

## **Urenco UK Limited**

### **Annual Report and Financial Statements**

For the year ended  
31 December 2020

Registered No: 01144899

**Directors**

C Chater  
L Simmonds  
B Schucht (resigned 3 August 2020)  
D Sexton (appointed 3 August 2020)  
M Oakley (appointed 3 August 2020)

**Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

**Bankers**

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

**Registered Office**

Capenhurst Works  
Capenhurst  
Chester  
Cheshire  
CH1 6ER

## Strategic Report

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

During 2020, safety of people and processes remained the top priority.

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

### Strategic direction

The end of 2019 saw the completion of the Strategy 2020 vision, including the achievement of several strategic targets with regard to optimising the way we do business and creating a more efficient organisation.

In 2020, the Urenco Group launched a new strategic planning process to reflect its view of the future and set out what it needs to achieve in the long term (5 to 15 years), mid term (3 to 5 years) and short term (12-24 months). The result is Our Strategy – developed and delivered by its people, for its people. Our Strategy is designed around five building blocks:

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

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

### Key financial performance indicators

	<b>2020</b>	<i>Restated</i> <b>2019</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	
Revenue	<b>362,965</b>	395,726	<b>-8.3%</b>
Income from operating activities	<b>108,379</b>	98,532	<b>10.0%</b>
Net income for the year	<b>85,782</b>	58,413	<b>46.9%</b>
Average monthly employees	<b>386</b>	359	<b>7.5%</b>

Revenue for the year ended 31 December 2020 was £363m, a decrease of 8.3% on the £395.7m in 2019. SWU revenues were lower in 2020 by £36m and uranium related sales were higher by £24m. For SWU revenues, both volumes and average unit revenues were lower than the previous year. Uranium related sales experienced higher volumes and higher realised unit prices.

## Strategic Report (continued)

Income from operating activities for the year ended 31 December 2020 was 10% higher at £108.4m (2019: restated £98.5m), as costs declined more than revenue. For the year ended 31 December 2020, income tax was £1.1m (2019 restated: £22.5m). 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 for an APA were agreed in December 2020. The year-on-year reduction in total tax reflects the impact of the agreed pricing on the results of the Company. Net income for the year ended 31 December 2020, at £85.8m, was 46.9% higher than 2019 (restated £58.4m).

The average number monthly employees has risen slightly as some contract positions have been replaced by permanent staff. This has generated overall operating cost savings.

### Principal risks and uncertainties

The Company is aligned with the Group's overarching risk management policy and procedure. The Company identifies and responds to risks in the areas of safety, safeguards, security, transport and regulation. For further details of risks in the uranium enrichment market, refer to the Urenco Limited annual report and financial statements. Please see note 33 for details on how to obtain these financial statements. Specific risks further relating to Urenco UK Limited are discussed below.

### Covid-19

Throughout 2020 Urenco ensured measures were in place to prevent and mitigate the risks associated with COVID-19. The main challenge, and the key priority, was to ensure the health and safety of our employees and the continued safe and secure operation of our sites.

Our Global Covid-19 Teams worked together quickly and decisively to establish detailed prevention, mitigation, and recovery plans. Increased preventative measures were also implemented at all sites, including remote working for employees who could do so.

Safety requirements were put in place for face coverings, hand sanitising stations and physical distancing. Rapid COVID-19 testing by approved medical providers was made available to Urenco employees, offered on a voluntary basis for those who wished to have the test, and also as a requirement for site operations where conditions dictated more stringent measures.

Procurement strategies for additional spares and supplies were also established to support continued operations and to mitigate risk.

There was no interruption to either our operations, our supply chain or logistics. We maintained our 100% record of delivering to our customers on time, while providing strong support to our employees and taking no assistance from Government employment schemes.

From March, work on the sites was focused on business critical activities with some capital projects being slowed.

### Credit risk

The Company's principal financial assets are cash and cash equivalents, derivative financial instruments and trade and other receivables totalling £748.2m (2019: £727.4m). In addition, the Company is party to composite guarantees of borrowings by the Urenco Limited Group from various loan arrangements which totalled £1,737m at the reporting date (2019: £1,913m). The Directors do not expect any liability to arise under these guarantees (see note 34).

The Company's credit risk is mainly attributable to counterparty credit risk associated with other participants in the nuclear fuel chain. It is the Company's policy that all customers wishing to trade on credit are subject to an internal approval process based on a system of credit scoring similar

## Strategic Report (continued)

to that used by external rating agencies. Customers are assigned credit limits based on this credit score and their credit balances are monitored and managed against these limits on a monthly basis. Historically, there has been no payment default by any counterparty trading with the Company under this procedure.

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

### Foreign exchange risk

Foreign currency risk arises in the Company in respect of transactions entered into in currencies other than the Company's functional currency, sterling. The Group has transactional currency exposure as a result of approximately 61% of its revenues being denominated in US dollars (2019: 48%), and 39% in euros (2019: 51%). The Company is exposed to these risks due to revenue and cost recharges from Group. Foreign currency revenues are largely hedged with the parent company Urenco Limited.

### Interest rate risk

The Company is exposed to interest rate risk on its cash and receivable balances. The primary balance is with the ultimate parent company, Urenco Limited.

### Liquidity risk

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

### Regulatory risk

During the year, Urenco finalised preparations for the UK's withdrawal from the European Union and Euratom treaty, ensuring that our products are in the right locations across the world and bringing forward international procurement of key supplies in case of transport disruption. These actions, and others the Company has taken, will enable us to continue to provide services from site.

## Strategic Report (continued)

### Section 172(1) statement

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

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

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

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

The Company's key stakeholders are its workforce, trade unions, customers, suppliers, the local communities in which it operates, regulators, Government agencies, and non-governmental organisations. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. The size and spread of both the Company's stakeholders and the Urenco Group means that generally our stakeholder engagement takes place at an operational and Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details of the engagement that takes place with the Group's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see page 33 of the Urenco Group's 2020 Annual Report.

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

In 2020, the UUK Board approved a plan for future site-wide capital investment. In making its decision to proceed with this, the directors had regard to a number of factors including continued employment for the workforce.

In 2020, the UUK Board considered a programme of continuous improvement initiatives. The programme includes employee welfare, asset management, maintaining its customer base, and

## Strategic Report (continued)

company growth. The Board concluded that investment in this programme would help deliver long-term success to the Company.

In 2020, the UUK Board considered and agreed upon the continued investment in employee's capability, engagement and performance. The Board's decision-making process included discussions in relation to the culture programme, knowledge transfer and early career development. The Board concluded that on-going investment in the workforce would help deliver long-term success to the Company.

Authorised and approved

L Simmonds  
Director  
16 March 2021

## Directors' Report

The Directors present the annual report and the audited financial statements for the year ended 31 December 2020.

### Results, dividends and going concern

The income for the year, after taxation, amounted to £85.8m (2019: £58.4m). In the year, the Directors paid an interim dividend of £100m (2019: £50m). The Directors do not recommend payment of a final dividend (2019: £nil).

The Directors are satisfied with the Company's performance. After making enquiries, including consideration of the Company's guarantor position on the Urenco Group debt portfolio discussed further below, the Directors are satisfied that the Company's net assets, future order book and access to adequate resources are sufficient for it to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis in preparing the 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.

### Future developments

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

### Sustainability

The Company is committed to minimising the impact on the environment and has initiatives which cover energy efficiency, emissions, water usage and waste.

### Financial risk management objectives and policies

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

### Decontamination and disposal costs

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

### Transactions with related parties

The Company is, indirectly, a wholly owned subsidiary of Urenco Limited and as such has taken advantage of the exemption available under Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") not to disclose transactions with other members of the Urenco Limited Group. Other related party transactions are set out in note 35.

### Disabled employees

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

### Employee involvement

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

### Directors

The Directors who served during the year, at 31 December 2020 and at the date of this report are listed on page 2.



## Directors' Report (continued)

### Directors' interests

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

### Disclosure of information to the auditor

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

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

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

### Auditor

The reappointment of Deloitte LLP as auditor was made via a written shareholder resolution on 16 March 2021.

The responsibilities of the auditor are set out in their report on page 12.

Authorised and approved

L Simmonds  
Director

16 March 2021

## Directors' Statement of Responsibilities

### Directors' responsibilities statement

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

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

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

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

## **Independent Auditor's Report** to the members of Urenco UK Limited

### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Company which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 37.

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

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

#### **Conclusions relating to going concern**

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

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

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

## **Independent Auditor's Report (continued)**

### **to the members of Urenco UK Limited**

#### **Other information**

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

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

We have nothing to report in this regard.

#### **Responsibilities of directors**

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

## **Independent Auditor's Report (continued)**

### **to the members of Urenco UK Limited**

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

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

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

### **Use of our report**

## **Independent Auditor's Report (continued)**

### **to the members of Urenco UK Limited**

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

Christopher Thomas  
(Senior Statutory Auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
16 March 2021

## Income Statement

For the year ended 31 December 2020

		<b>2020</b>	<i>Restated</i> <b>2019</b>
		<b>Result for</b>	<b>Result for</b>
	<i>Notes</i>	<b>the year</b>	<b>the year</b>
		<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	2,36	<b>362,965</b>	395,726
Raw costs of materials and consumables used		<b>(13,223)</b>	(19,520)
Changes to inventories of work in progress and finished goods and SWU assets	18,19	<b>(10,712)</b>	(24,439)
Employee costs	7	<b>(25,612)</b>	(23,996)
Other expenses	8	<b>(98,144)</b>	(97,469)
Depreciation and amortisation	14,15,16	<b>(41,068)</b>	(38,972)
Net costs of nuclear provisions (i) (ii)	22	<b>(65,827)</b>	(92,798)
<b>Income from operating activities</b>	3	<b>108,379</b>	98,532
Finance income	9	<b>4,783</b>	7,403
Finance costs	10	<b>(25,945)</b>	(24,549)
Other gains and (losses)	11	<b>(364)</b>	(492)
<b>Income before tax</b>		<b>86,853</b>	80,894
Income Tax (expense) / credit (ii)	12	<b>(1,071)</b>	(22,481)
<b>Net income / (loss) for the year attributable to the owners of the Company</b>		<b>85,782</b>	58,413

(i) Net costs of nuclear provisions includes £77.2m for the year ended 31 December 2019 classified as exceptional items. Refer to note 5 for further details. There were no exceptional items in the year ended 31 December 2020.

(ii) The amounts in the tails provision as at 1 January 2019 and as at 31 December 2019 have been restated. This resulted in a reduction of the net cost of nuclear provisions by £5.1m from £97.9m to £92.8m and in an increase of income tax expense by £1.0m from £21.5m to £22.5m.

All items in the income statement relate to continuing operations.

# Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 £'000	Restated 2019 £'000
Net income for the financial year (i)		85,782	58,413
<b>Items that may be reclassified subsequently to the income statement</b>			
Cash flow hedges - transfers to revenue		13,620	23,295
Cash flow hedges - mark to market		(5,450)	22,343
Deferred tax on cash flow hedges	12	(1,565)	(7,666)
		<b>6,605</b>	<b>37,972</b>
<b>Items that will not be reclassified subsequently to the income statement</b>			
Actuarial gains / (losses) recognised on defined benefit pension scheme	31	3,457	(10,358)
Deferred tax (expense) / income on actuarial gains / (losses)	12	(657)	982
Current tax (expense) / income on actuarial gains / (losses)		-	871
		<b>2,800</b>	<b>(8,505)</b>
Other comprehensive income for the period		<b>9,405</b>	<b>29,467</b>
<b>Total comprehensive income for the period attributable to owners of the company (ii)</b>		<b>95,187</b>	<b>87,880</b>

(i) The amounts in the tails provision as at 1 January 2019 and as at 31 December 2019 have been restated. This resulted in an increase of net income for the financial year by £4.1m from £54.3m to £58.4m.

(ii) The amounts in the tails provision as at 1 January 2019 and as at 31 December 2019 have been restated. This resulted in an increase of total comprehensive income for the financial year by £4.1m from £83.8m to £87.9m.



# Statement of Financial Position

As at 31 December 2020

		31 December 2020	Restated 31 December 2019	Restated 1 January 2019
	Notes	£'000	£'000	£'000
<b>Non current assets</b>				
Property, plant and equipment	14	446,018	443,542	434,533
Investment property	15	3,721	3,954	4,187
Intangible assets	16	107	687	1,610
Net investment in sublease	32	15,238	15,245	-
Derivative financial instruments	24	8,991	15,101	2,115
Contract assets	17	1,842	1,465	-
Deferred Tax Asset		-	-	15,084
Trade and other receivables		-	-	10,213
		<b>475,917</b>	<b>479,994</b>	<b>467,742</b>
<b>Current assets</b>				
Inventories	18	26,067	18,178	14,603
Contract assets	17	1,945	3,149	-
SWU assets	19	4,540	1,076	7,516
Net investment in sublease	32	845	845	-
Trade and other receivables	20	730,520	706,909	572,993
Derivative financial instruments	24	6,724	3,846	1,358
Cash and cash equivalents		91	93	98
		<b>770,732</b>	<b>734,096</b>	<b>596,568</b>
<b>Total assets</b>		<b>1,246,649</b>	<b>1,214,090</b>	<b>1,064,310</b>
<b>Non current liabilities</b>				
Trade and other payables	21	-	-	-
Contract liabilities	26	12,123	6,370	6,514
Provisions (i)	22	807,436	713,080	594,582
Lease liabilities	32	15,169	15,175	-
Retirement benefit obligations	31	13,136	20,485	14,711
Derivative financial instruments	24	1,527	4,247	20,676
Deferred tax liability	12	8,206	7,202	-
		<b>857,597</b>	<b>766,559</b>	<b>636,483</b>
<b>Current liabilities</b>				
Trade and other payables	25	25,788	32,130	42,897
Contract liabilities	26	17,521	16,295	-
Lease liabilities	32	852	825	-
Current corporation tax (ii)		84,899	124,661	134,890
Derivative financial instruments	24	1,930	10,745	25,045
		<b>130,990</b>	<b>184,656</b>	<b>202,832</b>
<b>Total liabilities</b>		<b>988,587</b>	<b>951,215</b>	<b>839,315</b>
<b>Net assets</b>		<b>258,062</b>	<b>262,875</b>	<b>224,995</b>
<b>Equity</b>				
Called up share capital	27	40,000	40,000	40,000
Informal capital	28	15,566	15,566	15,566
Retained earnings (iii)	29	188,017	199,435	199,527
Hedging reserve		14,479	7,874	(30,098)
<b>Total equity</b>		<b>258,062</b>	<b>262,875</b>	<b>224,995</b>

The 2019 opening and closing balances have been restated to reverse the effect of tails provisions booked in each of the years: (i) provisions (2019 decrease of £16.2m from £729.3m to £713.1m, 2018 decrease of £11.1m from £605.7m to £594.6m), (ii) current corporation tax (2019 increase by £3.1m from £121.6m to £124.7m, 2018 increase of £2.1m from £132.8m to £134.9m), (iii) retained earnings (2019 increase by £13.1m from £186.3m to £199.4m, 2018 increase by £9.0m from £190.5m to £199.5m).

The financial statements of Ureenco UK Limited (registered number 01144899) were approved and authorised for issue by the board of Directors on 16 March 2021.

L Simmonds  
Director

## Statement of Changes in Equity

For the year ended 31 December 2020

		Share Capital £'000	Informal Capital £'000	Retained earnings £'000	Hedging Reserve £'000	Attributable to the owners of the company £'000
	Notes					
As at 1 January 2020		40,000	15,566	199,435	7,874	262,875
		40,000	15,566	199,435	7,874	262,875
Income for the period		-	-	85,782	-	85,782
Other comprehensive income		-	-	2,800	6,605	9,405
Total comprehensive income		-	-	88,582	6,605	95,187
Dividends	13	-	-	(100,000)	-	(100,000)
As at 31 December 2020		40,000	15,566	188,017	14,479	258,062
As at 31 December 2018		40,000	15,566	190,546	(30,098)	216,014
Restatement (i)		-	-	8,981	-	8,981
As at 1 January 2019		40,000	15,566	199,527	(30,098)	224,995
		40,000	15,566	199,527	(30,098)	224,995
Income for the period (ii)		-	-	58,413	-	58,413
Other comprehensive income		-	-	(8,505)	37,972	29,467
Total comprehensive income		-	-	49,908	37,972	87,880
Dividends	13	-	-	(50,000)	-	(50,000)
As at 31 December 2019		40,000	15,566	199,435	7,874	262,875

(i) The balance of retained earnings as at 1 January 2019 has been increased by £9.0m representing the post tax impact of a release from the tails provisions on the same date.

(ii) The income for the period has been restated, resulting in an increase of £4.1m from £54.3m to £58.4m following a release from the tails provision.

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

## Notes to the Accounts

For the year ended 31 December 2020

### Notes to the accounts

#### 1. Significant accounting policies

##### General Information

Urenco UK Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom (England and Wales) under the Companies Act 2006.

##### Authorisation of financial statements

The Company's financial statements for the year ended 31 December 2020 were approved and authorised for issue by the board of Directors on 16 March 2021 and the statement of financial position was signed on behalf of the Board by L Simmonds.

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

##### Basis of preparation

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

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, standards not yet effective, presentation of financial statements, fair value measurement, revenue recognition, leases, financial instruments and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Urenco Limited. The Group accounts of Urenco Limited are available to the public and can be obtained as set out in note 33.

##### Going concern

After making enquiries, the Directors are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future and continues to adopt the going concern basis in preparing the financial statements. In reaching their conclusion, the Directors have considered the Company's strong order book and financial position, notably net current assets of £640m.

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 4.

##### Adoption of new and revised standards

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

The accounting policies adopted in the preparation of the Company's annual financial statements for the year ended 31 December 2020 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, 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 2020. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

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

International Accounting Standards (IFRS / IAS)	IASB Effective Date - periods commencing on or after	UK-endorsed effective Date - periods commencing on or after
Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020)	1 June 2020*	1 June 2020
Amendments to IFRS 3 Business Combinations (issued on 22 October 2018)	1 January 2020	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019)	1 January 2020	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	1 January 2020	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	1 January 2020
* applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021		

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.

All UK incorporated companies that have been previously required to use EU-adopted IFRS will 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 will be identical.

### Critical accounting judgements and key sources of estimation uncertainty

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

### Critical Accounting Judgements

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

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### Critical accounting judgements and key sources of estimation uncertainty continued

##### Critical Accounting Judgements continued

- **Effectiveness of hedge accounting relationships**

The Company holds derivative instruments, many of which are designated as accounting hedges. Judgement is applied in management's assessment of the effectiveness of these hedges in particular where the probability and timing of the cash revenues or expenditures (the hedged items) is concerned to which the hedging instruments are related. Details about hedging activities are given in note 23 and 24.

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

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

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

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

**Critical accounting judgements and key sources of estimation uncertainty** continued

**Critical Accounting Judgements** continued

- **Determination of standalone selling price**

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

- **Determine Transaction Price**

The transaction price calculated for any uranium supply or enrichment services contract is based on the total amount which Urenco expects to receive. The total consideration to which Urenco is expected to be entitled at inception of enrichment and uranium supply contracts can include elements of variable consideration. This variable consideration should be estimated prudently, 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 to ensure that a significant reversal of revenue is not highly probable. Management will use judgement in considering which elements of variable consideration are to be constrained, which may include price caps and floors and variable pricing frameworks across a series of performance obligations.

**Key sources of estimation uncertainty**

- **Tails provisions and decommissioning provisions**

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

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

### 1. Significant accounting policies continued

**Critical accounting judgements and key sources of estimation uncertainty** continued

**Key sources of estimation uncertainty** continued

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

## Notes to the accounts

### For the year ended 31 December 2020

The provision for tails is calculated as a rate applicable to the quantity of tails held at the statement of financial position date.

Consequently, a movement in the rate or quantity of tails held would result in a movement in the provision.

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

Adjustments to the decommissioning provisions associated with property, plant and equipment result in adjustments to the value of the related asset. Where the related asset is fully written down to residual value and the provision has decreased, a gain will be taken directly to the income statement. The Directors intend to decommission plant used in the enrichment process as soon as practicably possible after it is shut down.

The cash flows have been inflated at a rate of 2% (2019: 2%) per annum and discounted at a rate of 3.25% (2019: 3.5%), to take account of the time value of money.

A detailed triennial review was carried out in 2018 and the next one is planned for 2021. Details of the provisions and a sensitivity analysis are given in note 22.

- **Actuarial assumptions for defined benefit pensions**

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about life expectancies, discount rates, expected rates of return on assets, future salary increases, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The key assumptions are considered to be the discount rate and the inflation rate. Details of these assumptions and relevant sensitivity analysis for the key estimates are given in note 31.

#### **Work performed by the entity and capitalised**

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

#### **Leases and hire purchase commitments**

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate. The rate is

#### **1. Significant accounting policies continued**

##### **Leases and hire purchase commitments continued**

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 Statement of Financial Position.

## Notes to the accounts

### For the year ended 31 December 2020

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

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

#### Retirement benefit costs

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

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

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

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

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

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

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

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



## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### Taxation

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

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

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

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

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

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

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

#### Property, plant and equipment

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

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

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### Property, plant and equipment continued

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

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

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

#### Investment Property

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

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

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

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

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

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

#### Intangible assets

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

	Years
ERP Assets	4
Waiver Payments	8-10
License costs	2

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

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

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### Intangible assets continued

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

#### Impairment of property, plant and equipment and intangible assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Revenue recognition

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

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

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

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### Revenue recognition continued

The Company also generates revenue from the sale of Urenco owned uranium to customers. Contracts with customers are usually for the long term supply of enrichment services or uranium related goods and normal payment terms are 30 days from the invoice date. Generally, the date of invoicing is the date that control of the SWU or uranium transfers to the customer.

Contracts will typically comprise elements of fixed and variable consideration, the latter of which may include, but not be limited to indexation and price formulae referencing customer volume uptakes. Contracts may include volume flexibilities for the customer to take off additional quantities of enrichment services or uranium over and above contractual minimums, which are treated as options. Contracts may also include, within the transaction price, a significant financing component. Where this is present, the interest calculated on the significant financing component is recognised in Note 9 as "Interest income on contract assets" (2020: nil, 2019: nil).

#### Sale of services

An enrichment contract usually has a series of distinct performance obligations, where there is a specified set of fixed or minimum quantity deliveries, each one relating to the enrichment of uranium as provided by the customer. Contracts that deliver on a 'requirement basis', those which deliver a quantity equivalent to a percentage amount of the customer's SWU requirements needs, are considered to be a series of options. This may also apply in other situations where quantities are not fixed or additional amounts can be sought. The timing of passing of control of the enriched uranium to the customer occurs at the same time when the Company acquires title to the uranium provided by the customer and the point in time when the Company acquires title to the tails generated by the associated enrichment activity. Revenue is derived from the sales of the SWU component of EUP arising from the enrichment service provided. Revenue is recognised at the point in time control of the service transfers to the customer, which is at the point the underlying SWU is transferred to the customer. This is the earlier of allocation of the enrichment activity (SWU) to the customer's book account (either held at a third party or with Urenco) or physical delivery by Urenco of the SWU component of EUP.

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

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

The transaction price excludes any incremental amounts that become payable only if the customer chooses to exercise an option to purchase additional goods or services. Where that option includes a discount giving rise to a material right, an element of the transaction price is

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### **Sale of services** continued

allocated to that material right. This overall transaction price is allocated to the discrete performance obligations based on an assessment of the standalone selling price for each performance obligation. The determination of the standalone selling price requires judgement, as explained in this note under Critical accounting judgements.

There are occasions where a contract might be amended resulting in different prices which gives rise to a material right to acquire future goods or services which are the same goods or services for which there is no material right. As permitted under IFRS 15, as a practical alternative to estimating the standalone selling price of the option included in the material right, Urenco thereby allocates the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration.

Urenco considers this to be a reasonable expedient as the delivery of the goods and services subject to the price realignment are typically provided under requirements contracts, which are not considered as options by the customers, as they reflect long-term operation of their nuclear power plants. Typically, those types of options are for contract renewals.

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

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

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### Sale of goods

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

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

#### Application of the Company's revenue recognition policy

Judgement is required in determining the amount and timing of recognition of revenue for enrichment services and uranium related sales due to the complex nature of certain enrichment contracts and contractual delivery terms. See also this note under Critical accounting judgements. This is particularly relevant at period ends where a large volume of sales are made to customers, often for individually high values. This judgement includes an assessment of whether revenues are recognised in accordance with the Company's revenue recognition policy and updating of this policy for any new types of transactions. Details of revenues are given in notes 2 and 3.

#### Inventories

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

Cost is calculated predominantly by using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate. Spares and other equipment are measured on a moving average basis

#### SWU assets

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

#### Contract assets

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

#### Contract liabilities

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

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### **Inventory borrowings from third parties**

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

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

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

#### **Provision for decommissioning, disposal, low assay feed and future personnel costs**

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

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

Provision has been made for all estimated costs and for the eventual disposal of tails. The costs for tails provisions take account of conversion to a different chemical state, intermediate storage, transport and safe disposal. As much of the expenditure involved may take place in the future, the cash flows have been inflated at a rate of 2% (2019: 2%) and discounted at a rate of 3.25% (2019: 3.5%), to take account of the time value of money, in accordance with industry practice.

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

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

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

The fundamental assumptions underlying these provisions were reviewed in detail as part of the triennial review in 2018 and will continue to be revisited on an annual basis.

#### **Trade payables**

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

## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### Foreign currencies

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

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

#### Assets leased to third parties

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

#### Retirement benefit obligations

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

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

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

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

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

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

#### Related parties

As set out in note 35, the Company is, indirectly, a wholly owned subsidiary of Urenco Limited and as such has taken advantage of the exemption available under Financial Reporting Standard 101 "Reduced Disclosure Framework", not to disclose transactions with other members of the Urenco Limited Group. Transactions with other related parties are included in note 35 Related Party transactions.

#### Derivative financial instruments

The Company enters into derivative financial instruments with the parent Company, Urenco Limited, in order to manage its exposure to foreign exchange rate risk on its sales less expenses in foreign currency. Further details of derivative financial instruments are disclosed in note 24.



## Notes to the accounts

For the year ended 31 December 2020

### 1. Significant accounting policies continued

#### **Derivative financial instruments** continued

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

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

#### **Hedge accounting**

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

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

Note 24 sets out details of the fair values of the derivative instruments used for hedging purposes.

#### **Cash flow hedge**

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

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

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

## Notes to the accounts

For the year ended 31 December 2020

### 2. Revenue

A portion of the Company's revenue which is denominated in foreign currencies is cash flow hedged. The amounts disclosed for revenue from the sale of goods and services include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a net loss of £13.6m (2019: net loss £23.3m).

All revenues relating to sales of goods and services recognised during the period arose from contracts with customers. Please see note 36 for analysis by geographical location.

The amount of revenue recognised during the year that was previously recorded as a contract liability was £15.0m (2019: £15.5m).

### 3. Income from operating activities

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

	<i>Notes</i>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Rental income from investment property	15	<b>(859)</b>	(567)
Exchange rate difference - operating gain		<b>(7,624)</b>	(9,096)
Exchange rate difference - operating loss		<b>9,073</b>	10,652
Unrealised operating exchange difference		<b>2,283</b>	(1,433)
Expenses relating to short term leases	32	<b>14</b>	53
Depreciation:			
- of owned and leased property, plant and equipment	14	<b>33,291</b>	32,577
- of capitalised decommissioning costs	14	<b>6,964</b>	5,239
- of investment property	15	<b>233</b>	233
Amortisation of owned intangible assets	16	<b>580</b>	923

## Notes to the accounts

For the year ended 31 December 2020

### 4. Auditor's remuneration

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

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the Company's accounts	62	59
<b>Total audit fees</b>	<b>62</b>	<b>59</b>

There were no non-audit fees charged to the company in the year (2019: £nil).

### 5. Exceptional items

#### Net costs of nuclear provisions

In 2019 the reduction in the real discount rate for the UK increased UUK's nuclear provisions by £84.9m, of which £67.8m was associated with tails, £9.7m with decommissioning, and £7.4m with cylinder disposals. Of the £84.9m, £77.2m was charged to the income statement while the remaining £7.7m was recognised as an increase to decommissioning assets.

This increase in the provisions resulted in a current and deferred income tax credit for a total amount of £14.6m.

There have been no exceptional items in 2020.

### 6. Directors' emoluments and transactions

During the period, five Directors were employed as Directors of the Company. The highest paid Director's remuneration, together with pension contributions relating to him, and one other Director were paid by and charged in the accounts of another Group Company, Urenco Limited (2019: one Director). The remuneration of another Director was paid by and charged in the accounts of another Group Company and no amounts were reimbursed by this Company (2019: same).

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

	2020 £'000	2019 £'000
Aggregate emoluments	293	208
Aggregate pension contributions in the year to defined contribution scheme	8	4
	<b>301</b>	<b>212</b>
	<b>No.</b>	<b>No.</b>
Members of defined contribution pension scheme	<b>2</b>	<b>1</b>

## Notes to the accounts

For the year ended 31 December 2020

### 6. Directors' emoluments and transactions continued

The remuneration of the highest Director paid by the Company

	2020 £'000	2019 £'000
Aggregate emoluments	246	212
	<b>246</b>	<b>212</b>

### 7. Employee costs

	2020 £'000	2019 £'000
Wages and salaries	22,878	21,649
Social security costs	2,752	2,453
Pension contributions	3,477	2,828
	<b>29,107</b>	<b>26,930</b>
Own work capitalised	(3,495)	(2,934)
Employee costs	<b>25,612</b>	<b>23,996</b>

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

	2020 No.	2019 No.
Technical	336	311
Administration	50	48
	<b>386</b>	<b>359</b>

### 8. Other expenses

	2020 £'000	2019 £'000
Consultancy and third party services	5,592	6,246
Energy and other utilities	15,718	14,853
Intercompany services received	33,401	35,210
Loss on disposal of assets	14 74	-
Operating foreign exchange gains	(7,624)	(9,096)
Operating foreign exchange losses	11,356	9,219
Operating costs	27,756	27,832
Operator fees & commission	11,871	13,205
	<b>98,144</b>	<b>97,469</b>

## Notes to the accounts

For the year ended 31 December 2020

### 9. Finance income

	2020 £'000	2019 £'000
Interest receivable from Group undertakings	3,541	5,961
Intercompany lease interest income	859	860
Hedge ineffectiveness on cash flow hedges	383	582
	<b>4,783</b>	<b>7,403</b>

### 10. Finance costs

	2020 £'000	2019 £'000
Unwinding of discount on provisions	24,827	23,640
Interest expense on lease liabilities	863	863
Expected credit losses	-	46
Hedge ineffectiveness on cash flow hedges	255	-
	<b>25,945</b>	<b>24,549</b>

### 11. Other losses

	Notes	2020 £'000	2019 £'000
Net interest expense on defined benefit pension scheme	31	(364)	(382)
Expected credit losses		-	(110)
		<b>(364)</b>	<b>(492)</b>

### 12. Taxation

a) Analysis of tax charge in the income statement:

	2020 £'000	Restated <sup>(i)</sup> 2019 £'000
Current tax:		
UK corporation tax on income for the year	21,565	24,500
Adjustments in respect of prior years <sup>(ii)</sup>	(19,276)	(17,621)
	<b>2,289</b>	<b>6,879</b>
Deferred tax:		
Origination and reversal of temporary differences	(1,299)	(2,138)
Adjustment in respect of prior years	81	17,740
	<b>(1,218)</b>	<b>15,602</b>
Total tax charge on income from ordinary activities	<b>1,071</b>	<b>22,481</b>

(i) The 2019 income before tax has been restated to include £5.1 million tails provision release, increasing the 2019 total tax charge by £1.0 million expense. Refer to note 22 for further details on the tails provision release.

## Notes to the accounts

For the year ended 31 December 2020

### 12. Taxation continued

#### a) Analysis of tax charge in the income statement: continued

- (ii) 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 for an APA were agreed in December 2020. The current tax adjustment in respect of prior years above reflects the impact of the agreed pricing on the results of the Company.

#### Income tax on exceptional items within the income statement

The £77.2m pre-tax nuclear provisions related exceptional cost recognised in 2019 and detailed in note 5 resulted in a 2019 current tax income of £14.0m within current tax above, and a deferred tax income of £0.6m within the origination and reversal of temporary differences above.

During 2020 there were no exceptional items, and thus no income tax was recorded on exceptional items.

#### b) Factors affecting tax charge for the year:

The tax assessed for the year is lower than (2019: higher than) the average standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	Restated <sup>(i)</sup> 2019 £'000
Income before tax	86,853	80,894
Income before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	16,502	15,370
Effects of:		
Adjustment in respect of prior years	(19,195)	119
Expenses not deductible for tax purposes	3,097	6,740
Effect of lower deferred tax rate	-	252
Effect of changes in deferred tax rate	667	-
Total tax charge	1,071	22,481

- (i) The 2019 income before tax has been restated to include £5.1 million tails provision release, increasing the 2019 total tax charge by £1.0 million expense. Refer to note 22 for further details on the tails provision release.

#### c) Factors that may affect future tax charges:

A reduction in the UK mainstream corporation tax rate from 19% to 17%, effective from 1 April 2020, was enacted during 2016. On 11 March 2020, the UK government announced in the Budget that it would reverse the previously enacted reduction in the UK corporation tax rate, which was due to take effect from 1 April 2020. This was substantively enacted on 17 March 2020 and the Company's net deferred tax liabilities have been revalued using the 19% tax rate (2019: 17%), resulting in a £0.7 million expense (2019: £nil) to the income statement. The annual UK corporation tax rate for the year ended 31 December 2020 remained at 19% (2019: 19%).

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The Company is in the process of assessing the full impact of this announcement, but if the amended tax rate had been used, it is possible that the net deferred tax liability would be materially higher.

### 12. Taxation continued

## Notes to the accounts

For the year ended 31 December 2020

d) Deferred tax (liabilities) / assets

	Relating to fixed assets £'000	Relating to provisions £'000	Relating to retirement benefit obligations £'000	Relating to financial instruments £'000	Total £'000
At 1 January 2019	(27,444)	32,719	2,501	7,308	15,084
Credit / (charge) in the income statement	134	(15,520)	-	(216)	(15,602)
Credit / (charge) in other comprehensive income	-	-	982	(7,666)	(6,684)
At 31 December 2019	<u>(27,310)</u>	<u>17,199</u>	<u>3,483</u>	<u>(574)</u>	<u>(7,202)</u>
Credit / (charge) in the income statement	(1,989)	3,439	(330)	98	1,218
Credit / (Charge) in other comprehensive income	-	-	(657)	(1,565)	(2,222)
<b>At 31 December 2020</b>	<b><u>(29,299)</u></b>	<b><u>20,638</u></b>	<b><u>2,496</u></b>	<b><u>(2,041)</u></b>	<b><u>(8,206)</u></b>

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

	2020 £'000	2019 £'000
Current tax credit on actuarial loss	-	871
Deferred tax credit / (charge) on actuarial gains / (losses)	(657)	982
Deferred tax credit / (charge) on cash flow hedges	(1,565)	(7,666)
	<u>(2,222)</u>	<u>(5,813)</u>

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

## Notes to the accounts

For the year ended 31 December 2020

### 13. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2020 (equivalent to 250p per share, 2019: 125p per share)	100,000	50,000
	<u>100,000</u>	<u>50,000</u>

No final dividend has been declared (2019: £nil).

### 14. Property, plant and equipment

	<i>Freehold Land &amp; Buildings</i> £'000	<i>Plant and Machinery</i> £'000	<i>Fixtures, Fittings &amp; Computer Equipment</i> £'000	<i>Assets under construction</i> £'000	<i>Capitalised decomm- issioning costs</i> £'000	<i>Total</i> £'000
Cost of valuation:						
At 1 January 2020	133,322	1,156,815	12,770	105,486	122,506	1,530,899
Transfers	1,941	28,497	2,223	(32,661)	-	-
Additions	-	-	67	36,570	7,016	43,653
Disposals	(275)	(6,998)	(3,480)	-	-	(10,753)
Written off	-	-	-	(848)	-	(848)
At 31 December 2020	<u>134,988</u>	<u>1,178,314</u>	<u>11,580</u>	<u>108,547</u>	<u>129,522</u>	<u>1,562,951</u>
Depreciation:						
At 1 January 2020	57,556	938,426	8,652	-	82,723	1,087,357
Charge for the year	5,330	26,194	1,767	-	6,964	40,255
Transfers	-	-	-	-	-	-
Disposals	(275)	(6,924)	(3,480)	-	-	(10,679)
Written off	-	-	-	-	-	-
At 31 December 2020	<u>62,611</u>	<u>957,696</u>	<u>6,939</u>	<u>-</u>	<u>89,687</u>	<u>1,116,933</u>
Net book value:						
At 31 December 2020	<u>72,377</u>	<u>220,618</u>	<u>4,641</u>	<u>108,547</u>	<u>39,835</u>	<u>446,018</u>
At 1 January 2020	<u>75,766</u>	<u>218,389</u>	<u>4,118</u>	<u>105,486</u>	<u>39,783</u>	<u>443,542</u>

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

No interest has been capitalised in the period.

The transfers in 2020 relate to a transfer from assets under construction to other items of property, plant and equipment.



## Notes to the accounts

For the year ended 31 December 2020

### 14. Property, plant and equipment continued

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

	<i>Plant and Machinery</i> £'000	<i>Fixtures, Fittings &amp; Computer Equipment</i> £'000	<i>Total</i> £'000
Cost of valuation:			
At 1 January 2020	60	111	171
Additions	-	67	67
Disposals	(60)	(111)	(171)
At 31 December 2020	-	67	67
Depreciation:			
At 1 January 2020	46	94	140
Charge for the year	14	79	93
Disposals	(60)	(111)	(171)
At 31 December 2020	-	62	62
Carrying amount:			
At 31 December 2020	-	5	5
At 1 January 2020	14	17	31

## Notes to the accounts

For the year ended 31 December 2020

### 15. Investment property

	<i>Total £'000</i>
Cost:	
At 1 January 2020	5,355
Transfers	-
Disposals	-
At 31 December 2020	<u>5,355</u>
Depreciation:	
At 1 January 2020	1,401
Charge for the year	233
Transfers	-
Disposals	-
At 31 December 2020	<u>1,634</u>
Net book values:	
At 31 December 2020	<u>3,721</u>
At 1 January 2020	<u>3,954</u>

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

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

The Company leases out its investment property. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 32 sets out information about the operating leases of the investment property.

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £0.86m (£0.57m in 2019). Direct operating expenses arising on the investment property amounted to £0.26m (£0.19m in 2019).

The fair value has been assessed by the Directors using a discounted cash flow valuation method. The fair value, determined based on internal validation, at 31 December 2020 was £5.0m (31 December 2019: £5.0m). An external valuation expert with professional experience was not used.

## Notes to the accounts

For the year ended 31 December 2020

### 16. Intangible assets

	<i>Waiver Payment £'000</i>	<i>ERP Assets £'000</i>	<i>Licence Costs £'000</i>	<i>Total £'000</i>
Cost or valuation:				
At 1 January 2020	5,681	13,345	3,148	22,174
Transfers	-	-	-	-
At 31 December 2020	5,681	13,345	3,148	22,174
Amortisation:				
At 1 January 2020	5,234	13,105	3,148	21,487
Charge for the year		223	357	580
Transfers	-	-	-	-
At 31 December 2020	5,234	13,328	3,505	22,067
Net book values:				
At 31 December 2020	447	17	(357)	107
At 1 January 2020	447	240	-	687

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

### 17. Contract assets

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

	<i>2020 £'000</i>	<i>2019 £'000</i>
As at 1 January	4,614	-
Revenue recognised in the year	2,083	4,622
Reversal of accrued revenue	(3,112)	-
Exchange difference	202	(8)
	3,787	4,614
Included in current assets	1,945	3,149
Included in non-current assets	1,842	1,465
	3,787	4,614

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

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

## Notes to the accounts

For the year ended 31 December 2020

### 18. Inventories

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Raw materials and consumables	<b>24,706</b>	16,071
Work-in-progress	<b>1,361</b>	2,107
	<b>26,067</b>	18,178

All inventories are held at the lower of cost and net realisable value. No inventories are held at net realisable value (2019: £nil).

£10.7m of Inventories was recognised as an expense in 2020 (2019: £24.4m).

### 19. SWU assets

	<b>2020</b>	2019
	<b>£'000</b>	£'000
SWU assets	<b>4,540</b>	1,076
	<b>4,540</b>	1,076

SWU assets are the costs incurred to date in enriching UF<sub>6</sub> 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

### 20. Trade and other receivables (current)

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Amounts due from Parent Company	<b>678,288</b>	652,289
Trade receivables	<b>46,291</b>	44,759
Other receivables	<b>3,490</b>	6,721
Prepayments and accrued income	<b>2,451</b>	3,140
	<b>730,520</b>	706,909

Amounts due from the ultimate parent company are not secured and attract interest at a rate of 0.49% (2019: 0.97%) payable on the balance outstanding at the end of each month.

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.

## Notes to the accounts

For the year ended 31 December 2020

### 20. Trade and other receivables (current) continued

The average contractual credit period taken on sales of goods and services is 48 days (2019: 41 days). Trade receivables can carry interest in accordance with contract conditions. Trade receivables are stated at their invoiced value as payments are usually received within the contract terms. The average age of the weighted value trade receivables in the table above is 22 days (2019: 19 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.

At the year end there was £2,264k relating to four trade receivables (2019: £32k relating to five trade receivables) that were past their due date.

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

Trade receivables are stated net of a provision for expected credit losses of £0.3m (2019 £0.1m), wholly relating to receivables arising from revenue contracts.

### 21. Trade and other payables (non current)

	<b>2020</b>	<i>Restated</i>
	<b>£'000</b>	<b>2019</b>
		<b>£'000</b>
Payments received on account (i)	-	-
	-	-

(i) Payments received on account has been restated to exclude customer downpayments which are now reported within note 26 contract liabilities (£6.4m).

Payments received on account relate to cash advances from Customers relating to performance obligations that have not yet been completed. All payments on account relate to performance obligations expected to be completed within a period of less than 5 years.

## Notes to the accounts

For the year ended 31 December 2020

### 22. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle that obligation which can be reliably estimated. Where the time value of money is material, provisions are discounted to the present value of those cash flows using pre-tax discount rates. Where discounting is used, the increase in the provision due to the passage of time is recognised within finance costs.

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

	Tails disposal £'000	Decomm- issioning of plant and machinery £'000	Re- enrichment low assay feed £'000	Other £'000	Total £'000
At 1 January 2020	475,735	208,753	20,948	7,644	713,080
Provided during the year	60,099	25,890	28,050	723	114,762
Effect of unwind of discount rate	17,216	7,151	460	-	24,827
Utilised	(1,144)	(2,534)	-	(2,081)	(5,759)
Transfer between accounts	-	-	-	-	-
Released	(4,153)	(6,322)	(26,391)	(2,608)	(39,474)
At 31 December 2020	<u>547,753</u>	<u>232,938</u>	<u>23,067</u>	<u>3,678</u>	<u>807,436</u>
Included in current liabilities					-
Included in non-current liabilities					807,436
					<u>807,436</u>

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

	Tails disposal £'000	Decomm- issioning of plant and machinery £'000	Re- enrichment low assay feed £'000	Other £'000	Total £'000
At 31 December 2018	393,260	189,707	14,401	8,302	605,670
Restatement (i)	(11,088)	-	-	-	(11,088)
At 1 January 2019	382,172	189,707	14,401	8,302	594,582
Provided during the year (ii)	77,239	14,482	29,360	3,356	124,437
Effect of unwind of discount rate	15,730	7,558	352	-	23,640
Utilised	(585)	(3,003)	-	(1,514)	(5,102)
Transfer between accounts	1,179	-	-	-	1,179
Released	-	9	(23,165)	(2,500)	(25,656)
At 31 December 2019	<u>475,735</u>	<u>208,753</u>	<u>20,948</u>	<u>7,644</u>	<u>713,080</u>
Included in current liabilities					-
Included in non-current liabilities					713,080
					<u>713,080</u>

Due to the duplication of cylinder wash costs in 2018 and 2019 which have both been concluded to be errors rather than changes in estimate, prior year restatements are therefore required.

(i) The 2019 opening provisions balance has been restated to reverse a tails provision booked in 2018 (£11.1m).

(ii) The 2019 provisions movement has been restated to reverse a tails provision booked in 2019 (£5.1m).

## Notes to the accounts

For the year ended 31 December 2020

### 22. Provisions continued

	Tails disposal £'000	Decomm- issioning of plant and machinery £'000	Re- enrichment low assay feed £'000	Other £'000	Total £'000
Additional provision in the year	25,946	10,285	26,856	723	63,810
Change in discount rates	34,152	6,143	1,196	-	41,491
Release of provision	(4,153)	(6,322)	(26,391)	(2,608)	(39,474)
<b>Charged to income statement 2020</b>	<b>55,945</b>	<b>10,106</b>	<b>1,661</b>	<b>(1,885)</b>	<b>65,827</b>

	Tails disposal £'000	Decomm- issioning of plant and machinery £'000	Re- enrichment low assay feed £'000	Other £'000	Total £'000
Additional provision in the year	9,880	1,734	29,360	3,356	44,330
Change in discount rates (i)	67,358	6,766	-	-	74,124
Release of provision (ii)	-	9	(23,165)	(2,500)	(25,656)
Utilisation of provision	-	-	-	-	-
<b>Charged to income statement 2019</b>	<b>77,238</b>	<b>8,509</b>	<b>6,195</b>	<b>856</b>	<b>92,798</b>

(i) Previously reported as utilisation of provision in 2019, restated as a change in discount rate in 2019 (tails disposal £0.6m, decommissioning £3.0m).

(ii) Previously reported as utilisation, restated as a provision release (re-enrichment of low assay feed (£23.2m)).

#### Provision for tails

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

During the year the tails provision increased by £55.9m due to the tails generated in that period (2019: £77.2m restated), together with the increased costs for de-conversion. The planned costs are based on historic experience, operational assumptions, internal cost forecasts and third party contract prices for the relevant parts of the disposal cycle.

A key area of uncertainty remains the unit cost of deconversion which will remain uncertain until the group's deconversion plant has been commissioned. A 10% increase in the forecast TMF deconversion price would increase tails provisions by £28.3m and a 10% decrease in the forecast TMF deconversion price would decrease tails provisions by £28.3m.

The provision for tails disposal is dependent on certain assumptions and estimates, such as timing of disposal and the applicable discount and inflation rates. A 0.25% reduction in the real discount rate would lead to an increase of the provision by £62.1m, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by £51.4m.

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

## Notes to the accounts

For the year ended 31 December 2020

### 22. Provisions continued

#### **Provision for decommissioning plant, machinery and cylinders**

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

The provision for decommissioning plant and machinery is dependent on certain assumptions and estimates, such as timing of decommissioning and the applicable discount and inflation rates. A 0.25% reduction in the real discount rate would lead to an increase of the provision by £5.7m, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by £5.5m. A delay of 5 years to all decommissioning activities would reduce the provision by £19.7m and an advancement of all decommissioning activities would lead to an increase in the provision of £9.6m.

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

#### **Provisions for the re-enrichment of low assay feed**

Provisions for the future re-enrichment of low assay feed are calculated using assumptions on the amount of separative work that will be required in the future and the cost of providing enrichment capacity to perform that work. This cost includes the safe disposal of any resultant tails material. During the year, the provisions relating to the future re-enrichment of low assay feed increased by £28.1m due to the creation of low assay feed and reduced by £26.4m due to expenditure incurred on re-enrichment of low assay feed.

#### **Other provisions**

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

Personnel provisions relate to restructuring and total £1.8m (2019: £3.0m), mainly relating to expected severance payments to be made. The movement in the year mainly relates to utilisation and a release of the provision. Uncertainties exist around the exact amount and timing of cash outflows as many elements of the restructuring programme are subject to employee consultation procedures.

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

These other provisions are not materially sensitive to discount rates.

### 23. Financial risk management objectives and policies

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



## Notes to the accounts

For the year ended 31 December 2020

### 24. Other financial assets and financial liabilities

	Amounts due within one year		Amounts due after more than one year	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Financial assets at fair value through the income statement</b>				
Intercompany balances - relating to forward foreign exchange contracts	6,724	3,846	8,991	15,101
<b>Total assets measured at fair value</b>	<b>6,724</b>	<b>3,846</b>	<b>8,991</b>	<b>15,101</b>
<b>Financial liabilities at fair value through the income statement</b>				
Intercompany balances - relating to forward foreign exchange contracts	(1,930)	(10,745)	(1,527)	(4,247)
<b>Total liabilities measured at fair value</b>	<b>(1,930)</b>	<b>(10,745)</b>	<b>(1,527)</b>	<b>(4,247)</b>

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

All financial assets and liabilities held are Level 2.

## Notes to the accounts

For the year ended 31 December 2020

### 25. Trade and other payables (current)

	<b>2020</b>	<i>Restated</i> <b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to group undertakings	<b>1,005</b>	1,308
Trade payables	<b>5,099</b>	5,317
Other payables	<b>3,171</b>	2,756
Other taxes and social security costs	<b>722</b>	618
Payments received on account (i)	-	-
Accruals	<b>15,791</b>	22,131
	<b>25,788</b>	32,130

(i) Payments received on account has been restated to exclude items now reported in note 26 Contract Liabilities (£1.4m).

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2019: 29 days). The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

### 26. Contract Liabilities

	<b>2020</b>	<i>Restated</i> <b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Contract liabilities (i)	<b>29,644</b>	22,665
	<b>29,644</b>	22,665
Included in current liabilities	<b>17,521</b>	16,295
Included in non-current liabilities	<b>12,123</b>	6,370
	<b>29,644</b>	22,665

(i) Contract liabilities has been restated to include items previously included in note 21 Trade and other payables non current (£6.4m) and note 25 Trade and other payables current (£1.4m).

Monies received by the Parent company on behalf of the Company, which relate to a prepayment under an enrichment services contract, have been presented in current trade and other receivables in the current year, to reflect the recognition of the contract liability in the entity in which the future revenues will be recognised.

## Notes to the accounts

For the year ended 31 December 2020

### 27. Share capital

			<b>2020</b>	<b>2019</b>
			<b>£'000</b>	<b>£'000</b>
<i>Authorised</i>				
Ordinary shares of £1 each			<b>60,000</b>	60,000
<i>Allotted, called up and fully paid</i>				
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>	<b>£'000</b>	<b>£'000</b>
Ordinary shares of £1 each	<b>40,000,000</b>	40,000,000	<b>40,000</b>	40,000

### 28. Informal capital

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Informal capital	<b>15,566</b>	15,566

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

### 29. Movements on retained earnings

	<b>Retained earnings</b>
	<b>£'000</b>
At 31 December 2018	190,546
Restatement (i)	8,981
At 1 January 2019 restated	199,527
Net income for the year (ii)	58,413
Dividends declared and paid	(50,000)
Actuarial gain on defined benefit pension scheme	(10,358)
Deferred tax relating to actuarial gain	1,853
At 31 December 2019	199,435
At 1 January 2020	<b>199,435</b>
Net income for the year	<b>85,782</b>
Dividends declared and paid	<b>(100,000)</b>
Actuarial gain on defined benefit pension scheme	<b>3,457</b>
Deferred tax relating to actuarial gain	<b>(657)</b>
At 31 December 2020	<b>188,017</b>

(i) The 2019 opening retained earnings balance has been restated to reverse a tails provision booked in 2018 (£9.0m).

(ii) The 2019 net income for the year has been restated, resulting in an increase by £4.1m from £54.3m to £58.4m following a release from the tails provision.

## Notes to the accounts

For the year ended 31 December 2020

### 30. Capital commitments

Amounts authorised and contracted for but not provided for in the accounts at 31 December 2020 were £12.0m (2019: £7.2m) relating to a number of on-going capital projects where work has been contracted but service had not been provided at the end of the year.

### 31. Retirement benefit obligations

#### Defined contribution schemes

In 2008, the Company introduced a defined contribution plan for new employees. The total cost of defined contribution arrangements of £2.9m (2019: £2.6m) has been fully expensed against income in the current year.

#### Defined benefit scheme

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

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

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

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

Valuations of the scheme are carried out at least every three years. The most recent actuarial assessments of plan assets and the present value of the defined benefit obligations were carried out at 5 April 2018 and subsequently rolled forward to 31 December 2020.

Following the triennial valuation of the pension scheme in April 2018, a revised deficit repair plan was agreed with the trustees for five years until 2022, resulting in a deficit recovery payment of £4.4m in 2020 (2019: £4.4m).

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

#### Amounts recognised in the statement of financial position

	2020 £'000	2019 £'000
Present value of funded obligations	(285,144)	(268,447)
Fair value of scheme assets	272,008	247,962
Deficit in scheme	<u>(13,136)</u>	<u>(20,485)</u>

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

## Notes to the accounts

For the year ended 31 December 2020

### 31. Retirement benefit obligations continued

	Fair value of assets	
	2020	2019
	£'000	£'000
Equity instruments	127,572	117,264
Debt instruments	144,436	130,698
	<b>272,008</b>	<b>247,962</b>

### Change in benefit obligations

	2020	2019
	£'000	£'000
Benefit obligation at beginning of period	268,447	250,583
Current service costs	123	105
Interest cost	5,554	6,626
Employee contributions	6	6
Past service costs	414	827
Actuarial losses	19,753	28,356
Benefits paid	(9,153)	(7,928)
Settlements	-	(10,128)
Benefit obligation at end of period	<b>285,144</b>	<b>268,447</b>

The average duration of the defined benefit obligation at 31 December 2020 is 17.8 years (2019: 18.6 years).

### Change in plan assets

	2020	2019
	£'000	£'000
Fair value of plan assets at beginning of period	247,962	235,872
Employer contributions	4,821	5,198
Employee contributions	6	6
Benefits paid	(9,153)	(7,928)
Interest income	5,190	6,244
Actuarial gains	23,210	17,998
Settlements	-	(9,401)
Administrative expenses paid from scheme assets	(28)	(27)
Fair value of plan assets at end of period	<b>272,008</b>	<b>247,962</b>

Employer contributions include a £4.4m (2019: £4.4m) deficit reduction payment as discussed above.

## Notes to the accounts

For the year ended 31 December 2020

### 31. Retirement benefit obligations continued

#### Components of retirement benefit obligations cost

	2020 £'000	2019 £'000
Current service cost	123	105
Interest cost	5,554	6,626
Interest (income) on scheme assets	(5,190)	(6,244)
Past service costs	414	827
Settlement gains	-	(727)
Administrative expenses and taxes	28	27
Total retirement benefit obligation cost recognised in income statement	929	614

#### Amount recognised in the statement of comprehensive income (SOCl)

	2020 £'000	2019 £'000
Actuarial (gains) / losses	(3,457)	10,358
Total retirement benefit obligation movement recognised in the SOCl	(3,457)	10,358

#### Weighted average assumptions used to determine benefit obligations at:

	2020	2019
Discount rate	1.40%	2.10%
Rate of salary increase	3.90%	4.20%
Rate of price inflation	2.90%	3.20%
Rate of increase of pensions in payment	2.90%	3.20%
Rate of increase in deferred pensions (pre 1/3/2010)	2.90%	3.20%
Rate of increase of pensions in deferment (post 28/2/2010)	2.00%	2.10%
Rate of increase of pensions in payment (post 28/2/2010)	2.90%	3.20%
Life expectancy at age 60 for a male currently aged 60	27.9	27.8
Life expectancy at age 60 for a female currently aged 60	29.8	29.7
Life expectancy at age 60 for a male currently aged 40	30.1	29.9
Life expectancy at age 60 for a female currently aged 40	31.9	31.8

The Company contributions paid in respect of the year were £0.4m (2019: £0.7m). The Company also made a contribution into the Plan (as part of a deficit funding plan) of £4.4m (2019: £4.4m).

Regular contributions into the Plan from both the members and employer are expected to be £4.5m (2019: £3.2m) for the year beginning 1 January 2021.

The Company has charged £0.4m (2019: £0.7m) in respect of unfunded benefits for employees who have retired early. The cost and associated provision utilisation are included within 'Other Expenses'.

## Notes to the accounts

For the year ended 31 December 2020

### 31. Retirement benefit obligations continued

#### Risks

The liabilities of all defined benefit pension plans expose the Group to risks of longevity, inflation and the discount rate. The related assets of the defined benefit plans in the UK expose the Group to market price volatility and default risk regarding the investments held by this pension fund.

#### Sensitivity analysis

	Liabilities	Assets	Deficit (Surplus)
No change to basis	285,144	272,008	13,136
Discount rate + 0.25% pa	273,031	272,008	1,023
Discount rate - 0.25% pa	298,070	272,008	26,062
RPI + 0.25% pa	296,739	272,008	24,731
RPI - 0.25% pa	273,768	272,008	1,760

### 32. Leases

#### Leases classified as operating expenses under IFRS16

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

	2020 £'000	2019 £'000
Expenses relating to short term leases	14	53
Hire of plant and equipment	15	-
	<u>29</u>	<u>53</u>

#### Leases as lessee

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

#### Finance lease maturity analysis

The following table sets out a maturity analysis of future discounted lease payments in relation to the Company's Finance leases.

	2020 £'000	2019 £'000
Less than one year	852	825
More than one year	15,169	15,175
	<u>16,021</u>	<u>16,000</u>

## Notes to the accounts

For the year ended 31 December 2020

### 32. Leases continued

#### UUK as lessor

Rental income received by the Company in relation to its investment property during 2020 was £0.86m (2019: £0.57m).

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

	2020	2019
	£'000	£'000
<b>Operating lease income maturity analysis</b>		
Less than one year	670	651
One to two years	670	670
Two to three	655	670
Three to four	655	655
Four to five	655	655
More than five years	6,544	6,545
	<b>9,849</b>	<b>9,846</b>

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

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

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



## Notes to the accounts

For the year ended 31 December 2020

### 32. Leases continued

#### Finance lease income maturity analysis (undiscounted)

	2020 £'000	2019 £'000
Less than one year	866	866
One to two years	866	866
Two to three	866	866
Three to four	866	866
Four to five	866	866
More than five years	74,391	75,257
	<b>78,721</b>	<b>79,587</b>
<b>Impact of discounting</b>	<b>62,638</b>	<b>63,497</b>
<b>Intercompany lease receivable (net investment in sub-lease)</b>	<b>16,083</b>	<b>16,090</b>
<b>Intercompany lease receivable (current)</b>	<b>845</b>	<b>845</b>
<b>Intercompany lease receivable (non-current)</b>	<b>15,238</b>	<b>15,245</b>
	<b>16,083</b>	<b>16,090</b>

### 33. Immediate and ultimate parent undertaking

The Company's immediate parent undertaking is Urenco Enrichment Company Limited, which is a wholly owned subsidiary of Urenco Limited.

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

### 34. Contingent liability

The Company is party to composite guarantees of borrowings by the Urenco Limited Group from various borrowings which, at the reporting date, amounted to £1,737.0m (2019: £1,913.0m). The Directors do not expect any liability to arise under these guarantees.

## Notes to the accounts

For the year ended 31 December 2020

### 35. Related party transactions

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

	Sale of goods and services		Purchases of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Other	-	-	15,978	17,350	-	-	1,005	1,297
Total	-	-	15,978	17,350	-	-	1,005	1,297

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

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

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

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

### 36. Geographical information

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

	UK £'000	Europe £'000	US £'000	Rest of the World (i) £'000	Total £'000
Total external revenue 2020	5,146	113,259	170,976	86,245	375,626
Location of non-current assets					
Property, plant and equipment	446,013				
Investment property	3,721				
	UK £'000	Europe £'000	US £'000	Rest of the World (i) £'000	Total £'000
Total external revenue 2019	5,064	148,542	152,328	76,430	382,364
Location of non-current assets					
Property, plant and equipment	443,511				
Investment property	3,954				
(i) Predominantly Asia					

## Notes to the accounts

For the year ended 31 December 2020

### 37. Events after the Statement of Financial Position date

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The Company is in the process of assessing the full impact of this announcement, but if the amended tax rate had been used, it is possible that the net deferred tax liability would be materially higher.

As of 16 March 2021, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2020 financial statements.