.4)	445.1
Equity dividends paid (see note 11)	-	-	(450.0)	-	-	(450.0)
As at 31 December 2020	237.3	16.3	1,367.5	46.1	213.7	1,880.9

(i) The hedging reserves are comprised of a cash flow hedging reserve and a cost of hedging reserve. The analysis for the reconciliation between opening and closing balance for each component is provided in note 26.

Financial statements
Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Notes	2021 €m	2020 Re-presented(i) €m
Income before tax		**571.5**	666.4
Adjustments to reconcile Group income before tax to net cash flows from operating activities:			
Share of joint venture results	16	**(2.6)**	(13.8)
Depreciation and amortisation	5	**331.0**	328.6
Finance income	8	**(69.3)**	(85.5)
Finance costs	9	**133.6**	167.9
Loss on disposal/write offs of property, plant and equipment		**2.1**	3.4
Increase in provisions	6	**59.9**	94.1
Operating cash flows before movements in working capital		**1,026.2**	1,161.1
Increase in inventories		**(2.1)**	(10.4)
Decrease/(increase) in SWU assets		**40.0**	(26.5)
(Increase)/decrease in receivables and other debtors		**(126.1)**	1.9
Increase in payables and other creditors		**89.6**	45.3
Cash generated from operating activities		**1,027.6**	1,171.4
Income taxes paid		**(146.4)**	(36.1)
Net cash flow from operating activities		**881.2**	1,135.3
Investing activities			
Interest received		**30.6**	49.7
Payments on maturing swaps hedging matured debt		**(32.5)**	-
Maturity of short term deposits(i)		**701.1**	835.0
Placement of short term deposits(i)		**(688.6)**	(899.7)
Purchases of property, plant and equipment		**(141.8)**	(150.8)
Purchases of intangible assets		**(1.7)**	(1.0)
Decrease in investment including joint venture	16	**12.5**	5.0
Net cash flow from investing activities(i)		**(120.4)**	(161.8)
Financing activities			
Interest paid		**(83.8)**	(112.8)
Receipts on maturing swaps hedging matured debt		**75.3**	-
Dividends paid to equity holders	11	**(300.0)**	(450.0)
Repayment of borrowings		**(534.4)**	(95.0)
Repayment of lease liabilities		**(1.8)**	(2.5)
Net cash flow from financing activities(i)		**(844.7)**	(660.3)
Net increase/(decrease) in cash and cash equivalents		**(83.9)**	313.2
Cash and cash equivalents at 1 January		**630.0**	323.2
Effect of foreign exchange rate changes		**13.4**	(6.4)
Cash and cash equivalents at 31 December(ii)	24	**559.5**	630.0

(i) The Maturity of short term deposits and the Placement of short term deposits were presented within cash flows from financing activities in the year ended 31 December 2020.

(ii) In addition to Cash and cash equivalents, the Group held Short term bank deposits of €506.2 million (2020: €528.8 million).

Financial statements
Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 parent and controlling party of the Group. The address of the Company's registered office is given on page 46. 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 and 45.

2. Significant accounting policies

Basis of preparation and presentation

The Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB.

Companies incorporated in the UK that previously were required to use EU adopted IFRS are required to apply UK adopted international accounting standards for financial periods beginning on or after 1 January 2021. As at adoption the standards are identical.

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 assessed the latest forecast future cash flows, including appropriate sensitivities, which indicate that available cash and committed financing facilities in place are sufficient to cover the Group's cash needs for at least 12 months after the date of approval of these financial statements. They are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing these financial statements. The Directors have considered the impact of COVID-19 and have concluded that there is no substantial impact on the going concern assumption. For further details please see page 33.

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 2021 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, 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 2021. 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	UK endorsed Effective Date – periods commencing on or after
Extension to Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions (issued on 28 May 2020)	1 April 2021(i)	1 April 2021(i)
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) (issued on 25 June 2020)	1 January 2021(ii)	1 January 2021(ii)
Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (issued on 27 August 2020)	1 January 2021	1 January 2021

(i) Applies to COVID-19 related rent concessions that reduce lease payments due on or before 30 June 2022

(ii) The Amendments may be used by eligible entities for financial years beginning before 1 January 2023

The Directors have reviewed the changes to accounting standards as listed in the table above and have assessed that these changes have not had any impact on the financial statements of the Group.

For the year ended 31 December 2021

2. Significant accounting policies continued

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

All UK incorporated companies that have been previously required to use EU adopted IFRS need to use UK adopted international accounting standards for financial years that begin on or after 1 January 2021. On 1 January 2021, UK adopted international accounting standards and EU adopted IFRS are identical. 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 endorsed).

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	UK endorsed Effective Date – periods commencing on or after
Standards		
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	1 January 2023	Not yet endorsed
Amendments		
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and Deferral of Effective Date Amendment (issued on 15 July 2020)	1 January 2023	Not yet endorsed
Annual Improvements to IFRS 2018–2020 • Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37) • Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) • Reference to the Conceptual Framework (Amendments to IFRS 3) (All issued 14 May 2020)	1 January 2022	Not yet endorsed
Definition of Accounting Estimates (Amendments to IAS 8) (issued on 12 February 2021)	1 January 2023	Not yet endorsed
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Issued on 12 February 2021)	1 January 2023	Not yet endorsed
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) (issued on 7 May 2021)	1 January 2023	Not yet endorsed

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.

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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 indicators 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 reassessed 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.

  For 2021, the Directors concluded that there was no significant indicator of impairment for either the US or the European CGU and accordingly no impairment tests have been carried out.

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

  Management has applied judgement in concluding that each SWU delivery under an enrichment contract is a separate performance obligation and therefore each contract is a series of performance obligations rather than a single overall service. This applies when there is a series of fixed or minimum deliveries stated in the contract at inception.

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

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

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

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

For the year ended 31 December 2021

2. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

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

Key sources of estimation uncertainty

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.

  Determination of the value in use requires management to make an estimation of value for the CGUs involved and changes in estimates could impact the recoverable values of these assets. The key accounting assumptions inherent within the value in use calculations are reviewed regularly and include: estimations of future market dynamics (including forecast global nuclear generating capacity over time and the resulting demand for EUP and associated product assays) and associated market pricing projections and the pre-tax nominal discount rate used. Other assumptions include the enrichment capacity of the US and European operations, the extension of the USA operating 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.

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

  No indicators of impairment or reversal of impairment have been identified. Therefore no current year sensitivity analysis has been performed on the key estimates.

- **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 2021 these included estimates of the impact that the underlying assumptions used in the latest Business Planning Model will have on future suitable 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. To determine the TMF deconversion rate, estimates are required about the number of kilns to be commissioned and the timing of this. 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 34. 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.

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

2. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty 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 has no remaining useful life, the movements in the provision are recognised in the income statement.

  The cash flows have been inflated at rates varying from 1.50% to 2.10% (2020: 1.50% to 2.10%) per annum and discounted at rates varying from 2.25% to 3.35% (2020: 2.25% to 3.35%), to take account of the time value of money. 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. Management have given consideration to the impact of COVID-19 on discount rates and have concluded that the impact is not significant. The fundamental assumptions underlying these provisions are reviewed on an annual basis. In addition, decommissioning provisions are subject to a detailed triennial review, with the latest review carried out in 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**
  Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. 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 the Group's Forward Foreign Exchange Contracts and Cross Currency Interest Rate Swaps utilised in hedging relationships is subjective and the use of different valuation assumptions could have a significant impact on financial results and position. These estimates use assumptions of market forward rates for the fair value of Forward Foreign Exchange Contracts. The fair value of Cross Currency Interest Rate Swaps are calculated by applying suitable market sourced discount curves to the expected contractual cash flows of the derivative. The credit risk element is calculated taking into account market credit spreads of the derivative counterparties. The key assumption is considered to be the market forward rate. 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 is provided in note 28.

Revenue recognition

The Group principally operates as a supplier of uranium enrichment services. Customers usually provide UF_6 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 U_{235} than natural uranium and depleted uranium having a lower percentage of U_{235} than natural uranium. The SWU contained in EUP is calculated using an industry standard formula based on the physics of enrichment.

Revenue is recognised when the 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 and price formulae referencing customer volume uptakes. Contracts may include volume flexibilities for the customer to take off additional quantities of enrichment services or uranium over and above contractual minimums, which are treated as options. Contracts may also include, within the transaction price, a significant financing component. Where this is present, the interest calculated on the significant financing component is recognised in note 8 as "Interest on contract assets".

For the year ended 31 December 2021

2. Significant accounting policies continued

Revenue recognition continued

Sale of services

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

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.

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

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

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

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

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

2. Significant accounting policies continued

Revenue recognition continued

Sale of goods

Revenue is derived from the sale of uranium in the form of UF_6 or U_3O_8 that is owned by Urenco and occasionally from the sale of the uranium component of EUP. Revenue from the sale of goods is recognised for each delivery when the 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 standalone selling price (SSP) for UF_6 and for U_3O_8. The standalone selling price for each type of good is determined based on observable inputs, including spot prices, estimated forward prices and management's ongoing assessments. The overall contract price for the sale of these goods is allocated to each delivery on a relative standalone selling price basis, based on the same methodology as adopted for sale of services.

Application of the 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.

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 remeasured 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 the rate implicit in the lease or, where this cannot be readily determined, the Group's 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.

For the year ended 31 December 2021

2. Significant accounting policies continued

Leasing and hire purchase commitments continued

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.

Retirement benefit costs

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. Some are defined benefit schemes (two 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. In the event of a plan wind up of the UK defined benefit pension scheme, the pension scheme rules provide the Company with an unconditional right to a refund of surplus pension assets assuming the full settlement of pension liabilities. In the ordinary course of business, the Trustee has no right to wind up or to enhance the benefits due to members of the pension scheme. As a result, any net surplus pension assets in the UK defined benefit pension scheme are recognised in full.

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).

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

2. Significant accounting policies continued

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.

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.

For the year ended 31 December 2021

2. Significant accounting policies continued

Taxation continued

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	1 - 99 years
Plant and machinery	2 - 20 years	1 - 20 years
Office fixtures and fittings	12 years	1 - 12 years
Motor vehicles	4 years	1 - 4 years
Computer equipment	3 - 5 years	1 - 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.

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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 2021

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

Contract assets

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

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 which are not readily convertible to a known amount of cash or are subject to a more than insignificant risk of changes in value. Generally these are 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.

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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 2021

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.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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 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:

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 (Revenue related hedges) and borrowing related hedges 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.

Forecast transactions originate from customer contracts which are subject to the revenue recognition requirements under IFRS 15. The allocation of the contractual consideration amount across the performance obligations may require early or deferred recognition of revenue which further leads to the recognition of either a contract asset or contract liability. Such adjustments can potentially impact the timing of when hedged forecast transactions occur. The Group takes into account the impact of reversals of revenue and deferral of revenue when evaluating hedge effectiveness. If recognition of a reversal of revenue or deferral of revenue has resulted in a forecast transaction of revenue being exceeded by the notional amount of the derivative hedging that transaction, then the settlement value of the derivative in excess of the forecast transaction amount is not recognised in the consolidated income statement. This amount is recognised as a basis adjustment to the contract asset or contract liability and recognised through the consolidated income statement on a straight line basis over the remaining life of the customer contracts associated with the contract asset or contract liability. When the hedged item is a non financial item, 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 profit or loss.

For the year ended 31 December 2021

2. Significant accounting policies continued

Cash flow hedges continued

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. This accounting policy on fair value hedges is provided for comparative reasons because Urenco ceased using fair value hedges during 2019.

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 in other comprehensive income and accumulated 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.

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses of hedging instruments utilised within a cash flow hedge and deemed effective. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction affects the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non financial instrument (basis adjustment). The hedging reserve is presented within hedging reserves, together with the cost of hedging reserve.

Cost of hedging reserve

The cost of hedging reserve is a separate component of equity, presented within the hedging reserves, used to record changes in the fair value of the currency basis spread and the changes in the fair value of the forward points of forward foreign exchange contracts that are hedging future revenue.

The currency basis element is essentially a liquidity premium added to the price of the derivative. As such, it is present in the hedging instrument but is not present in the hedged item (the debt) because debt is issued in one currency and there is no exchange of two currencies involved. Urenco have adopted the accounting policy choice to exclude the currency basis from the hedge designation in a separate component of equity called a "cost of hedge reserve" and subsequently release it from the reserve on a systematic basis based on whether the hedged item is considered a transaction or time period related item.

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 IFRS 9 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.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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 or that has been recognised as a receivable.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systemic basis over the periods in which the Company recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Income from Government grants is included within other expenses in the Income Statement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 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 tax effect associated with the exceptional item should be explained on the same page or in the same note as the exceptional item. There is no minimum threshold for the tax effect as disclosure will be driven by the exceptional item.

For the year ended 31 December 2021

3. Revenue

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

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Sales of goods and services	**1,665.9**	1,699.4
Net fair value gain on commodity contracts	**3.4**	0.7
Total revenue	**1,669.3**	1,700.1

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 gain of €3.8 million (2020: net loss €38.9 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 €60.2 million (2020: €53.4 million).

Revenue from one customer (2020: one customer) exceeded 10 per cent of the Group's consolidated revenue and was wholly reported within the segment Enrichment business. The revenue recognised from this customer was €261.2 million (2020: €232.6 million) and represented 15.6% (2020: 13.7%) of Group revenue.

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 based holding and finance companies, Group accounting consolidation adjustments and other entities not forming part of the enrichment business, including Urenco Nuclear Stewardship Limited, which provides uranium handling services at the Capenhurst facility.

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. Transactions between reportable segments are charged at arm's length prices.

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.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

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 2021	Enrichment business €m	ETC €m	Other [i] €m	Consolidated €m
Revenue				
External sales	1,637.0	-	32.3	1,669.3
Total external revenue	1,637.0	-	32.3	1,669.3
Result				
Income/(loss) from operating activities	645.7	6.6	(16.5)	635.8
Finance income	6.1	-	63.2	69.3
Finance costs	(58.6)	-	(75.0)	(133.6)
Income/(loss) before tax	593.2	6.6	(28.3)	571.5
Income tax	(210.5)	-	3.5	(207.0)
Net income/(loss) for the year	382.7	6.6	(24.8)	364.5
Other information				
Total depreciation and amortisation	335.6	-	(4.6)	331.0
Less: depreciation recognised in increased inventories and SWU assets	16.9	-	-	16.9
Add: depreciation expenses within net costs of nuclear provisions	(10.0)	-	-	(10.0)
Depreciation and amortisation for EBITDA calculation	342.5	-	(4.6)	337.9
Income/(loss) from operating activities (post-exceptionals)	645.7	6.6	(16.5)	635.8
Exceptional items	-	-	-	-
Income from operating activities (pre-exceptionals)	645.7	6.6	(16.5)	635.8
Depreciation and amortisation	342.5	-	(4.6)	337.9
Joint venture result	-	(6.6)	4.0	(2.6)
EBITDA[ii]	988.2	-	(17.1)	971.1
Capital additions:				
Property, plant and equipment	281.0	-	12.2	293.2
Intangible assets	1.7	-	-	1.7
Contract assets	34.1	-	-	34.1
Segment assets	5,692.4	28.2	1,074.9	6,795.5
Segment liabilities	2,636.7	-	2,061.0	4,697.7

[i] Other relates to Head Office based holding and finance companies, Group accounting consolidation adjustments and other entities not forming part of the enrichment business, including Urenco Nuclear Stewardship Limited.

[ii] EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. Depreciation and amortisation are adjusted to remove elements of such charges included in changes to inventories and SWU assets and net costs of nuclear provisions.

For the year ended 31 December 2021

4. Segment information continued

Year ended 31 December 2020	Enrichment business €m	ETC €m	Other [i] €m	Consolidated €m
Revenue				
External sales	1,668.3	-	31.8	1,700.1
Total external revenue	1,668.3	-	31.8	1,700.1
Result				
Income/(loss) from operating activities	743.8	14.1	(9.1)	748.8
Finance income	9.5	-	76.0	85.5
Finance costs	(63.4)	-	(104.5)	(167.9)
Income/(loss) before tax	689.9	14.1	(37.6)	666.4
Income tax	(178.7)	-	17.6	(161.1)
Net income/(loss) for the year	511.2	14.1	(20.0)	505.3
Other information				
Total depreciation and amortisation	330.9	-	(2.3)	328.6
Less: depreciation recognised in increased inventories and SWU assets	3.8	-	-	3.8
Add: depreciation expenses within net costs of nuclear provisions	(4.9)	-	-	(4.9)
Depreciation and amortisation for EBITDA calculation	329.8	-	(2.3)	327.5
Income/(loss) from operating activities (post-exceptionals)	743.8	14.1	(9.1)	748.8
Exceptional items	25.6	-	-	25.6
Income from operating activities (pre-exceptionals)	769.4	14.1	(9.1)	774.4
Depreciation and amortisation	329.8	-	(2.3)	327.5
Joint venture result	-	(14.1)	0.3	(13.8)
EBITDA[ii]	1,099.2	-	(11.1)	1,088.1
Capital additions:				
Property, plant and equipment	288.5	-	15.0	303.5
Intangible assets	1.0	-	-	1.0
Contract assets	22.4	-	-	22.4
Segment assets	5,364.9	29.3	1,227.7	6,621.9
Segment liabilities	2,576.0	-	2,165.0	4,741.0

(i) Other relates to Head Office based holding and finance companies, Group accounting consolidation adjustments and other entities not forming part of the enrichment business, including Urenco Nuclear Stewardship Limited.

(ii) EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. Depreciation and amortisation are adjusted to remove elements of such charges included in changes to inventories and SWU assets and net costs of nuclear provisions.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2021

4. Segment information continued

Geographical information

The Group's enrichment 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 2021	**UK €m**	**Rest of Europe €m**	**US €m**	**Rest of the world* €m**	**Consolidated €m**
Total external revenue	**42.8**	**494.6**	**916.2**	**215.7**	**1,669.3**
Location of non-current assets					
Property, plant and equipment	**2,366.0**	**792.6**	**1,352.2**	**-**	**4,510.8**
Investment property	**4.2**	**1.6**	**-**	**-**	**5.8**
Intangible assets	**4.3**	**7.1**	**11.9**	**-**	**23.3**

* predominantly Asia

Year ended 31 December 2020	UK €m	Rest of Europe €m	US €m	Rest of the world* €m	Consolidated €m
Total external revenue	48.3	427.4	975.8	248.6	1,700.1
Location of non-current assets					
Property, plant and equipment	2,102.2	863.7	1,342.3	-	4,308.2
Investment property	4.2	1.7	-	-	5.9
Intangible assets	1.0	8.6	11.1	-	20.7

5. Income from operating activities

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

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Net costs of nuclear provisions movements (note 30)	**144.4**	163.8
Depreciation of property, plant and equipment (note 13)	**326.8**	321.7
Depreciation of investment property (note 14)	**0.4**	0.4
Amortisation of intangible assets (note 15)	**3.8**	6.5
Depreciation and amortisation	**331.0**	328.6
Employee costs (note 7)	**180.3**	167.2
Energy, utilities, maintenance and ETC costs	**127.2**	126.7
Operating costs(i),(ii)	**129.4**	87.0
Administrative and other costs	**27.8**	26.3
Expense relating to short term leases	**0.3**	0.3
Government grants(ii)	**(8.0)**	(0.7)
Research and development costs	**1.1**	1.0
Operating foreign exchange gains(iii)	**(2.8)**	(0.7)
Operating foreign exchange losses(iii)	**1.1**	9.3
Expected credit losses	**(0.2)**	0.7
Other expenses	**275.9**	249.9

(i) Includes insurance, rates, delivery costs and third party services.
(ii) In 2021 Government grants are disclosed on a separate line item, while in 2020 an amount of €0.7 million was reported under Operating costs. The amount of Operating costs for 2020 has been re-represented from €86.3 million to €87.0 million.
(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).

For the year ended 31 December 2021

5. Income from operating activities continued

Auditor's remuneration

An analysis of the auditor's remuneration is provided below:

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Audit of the financial statements	**0.9**	0.8
Audit of subsidiaries	**0.8**	0.8
Total audit fees	**1.7**	1.6
Non-audit services	**0.2**	0.2
Total fees	**1.9**	1.8

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 52. No services were provided pursuant to contingent fee arrangements.

6. Exceptional items

During the year no exceptional items were recognised (2020: loss of €25.6 million).

The following summarises the impact of the exceptional items recognised in the current and prior year on income from operating activities, income tax, net income and earnings per share.

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Income from operating activities – pre-exceptional items	**635.8**	774.4
Exceptional items – net costs of nuclear provisions	**-**	(25.6)
Income from operating activities	**635.8**	748.8
Income tax expense – pre-exceptional items	**(207.0)**	(161.1)
Exceptional items	**-**	-
Income tax expense	**(207.0)**	(161.1)
Net income for the year attributable to the owners of the Company – pre-exceptional items	**364.5**	530.9
Exceptional items	**-**	(25.6)
Net income for the year attributable to the owners of the Company	**364.5**	505.3
Basic earnings per share – pre-exceptional items	**€2.2**	€3.2
Exceptional items	**€0.0**	€(0.2)
Basic earnings per share	**€2.2**	€3.0

Net costs of nuclear provisions

The exceptional item recognised in 2020 and presented within Net costs of nuclear provisions on the face of the consolidated income statement was a charge of €25.6 million on a pre- and post-tax basis.

This charge related to the reduction in the real discount rate for the US, which increased the nuclear provisions by €40.3 million, of which €25.6 million was associated with tails and €14.7 million with decommissioning. The tails impact of €25.6 million was charged to the consolidated income statement while the €14.7 million was recognised as an increase in decommissioning assets.

While the exceptional expense did give rise to a potential deferred tax asset of €6.6 million, this remains unrecognised due to there being insufficient future profits against which it can reverse. Consequently, an offsetting exceptional valuation allowance expense of €6.6 million arises, resulting in no net tax impact being attributable to the exceptional US provision increase.

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6. Exceptional items continued

Restructuring provision

In 2021 an amount of €0.5 million (2020: €0.9 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.

7. Employee costs

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

	Year ended 31/12/21 Number	Year ended 31/12/20 Number
Technical	**1,157**	1,112
Commercial	**34**	40
Administration	**467**	401
	1,658	1,553

Their aggregate remuneration comprised:

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Wages and salaries	**166.4**	152.7
Work performed by the Group and capitalised	**(18.2)**	(19.2)
Social security costs	**17.8**	17.2
Pension costs	**14.3**	16.5
	180.3	167.2

Directors' emoluments (page 60):

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Emoluments	**2.9**	3.0
Amounts receivable under long term incentive scheme	**0.8**	0.6
	Number	Number
Members of defined contribution schemes	**2**	2

In respect of the highest paid Director:

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Emoluments including pension	**1.6**	1.6

8. Finance income

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Interest on bank and other deposits	**0.9**	4.1
Interest on contract assets	**0.6**	0.3
Interest on cross currency interest rate swaps	**14.4**	41.4
Gains from non-designated derivatives	**-**	2.0
Amortisation of gains on financial instruments	**0.2**	0.2
Foreign exchange gains on financing activities	**53.2**	37.5
	69.3	85.5

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9. Finance costs

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Interest on bank borrowings and other loans	**34.4**	45.5
Interest on cross currency interest rate swaps	**24.9**	64.4
Interest expense on lease liabilities	**1.4**	1.1
Unwinding of discount on provisions	**67.9**	69.0
Loss on non-designated derivatives	**6.0**	-
Net interest expense on defined benefit pension schemes	**0.1**	0.9
Premium paid on bond repurchase	**-**	3.2
Surety bond	**3.0**	3.6
Foreign exchange losses on financing activities	**38.2**	45.3
Less: capitalised interest expense[i]	**(42.3)**	(65.1)
	133.6	167.9

(i) Capitalised interest expense predominantly relates to funding provided for construction of the TMF project, described further on page 18 of the Annual Report.

10. Income tax

The major components of income tax expense for the year ended 31 December are:

Consolidated income statement	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Current tax		
UK corporation tax	**2.7**	0.4
Foreign income tax	**80.2**	104.0
Adjustments in respect of prior periods[i]	**(6.3)**	(53.5)
Total current tax expense	**76.6**	50.9
Deferred tax (see Deferred income tax analysis below)		
Origination and reversal of temporary differences	**68.7**	58.4
Adjustments in respect of prior periods[i]	**5.7**	30.4
Movement in unrecognised deferred tax[ii]	**8.9**	5.5
Impact of change in tax rate for deferred tax	**47.1**	15.9
Total deferred tax expense	**130.4**	110.2
Income tax expense reported in the consolidated income statement	**207.0**	161.1

(i) For periods from 2013-2020, Urenco applied to the UK, Dutch and German tax authorities for an Advance Pricing Agreement (APA) to agree the allocation of certain revenue and costs between the three jurisdictions. Following a significant period of collaboration and negotiation the terms of the APA were agreed in December 2020. The 2020 prior year adjustment within current tax of €53.5 million income and prior year adjustment within deferred tax of €30.4 million expense both predominantly arise in respect of the agreed APA.

(ii) The movement in unrecognised deferred tax of €8.9 million expense (2020: €5.5 million expense) consists of an €8.9 million expense (2020: €1.1 million income) in relation to non-exceptional items, offset by a €nil expense (2020: €6.6 million expense) in relation to exceptional items.

Income tax on exceptional items within the income statement

There were no exceptional items during the year.

During 2020, the reduction in the real discount rate for the US, detailed in note 6, increased the nuclear provisions by €40.3 million, of which €25.6 million was associated with tails and €14.7 million with decommissioning. The tails impact of €25.6 million was charged to the consolidated income statement while the €14.7 million was recognised as an increase in decommissioning assets.

While the 2020 exceptional expense to the income statement did give rise to a potential deferred tax asset of €6.6 million, this remained unrecognised due to there being insufficient future profits in the US against which it can reverse. Consequently, an offsetting exceptional valuation allowance expense of €6.6 million arose, resulting in no net tax impact being attributable to the exceptional US provision increase.

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10. Income tax continued

Income tax related to items charged or credited directly to other comprehensive income	**Year ended 31/12/21 €m**	Year ended 31/12/20 €m
Current tax		
Arising on financial instruments reported in hedge reserve	**(1.0)**	7.7
Arising on financial instruments reported in currency translation reserve	**4.9**	3.3
Total current tax expense	**3.9**	11.0
Deferred tax		
Arising on financial instruments reported in hedge reserve	**(13.8)**	18.8
Arising on financial instruments reported in currency translation reserve	**(6.7)**	(3.8)
Arising on actuarial gain on defined benefit pension schemes	**17.2**	-
Total deferred tax (income)/expense	**(3.3)**	15.0
Income tax expense reported in the consolidated statement of comprehensive	**0.6**	26.0

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

	Year ended 31/12/21 €m	**%**	Year ended 31/12/20 €m	%
Income before tax	**571.5**		666.4	
Weighted at the average UK statutory income tax rate of 19.0% (2020: 19.0%)	**108.6**	**19.0**	126.6	19.0
Adjustments in respect of income tax of previous years	**(0.6)**	**(0.1)**	(23.1)	(3.5)
Tax effect of non-deductible/non-taxable items	**4.6**	**0.8**	6.2	0.9
Movement in unrecognised deferred tax	**8.9**	**1.6**	5.5	0.9
Effect of rate changes on deferred tax	**47.1**	**8.2**	15.9	2.4
Effect of different foreign tax rates	**29.4**	**5.1**	30.0	4.5
Deferred tax rate difference to headline tax rate	**9.0**	**1.6**	-	-
Income tax expense reported in consolidated income statement	**207.0**	**36.2**	161.1	24.2

During the year, an increase in the mainstream rate of UK corporation tax from 19.0% to 25.0%, effective 1 April 2023, was enacted. During 2020, an increase in the mainstream rate of UK corporation tax from 17.0% to 19.0%, effective 1 April 2020, was enacted. As a result, the Group's UK deferred tax assets and liabilities have been valued using a 25.0% future tax rate (2020: 19.0%), resulting in a €46.7 million expense (2020: €14.1 million expense) to the income statement. The annual UK corporation tax rate for the year ended 31 December 2021 remained at 19.0% (2020: 19.0%).

During the year, an increase in the Netherlands mainstream corporate tax rate from 25.0% to 25.8%, effective 1 January 2022, was enacted. During 2020, the previously enacted reduction in the Netherlands mainstream corporate tax rate from 25.0% to 21.7% was cancelled. As a result, the Group's Dutch deferred tax assets and liabilities have been valued using a 25.8% future tax rate (2020: 25.0%), resulting in a €0.4 million expense (2020: €1.8 million expense) to the income statement. The annual Netherlands corporate tax rate for the year ended 31 December 2021 remained at 25.0% (2020: 25.0%).

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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	
	2021 €m	2020 €m	**2021 €m**	2020 €m
Deferred tax (liabilities)/assets				
Relating to fair value movements on financial instruments	**3.4**	(8.8)	**(0.1)**	-
Relating to fixed assets[i]	**(324.9)**	(228.6)	**(13.5)**	(17.3)
Relating to other temporary differences	**11.7**	22.1	**(2.1)**	1.6
Relating to prior years	**-**	-	**(5.5)**	(30.4)
Relating to provisions	**46.3**	44.4	**(13.5)**	6.5
Relating to retirement benefits	**(12.7)**	4.4	**(2.4)**	(1.0)
Relating to tax losses	**14.3**	7.4	**(4.4)**	(4.3)
Effect of rate changes on deferred tax	**-**	-	**(47.1)**	(15.9)
Total deferred tax liabilities	**(261.9)**	(159.1)		
Deferred tax assets/(liabilities)				
Relating to fair value movements on financial instruments	**4.0**	(6.3)	**1.7**	(0.7)
Relating to fixed assets[i]	**(60.8)**	(68.1)	**13.8**	3.5
Relating to other temporary differences	**(1.1)**	4.1	**(6.2)**	(10.6)
Relating to prior year	**-**	-	**(0.2)**	-
Relating to provisions	**174.8**	147.6	**21.7**	16.5
Relating to retirement benefits	**5.1**	6.3	**(0.2)**	(0.5)
Relating to start up costs	**17.0**	21.1	**(6.0)**	(5.2)
Relating to tax losses	**128.0**	172.6	**(57.5)**	(46.9)
Valuation allowance	**(184.2)**	(163.1)	**(8.9)**	(5.5)
Total deferred tax assets	**82.8**	114.2		
Deferred tax expense			**(130.4)**	(110.2)

[i] 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 €39.0 million (2020: €76.2 million), relating predominately to unused tax losses, provisions and start up costs, have been recognised based on the expectations of future taxable profits within the Urenco business plan. As at 31 December 2021, a 10% increase in future taxable profits in the plan period would lead to an increase of €3.9 million (2020: €7.6 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 €3.9 million (2020: €7.6 million) in the amount of US net assets recognised. At 31 December 2021, as shown in the above table, a valuation allowance totalling €184.2 million (2020: €163.1 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 Ltd to its shareholders.

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11. Dividends paid and proposed

	Year ended 31/12/21 €m	Year ended 31/12/20 €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 2020 of 89.29 cents per share (2019: 178.57 cents per share)	**150.0**	300.0
Interim dividend for the year ended 31 December 2021 of 89.29 cents per share (2020: 89.29 cents per share)	**150.0**	150.0
	300.0	450.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2021 of 89.29 cents per share (2020: 89.29 cents per share)	**150.0**	150.0

The Dividend Policy is set out on page 41. 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 31/12/21	Year ended 31/12/20
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the parent	**364.5**	505.3
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	**2.2**	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.

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13. Property, plant and equipment

2021	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 2021	**2,403.4**	**6,823.4**	**198.2**	**21.8**	**1,337.4**	**10,784.2**
Additions	**48.9**	**106.7**	**7.3**	**0.1**	**130.2**	**293.2**
Transfers (see note 15)	**214.0**	**117.9**	**6.8**	**0.4**	**(343.1)**	**(4.0)**
Disposals	**(1.5)**	**(2.1)**	**(0.4)**	**(0.1)**	**(0.1)**	**(4.2)**
Written off	**-**	**-**	**(0.2)**	**-**	**(0.3)**	**(0.5)**
Exchange adjustments	**149.7**	**290.7**	**4.1**	**0.3**	**78.4**	**523.2**
Cost as at 31 December 2021	**2,814.5**	**7,336.6**	**215.8**	**22.5**	**1,202.5**	**11,591.9**
Depreciation as at 1 January 2021	**1,140.3**	**5,153.4**	**162.0**	**20.3**	**-**	**6,476.0**
Charge for the year	**58.3**	**256.0**	**11.7**	**0.8**	**-**	**326.8**
Transfers (see note 15)	**-**	**0.3**	**(0.4)**	**-**	**-**	**(0.1)**
Disposals	**(0.5)**	**(1.5)**	**(0.4)**	**(0.1)**	**-**	**(2.5)**
Written off	**-**	**-**	**(0.2)**	**-**	**-**	**(0.2)**
Exchange adjustments	**64.2**	**213.5**	**3.3**	**0.1**	**-**	**281.1**
Depreciation as at 31 December 2021	**1,262.3**	**5,621.7**	**176.0**	**21.1**	**-**	**7,081.1**
Carrying amount as at 1 January 2021	**1,263.1**	**1,670.0**	**36.2**	**1.5**	**1,337.4**	**4,308.2**
Carrying amount as at 31 December 2021	**1,552.2**	**1,714.9**	**39.8**	**1.4**	**1,202.5**	**4,510.8**

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 2021 relate to transfers from assets under construction to other items of property, plant and equipment and a reclassification of assets with a net book value of €3.9 million (2020 €3.0 million) to intangible assets.

2020	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 2020	2,488.3	6,982.8	188.9	21.5	1,384.4	11,065.9
Additions	60.2	100.9	10.7	0.4	131.3	303.5
Transfers (see note 15)	19.1	76.6	6.9	0.3	(105.9)	(3.0)
Disposals	(3.7)	(8.1)	(4.0)	(0.3)	-	(16.1)
Written off	(1.6)	(22.5)	-	-	(0.9)	(25.0)
Exchange adjustments	(158.9)	(306.3)	(4.3)	(0.1)	(71.5)	(541.1)
Cost as at 31 December 2020	2,403.4	6,823.4	198.2	21.8	1,337.4	10,784.2
Depreciation as at 1 January 2020	1,147.5	5,115.7	156.9	19.8	55.2	6,495.1
Charge for the year	52.6	255.3	12.8	1.0	-	321.7
Transfers (see note 15)	18.8	36.4	-	-	(55.2)	-
Disposals	(1.3)	(8.0)	(4.0)	(0.3)	-	(13.6)
Written off	(1.6)	(22.5)	-	-	-	(24.1)
Exchange adjustments	(75.7)	(223.5)	(3.7)	(0.2)	-	(303.1)
Depreciation as at 31 December 2020	1,140.3	5,153.4	162.0	20.3	-	6,476.0
Carrying amount as at 1 January 2020	1,340.8	1,867.1	32.0	1.7	1,329.2	4,570.8
Carrying amount as at 31 December 2020	1,263.1	1,670.0	36.2	1.5	1,337.4	4,308.2

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13. Property, plant and equipment continued
Included in the table above are right-of-use assets as noted below.

Right-of-Use Assets

2021	Land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Total €m
Cost as at 1 January 2021	20.3	1.0	0.2	1.0	22.5
Additions	9.5	0.1	0.8	0.1	10.5
Exchange adjustments	1.5	0.1	-	-	1.6
Cost as at 31 December 2021	31.3	1.2	1.0	1.1	34.6
Depreciation as at 1 January 2021	2.0	0.4	0.2	0.4	3.0
Charge for the year	1.7	0.2	0.1	0.3	2.3
Exchange adjustments	0.2	-	-	-	0.2
Depreciation as at 31 December 2021	3.9	0.6	0.3	0.7	5.5
Carrying amount as at 1 January 2021	18.3	0.6	-	0.6	19.5
Carrying amount as at 31 December 2021	27.4	0.6	0.7	0.4	29.1

2020	Land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Total €m
Cost as at 1 January 2020	21.3	1.2	0.3	0.9	23.7
Additions	0.1	-	0.1	0.3	0.5
Disposals	(0.1)		(0.2)	(0.1)	(0.4)
Exchange adjustments	(1.0)	(0.2)	-	(0.1)	(1.3)
Cost as at 31 December 2020	20.3	1.0	0.2	1.0	22.5
Depreciation as at 1 January 2020	1.1	0.2	0.3	0.3	1.9
Charge for the year	0.9	0.2	0.1	0.3	1.5
Disposals	(0.1)		(0.2)	(0.1)	(0.4)
Exchange adjustments	0.1	-	-	(0.1)	-
Depreciation as at 31 December 2020	2.0	0.4	0.2	0.4	3.0
Carrying amount as at 1 January 2020	20.2	1.0	-	0.6	21.8
Carrying amount as at 31 December 2020	18.3	0.6	-	0.6	19.5

The Group leases several assets including buildings, plant and machinery, and motor vehicles. Additions to the right-of-use assets during 2021 were €10.5 million (2020: €0.5 million).

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

At 31 December 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €41.3 million (2020: €40.1 million) principally in relation to cascades, equipment and buildings.

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13. Property, plant and equipment continued

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

	2021 €m	2020 €m
Cost as at 31 December	**650.2**	525.3
Depreciation as at 31 December	**(349.0)**	(299.6)
Carrying amount as at 31 December	**301.2**	225.7

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

	2021 €m	2020 €m
Cost as at 31 December	**678.7**	599.1
Depreciation as at 31 December	**(143.9)**	(123.7)
Carrying amount as at 31 December	**534.8**	475.4

The borrowing costs capitalisation rate of assets under construction was 2.15% (2020: 4.57%).

14. Investment property

2021	**Total €m**
Cost as at 1 January 2021	**8.4**
Exchange adjustments	**0.4**
Cost as at 31 December 2021	**8.8**
Depreciation as at 1 January 2021	**2.5**
Charge for the year	**0.4**
Exchange adjustments	**0.1**
Depreciation as at 31 December 2021	**3.0**
Carrying amount as at 1 January 2021	**5.9**
Carrying amount as at 31 December 2021	**5.8**

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 2021 was €2.4 million, based on a formal valuation performed at the end of 2019. The 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 2021.

The fair value of the investment property, held by Urenco UK Limited, has been assessed by the Directors using a discounted cash flow valuation method to identify any material changes to the formal valuation conducted previously. The fair value as at 31 December 2021 under this method was €6.0 million (31 December 2020: €5.6 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 €0.9 million (2020: €1.1 million). Associated direct operating expenses amounted to €0.2 million (2020: €0.3 million). Rental income is recognised within revenue.

2020	Total €m
Cost as at 1 January 2020	8.7
Exchange adjustments	(0.3)
Cost as at 31 December 2020	8.4
Depreciation as at 1 January 2020	2.2
Charge for the year	0.4
Exchange adjustments	(0.1)
Depreciation as at 31 December 2020	2.5
Carrying amount as at 1 January 2020	6.5
Carrying amount as at 31 December 2020	5.9

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15. Intangible assets

2021	**Licence costs €m**	**Other software assets €m**	**Customer contracts €m**	**Waiver payments €m**	**Total €m**
Cost as at 1 January 2021	**68.3**	**94.0**	**3.0**	**6.4**	**171.7**
Additions	**1.5**	**0.2**	**-**	**-**	**1.7**
Transfers (see note 13)	**0.1**	**3.9**	**-**	**-**	**4.0**
Exchange adjustments	**2.6**	**4.8**	**-**	**0.5**	**7.9**
Cost as at 31 December 2021	**72.5**	**102.9**	**3.0**	**6.9**	**185.3**
Amortisation as at 1 January 2021	**49.5**	**92.2**	**3.0**	**6.3**	**151.0**
Charge for the year	**3.2**	**0.5**	**-**	**0.1**	**3.8**
Transfers between categories	**-**	**0.1**	**-**	**-**	**0.1**
Exchange adjustments	**1.8**	**4.9**	**-**	**0.4**	**7.1**
Amortisation as at 31 December 2021	**54.5**	**97.7**	**3.0**	**6.8**	**162.0**
Carrying amount as at 1 January 2021	**18.8**	**1.8**	**-**	**0.1**	**20.7**
Carrying amount as at 31 December 2021	**18.0**	**5.2**	**-**	**0.1**	**23.3**

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

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:

	2021 €m	2020 €m
Cost as at 31 December	**3.0**	2.8
Depreciation as at 31 December	**(1.9)**	(1.5)
Carrying amount as at 31 December	**1.1**	1.3

The borrowing costs capitalisation rate of assets under construction was 2.15% (2020: 4.57%).

2020	Licence costs €m	Other software assets €m	Customer contracts €m	Waiver payments €m	Total €m
Cost as at 1 January 2020	68.6	97.5	3.0	6.7	175.8
Additions	0.7	0.3	-	-	1.0
Transfers (see note 13)	2.0	1.0	-	-	3.0
Exchange adjustments	(3.0)	(4.8)	-	(0.3)	(8.1)
Cost as at 31 December 2020	68.3	94.0	3.0	6.4	171.7
Amortisation as at 1 January 2020	48.1	94.4	3.0	5.8	151.3
Charge for the year	2.9	3.2	-	0.4	6.5
Exchange adjustments	(1.5)	(5.4)	-	0.1	(6.8)
Amortisation as at 31 December 2020	49.5	92.2	3.0	6.3	151.0
Carrying amount as at 1 January 2020	20.5	3.1	-	0.9	24.5
Carrying amount as at 31 December 2020	18.8	1.8	-	0.1	20.7

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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:

	2021 €m	2020 €m
Share of the joint venture statement of financial position		
Non-current assets	**33.4**	30.3
Current assets	**75.7**	80.2
Share of gross assets	**109.1**	110.5
Non-current liabilities	**(52.5)**	(59.8)
Current liabilities	**(28.4)**	(21.4)
Share of gross liabilities	**(80.9)**	(81.2)
Group's share of net assets	**28.2**	29.3

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Share of joint venture results		
Total revenue	**51.8**	52.4
Group's share of profit for the year	**6.6**	14.0
Consolidation adjustments	**(4.0)**	(0.2)
Share of results of joint venture	**2.6**	13.8

	2021 €m	2020 €m
Share of net assets of joint venture		
As at 1 January	**29.3**	19.8
Group's share of profit for the year	**6.6**	14.0
Cash received from dividends	**(12.5)**	(5.0)
Group's share of other comprehensive income	**4.8**	0.5
As at 31 December	**28.2**	29.3

On consolidation, the Group makes the necessary adjustments to the joint venture results to ensure that the Group's share of gains and losses resulting from upstream and downstream transactions involving assets between the Group and the joint venture are not recognised.

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16. Investments continued

Other Investments

	€m
Cost as at 1 January 2021	**1.5**
Additions	**-**
Cost as at 31 December 2021	**1.5**
Carrying value as at 1 January 2021	**1.5**
Carrying value as at 31 December 2021	**1.5**

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 2021 Urenco has invested €nil (2020: €nil) in the fund which is held at cost.

	€m
Cost as at 1 January 2020	1.4
Additions	0.1
Cost as at 31 December 2020	1.5
Carrying value as at 1 January 2020	1.4
Carrying value as at 31 December 2020	1.5

17. Subsidiaries

The Group parent company, Urenco 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

	31/12/21 €m	31/12/20 €m
Restricted cash	**0.9**	1.5

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

	31/12/21 €m	31/12/20 Re-presented(i) €m
Raw materials	**88.4**	77.1
Work-in-progress(i)	**39.8**	32.4
Finished goods(i)	**18.7**	12.9
	146.9	122.4

(i) As at 31 December 2020 an amount of €4.6 million has been reclassified from Work-in-progress to Finished goods. This has been re-presented by decreasing Work-in-progress from €37.0 million to €32.4m million and by increasing Finished goods from €8.3 million to €12.9 million.

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.

€46.8 million of Inventories was recognised as an expense in 2021 (2020: €44.2m).

Finished goods held at fair value relate to uranium commodity contract inventories within the scope of IFRS 9 which arise due to timing differences between the commodity purchase and sale transactions.

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20. SWU assets

	31/12/21 €m	31/12/20 €m
SWU assets	**277.5**	313.4

SWU assets are the costs incurred to date in enriching UF_6 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 and/or receivable.

	2021 €m	2020 €m
As at 1 January	**28.4**	16.3
Revenue recognised during the year	**34.1**	22.4
Reversal of accrued revenue	**(17.1)**	(10.3)
Exchange difference	**2.6**	-
As at 31 December	**48.0**	28.4
Included in current assets	**12.5**	16.3
Included in non-current assets	**35.5**	12.1
	48.0	28.4

Revenue recognised during the year related substantially to two contracts that had been modified during the year and which resulted in a remeasurement of the revenue to be recognised for the duration of the contract in accordance with the relative stand-alone price. It is expected that most of this accrual of revenue will reverse after 2022. Revenue reversed during the year related substantially to seven contracts that had been modified during 2020 and which resulted in a remeasurement of the revenue to be recognised for the duration of the contract in accordance with the relative stand-alone price.

22. Trade and other receivables (current)

	31/12/21 €m	31/12/20 €m
Trade receivables	**313.2**	177.9
Trade receivables due from related parties	**0.1**	-
Other receivables	**20.2**	22.7
Prepayments	**24.4**	36.0
	357.9	236.6

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.

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 as at 31 December 2021 is 16 days (2020: 22 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 35 on page 143.

At the year end date no trade receivables were past their due date (2020: four trade receivables totalling €7.7 million).

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 €1.0 million (2020: €1.2 million), wholly relating to receivables arising from revenue contracts.

23. Short term deposits

	31/12/21 €m	31/12/20 €m
Short term deposits	**516.3**	528.8

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

	31/12/21 €m	31/12/20 €m
Cash	**176.9**	95.1
Cash equivalents	**382.6**	534.9
Total cash and cash equivalents	**559.5**	630.0

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.

The Group has pledged as collateral several current bank accounts and short term deposits to four banks that have provided standby letter of credits in favour of the NRC to provide assurance that funds are available when needed to pay for decommissioning and tails liabilities of LES. The carrying value of those current bank accounts and short term deposits at 31 December 2021, which are earning interest, was €178.6 million (2020 €27.0 million).

25. Share capital

	31/12/21 €m	31/12/20 €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 contribution of 21.7% of the shares in ETC given to Urenco Limited by its shareholders as additional paid in capital, bringing the Urenco holding in ETC to 50% in 2006.

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26. Reserves

The reserves outlined in the consolidated statement of changes in equity on page 82 are as follows:

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.

Hedging reserves

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

Hedging reserve – summary

	Year ended 31/12/21 €m	Year ended 31/12/20 Restated[i] €m
As at 1 January	**58.6**	(4.1)
Other comprehensive income/(loss):		
Cash flow hedges – recycled in relation to hedges of revenue	**(3.9)**	38.9
Cash flow hedges – recycled in relation to hedges of debt[i]	**40.9**	(49.6)
Cash flow hedges – mark to market (losses)/gains on hedges of revenue[i]	**(69.5)**	67.4
Cash flow hedges – mark to market (losses)/gains on hedges of debt[i]	**(28.7)**	29.3
Deferred tax income/(expense) on financial instruments	**14.3**	(23.1)
Current tax income/(expense) on financial instruments	**1.0**	(7.7)
Exchange differences	**6.5**	7.5
Other comprehensive income/(loss)	**(39.4)**	62.7
Carried forward as at 31 December	**19.2**	58.6

Cost of hedging reserve – summary

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Carried forward as at 31 December	**(12.5)**	(10.8)
Other comprehensive income/(loss):		
Movements before tax	**1.5**	(6.7)
Deferred tax (expense)/income	**(0.5)**	4.3
Exchange differences	**(0.9)**	0.7
Other comprehensive loss	**0.1**	(1.7)
Carried forward as at 31 December	**(12.4)**	(12.5)

Hedging reserves – totals

Carried forward as at 31 December	**6.8**	46.1

[i] Previously, the line items above, cash flow hedges – recycled in relation to hedges of debt, cash flow hedges – mark to market (losses)/gains on hedges of revenue and cash flow hedges – mark to market (losses)/gains on hedges of debt were shown as a single line, cash flow hedges mark to market gains/(losses) with a net gain of €47.1 million disclosed in the year ended 31 December 2020 accounts.

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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 or recognised as a receivable consideration from the customer prior to transferring control of the underlying good or service.

	2021 €m	2020 €m
As at 1 January	**135.8**	113.1
Revenue recognised during the year	**(60.2)**	(53.4)
Other movements during the year	**109.6**	79.4
Exchange difference	**3.5**	(3.3)
As at 31 December	**188.7**	135.8
Included in current liabilities	**62.6**	61.4
Included in non-current liabilities	**126.1**	74.4
	188.7	135.8

Revenue recognised during the year mainly related to deliveries made in the year for which the customer made payments in advance in 2020. Other movements during the year were mainly driven by customer payments in the year of €54.8 million in advance of deliveries to be made in 2022, and contracts that had been modified during the year which resulted in a remeasurement of the revenue to be recognised for the duration of the contract in accordance with the relative stand-alone price. The current contract liabilities balance at year end mainly relates to deferred income for SWU deliveries to be recognised as revenue in 2022. The non-current contract liabilities balance at year end relates to deferred income for SWU deliveries to be recognised as revenue during the period from 2023 to 2032 and contracted storage services to be provided by Urenco Nuclear Stewardship Limited to be recognised during the period from 2023 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, although collateral or security may be granted over assets used to meet certain regulatory requirements to meet nuclear liabilities.

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 of buying or selling 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. The Group has considered if the events of the year would require a change in the method by which risks are managed or measured. It has been concluded that the current risk management process is still effective.

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.

For the year ended 31 December 2021

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	
As at 31 December 2021	Trade and other receivables €m	Short term bank deposits €m	Cash and cash equivalents €m	Contract assets €m	Derivative financial assets with positive fair value €m
AAA	43.3	-	223.3	28.4	-
AA+	-	-	-	6.2	-
AA	8.8	-	-	-	-
A+	-	131.9	157.6	-	42.7
A	-	255.5	63.3	-	26.6
A-	3.4	26.4	112.8	-	2.4
BBB+	76.6	44.0	2.5	13.3	2.8
BBB	-	58.5	-	-	-
B+	0.7	-	-	-	-
B	34.7	-	-	-	-
BB-	28.7	-	-	-	-
BBB-	75.0	-	-	-	-
CCC	36.0	-	-	-	-
CCC-	0.1	-	-	-	-
Unrated	50.6	-	-	0.1	9.0
	357.9	516.3	559.5	48.0	83.5

	Financial assets at amortised cost			Financial assets at fair value	
As at 31 December 2020	Trade and other receivables €m	Short term bank deposits €m	Cash and cash equivalents €m	Contract assets representation[i] €m	Derivative financial assets with positive fair value €m
AA+	-	-	380.9		-
AA	14.0	89.4	-		-
A+	-	126.0	69.4		78.0
A	-	279.9	177.4		127.4
AA-	-	-	-	13.8	
A-	45.5	33.5	2.2		9.9
BBB+	14.9	-	0.1	12.2	4.3
BBB	8.3	-	-		-
B	58.7	-	-		-
B-	5.9	-	-		-
BB-	7.8	-	-		-
CCC+	0.3	-	-		
CCC	23.9	-	-		
Unrated	57.3	-	-	2.4	16.4
	236.6	528.8	630.0	28.4	236.0

[i] The above table for the year ended 31 December 2020 has been amended to include contract assets.

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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. If a customer's implied or external credit score would be below investment grade, then the Group will mitigate the risk of loss by using its contractual rights, including those related to reducing payment terms, deferring future deliveries and only making future deliveries after prepayment.

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 is 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 2021, the Group does not hold any financial derivatives to exchange the difference between fixed and variable interest rates.

The Group is not exposed to LIBOR from either its investments or derivatives.

The Group has closely monitored the market and the output from various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. The FCA has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- Immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1 week and 2 month US dollar settings;
- Immediately after 30 June 2023, in the case of the remaining US dollar settings.

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 interest rate 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 2021

28. Financial risk management objectives and policies continued

If market interest rates had been one per cent higher/(lower) at 31 December 2021 and all other variables were held constant, interest income would increase/decrease by €10.8 million (31 December 2020: increase/decrease by €11.6 million). This is attributable to the Group's exposure to interest rates on cash and cash equivalents and short term deposits.

The same assumptions have been used in the evaluation of variable interest rate sensitivities as per the prior year.

The Group's exposure to variable interest rate risk has decreased during the current year, arising from a decrease 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 72% (2020: 68%) of its revenues being denominated in US dollars, whilst currently only approximately 28% (2020: 23%) of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 34% (2020: 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.

At the reporting date, the Group has utilised euro denominated debt as the hedging instrument to hedge net euro assets in foreign operations and GBP/USD foreign currency derivatives as the hedging instrument to hedge net dollar assets in foreign operations. The change in value due to currency movements of the net investments in subsidiaries and their related hedging instruments move in opposition to each other and establish the economic relationship for the purposes of hedge accounting. The entity established a 1:1 hedge ratio between the hedged item and hedging instrument. Potential sources of ineffectiveness relate to the credit risk embedded within the hedging instrument that would not be reflected within the hedged item and any changes to the net asset amount of hedged foreign subsidiaries as a result of operating activities. These potential sources of ineffectiveness are not considered to be material in the performance of the hedge.

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 euros 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.

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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. Ten 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 and derivatives economically hedging cash management positions, which represents the most material exposures:

		£/US$		€/US$		€/£
	Rate change	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
2021	**+10%**	**39.6**	**34.9**	**11.8**	**77.4**	**23.2**
	-10%	**(39.6)**	**(42.7)**	**(14.4)**	**(94.5)**	**(28.3)**
2020	+10%	-	28.5	(2.2)	98.0	(19.2)
	-10%	-	(34.8)	2.7	(119.7)	23.5

The same assumptions have been used in the evaluation of foreign currency sensitivity analysis as per the prior year.

The size of the Group's sensitivity to foreign currency exposure relating to forecast revenue hedging activities has remained largely unchanged.

The Group exposures to unhedged positions in 2021 have increased due to economic hedging activity entered into to hedge currency exposure arising from the Group's operations in Europe and America. The derivatives entered into for this purpose are short dated (typically 1-3 months in duration) and are rolled forward on maturity.

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 €500 million (2020: €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 2021, 37.2% (2020: 33.1%) 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 2021 based on contractual undiscounted payments:

2021	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Non-derivative financial liabilities					
Interest bearing loans and borrowings	**-**	**433.0**	**551.9**	**233.7**	**1,218.6**
Trade and other payables	**232.7**	**-**	**38.8**	**-**	**271.5**
Lease liabilities	**0.9**	**2.7**	**11.1**	**105.5**	**120.2**
Derivative financial liabilities					
Cross currency swaps (receipts)	**(4.1)**	**(470.6)**	**-**	**(152.9)**	**(627.6)**
Cross currency swaps payments	**9.2**	**466.9**	**14.8**	**214.5**	**705.4**
Foreign exchange (receipts)	**(15.1)**	**(13.5)**	**(39.3)**	**-**	**(67.9)**
Foreign exchange payments	**3.4**	**9.5**	**25.6**	**-**	**38.5**
	227.0	**428.0**	**602.9**	**400.8**	**1,658.7**

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.

For the year ended 31 December 2021

28. Financial risk management objectives and policies continued

2020	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Non-derivative financial liabilities					
Interest bearing loans and borrowings	547.8	27.5	975.9	240.1	1,791.3
Trade and other payables	240.6	-	32.4	-	273.0
Lease liabilities	0.8	2.4	9.7	166.2	179.1
Derivative financial liabilities					
Cross currency swap (inflows)	(785.7)	(9.4)	(461.2)	(158.4)	(1,414.7)
Cross currency swap outflows	742.1	11.9	454.9	202.9	1,411.8
Foreign exchange (receipts)	(1.8)	(5.1)	(18.4)	-	(25.3)
Foreign exchange payments	3.8	20.0	46.4	-	70.2
	747.6	47.3	1,039.7	450.8	2,285.4

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.

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Net debt (page 133)	**11.5**	455.7
Total assets	**6,795.5**	6,621.9
Net debt to total assets	**0.2%**	6.9%

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28. Financial risk management objectives and policies continued

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
EBITDA	**971.1**	1,088.1
Less:		
Net interest on bank borrowings and other loans	**(47.9)**	(72.9)
Unwinding of discount on provisions	**(67.9)**	(69.0)
Current tax expenses	**(76.6)**	(50.9)
Add:		
Pension normalisation	**(3.9)**	(4.8)
Funds from operations (FFO)	**774.8**	890.5
Interest bearing loans and borrowings	**1,056.0**	1,594.7
Cash and short term bank deposits	**(1,075.8)**	(1,158.8)
Lease liabilities	**31.3**	19.8
Pensions deficit	**30.9**	56.8
Deferred tax on pensions deficit	**(5.0)**	(10.7)
Tails and decommissioning provisions	**2,584.1**	2,204.8
Depreciation within tails provisions	**(355.6)**	(324.1)
Deferred tax on provisions	**(221.1)**	(192.0)
Deferred tax on depreciation within tails provisions	**92.7**	73.2
Total adjusted debt (TAD)	**2,137.5**	2,263.7
FFO/TAD	**36.2%**	39.3%

29. Other financial assets and financial liabilities

Interest bearing loans and borrowings

	Effective interest rate %	Maturity	2021 €m	2020 €m
Non-current				
€405 million Eurobond	2.25%	Aug 22	**-**	404.1
€500 million Eurobond	2.38%	Dec 24	**498.5**	497.9
Yen 20 billion Loan Agreement	6.24%	Apr 38	**152.8**	158.4
			651.3	1,060.4
Current				
€534.4 million Eurobond	2.50%	Feb 21	**-**	534.3
€405 million Eurobond	2.25%	Aug 22	**404.7**	
			1,056.0	1,594.7

As at 31 December 2021, after taking into account the effect of interest rate swaps, 100% (2020: 100%) of the Group's borrowings are at a fixed rate of interest.

Amounts recognised in the income statement are interest expense of €34.4 million (2020: €45.5 million).

During 2021, the revolving credit facility was renegotiated to a €500 million facility with an expiration date of 29th October 2026. (2020: €750 million expiring June 2023). There were no drawings under the €500 million revolving credit facility at the end of the year (2020: none utilised of the €750 million).

The Group repaid the remaining amount of the €534.4 million Eurobond on the maturity date of 15 February 2021. The total amount paid to the bond holders was €547.8 million, which included interest of €13.4 million.

The Group repurchased and cancelled €95.0 million of the August 2022 Eurobonds for a price of €98.2 million (103.4%) in July 2020. The transaction was completed for a total amount of €100.1 million, which included €1.9 million of accrued interest. As at 31 December 2021, a nominal amount of €405.0 million remained outstanding on the August 2022 Eurobonds.

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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. The hedge ratio of the hedging relationships is on a 1:1 basis.

Potential sources of hedge ineffectiveness in these hedging relationships are 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 2021, the net liability of the FFECs was €19.8 million (31 December 2020: asset of €58.3 million), with the movement driven principally by the US dollar forward rates strengthening against the euro during 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 dedesignated 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, €3.8 million of hedging gains (2020: losses of €38.9 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 (CCIRS) 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 helps 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). The total amount of CCIRS which have been designated as hedges of the net investment of the Group's USA subsidiaries as at 31 December 2021 was $471.5 million (31 December 2020: $934.8 million). Gains or losses on the retranslation of these CCIRS are transferred to other comprehensive income to offset any gains or losses on translation of the net investment in subsidiaries.

For borrowing related hedges, as the critical terms (i.e. the notional amount, life and underlying) of the CCIRS 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 CCIRS and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates. The hedge ratio of the hedging relationships is on a 1:1 basis.

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 CCIRS, 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 2021, the Group's portfolio of CCIRS was held as a liability of €23.6 million (31 December 2020: asset of €49.1 million). The movement in the year of €72.7 million is mainly attributable to the maturity of the CCIRS that matured during February 2021.

Included in loans at 31 December 2021 were borrowings of €630.0 million (31 December 2020: €655.0 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.

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29. Other financial assets and financial liabilities continued

Hedging activities and derivatives continued

Borrowing related hedges continued

The information in the table presenting financial instruments of the major foreign currency pairs to hedge foreign exchange risk has been enhanced to include their Fair Value as disclosed on the face of the Consolidated Statement of Financial Position. In addition, financial instruments presented per the table have been expanded to include commodity contracts.

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

2021	Average exchange rate	Nominal amount	Fair value +gain/(loss) €m	Fair value asset €m	Fair value liability €m
Forward foreign exchange contracts		FC m Buy/(Sell)			
Cash Flow Hedges					
USD/EUR		USD			
Within one year	1.20	(385.0)	(23.2)	1.3	(17.3)
1 to 2 years	1.21	(388.5)	(23.3)	4.2	(18.3)
2 to 3 years	1.18	(225.0)	(12.4)	2.8	(3.5)
3 to 4 years	1.24	(40.0)	(1.4)	-	(1.4)
More than 4 years	-	-	-	-	-
USD/GBP		USD			
Within one year	1.35	(110.0)	(1.2)	1.3	(1.3)
1 to 2 years	1.35	(133.0)	(1.3)	1.6	(1.9)
2 to 3 years	1.36	(74.0)	(1.2)	0.8	(1.2)
3 to 4 years	1.38	(33.5)	(0.5)	-	(0.5)
More than 4 years	-	-	-	-	-
EUR/GBP		EUR			
Within one year	0.93	(73.0)	4.8	6.9	-
1 to 2 years	0.91	(90.0)	4.1	5.8	-
2 to 3 years	0.92	(72.0)	2.8	4.4	-
3 to 4 years	0.89	(10.0)	0.2	0.2	-
More than 4 years	-	-	-	-	-
				29.3	(45.4)
Not designated and charged to income					
USD/GBP		USD			
Within one year	1.14	(10.0)	-	0.7	-
1 to 2 years	1.22	(7.5)	(0.5)	3.7	(1.6)
2 to 3 years	-	-	-	-	-
3 to 4 years	-	-	-	-	-
More than 4 years	-	-	-	-	-
USD/GBP		USD			
Within one year	1.33	360.0	(5.9)	1.6	(7.4)
EUR/GBP		EUR			
Within one year	0.85	85.0	(0.9)	0.8	(1.5)
				6.8	(10.5)
Cross currency interest rate swaps					
Cash flow hedges					
EUR/GBP		USD			
Within one year	0.71	250.0	(14.2)	38.4	-
1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
3 to 4 years	-	-	-	-	-
More than 4 years	-	-	-	-	-
				38.4	-

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29. Other financial assets and financial liabilities continued

2021	**Average exchange rate**	**Nominal amount FC m**	**Fair value +gain/(loss) €m**	**Fair value asset €m**	**Fair value liability €m**
Net investment hedges					
USD/GBP		**USD**			
Within one year	**1.56**	**(276.5)**	**(1.9)**	**-**	**(34.5)**
1 to 2 years	**-**	**-**	**-**	**-**	**-**
2 to 3 years	**-**	**-**	**-**	**-**	**-**
				-	**(34.5)**
Designated in part as cash flow hedges and in part as net investment hedges					
JPY/USD		**JPY**			
More than 4 years	**102.30**	**20,000.0**	**(9.4)**	**-**	**(27.5)**
Commodity contracts not designated and charged to income					
Within one year				**2.1**	**(0.7)**
1 to 2 years				**2.0**	**(0.6)**
2 to 3 years				**0.7**	**-**
3 to 4 years				**0.7**	**-**
More than 4 years				**3.5**	**-**
				9.0	**(1.3)**
Total				**83.5**	**(119.2)**
Of which – non-current				**30.4**	**(56.5)**
Of which – current				**53.1**	**(62.7)**

2020	Average exchange rate	Nominal amount	Fair value +gain/(loss) €m	Fair value asset €m	Fair value liability €m
Forward foreign exchange contracts		FC m Buy/(Sell)			
Cash Flow Hedges					
USD/EUR		USD			
Within one year	1.19	(474.7)	22.1	15.2	(3.1)
1 to 2 years	1.20	(325.0)	17.5	12.8	(5.4)
2 to 3 years	1.21	(370.0)	19.4	15.4	(7.1)
3 to 4 years	1.16	(160.0)	11.7	11.7	-
More than 4 years	-	-	-	-	-
USD/GBP		USD			
Within one year	1.33	(110.0)	2.92	5.4	(2.0)
1 to 2 years		(172.5)	1.49	1.7	(0.6)
2 to 3 years	1.35	(110.0)	2.19	1.9	(0.9)
3 to 4 years	1.36	(94.0)	0.84	0.8	-
More than 4 years	1.25	(10.0)	-	-	-
EUR/GBP		EUR			-
Within one year	0.93	(44.0)	(1.9)	1.8	(0.1)
1 to 2 years	0.93	(68.0)	(2.4)	2.4	(0.2)
2 to 3 years	0.94	(50.0)	(1.6)	1.7	-
3 to 4 years	0.95	(42.0)	(1.1)	1.6	-
More than 4 years	-	-	-	-	-
				72.4	(19.4)

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29. Other financial assets and financial liabilities continued

2020	Average exchange rate	Nominal amount FC m	Fair value +gain/(loss) €m	Fair value asset €m	Fair value liability €m
Not designated and charged to income					
USD/GBP		USD			
Within one year	1.21	30.0	1.2	2.9	(1.3)
1 to 2 years	1.19	-	0.2	0.7	-
2 to 3 years	1.21	-	0.9	3.0	-
3 to 4 years	-	-	-	-	-
More than 4 years	-	-	-	-	-
				6.6	(1.3)
Cross currency interest rate swaps					
Cash flow hedges					
EUR/GBP		EUR			
Within one year	0.72	425.0	20.1	88.9	-
1 to 2 years	0.71	250.0	7.1	50.2	-
2 to 3 years	-	-	-	-	-
3 to 4 years	-	-	-	-	-
More than 4 years	-	-	-	-	-
				139.1	-
Net investment hedges					
USD/GBP		USD			
Within one year	1.52	(463.3)	43.5	1.4	(41.9)
1 to 2 years	1.56	(276.5)	3.7	-	(31.0)
2 to 3 years	-	-	-	-	-
				1.4	(72.9)
Designated in part as cash flow hedges and in part as net investment hedges					
JPY/USD		JPY			
More than 4 years	102.3	20,000.0	(14.7)	-	(18.5)
Commodity contracts not designated and charged to income					
Within one year				10.4	(3.5)
1 to 2 years				1.5	(0.4)
2 to 3 years				1.5	(0.5)
3 to 4 years				0.6	-
More than 4 years				2.5	-
				16.5	(4.4)
Total				236.0	(116.5)
Of which – non-current				110.0	(64.6)
Of which – current				126.0	(51.9)

A total loss of €32.5 million (2021: loss of €4.9 million) was recognised within hedge reserves relating to hedges of financial instruments that settled during the year.

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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 2021 €m	Fair value 2021 €m	Book value 2020 €m	Fair value 2020 €m
Financial assets				
Loans and receivables				
Trade and other receivables(i)	**357.8**	**357.8**	200.6	200.6
Derivative financial assets at fair value through profit or loss				
Forward foreign exchange contracts – hedged	**29.3**	**29.3**	72.4	72.4
Forward foreign exchange contracts – non-hedged	**6.8**	**6.8**	6.6	6.6
Cross currency interest rate swaps	**38.4**	**38.4**	140.5	140.5
Commodity contracts at fair value	**9.0**	**9.0**	16.5	16.5
Short term bank deposits(ii)	**516.3**	**516.3**	528.8	528.8
Cash and cash equivalents(ii)	**559.5**	**559.5**	630.0	630.0
Total	**1,517.1**	**1,517.1**	1,595.4	1,595.4
Financial liabilities				
Financial liabilities measured at amortised cost				
Fixed rate borrowings	**1,056.0**	**1,203.0**	1,594.7	1,766.2
Trade and other payables(iii)	**268.3**	**268.3**	275.3	275.3
Derivative financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts – hedged	**45.4**	**45.4**	19.4	19.4
Forward foreign exchange contracts – non-hedged	**10.5**	**10.5**	1.3	1.3
Cross currency interest rate swaps	**62.0**	**62.0**	91.4	91.4
Commodity contracts at fair value	**1.3**	**1.3**	4.4	4.4
Total	**1,443.5**	**1,590.5**	1,986.5	2,158.0

(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.

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29. Other financial assets and financial liabilities continued

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.

Derivative financial instruments are initially recognised, categorised as level 2 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. 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.

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is presented above the table.

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

	2021 €m	2020 €m
Financial assets at fair value		
Forward foreign exchange contracts – hedged	**29.3**	72.4
Forward foreign exchange contracts – non-hedged	**6.8**	6.6
Cross currency interest rate swaps	**38.4**	140.5
Commodity contracts at fair value	**9.0**	16.5
Total assets measured at fair value	**83.5**	236.0
Financial liabilities at fair value		
Forward foreign exchange contracts – hedged	**(45.4)**	(19.4)
Forward foreign exchange contracts – non-hedged	**(10.5)**	(1.3)
Cross currency interest rate swaps	**(62.0)**	(91.4)
Commodity contracts at fair value	**(1.3)**	(4.4)
Total liabilities measured at fair value	**(119.2)**	(116.5)
Net FFEC asset/(liability)	**(19.8)**	58.3
Net CCIRS asset	**(23.6)**	49.1
Net commodity assets at fair value	**7.7**	12.1
Total net (liability)/asset	**(35.7)**	119.5

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29. Other financial assets and financial liabilities continued

Total liabilities from financing activities

As at 31 December 2020, the Group held the following liabilities from financing activities, measured at book value:

	2020	Cash flows			Cash flows			2021
	€m	Proceeds debt hedges €m	Cash outflows €m	Foreign exchange movement €m	Fair value changes €m	Additions €m	Interest €m	**€m**
Non-current borrowings	1,060.4	-	-	(5.6)	1.2	(404.7)	-	**651.3**
Current borrowings	534.3	-	(534.4)	-	0.1	404.7	-	**404.7**
Lease liabilities	19.8	-	(1.8)	1.4	-	10.5	1.4	**31.3**
Net liabilities/(assets) held to hedge borrowings	(49.1)	42.8	(5.4)	0.6	27.0	-	7.7	**23.6**
Total liabilities/(assets) from financing activities	1,565.4	42.8	(541.6)	(3.6)	28.3	10.5	9.1	**1,110.9**

Net Debt

The Group had a total net debt of €11.5 million as at 31 December 2021 (31 December 2020: €455.7 million).

Debt is split between euro denominated debt of €903.2 million (31 December 2020: €1,436.3 million) and yen denominated debt of €152.8 million (31 December 2020: €158.4 million).

After the impact of the CCIRS, which swap either euro or yen debt into US dollar debt, the Group has an effective split of US dollar denominated debt of €402.8 million (31 December 2020: €833.4 million) and euro denominated debt of €653.2 million (31 December 2020: €761.3 million).

The value of net debt has moved from €455.7 million to €11.5 million, principally due to cash generated operationally during the year.

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

	2021 €m	2020 €m
Non-current interest bearing loans and borrowings	**651.3**	1,060.4
Current interest bearing loans and borrowings	**404.7**	534.3
Non-current lease liabilities	**28.1**	18.2
Current lease liabilities	**3.2**	1.6
Less: Short term deposits	**(516.3)**	(528.8)
Less: Cash and cash equivalents	**(559.5)**	(630.0)
Net debt	**11.5**	455.7

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29. Other financial assets and financial liabilities continued

Classification of assets and liabilities

2021	**Cash and receivables €m**	**Derivatives €m**	**Non-financial assets €m**	**Total €m**
Assets				
Property, plant and equipment, including right-to-use assets	**-**	**-**	**4,510.8**	**4,510.8**
Investment property	**-**	**-**	**5.8**	**5.8**
Intangible assets	**-**	**-**	**23.3**	**23.3**
Investments including joint venture	**-**	**-**	**29.7**	**29.7**
Retirement benefit assets	**-**	**-**	**51.2**	**51.2**
Restricted cash	**0.9**	**-**	**-**	**0.9**
Derivative financial instruments [(i)]	**-**	**83.5**	**-**	**83.5**
Deferred tax assets	**-**	**-**	**82.8**	**82.8**
Contract assets	**-**	**-**	**48.0**	**48.0**
Inventories	**-**	**-**	**146.9**	**146.9**
SWU assets	**-**	**-**	**277.5**	**277.5**
Trade and other receivables [(ii)]	**357.9**	**-**	**-**	**357.9**
Income tax recoverable	**-**	**-**	**101.4**	**101.4**
Short term bank deposits [(ii)]	**516.3**	**-**	**-**	**516.3**
Cash and cash equivalents [(ii)]	**559.5**	**-**	**-**	**559.5**
Total	**1,434.6**	**83.5**	**5,277.4**	**6,795.5**

2020	Cash and receivables €m	Derivatives €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment, including right-to-use assets	-	-	4,308.2	4,308.2
Investment property	-	-	5.9	5.9
Intangible assets	-	-	20.7	20.7
Investments including joint venture	-	-	30.8	30.8
Restricted cash	1.5	-	-	1.5
Derivative financial instruments [(i)]	-	236.0	-	236.0
Deferred tax assets	-	-	114.2	114.2
Contract assets	-	-	28.4	28.4
Inventories	-	-	122.4	122.4
SWU assets	-	-	313.4	313.4
Trade and other receivables [(ii)]	236.6	-	-	236.6
Income tax recoverable	-	-	45.0	45.0
Short term bank deposits [(ii)]	528.8	-	-	528.8
Cash and cash equivalents [(ii)]	630.0	-	-	630.0
Total	1,396.9	236.0	4,989.0	6,621.9

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29. Other financial assets and financial liabilities continued

Classification of assets and liabilities continued

2021	**Loans and payables €m**	**Derivatives €m**	**Other financial liabilities €m**	**Non-financial liabilities €m**	**Total €m**
Liabilities					
Trade and other payables [ii]	**268.3**	**-**	**-**	**-**	**268.3**
Interest bearing loans and borrowings [ii]	**1,056.0**	**-**	**-**	**-**	**1,056.0**
Lease liabilities	**-**	**-**	**31.3**	**-**	**31.3**
Provisions	**-**	**-**	**-**	**2,725.1**	**2,725.1**
Contract liabilities	**-**	**-**	**-**	**188.7**	**188.7**
Derivative financial instruments [i]	**-**	**119.2**	**-**	**-**	**119.2**
Deferred tax liabilities	**-**	**-**	**-**	**261.9**	**261.9**
Retirement benefit obligations	**-**	**-**	**-**	**30.9**	**30.9**
Income tax payable	**-**	**-**	**-**	**16.3**	**16.3**
Total	**1,324.3**	**119.2**	**31.3**	**3,222.9**	**4,697.7**

2020	Loans and payables €m	Derivatives €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables [ii]	275.3	-	-	-	275.3
Interest bearing loans and borrowings [ii]	1,594.7	-	-	-	1,594.7
Lease liabilities	-	-	19.8	-	19.8
Provisions	-	-	-	2,355.7	2,355.7
Contract liabilities	-	-	-	135.8	135.8
Derivative financial instruments [i]	-	116.5	-	-	116.5
Deferred tax liabilities	-	-	-	159.1	159.1
Retirement benefit obligations	-	-	-	56.8	56.8
Income tax payable	-	-	-	27.3	27.3
Total	1,870.0	116.5	19.8	2,734.7	4,741.0

[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. The derivatives held by the Group are analysed by both maturity and usage on page 128.

[ii] Financial assets and liabilities recognised at amortised cost.

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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 2021	**1,364.7**	**840.1**	**131.4**	**19.5**	**2,355.7**
Additional provision in the year	**195.4**	**149.3**	**55.7**	**11.1**	**411.5**
Unwinding of discount	**41.1**	**24.6**	**2.2**	**-**	**67.9**
Utilisation of provision	**(36.1)**	**(8.7)**	**(75.4)**	**(8.7)**	**(128.9)**
Release of provision	**(44.6)**	**(32.8)**	**-**	**(2.6)**	**(80.0)**
Transfers	**-**	**-**	**-**	**-**	**-**
Exchange difference	**62.0**	**29.1**	**6.7**	**1.1**	**98.9**
At 31 December 2021	**1,582.5**	**1,001.6**	**120.6**	**20.4**	**2,725.1**
Included in current liabilities					**3.6**
Included in non-current liabilities					**2,721.5**
					2,725.1

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Other €m	Total €m
At 1 January 2020	1,270.5	712.9	159.4	44.2	2,187.0
Additional provision in the year	250.8	141.0	71.0	6.8	469.6
Unwinding of discount	43.4	23.3	2.3	-	69.0
Utilisation of provision	(42.0)	(8.9)	(91.7)	(11.2)	(153.8)
Release of provision	(105.0)	(11.7)	-	(19.0)	(135.7)
Transfers	-	-	-	(0.1)	(0.1)
Exchange difference	(53.0)	(16.5)	(9.6)	(1.2)	(80.3)
At 31 December 2020	1,364.7	840.1	131.4	19.5	2,355.7
Included in current liabilities					5.2
Included in non-current liabilities					2,350.5
					2,355.7

The net costs of nuclear provisions of €144.4 million (2020: €163.8 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	**195.4**	**46.1**	**55.7**	**297.2**
Change in discount rates	**-**	**-**	**-**	**-**
Release of provision	**(44.6)**	**(32.8)**	**-**	**(77.4)**
Utilisation of provision[i]	**-**	**-**	**(75.4)**	**(75.4)**
Charged to income statement 2021	**150.8**	**13.3**	**(19.7)**	**144.4**

	Tails provision €m	Decommissioning of plant and machinery €m	Re-enrichment of low assay feed €m	Total €m
Additional provision in the year	123.7	14.9	71.0	209.6
Change in discount rates	127.1	35.5	-	162.6
Release of provision	(105.0)	(11.7)	-	(116.7)
Utilisation of provision[i]	-	-	(91.7)	(91.7)
Charged to income statement 2020	145.8	38.7	(20.7)	163.8

[i] The utilisation of the provision for re-enrichment of the low assay feed is recognised in the income statement within 'net costs of nuclear provisions'. The expenditure incurred in re-enriching the low assay feed is initially recognised in the income statement (e.g. employee costs, energy costs, depreciation and tails provisions). The utilisation is credited to the income statement to reverse the costs of re-enrichment as the income statement charge for these costs was incurred when the material was produced through the creation of the re-enrichment of low asset feed provision.

For the year ended 31 December 2021

30. Provisions continued

Discount Rates for tails and decommissioning provisions

The inflation rate and the risk free discount rate have been calculated on a jurisdiction specific basis. The applicable rates for both the 2021 and 2020 year end are as follows:

	Inflation Rate	Nominal Discount Rate	Real Discount Rate
USA	2.10%	3.35%	1.22%
UK	2.00%	3.25%	1.23%
Germany	1.50%	2.25%	0.74%
The Netherlands	1.75%	2.25%	0.49%

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 the 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 fully commissioned. A 10% increase in the forecast TMF deconversion price would increase tails provisions by €69.7 million and a 10% decrease in the forecast TMF deconversion price would decrease tails provisions by €69.7 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 is 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 €28.9 million and a 10% decrease in the forecast DOE rate would decrease tails provisions by €28.9 million.

During the year the tails provision increased by €195.4 million (2020: €250.8 million) due to tails generated in that period and an increase in the applied tails rate. This addition to the tails provision has been recognised as a cost in the income statement under net costs of nuclear provisions. Expenditure incurred during the year for the safe deconversion, storage and disposal of tails of €36.1 million (2020: €42.0 million) has been utilised against the provision. A provision release of €44.6 million (2020: €105.0 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 €540.4 million of the tails provision will be used within the next 10 years, €725.6 million of the provision will be used within the next 10 to 30 years and €316.5 million will be used within the next 30 to 100 years. The tails provisions held at 31 December 2021 comprised €1,226.9 million (2020: €1,040.6 million) of discounted future cash flows and €355.6 million (2020: €324.1 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 the timing of the 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 €108.4 million, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by €92.6 million. A delay of 5 years to all disposal activities would reduce the provision by €80.3 million and an advancement by 5 years of all disposal activities would lead to an increase in the provision of €76.1 million.

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30. Provisions continued

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 €30.9 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 and timing of subsequent decommissioning activity. Further description of the estimates and assumptions applied is given in note 2.

During the year the decommissioning provision increased by €149.3 million (2020: €141.0 million) due to the installation of additional plant and machinery of €36.1 million (2020: €19.6 million), additional container purchases of €14.5 million (2020: €14.0 million) and €98.7 million due to revised assumptions surrounding the decommissioning of plant and machinery (2020: €107.4 million). Of the €98.7 million (2020: €107.4 million) resulting from revised assumptions, €46.1 million (2020: €50.3 million) has been expensed to the Income Statement and €52.6 million (2020: €57.1 million) has been recognised in decommissioning assets. The impact of the revised assumptions mainly relate to the triennial review of the core decommissioning strategy with no further change to the discount rates applied.

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 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 €57.4 million, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by €53.0 million. A delay of 5 years to all decommissioning activities would reduce the provision by €48.8 million and an advancement of all decommissioning activities would lead to an increase in the provision of €46.4 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 separative work that will be required in the future and the cost of providing enrichment capacity to perform that work. This cost includes the safe disposal of any resultant tails material. During the year, the provisions relating to the future re-enrichment of low assay feed increased by €55.7 million (2020: €71.0 million) due to the creation of low assay feed and reduced by €75.4 million (2020: €91.7 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 personnel provisions and restructuring provisions.

The majority of the other provisions will be utilised over the next three years and are not materially sensitive to discount rates.

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 and Germany and defined contributions schemes in the UK, the Netherlands and the 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.

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31. Retirement benefit obligations continued

In 2019 the assets and liabilities of the Dutch defined benefit pension scheme were transferred to Pensioenfonds Grafische Bedrijven ("PGB"), a multi-employer defined benefit pension scheme. The PGB has all the features of a defined contribution pension scheme and therefore accounting for this scheme following the transfer has been done on that basis.

The agreement between UNL and PGB has an end date of 31 December 2023. If the agreement is not be terminated by one of the parties at least six months before the termination date, then it will be automatically extended for another five years. Under this agreement PGB will administer the pension rights of the employees of UNL and pay benefits to pensioners. UNL is required to contribute premiums to PGB, which are set on an annual basis as a percentage of the pensionable salary, currently 32.45%. UNL is solely responsible for contributions for its own employees and can not be held liable for the obligations of other entities' obligations under the terms and conditions of the multi-employer plan. In the event of termination of the agreement with PGB, then this should not result in any deficit or surplus for UNL, assuming that they have paid the appropriate contributions. This risk has been transferred to PGB, in accordance with the nature of this insured arrangement.

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 defined benefit obligations were carried out at 5 April 2021 and subsequently rolled forward to 31 December 2021. Following the previous 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 from 2018 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:	2021 %	2020 %
Discount rate	**1.2-1.8**	0.6-1.4
Expected rate of salary increases	**3.0-4.3**	3.0-3.9
Future pension increases	**1.5-3.3**	1.5-2.9

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, 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 in the future. The tables used and key assumptions are as follows:

	UK		Germany	
Mortality assumptions:	**2021 years**	2020 years	**2021 years**	2020 years
Life expectancy at age 60 for a male currently aged 60	**27.7**	28.5	**25.1**	24.9
Life expectancy at age 60 for a female currently aged 60	**29.5**	30.2	**28.8**	28.7
Life expectancy at age 60 for a male currently aged 40	**29.4**	30.6	**28.0**	27.9
Life expectancy at age 60 for a female currently aged 40	**31.1**	32.2	**31.1**	31.0

Mortality tables:	UK	Germany
2021	**S2PA YOB tables with appropriate age weightings using CMI 2020 projections 1.5% minimum improvements p.a.**	**Heubeck table 2018 G**
2020	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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31. Retirement benefit obligations continued

Risks

The liabilities of all defined benefit pension plans expose the Group to risks of longevity, inflation and discount rate. The related assets of the defined benefit plans in the UK expose the Group to market price volatility and the 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.

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 benefits obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2021 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 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 2021	**20.3**
	Effect of decrease in discount rate by -0.25% at 31 December 2021	**(21.7)**
Inflation rate	Effect of increase in inflation rate by +0.25% at 31 December 2021	**(15.9)**
	Effect of decrease in inflation rate by -0.25% at 31 December 2021	**16.0**

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

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Current service cost	**(1.9)**	(2.1)
Administrative expense paid from scheme assets	**-**	-
Net interest expense on defined benefit pension scheme	**(0.1)**	(1.2)
Past service gain	**3.1**	0.4
	1.1	(2.9)

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

The amount charged to the income in respect of defined contribution pension schemes was €15.5 million (2020: €13.5 million).

The actual return on scheme assets was a gain of €38.5 million (2020: gain €45.3 million).

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

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Actuarial gains	**68.0**	1.6
Exchange difference	**(0.3)**	1.7
	67.7	3.3

For the year ended 31 December 2021

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:

Movement in present value of defined benefit obligation	2021 €m Total	2021 €m Funded schemes	2021 €m Unfunded schemes	2020 €m Total	2020 €m Funded schemes	2020 €m Unfunded schemes
At 1 January	**(489.0)**	**(454.9)**	**(34.1)**	(481.3)	(450.0)	(31.3)
Current service cost	**(1.9)**	**(1.2)**	**(0.7)**	(2.1)	(1.4)	(0.7)
Past service gain	**3.1**	**3.2**	**(0.1)**	(1.2)	(1.2)	-
Interest cost	**(7.6)**	**(7.4)**	**(0.2)**	(9.1)	(8.8)	(0.3)
Actuarial gains/(losses)	**37.0**	**33.6**	**3.4**	(35.5)	(32.8)	(2.7)
Benefits paid to members	**13.2**	**12.3**	**0.9**	14.0	13.1	0.9
Contributions by members	**-**	**-**	**-**	-	-	-
Dutch pension curtailments	**-**	**-**	**-**	-	-	-
Settlements	**-**	**-**	**-**	1.8	1.8	-
Transfers	**-**	**-**	**-**	-	-	-
Foreign exchange	**(29.2)**	**(29.2)**	**-**	24.4	24.4	-
At 31 December	**(474.4)**	**(443.6)**	**(30.8)**	(489.0)	(454.9)	(34.1)

The average duration of the defined benefit obligation at 31 December 2021 is 18.0 years (2020: 18.8 years).

Movements in the fair value of plan assets	2021 €m	2020 €m
At 1 January	**432.2**	416.1
Interest income	**7.5**	8.2
Actuarial gains	**31.0**	37.1
Contributions by employer	**7.4**	8.0
Contributions by members	**-**	-
Benefits paid to members	**(12.3)**	(13.1)
Dutch pension curtailments	**-**	-
Settlements	**-**	(1.4)
Administrative expenses paid from scheme assets	**-**	-
Foreign exchange	**28.9**	(22.7)
At 31 December	**494.7**	432.2

	2021 €m	2020 €m
Retirement benefit asset	**51.2**	-
Retirement benefit liability	**(30.9)**	(56.8)
Net retirement benefit surplus/(deficit)	**20.3**	(56.8)

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

	Fair value of assets 2021 €m	Fair value of assets 2020 €m
Equity instruments	**147.8**	202.7
Debt instruments	**346.9**	229.5
	494.7	432.2

Experience adjustment (surplus/deficits) arise where actuarial assumptions made at 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 (2022) is €7.1 million.

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32. Trade and other payables

Current

	31/12/21 €m	31/12/20 €m
Trade payables	**58.8**	86.2
Other payables	**26.0**	11.5
Accruals	**83.8**	81.5
Amounts due to joint venture	**60.8**	63.6
	229.4	242.8

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 27 days (2020: 28 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

	31/12/21 €m	31/12/20 €m
Other payables	**38.9**	32.5

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 2021 have been classified as non-current payables because they are expected to be returned after 2022.

33. Contingent liabilities

The Group has provided assurance to the NRC in the form of letters of credit and surety bonds that funds are available when needed to pay for nuclear liabilities of UUSA. The total amount of these assurances at 31 December 2021 exceeds the value of the recognised nuclear liabilities of UUSA in the consolidated statement of financial position at the same date by €192.0 million. These assurances exceed the nuclear liabilities recognised, because they use the undiscounted decommissioning and tails costs as their base.

The Group is subject to various claims which arise in the ordinary course of business. Having taken appropriate legal advice, the Group believes that a material liability arising from these claims is remote.

34. Events after the statement of financial position date

As of 9 March 2022, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2021 financial statements.

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35. 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 31/12/21 €m	Year ended 31/12/20 €m	**Year ended 31/12/21 €m**	Year ended 31/12/20 €m	**31/12/21 €m**	31/12/20 €m	**31/12/21 €m**	31/12/20 €m
BEIS	**28.4**	29.9	**-**	-	**4.4**	2.5	**-**	-
E.ON	**-**	-	**14.3**	15.0	**-**	-	**-**	-
RWE	**-**	5.4	**0.3**	-	**-**	-	**-**	-
ETC[(i)]	**-**	-	**65.6**	66.7	**0.1**	-	**60.7**	63.6

[(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 €0.4 million relating to the Joint Venture (2020: €0.4 million). Included in the share of net assets of the Joint Venture as a recognised liability is €20.6 million relating to the defined benefit pension obligations of the Joint Venture (2020: €27.0 million).

During the year, Group companies contributed €14.3 million (2020: €16.5 million) for the benefit of employees into post-employment benefit plans.

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 60.

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Short term employee benefits	**2.9**	3.0
Long term employee benefits	**0.8**	0.6
Total	**3.7**	3.6

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for their services as a Director, as detailed in the Remuneration report on page 59.


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For the year ended 31 December 2021

Directors' responsibilities

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 Parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing 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 the Directors to ensure that the company 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.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

The Directors' Responsibilities Statement has been approved for issue by the Board of Directors on 9 March 2022.

By order of the Board.

Ralf ter Haar
Director
9 March 2022

Financial statements
Company Statement of Financial Position

For the year ended 31 December 2021

	Notes	2021 €m	2020 €m
Non-current assets			
Property, plant and equipment	5	**46.0**	32.0
Intangible assets	6	**-**	-
Investments in subsidiaries and associate	7	**294.9**	294.9
Amounts due from Group undertakings	8	**3,228.8**	2,901.7
Deferred tax asset	3	**25.0**	25.4
Derivative financial instruments	14	**51.8**	117.6
Retirement benefit assets	15	**7.6**	-
		3,654.1	3,371.6
Current assets			
Amounts due from Group undertakings	8	**184.8**	68.2
Trade and other receivables	8	**133.9**	133.1
Derivative financial instruments	14	**69.7**	121.8
Short term deposits	9	**366.7**	528.8
Cash and cash equivalents	10	**525.3**	599.2
		1,280.4	1,451.1
Total assets		**4,934.5**	4,822.7
Current liabilities			
Amounts due to Group undertakings	12	**(2,247.2)**	(2,209.4)
Trade and other payables	13	**(80.8)**	(94.4)
Lease liabilities		**(2.0)**	-
Derivative financial instruments	14	**(72.1)**	(73.7)
		(2,402.1)	(2,377.5)
Non-current liabilities			
Interest bearing loans and borrowings	11	**(152.8)**	(158.4)
Amounts due to Group undertakings	12	**(957.8)**	(953.3)
Derivative financial instruments	14	**(75.7)**	(117.4)
Other payables		**(10.3)**	(2.4)
Retirement benefit obligations	15	**-**	(3.1)
		(1,196.6)	(1,234.6)
Total liabilities		**(3,598.7)**	(3,612.1)
Net assets		**1,335.8**	1,210.6
Equity			
Share capital	16	**237.3**	237.3
Retained earnings	17	**1,098.1**	975.5
Hedging reserve	17	**0.4**	(2.2)
Total equity		**1,335.8**	1,210.6

Registered Number 01022786

The net income for the financial year of the Parent Company amounts to €352.0 million (2020: €376.2 million).

The financial statements were approved by the Board of Directors and authorised for issue on 9 March 2022.

They were signed on its behalf by:

Boris Schucht
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer

Financial statements
Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital €m	**Retained earnings €m**	**Hedging reserve €m**	**Attributable to the owners of the Company €m**
As at 1 January 2021	**237.3**	**975.5**	**(2.2)**	**1,210.6**
Income for the period	**-**	**352.0**	**-**	**352.0**
Other comprehensive income (note 17)	**-**	**70.6**	**2.6**	**73.2**
Total comprehensive income	**-**	**422.6**	**2.6**	**425.2**
Equity dividends paid (note 4)	**-**	**(300.0)**	**-**	**(300.0)**
As at 31 December 2021	**237.3**	**1,098.1**	**0.4**	**1,335.8**

	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 1 January 2020	237.3	1,087.7	4.2	1,329.2
Income for the period	-	376.2	-	376.2
Other comprehensive loss (note 17)	-	(38.4)	(6.4)	(44.8)
Total comprehensive income/(loss)	-	337.8	(6.4)	331.4
Equity dividends paid (note 4)	-	(450.0)	-	(450.0)
As at 31 December 2020	237.3	975.5	(2.2)	1,210.6

Financial statements
Notes to the Company Financial Statements

For the year ended 31 December 2021

1. Significant accounting policies

General information

Urenco Limited ("the Company") is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. Urenco Limited is the ultimate parent company and controlling party of the Group. The principal place of business of the Company is the same as the address of its registered office which is given on page 46. 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 Urenco 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 Urenco Limited. The auditor's remuneration for audit and other services is disclosed in note 5 to the Group's consolidated financial statements.

Going concern

The Directors have assessed the latest forecast future cash flows, including appropriate sensitivities, which indicate that available cash and committed financing facilities in place are sufficient to cover the Company's cash needs for at least twelve months after the date of approval of these financial statements. They are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing these financial statements. The Directors have considered the impact of COVID-19 and have concluded that there is no substantial impact on the going concern assumption. For further details please see page 33.

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 2021 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, 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 2021. 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 2021:

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	UK endorsed Effective Date – periods commencing on or after
Extension to Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions (issued on 28 May 2020)	1 April 2021[i]	1 April 2021[i]
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) (issued on 25 June 2020)	1 January 2021[ii]	1 January 2021[ii]
Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (issued on 27 August 2020)	1 January 2021	1 January 2021

[i] Applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022

[ii] The Amendments may be used by eligible entities for financial years beginning before 1 January 2023

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

Financial statements
Notes to the Company Financial Statements continued

For the year ended 31 December 2021

1. Significant accounting policies continued

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 retranslated 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 2021 was £0.86 to €1 (2020: £0.88 to €1) and the year end rate was £0.84 to €1 (2020: £0.90 to €1).

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.

For the year ended 31 December 2021

1. Significant accounting policies continued

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 which are not readily convertible to a known amount of cash or are subject to a more than insignificant risk of changes in value. Generally these are 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.

Financial statements

Notes to the Company Financial Statements continued

For the year ended 31 December 2021

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 remeasured 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 counterpart 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. This scheme 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. In the event of a plan wind up, the pension scheme rules provide the Company with an unconditional right to a refund of surplus pension assets assuming the full settlement of pension liabilities. In the ordinary course of business, the Trustee has no right to wind up or to enhance the benefits due to members of the pension scheme. As a result, any net surplus pension assets in the UK defined benefit pension scheme is recognised in full.

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 and judgements that can have a significant impact on the financial statements. This year there were no significant judgements. The key estimates for this year are described below.

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 net pension deficit or surplus 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:	**2021 Number**	2020 Number
Technical	**40**	34
Administration	**140**	115
	180	149

For the year ended 31 December 2021

2. Employee benefits expense continued

Their aggregate remuneration comprised:	**Year ended 31/12/21 €m**	Year ended 31/12/20 €m
Wages and salaries	**30.3**	24.5
Social security costs	**3.1**	2.4
Pension costs	**1.6**	1.3
	35.0	28.2

Directors' emoluments (page 60):	**Year ended 31/12/21 €m**	Year ended 31/12/20 €m
Emoluments	**2.9**	3.0
Amounts receivable under long term incentive scheme	**0.8**	0.6
	Number	Number
Members of defined contribution schemes	**2**	2

In respect of the highest paid Director:	**Year ended 31/12/21 €m**	Year ended 31/12/20 €m
Emoluments including pension	**1.6**	1.6

3. Taxation

Deferred tax

Deferred tax balances recognised at 31 December 2021 and 31 December 2020 are as follows:	**2021 €m**	2020 €m
Relating to property, plant and equipment and intangible assets	**(2.5)**	(1.2)
Relating to tax losses	**13.9**	9.2
Relating to short term temporary differences	**5.8**	11.3
Relating to fair value movements on financial instruments	**9.7**	5.5
Relating to retirement benefits	**(1.9)**	0.6
Total deferred tax asset	**25.0**	25.4

The deferred tax credit recognised in the income statement was €1.9 million (2020: tax charge €11.5 million).

The Directors consider that the deferred tax assets are recoverable in full based on the company's ability to surrender tax losses for payment via group relief.

4. Dividends paid and proposed

	Year ended 31/12/21 €m	Year ended 31/12/20 €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 2020 of 89.29 cents per share (2019: 178.57 cents per share)	**150.0**	300.0
Interim dividend for the year ended 31 December 2021 of 89.29 cents per share (2020: 89.29 per share)	**150.0**	150.0
	300.0	450.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2021 of 89.29 cents per share (2020: 89.29 cents per share)	**150.0**	150.0

The 2021 final dividend of €150 million is subject to approval by shareholders at the Annual General Meeting on 9 March 2022 and has not been included as a liability in these financial statements.

Financial statements

Notes to the Company Financial Statements continued

For the year ended 31 December 2021

5. Property, plant and equipment

	Land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Motor vehicles €m	Total €m
Cost as at 1 January 2021	1.1	6.5	31.7	0.1	39.4
Additions	7.1	-	5.9	-	13.0
Written off	-	(0.2)	-	-	(0.2)
Disposals	-	-	-	(0.1)	(0.1)
Exchange adjustments	0.3	0.4	2.3	-	3.0
Cost as at 31 December 2021	8.5	6.7	39.9	-	55.1
Depreciation as at 1 January 2021	1.1	6.3	-	-	7.4
Charge for the year	1.2	0.2	-	-	1.4
Written off	-	(0.2)	-	-	(0.2)
Disposals	-	-	-	-	-
Exchange adjustments	0.1	0.4	-	-	0.5
Depreciation as at 31 December 2021	2.4	6.7	-	-	9.1
Carrying amount as at 31 December 2020	-	0.2	31.7	0.1	32.0
Carrying amount as at 31 December 2021	6.1	-	39.9	-	46.0

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.

Right-of-use assets have been included within property, plant and equipment above; see the following table for further details.

	Land and buildings €m	Fixtures and fittings €m	Motor vehicles €m	Total €m
Cost as at 1 January 2021	1.1	-	0.1	1.2
Additions	7.1	-	-	7.1
Written off	-	-	-	-
Disposals	-	-	(0.1)	(0.1)
Exchange adjustments	0.3	-	-	0.3
Cost as at 31 December 2021	8.5	-	-	8.5
Depreciation as at 1 January 2021	1.1	-	0.1	1.2
Charge for the year	1.2	-	-	1.2
Written off	-	-	-	-
Disposals	-	-	(0.1)	(0.1)
Exchange adjustments	0.1	-	-	0.1
Depreciation as at 31 December 2021	2.4	-	-	2.4
Carrying amount as at 31 December 2020	-	-	-	-
Carrying amount as at 31 December 2021	6.1	-	-	6.1

The total cash outflow relating to the right of use assets for the reporting period was €nil (2020: €0.7 million).

6. Intangible assets

	Software assets €m
Cost as at 1 January 2021	14.9
Exchange adjustments	0.9
Cost as at 31 December 2021	15.8
Amortisation as at 1 January 2021	14.9
Charge for the year	-
Exchange adjustments	0.9
Amortisation as at 31 December 2021	15.8
Carrying amount as at 31 December 2020	-
Carrying amount as at 31 December 2021	-

For the year ended 31 December 2021

7. Investments in subsidiaries and associate

	Share in subsidiary and associated undertakings €m
Cost as at 1 January 2021 and 31 December 2021	**527.8**
Impairment as at 1 January 2021 and 31 December 2021	**(232.9)**
Carrying amount as at 1 January 2021 and 31 December 2021	**294.9**

Details of the Company's subsidiaries and associate at 31 December 2021 are as follows:

	Nature of business	Registered office	Note	Proportion of ownership interest and voting power held %
Name of subsidiary				
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	(6)	(i)	100
Urenco Inc.	Sales / marketing	(5)	(i)	100
Urenco Finance UK Limited	Dormant	(1)	(i)	100
Urenco Finance US LLC	Dormant	(6)	(i)	100
Louisiana Energy Services, LLC	Enrichment services	(6)	(i)	100
Urenco Nuclear Stewardship Limited	Uranium handling services	(2)		100
Urenco USA Energy Services LLC	Support services	(6)	(i)	100
U-Battery Limited	Holding	(1)		100
U-Battery Developments Limited	New technology	(1)	(i)	100
U-Battery Canada Limited	New technology	(8)	(i)	100
Urenco UK Pension Trustee Company Limited	Dormant	(2)	(i)	100
Urenco Technology and Development GmbH[(iii)]	Dormant	(3)		100
National Enrichment Facility Series 2004 LLC	Financing	(6)	(i)	100
Urenco Funding Limited	Financing	(1)		100
Urenco Stable Isotopes North America LLC	Sales / marketing	(6)	(i)	100
Name of associate				
Enrichment Technology Company Limited	Manufacturing	(7)	(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) 1560 Wilson Boulevard, Suite 300, Arlington, Virginia, 22209-2463, USA
(6) 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA
(7) Unit 6, South Capenhurst Technology Park, Capenhurst, Chester, CH1 6EH, England
(8) 250 Howe Street, Suite 1400, Vancouver, British Columbia, V6C 3S7, Canada

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
(iii) Changed its name from Urenco Logistics GmbH in 2021.

Financial statements
Notes to the Company Financial Statements continued

For the year ended 31 December 2021

8. Trade and other receivables

	31/12/21 €m	31/12/20 €m
Amounts due from Group undertakings (<12 months)	**184.8**	68.2
Amounts due from Group undertakings (>12 months)	**3,228.8**	2,901.7
Other receivables	**4.8**	4.4
Corporation tax receivable	**93.8**	93.0
Prepayments and accrued income	**35.3**	35.7
	3,547.5	3,103.0

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 1.39% (2020: 0.58%) on current balances and 2.17% (2020: 3.56%) on non-current balances. The maturity dates of the non-current balances vary from 2023 to 2058.

The amounts due from Group undertakings are stated net of a provision for expected credit losses of €0.2 million (2020: €0.1 million) which has been offset against the intercompany current account and €18.1 million (2020: €16.4 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 UK direct subsidiary company.

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 €0.7 million, whereas using 75%, 5% and 20% respectively would increase the ECL by €0.7 million.

Prepayments and accrued income includes interest accrued on intercompany receivables of €nil (2020: €nil).

9. Short term deposits

	31/12/21 €m	31/12/20 €m
Short term deposits	**366.7**	528.8

Short term bank deposits comprise deposits which are not readily convertible to a known amount of cash or are subject to a more than insignificant risk of changes in value. Generally these are 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

	31/12/21 €m	31/12/20 €m
Cash	**142.7**	64.3
Cash equivalents	**382.6**	534.9
Total cash and cash equivalents	**525.3**	599.2

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.

11. Interest bearing loans and borrowings

		31/12/21 €m	31/12/20 €m
Bank and other loans repayable:			
Greater than 5 years:			
Yen 20 billion Loan Agreement	6.24%	**152.8**	158.4
Total non-current		**152.8**	158.4

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.

Notes to the Company Financial Statements continued

For the year ended 31 December 2021

12. Amounts due to Group undertakings

	31/12/21 €m	31/12/20 €m
Current liabilities	**2,247.2**	2,209.4
Non-current liabilities	**957.8**	953.3
	3,205.0	3,162.7

Intercompany accounts included in amounts due to Group undertakings are subject to interest. The average annual rate prevailing in the year was 0.17% (2020: 0.28%) on current balances and 2.62% (2020: 3.34%) 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

	31/12/21 €m	31/12/20 €m
Accruals	**20.9**	32.9
Trade payables	**3.7**	3.1
Amounts due to related parties	**55.5**	57.9
Other taxes and social security costs	**0.7**	0.5
	80.8	94.4

Accruals includes interest accrued on intercompany payables of €4.7 million (2020: €16.4 million).

14. Derivative financial instruments

Categories of financial instruments at fair value

	Amounts due within one year		Amounts due after more than one year	
	31/12/21 €m	31/12/20 €m	31/12/21 €m	31/12/20 €m
Financial assets at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	**18.6**	6.2	**28.4**	13.7
Interest rate/cross currency contracts	**38.4**	90.3	**-**	50.2
Forward foreign exchange contracts	**12.7**	25.3	**23.4**	53.7
Total assets measured at fair value	**69.7**	121.8	**51.8**	117.6
Financial liabilities at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	**(10.1)**	(25.3)	**(19.8)**	(53.7)
Interest rate/cross currency contracts	**(34.5)**	(41.9)	**(27.5)**	(49.5)
Forward foreign exchange contracts	**(27.5)**	(6.5)	**(28.4)**	(14.2)
Total liabilities measured at fair value	**(72.1)**	(73.7)	**(75.7)**	(117.4)

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Notes to the Company Financial Statements continued

For the year ended 31 December 2021

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

The valuation used for IAS19R disclosures has been based on the most recent actuarial valuation and updated by the actuaries during 2021 to take account of the requirements of IAS19R in order to assess the liabilities of the scheme at 31 December 2021. Scheme assets are stated at their market values at the reporting dates.

Main assumptions:

Key financial assumptions	**2021**	2020
Discount rate	**1.8%**	1.4%
Salary increases	**4.3%**	3.9%
Pension increases	**3.3%**	2.9%
Price inflation	**3.3%**	2.9%

Mortality assumptions	**2021**	2020
Life expectancy at age 60 for a male currently aged 60	**28.2**	29.4
Life expectancy at age 60 for a female currently aged 60	**29.9**	30.7
Life expectancy at age 60 for a male currently aged 40	**30.4**	31.4
Life expectancy at age 60 for a female currently aged 40	**31.6**	32.6

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

	Market value 2021 €m	Market value 2020 €m
Equities	**21.2**	29.9
Bonds	**49.8**	33.9
Total market value of scheme assets	**71.0**	63.8
Present value of scheme liabilities	**(63.4)**	(66.9)
Pension asset/(liability)	**7.6**	(3.1)

Movement in present value of benefit obligation	**2021 €m**	2020 €m
At 1 January	**(66.9)**	(65.7)
Interest cost	**(1.1)**	(1.3)
Past service gain	**0.3**	-
Actuarial gains/(losses)	**6.8**	(5.1)
Benefits paid to members	**1.7**	1.6
Exchange difference	**(4.2)**	3.6
At 31 December	**(63.4)**	(66.9)

The duration of the defined benefit obligation at 31 December 2021 was 18.8 years (31 December 2020: 19.7 years).

For the year ended 31 December 2021

15. Retirement benefit obligations continued

Movements in the fair value of plan assets	2021 €m	2020 €m
At 1 January	**63.8**	61.5
Interest income	**1.1**	1.2
Actuarial gains	**3.1**	5.6
Contribution by employer	**0.4**	0.4
Benefits paid to members	**(1.7)**	(1.6)
Exchange difference	**4.3**	(3.3)
At 31 December	**71.0**	63.8

Components of pension cost	2021 €m	2020 €m
Interest on pension scheme liabilities	**(1.1)**	(1.3)
Interest on scheme assets	**1.1**	1.2
Past service gain	**0.3**	-
Total pension cost recognised in income statement	**0.3**	(0.1)
Actuarial gains	**9.9**	0.5
Total pension movement recognised in the Statement of Comprehensive Income	**9.9**	0.5

	2021 €m	2020 €m
Present value of defined benefit obligation	**(63.4)**	(66.9)
Fair value of plan assets	**71.0**	63.8
Recognised asset/(liability) at 31 December	**7.6**	(3.1)

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

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 2021 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 31/12/21 €m
Discount rate	
Effect of increase in discount rate by +0.25% at 31 December 2021	**2.8**
Effect of decrease in discount rate by -0.25% at 31 December 2021	**(3.0)**
Inflation rate	
Effect of increase in inflation rate by +0.25% at 31 December 2021	**(2.4)**
Effect of decrease in inflation rate by -0.25% at 31 December 2021	**2.4**

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 the employer for the year beginning 1 January 2022 are expected to be €0.4 million (2021 actual contributions: €0.4 million) reflecting that the scheme was closed to further accruals from 5 April 2017. It is anticipated that no significant future contributions are required to be made unless investment conditions or actuarial assumptions would change in an adverse way.

A triennial valuation for the pension scheme was completed as at 5 April 2021 and subsequently rolled forward to 31 December 2021 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 €1.5 million (2020: €1.1 million) has been fully expensed against profits in the current year.

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Notes to the Company Financial Statements continued

For the year ended 31 December 2021

16. Called up share capital

	31/12/21 €m	31/12/20 €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 2019 and 1 January 2020	1,087.7
Net profit for the year 2020	376.2
Dividends paid	(450.0)
Actuarial gains on retirement benefit obligation	0.5
Deferred tax on actuarial gains	(0.1)
Foreign exchange translation differences	(38.8)
As at 31 December 2020 and 1 January 2021	**975.5**
Net profit for the year 2021	**352.0**
Dividends paid	**(300.0)**
Actuarial gains on retirement benefit obligation	**9.9**
Deferred tax on actuarial gains	**(2.5)**
Foreign exchange translation differences	**63.2**
As at 31 December 2021	**1,098.1**

The €2.6 million gain in the hedging reserve (2020: €6.4 million loss) relates to fair value movements recognised on debt instruments that are designated in a hedge relationship.

As at 31 December 2021, the Company had distributable reserves available of €1,069.9 million (2020: €943.3 million).

For the year ended 31 December 2021

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 31/12/21 €m	Year ended 31/12/20 €m
ETC(i)	**0.4**	-

(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 31/12/21 €m	Year ended 31/12/20 €m
ETC(i)	**55.5**	57.9

(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 60.

	Year ended 31/12/21 €m	Year ended 31/12/20 €m
Short term employee benefits	**2.9**	3.0
Long term employee benefits	**0.8**	0.6
	3.7	3.6

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for their services as a Director, as detailed in the Remuneration report on page 59.

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 €696.6 million (2020: €441.9 million). The Directors do not expect any liability to arise under these guarantees.

20. Events after the reporting period

As of 9 March 2022, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2021 financial statements.

Glossary

Capital expenditure

Reflects investment in property, plant and equipment plus the prepayments in respect of fixed assets and intangible asset purchases for the period.

Deconversion

This is the process of removing the volatile fluorine component from uranium hexafluoride to make stable uranium oxide (U_3O_8). Urenco has chosen to use U_3O_8 as the long term retrievable storage form of uranium.

EBITDA

EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. Depreciation and amortisation are adjusted to remove elements of such charges included in changes to inventories and SWU assets and net costs of nuclear provisions.

Enrichment Group

A collective name for Urenco Enrichment Company Ltd and its Subsidiaries, namely: Urenco UK Ltd (UUK); Urenco Nederland B.V. (UNL); Urenco Deutschland GmbH (UD) and Urenco Inc. (UI).

ETC

Enrichment Technology Company Limited – a joint venture company jointly owned with Orano (previously Areva). ETC provides enrichment plant design services and gas centrifuge technology for enrichment plants through its subsidiaries in the UK, Germany, the Netherlands, France and the US.

Euratom

The European Atomic Energy Community, established in 1957 by members of the European Union.

EUP

Enriched Uranium Product, i.e. UF_6 enriched, typically, to between 3% and 5% U_{235} content.

Feed

Natural or reprocessed uranium, converted to UF_6, and fed into the cascades for enrichment.

FFO/TAD

FFO/TAD is the ratio of funds from operations (FFO) to total adjusted debt (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.

IAEA

The International Atomic Energy Agency is the world's central intergovernmental forum for scientific and technical cooperation in the nuclear field.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

Joint Committee

The committee of representatives of the governments of the Netherlands, the United Kingdom and Germany that oversees Urenco's compliance with the Treaty of Almelo.

LEU+

Low Enriched Uranium Plus – UF_6 enriched to between 5% and 10% U_{235} content, which can be used in existing light water reactors seeking to achieve higher levels of safety and efficiency.

Low Assay Feed (LAF)

Tails material with a U_{235} assay such that there is economic rationale to include in plans to re-enrich.

LTI

A Lost Time Incident is any work related injury or illness which prevents that person from doing any work the day after the accident.

Net assets

Total assets less total liabilities.

Net costs of nuclear provisions

The net costs charged to the income statement associated with the creation and release of provisions for tails, decommissioning and re-enrichment of LAF.

Net debt

Loans and borrowings (current and non-current) plus obligations under leases less cash and cash equivalents and short term deposits.

Net finance costs

Finance costs less finance income, net of capitalised borrowing costs and including costs/income of non-designated hedges and charges/reversals of expected credit losses on financial assets.

Net interest

Net finance costs excluding gains and losses on non-designated hedges and excluding capitalised borrowing costs.

NRC

The Nuclear Regulatory Commission is an independent agency of the US government established under the Energy Reorganization Act of 1974 to ensure adequate protection of public health and safety, common defence and security, and the environment in the use of nuclear materials in the USA.

Orano (previously Areva)

The French energy group that holds 50% of the shares in ETC.

Order book

Contracted and agreed business estimated on the basis of 'requirements' and 'fixed commitment' contracts.

Other operating and administrative expenses

Expenses comprising Raw costs of materials and consumables used, Employee costs, Restructuring charges and Other expenses, but excluding the Net costs of nuclear provisions.

Parent Company

Urenco Limited.

Revenue
Revenue from the sale of goods and services and net fair value gains/losses on commodity contracts.

SWU
Separative Work Unit. The standard measure of the effort required to increase the concentration of the fissionable U_{235} isotope.

Tails (Depleted UF_6)
Uranium hexafluoride that contains a lower concentration than the natural concentration (0.711%) of the U_{235} isotope.

Tails Management Facility (TMF)
The facility constructed and operated by Urenco ChemPlants Limited that will manage the deconversion of tails into stable uranium oxide (U_3O_8). Currently undergoing commissioning at Urenco's site in Capenhurst, UK, it consists of a number of associated storage, maintenance and residue processing facilities to support Urenco's long term strategy for the management of tails.

Treaty of Almelo
In the early 1970s the German, Dutch and British governments signed the Treaty of Almelo, an agreement under which the three partners would jointly develop the centrifuge process of uranium enrichment.

Treaty of Cardiff
In July 2005 the German, Dutch, British and French governments signed the Treaty of Cardiff, an agreement between the four governments to supervise the collaboration between Urenco and Orano in their joint venture, ETC.

Treaty of Washington
In July 1992 the German, Dutch, British and United States of America governments signed the Treaty of Washington, an agreement which was required in order to permit the establishment of the National Enrichment Facility.

tSW
Tonnes of Separative Work.

tSW/a
Tonnes of Separative Work per annum.

UEC
Urenco Enrichment Company Limited.

UK GAAP
The Generally Accepted Accounting Practice in the UK.

Uranic material
Natural uranium, enriched uranium and depleted uranium.

Working capital
Inventories, trade and other receivables, less the current portion of trade and other payables.

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