urenco

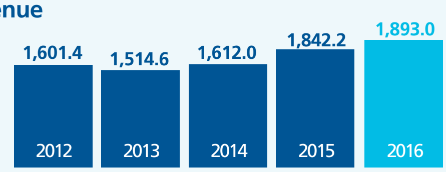
Annual report and accounts 2016

At a glance

Financial and operational highlights

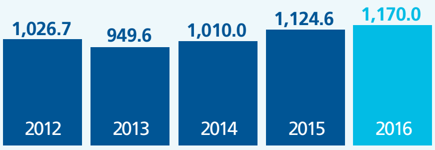
Strong Revenue and EBITDA[1,3] with Net result impacted by impairment of USA operations.

Revenue



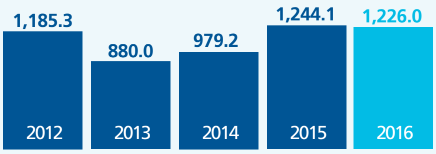
€1,893.0m

EBITDA[1,3]



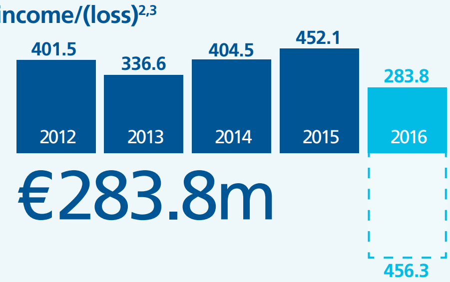
€1,170.0m

Cash generated from operations



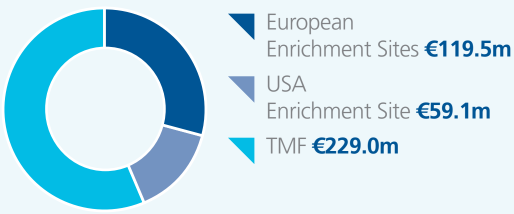
€1,226.0m

Net income/(loss)[2,3]



€283.8m

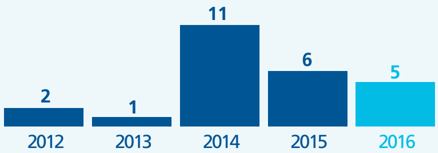
Capital expenditure



€407.6m

Operations

We had **five** Lost Time Incidents related to employees and contractors across our Enrichment facilities and construction sites in 2016.



We met **100%** of our customer delivery commitments again this year.

Our global capacity was **18,800 tSW/a** at the end of 2016, compared to **19,000 tSW/a** at the end of 2015.

Our order book extends to the second half of the next decade and reflects our global customer base.

[1] EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results. EBITDA for 2012 to 2015 has been restated to be consistent with this definition. EBITDA is reconciled to Loss from operating activities on page 24 and 74.
[2] Net result in 2016 was net income of €283.8 million pre-exceptional items and net loss of €456.3 million post-exceptional items.
[3] In 2016 exceptional items pre-tax comprise impairment of the USA operations (€760.0 million) and restructuring provisions (€33.0 million).

Contents

We are committed to helping our customers generate low carbon energy in a safe and sustainable way

Introduction

For more than 45 years, URENCO has played an important role in the world's nuclear energy industry. We are committed to helping our customers generate low carbon energy in a safe and sustainable way.

As a leading international provider of uranium enrichment services, and with long-term shareholders, we offer security of supply with flexibility of reach and response that makes us a trusted partner to our customers.

Nuclear is a long-term business and URENCO takes a long-term view of its operations. Using our centrifuge technology, we leverage our expertise to best serve the nuclear industry.

We provide uranium enrichment services and nuclear fuel cycle products. We remain deeply committed to meeting customers' present and future needs in helping them to generate low carbon energy. We continue to fulfil our commitments to society and the environment through responsible uranium stewardship while supporting the nuclear industry as a whole.

We constantly work to ensure the long-term success of our organisation through the development of people, skills and resources. Through our important role in the nuclear fuel cycle, we contribute to a balanced global energy mix to help safeguard the sustainability of our planet.

It is what we call 'enriching the future'.

URENCO continues to focus on quality, reliability, and the highest standards of uranium stewardship and corporate responsibility

Introduction

Chairman's statement

URENCO has reported strong revenue and EBITDA driven by our current order book, which reflects good operational performance. This has been achieved despite the global enrichment market continuing to experience oversupply and pricing pressures. Our customers remain our primary focus and we continue to deliver high quality enrichment services and products to meet their needs.

Global outlook

Nuclear is well placed to meet increased future demand for energy. Forecasts around future growth in the nuclear sector allow us to remain optimistic about the future state of the market. At the COP21 climate summit in Paris in December 2015, there was strong affirmation of the view that nuclear has an essential role to play in tackling the twin challenges of rising electricity demand and global climate change. This was reinforced at the COP22 meeting in Marrakesh in November 2016 and further establishes the importance of nuclear energy as part of the energy mix.

Safety

Safety of our people and operations remains an absolute priority across the organisation. We improved our safety performance in the year and continue our management focus to support further improvements. We continue to educate our contractors and employees on the importance of behavioural safety.

Our strategy

URENCO has played an important role in the world's nuclear energy industry for more than 45 years, which is testament to our ability to address market challenges and embrace change. Our goal is to ensure that URENCO is well positioned to respond to these ongoing challenges, minimise risk to our business and identify growth opportunities so that we remain a secure, long-term partner to our customers.

Given the continued challenges in the global enrichment market, a comprehensive strategic review of both our business and our market was conducted during the year. URENCO's new strategy is centred on optimising our business, remaining a leader in the global supply of enrichment services and expanding our high-tech capabilities to more broadly serve the nuclear energy industry. Our strategy will ensure we leverage our technical capabilities for long-term advantage. Further details of the strategy can be found in the Chief Executive Officer's review on pages 6-7. We believe our strong leadership and clear strategic vision will enhance our role in the energy market and ensure security of supply for our customers in the future.

Our positioning

We believe that the world needs a balanced energy mix and we monitor global energy and environmental policy to inform our key strategic vision and optimise the way we do business. We also monitor commercial opportunities in various geographies and the associated challenges.

Our geographic spread, with three European sites and a USA site, is a distinct advantage. Our broad reach allows us to flexibly adapt to meet the changing demands of both customers and the industry.

Financial and operational results

Our financial results in 2016 are driven by our current order book. Revenue and EBITDA reflect a good operational performance. The Net loss for the year reflects exceptional items for the impairment of our USA operations and restructuring provision costs incurred in relation to the optimisation of our business, and adverse foreign exchange movements.

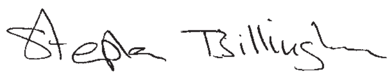
Our current position of financial strength means we are well placed to navigate the near-term uncertainties and ensure the long-term sustainability of the company.

Public perception of nuclear

Sustainability continues to be a core part of URENCO's activities. We seek to enhance understanding of the nuclear industry, how it operates and why it is important. The launch of our education partnership with the Science Museum in London in 2016 was a highlight for us and enables us to reach an even wider audience to inspire young people to become the next generation of scientists and engineers.

Leadership

I should like to thank my Board colleagues and our dedicated employees for contributing to our success this year. Our people will be instrumental in implementing our new strategy and ensuring the long-term success of URENCO.



Stephen Billingham
Chairman

Strategic report
Chief Executive Officer's review

URENCO is committed to maintaining its position as a leading provider of enrichment services. Aiming to optimise the way we operate, broaden our services and remain a partner to the nuclear industry, we are focused on meeting customer requirements and ensuring the long-term success of our business.

Our performance in 2016

URENCO's financial results in 2016 reflect a good operational performance driven by our current order book. Our revenue and EBITDA for the year increased to €1,893.0 million and €1,170.0 million respectively. As a result of adverse foreign exchange movements, the exceptional items recorded for the impairment of our USA operations, and the restructuring cost, we incurred a net loss of €456.3 million.

The surplus of global inventories (across the supply chain), oversupply of enriched uranium and continued nuclear market uncertainty, have continued to negatively impact pricing for new business contracts. Our order book contains orders that extend to the second half of the next decade, with a value of approximately €15.5 billion, and we are now focused on making the best use of URENCO's financial strength in the near-term to ensure our long-term sustainability.

Building trusted, long-term partnerships

We are proactively addressing the current market challenges and have a clear vision to ensure our industry partners can adapt to changing needs and conditions. In 2016, we continued to focus on our customers' requirements and maintained our 100% delivery record. As a leading international provider of uranium enrichment services and with long-term shareholders, we offer stable partnerships and support to our customers and the global nuclear industry.

We know that our customers value our reliable supply of uranium enrichment services, and we are firmly committed to their success and to ours. In 2016, we began to look at expanding our partnerships further leveraging URENCO's capabilities as a key priority, with a view to further securing the long-term commercial viability of our business. We also continued to play an active role on a global industry level, strengthening our partnerships across the nuclear fuel cycle. Through my own personal involvement in such events, I am actively engaged in promoting nuclear energy as part of a balanced energy mix and gaining policy support for the nuclear industry as a whole.

Strategic direction

In 2016, we undertook a comprehensive review of our business and the global enrichment market. We recognise that we, alongside our customers, have been operating in a difficult market environment for several years and face continuing challenges. In response to these challenges we conducted a strategic review, which was completed in the second half of the year. We founded a Transformation Management Office (TMO) which included employees from across the organisation, and during this process, identified several key strategic objectives. These included optimising the way we do business by creating a more efficient organisation. In this respect, we plan to achieve €300.0 million in cumulative capital and operational cost savings by 2019. We are confident that this will support the organisation 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.

We want to ensure we remain a global leader in enrichment services and we are committed to identifying growth opportunities in existing and new markets. It is also important that we expand URENCO's high-tech capabilities to more broadly serve the nuclear industry and we will make the best use of our technical expertise and centrifuge technology to provide a portfolio of products to the nuclear supply chain in addition to existing operations.

Our new strategy aims to ensure our sustainability as an organisation. The existing company structure has been realigned and a simplified organisational structure implemented, supported by a new leadership team. We are confident that the strategic direction and future vision for the company will enable us to maintain our position as a reliable long-term partner to our customers.

It is a great personal pleasure to lead such a strong and talented team at URENCO. We continue to engage in positive interactions with employees, explaining the need for change in an open and transparent way. We worked hard to create an awareness and understanding of the new strategic direction of the organisation.

Looking ahead, we will conduct annual reviews to ensure URENCO delivers on its strategic objectives. I am confident we have everything we need to meet the present market challenges head-on and lead URENCO – as well as our customers and the industry – towards a secure and sustainable future.

Operations

At the end of 2016 we recorded a pre-tax impairment of €760.0 million on our USA enrichment assets. This was in light of a further deterioration in the long-term forecast market prices for uncontracted SWU sales, which are materially lower than those forecast during the planning and building phase. Despite this impairment, we expect our USA assets to continue to operate well into the middle of the 21st century. Our USA plant represents some of our newest and most efficient equipment.

We also took the decision to withdraw from service one of the older centrifuge units at our Capenhurst facility in the UK. As part of our strategic efficiency drive, our review revealed that the unit was no longer performing at a commercially viable level. This is part of our response to the market environment, whereby we assess the economics of our operations and adjust or reduce capacity where needed. There will be no capacity increase across the organisation in the foreseeable future, and we will continue to regularly assess the viability of all our assets as part of our efforts to optimise the way we do business.

Tails Management Facility (TMF)

The construction of our Tails Management Facility at our Capenhurst site in the UK is part of our commitment and leadership in responsible uranium stewardship. Once complete, it will consist of various storage, maintenance and residue processing facilities to support our strategy for managing the deconversion of tails to stable uranium oxide (U_3O_8).

The project management team continue to work through the challenges of the project. While risks remain in terms of cost and schedule, we anticipate the commissioning of the TMF for late 2017/early 2018.

Market outlook

We can be cautiously optimistic that our industry will return to a more balanced supply and demand situation in the future, as nuclear power stations continue to be built around the world. Current prices are unsustainable to support further investment in enrichment operations and customers will always require the security of supply that we continue to provide for our industry. We firmly believe that, despite the current challenging market conditions, nuclear will continue to be an essential component of a balanced, sustainable energy mix.

Electricity demand is increasing twice as fast as overall energy use and is expected to increase by 30% up to 2040.[1] This trend, combined with the shift towards decarbonisation, will lead to growth in nuclear power generation in the future, which has been predicted by leading industry bodies and institutions such as the International Energy Association (IEA) and the World Nuclear Association (WNA). In addition, the International Atomic Energy Agency (IAEA) has stated that nuclear energy will continue to play an important role in the world's energy mix to meet the Paris Agreement's goal of limiting global temperature rises to 1.5C.[2] In the future, Small Modular Reactors (SMRs) and Generation 4 nuclear reactors could be part of the solution to meet high energy demand, as efficiencies and reduced cost allow for more flexibility.[3]

As part of our strategic review, we will endeavour to build our customer base, looking to expand our business and pursue new commercial opportunities in order to protect our future.

Our operations beyond enrichment

In addition to providing global enrichment services to our customers, in 2016 we continued to increase our capabilities in responsible uranium stewardship and nuclear decommissioning.

Capenhurst Nuclear Services (CNS), our UK based, wholly owned URENCO subsidiary, provides decommissioning and remediation services to the Nuclear Decommissioning Authority (NDA). In 2016, CNS was selected by the Ministry of Defence (MOD) to store and manage the Reactor Pressure Vessels (RPVs) from 27 defuelled nuclear submarines – a great achievement and testament to CNS's experience and expertise in the field of uranic stewardship.

We also continued to leverage our technical capabilities and centrifuge technology to provide support to wider industries, such as medicine and science. For example, our Stable Isotopes team introduced new products this year as part of its general portfolio expansion, and continued to provide materials for industrial and scientific applications.

UK exiting the European Union

The nuclear market is a highly regulated and international business. We are carefully monitoring the consequences of the UK's withdrawal from the European Union and the EURATOM Community.

During 2016, we took a proactive approach to this issue by setting up a Working Group dedicated to assessing all potential impacts and implications, and supporting industry associations through participation in some of their various sub-groups.

While the UK's exit from the European Union and the EURATOM Community may create a period of uncertainty, URENCO is in a good position to anticipate and mitigate any risks that emerge from this process. The fact that we have enrichment plants in Europe and in the USA provides the unique benefit of geographical diversity of supply.

Priorities for 2017

Safety will continue to be URENCO's core priority and a key management focus for 2017. During 2016, we further improved our safety performance across the organisation by reducing the number of Lost Time Incidents (LTIs) to five, compared to six in 2015. Throughout the year, safety events were hosted at each of our sites and attended by employees and contractors. The theme of the events varied from first aid training to hazard spotting in the workplace. We also continued to share best practice across the Group to raise awareness and ensure safety remains at the forefront of our minds.

We will continue to deliver on our customer commitments in a safe and responsible way, as well as meeting our new strategic objectives as set out in our strategic review, in order to safeguard the future of our organisation. We want to remain a supplier of choice to the nuclear industry and a global leader in enrichment services; 2017 will be about ensuring we continue to realise these ambitions.

In Research & Development, we need to ensure we have the flexibility, capability and expertise to meet the future fuel demands of Small Modular Reactors (SMRs) and Generation 4 nuclear reactors.

We will remain fully focused on enhancing public acceptance of nuclear energy by continuing to support initiatives such as our partnership with the Science Museum in London, UK, and nurturing awareness and understanding of science and engineering for future generations.

Clarity of vision, direction and strategy

I am confident in our capabilities and expertise, and cautiously optimistic about the long-term nuclear market. By using our current financial strength and technological capabilities to build for the future, we can ensure that URENCO is able to support the nuclear industry for years to come. We are proud to have successful and reliable technology – technology that can continue to provide secure enrichment services for many years.

We know that the way forward will be difficult at times. We understand our customers' challenges and we have the clarity of vision, direction and confidence in our ability to achieve our strategic objectives.

Thomas Haeberle
Chief Executive Officer

References

[1] www.iea.org/publications/freepublications/publication/WorldEnergyOutlook2016ExecutiveSummaryEnglish.pdf
[2] www.iaea.org/sites/default/files/16/11/np-parisagreement.pdf
[3] www.aris.iaea.org/Publications/SMR-Book_2016.pdf

Strategic report

Our values and strategy

Value creation

We provide our customers around the world with safe and reliable supplies of enriched uranium to fuel civil nuclear reactors.

Enrichment

Our core business is the supply of enrichment services and the provision of Enriched Uranium Product (EUP) and natural uranium.

Customer base

Our customers are at the heart of our business. They choose us to enrich their uranium as we are a reliable long-term partner and our geographical diversity allows us to respond to their needs.

Technology

Our core asset is our reliable, efficient centrifuge technology coupled with more than 45 years of operational experience of enrichment services.

Market presence

We have a strong forward order book which allows us to plan production volumes many years in advance.

Our values

Our values guide our work and shape our culture. We encourage strong employee engagement with our values and embed them across the organisation.

Safety
We operate to the highest standards of safety, environmental and security requirements.

Integrity
We conduct all our relationships with honesty, fairness and respect.

Flexibility
We respond to best meet our customers' needs by flexibly deploying our skills and capabilities.

Development
We are committed to the sustainable development of our business by continuously developing our employees, services and products.

Profitability
We are committed to making profits to secure our future and reward our shareholders and employees.

Our vision

We believe the world needs nuclear energy to meet the demands of sustainable global energy. We can help the transition to a low carbon economy through the deployment of our enrichment services and technology.

Our mission

Our mission is to be the supplier of choice within our sector and a key contributor to sustainable energy.

Our duty to the Treaty of Almelo

The Treaty of Almelo enshrines the enduring purpose and principles of URENCO regardless of ownership.

Our five strategic elements

The implementation of this strategy is based on five strategic elements:

URENCO's centrifuge technology
Using our experience and expertise of more than 45 years to operate our technology efficiently and provide a responsive service to our customers.

Responsible, long-term business
Meeting our commitments in the areas of health, safety, the environment, asset integrity, safeguards, security, ethical conduct and social performance.

International presence and collaboration
Maximising our geographical reach and advantage to provide security of supply to our customers.

Responsiveness
Maintaining close, long-term relationships with our customers and responding flexibly to their needs.

Highly motivated and committed people
Building our strength as a key market player by investing in our people's skills and development.

Strategic report

Our values and strategy continued

Strategic direction

Our new strategy is designed to ensure we can continue building strong customer relationships and sustain our success long into the future. Helping us reduce risk and optimise the way we work, the strategy is focused on retaining our leadership position and leveraging our technical capabilities for long-term advantage.

Since 2011, the global enrichment market has experienced significant challenges. Further reactor shutdowns and delays in some new reactor builds have exacerbated the situation.

As a consequence, operating enrichment capacity exceeds current demand and significant excess inventories exist.

Our goal is to ensure we address these challenges and identify growth opportunities so that we remain a stable, sustainable and long-term partner to the nuclear industry.

The strategy's key objectives are to:

Ensure the long-term sustainability of URENCO.

Protect the company's future.

Make the best use of URENCO's financial strength in the near-term.

Maintain our position as a world leader in the nuclear sector.

The main focuses of the strategy are to:

Optimise the way we do business

Creating a more efficient, streamlined and productive organisation.

Safety and non-proliferation will remain our top priority while we work to achieve €300 million in cumulative capital and operational cost savings by 2019.

Ensure we remain a global leader in enrichment services

Delivering sustained commercial success while maintaining our presence and influence within the global industry.

We are committed to identifying growth opportunities in existing and new markets.

Expand URENCO's high-tech capabilities to more broadly serve the nuclear industry

Making best use of our technical expertise and centrifuge technology to meet customers' changing needs.

To secure a strong, stable, and resilient future, we will make best use of our technical expertise and centrifuge technology to provide a portfolio of products to the nuclear supply chain in addition to existing operations.

Strategic report

Our global role

URENCO is a leading supplier of enrichment services and fuel cycle products to the world's nuclear energy industry.

What we do

We are an international supplier of enrichment services for the civil nuclear market. With operations in four countries, we serve utility customers worldwide who provide low carbon electricity through nuclear generation. The majority of our customers source the feed, uranium hexafluoride (UF_6), which we then enrich to international specifications, enabling them to continue to the next stage of the nuclear fuel supply chain. Through the flexible operation of our centrifuge technology, we are able to provide services beyond enrichment, for example by conserving feed material and providing Enriched Uranium Product (EUP) and natural uranium.

As well as helping our customers meet global energy demands and produce low carbon energy, we are also dedicated to educating the next generation about the importance of nuclear within the energy mix, and inspiring young people to engage with science, technology and engineering. In addition, we work hard to deliver on our wider commitments to sustainability.

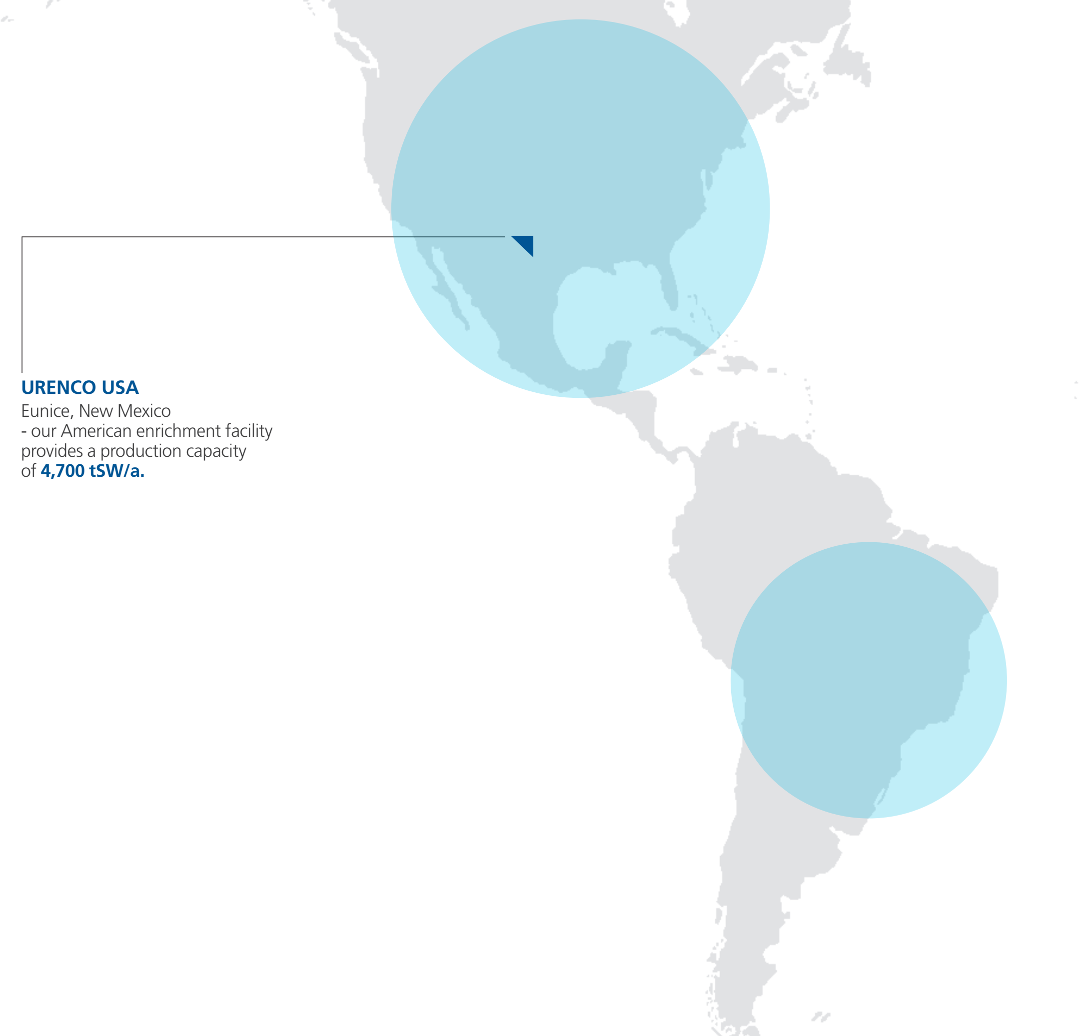
Our facilities

Our Head Office is located close to London in the UK. We have four uranium enrichment facilities and these are located at Almelo in the Netherlands; Capenhurst in the UK; Eunice, New Mexico, in the USA; and Gronau in Germany. URENCO is the only company in the world to operate enrichment facilities in four countries under four different regulatory regimes. This geographical reach and diversity of supply are distinct competitive advantages, allowing us to respond flexibly to our customers' needs. We also have a strong forward order book which enables us to plan future production volumes in advance.

Across all our sites, we constantly assess the economic viability of our facilities to ensure our operations remain optimal, efficient and cost-effective.

We also have subsidiaries dedicated to overseeing our work in the field of uranium stewardship. These include URENCO ChemPlants Limited, which is responsible for the construction of the Tails Management Facility (TMF) in the UK; and Capenhurst Nuclear Services Limited (CNS), which provides responsible materials management for the nuclear industry.

Our Stable Isotopes business in the Netherlands draws on our expertise and capabilities in centrifuge technology to produce a variety of products for medical, industrial and research applications.



Our operations and customers

URENCO operations

Customers

All site capacity data as at 31 December 2016.

Strategic report
Our global role continued

Our customers

We currently supply more than 50 customers in 19 countries. Through robust, long-term relationships, we support our customers to deliver on their goals.

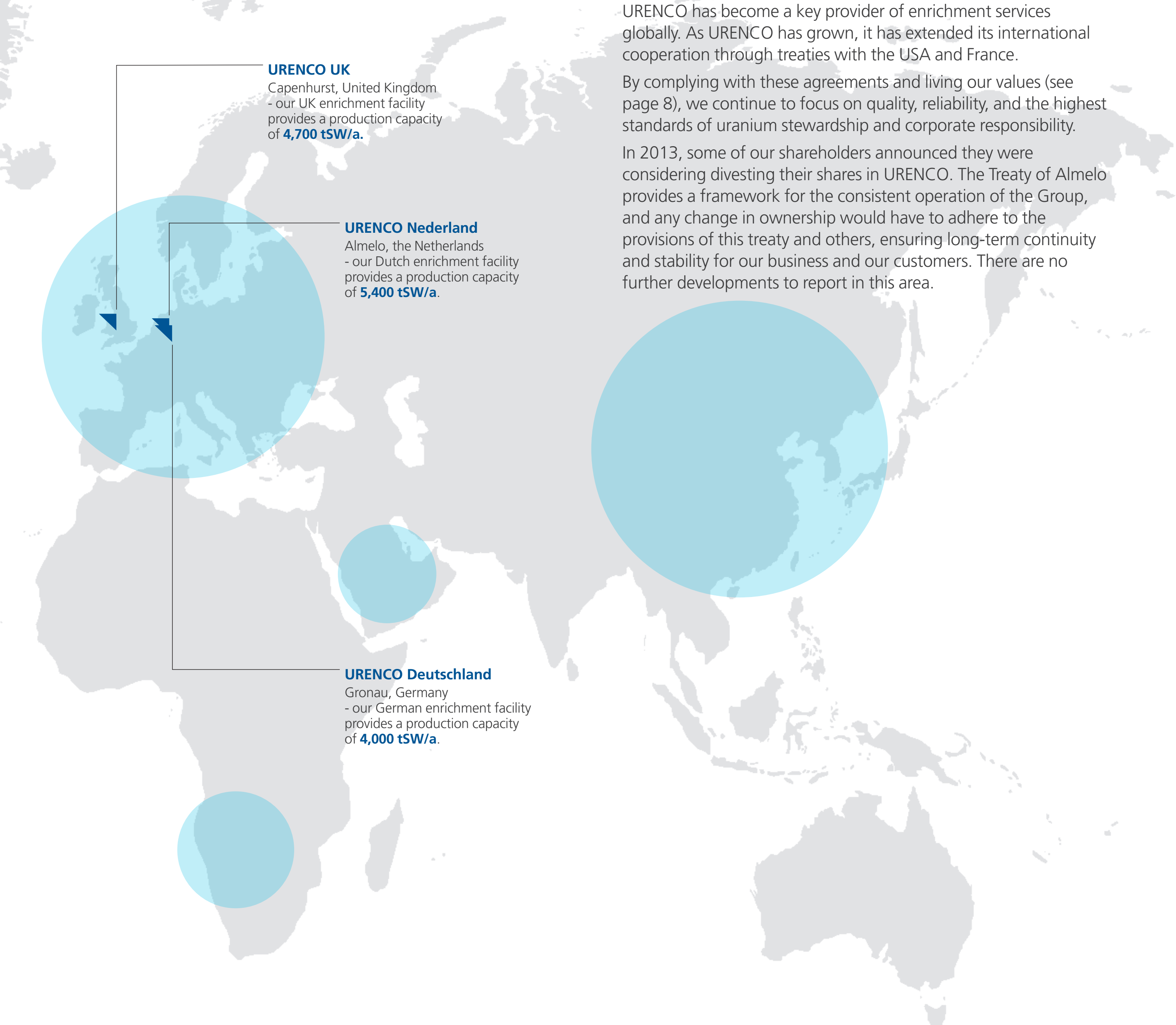
The strength and interdependence of these partnerships is critical, and we work to enable our customers' success and meet their changing needs over time. Being entrusted with their contracts, we are committed to ensuring a reliable delivery of supply now and in the future.

The Treaty of Almelo

Our heritage can be traced back to the Treaty of Almelo. Signed in 1970 by the UK, Dutch and German governments, the Treaty of Almelo laid the foundations for international cooperation. At its core was a commitment to promote the peaceful application of nuclear power and to harness atomic expertise for use in energy, science and medicine. It created a platform for the joint development of centrifuge enrichment technology and put robust safeguards in place to protect this technology from misuse and proliferation. Under the terms and principles of the Treaty, URENCO has become a key provider of enrichment services globally. As URENCO has grown, it has extended its international cooperation through treaties with the USA and France.

By complying with these agreements and living our values (see page 8), we continue to focus on quality, reliability, and the highest standards of uranium stewardship and corporate responsibility.

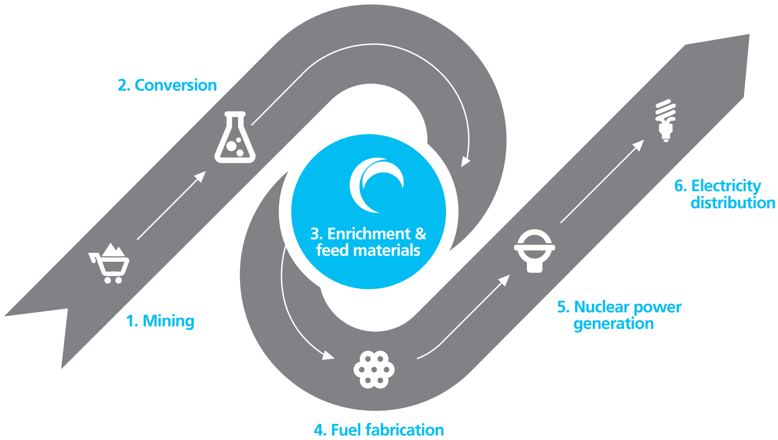
In 2013, some of our shareholders announced they were considering divesting their shares in URENCO. The Treaty of Almelo provides a framework for the consistent operation of the Group, and any change in ownership would have to adhere to the provisions of this treaty and others, ensuring long-term continuity and stability for our business and our customers. There are no further developments to report in this area.



Strategic report

Our role in the nuclear industry – uranium enrichment

The nuclear fuel supply chain



URENCO plays a key role in the global nuclear fuel supply chain. Our enrichment services enable customers to produce low carbon electricity through nuclear generation.

1. Mining

Uranium ore is extracted, purified and milled to become uranium oxide, also known as 'yellow cake'.

2. Conversion

Uranium oxide is chemically converted into uranium hexafluoride (UF_6), otherwise known as feed, and transported to one of our enrichment facilities.

3. Enrichment & feed materials

Our customers' UF_6 arrives at our enrichment facilities. We heat the UF_6, turning it into a gas which we feed into our centrifuges. The centrifuges separate the two isotopes contained in uranium, U_{235} and U_{238}, and enrich the lighter U_{235} to up to 5%. Our centrifuges also enable us to conserve feed material, which means we can provide EUP and natural uranium in addition to enrichment services.

4. Fuel fabrication

The customers' enriched uranium is transported to fuel fabricators, where it is converted into pellets before being loaded into fuel rods.

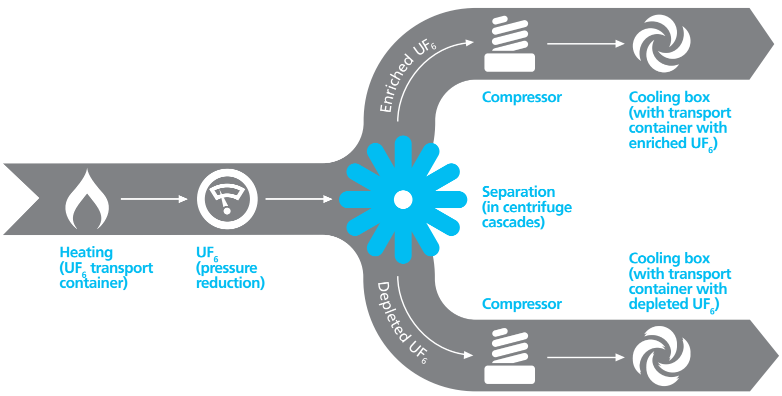
5. Nuclear power generation

The fuel rods are transported to nuclear power stations, where they power nuclear reactors. Fuel rods are placed into the reactors, generating steam which drives turbines which in turn power generators.

6. Electricity distribution

Nuclear power plants provide a secure source of low carbon energy, generating electricity for homes, schools, hospitals, offices and industries around the world.

A closer look at the enrichment process



URENCO's part in the enrichment process starts with the arrival of UF_6 at our facilities. UF_6 is the most suitable form of uranium for enrichment because it is easily turned into a gas when heated.

Heating UF_6 to turn it into a gas

UF_6 is delivered to our facilities in internationally approved transport containers, which we connect to our plant feed system. The UF_6 is then vaporised and turned into gas at sub-atmospheric pressure.

Spinning UF_6 at high speed to enrich it

We feed the UF_6 gas into a centrifuge casing containing a cylindrical rotor which spins at high speed, separating uranium's two isotopes. The heavier isotope, U_{238}, is forced closer to the rotor wall than the lighter U_{235}. As a result, the UF_6 gas closer to the wall is depleted of U_{235}, and the UF_6 gas nearer the rotor axis is slightly enriched in U_{235}. We repeat the process until we achieve the levels of U_{235} enrichment that our customers require.

Compressing and cooling the enriched uranium

Next, we feed the enriched uranium (UF_6 containing up to 5% of U_{235}) from the centrifuge cascades into a compressor, then into a cooling box. As it cools, the UF_6 vapour solidifies in cylinders. We homogenise the cylinders and check a sample for quality. We weigh and analyse all cylinders to comply with the accounting and tracking requirements of the European Atomic Energy Community (EURATOM), United States Nuclear Regulatory Commission (USNRC) and the International Atomic Energy Agency (IAEA).

Storing and converting depleted uranium

The UF_6 gas closer to the wall of the centrifuge is partially depleted of U_{235}. This by-product is known as 'tails' (depleted UF_6). We collect and cool tails in a cooling box containing a cylinder, which is weighed to ensure we can account for all material. Still containing a low concentration of U_{235}, tails can be re-enriched if economically viable.

We store tails at our enrichment facilities in internationally approved containers, pending deconversion to a chemically stable form – uranium oxide (U_3O_8) – for safe, intermediate storage on our sites ahead of long-term disposal.

We are constructing our Tails Management Facility so we can carry out the process of chemically transforming depleted UF_6 into U_3O_8. The deconversion process also creates hydrofluoric acid, a valuable chemical used globally by a number of industries.

Nuclear power plants provide a secure source of low carbon energy, generating electricity for homes, schools, hospitals, offices and industries around the world

Strategic report

Our markets

URENCO makes a valuable contribution to the low carbon economy. We supply more than 50 customers in 19 countries with a reliable source of enrichment services and uranium to support the optimal operation of their reactors. Our geographic diversity enables us to respond flexibly to demand while at all times ensuring the utmost reliability.

The global nuclear market

For our customers, each nuclear reactor requires a multi-billion-euro upfront investment. We provide a reliable source of enrichment services to keep these reactors running.

The phasing out of nuclear power in countries such as Germany, Belgium and Switzerland, and the shutdown of reactors in Japan since 2011 are factors in the slowdown of the global enrichment market demand. This has resulted in a surplus of global inventories (across the supply chain) and therefore pricing pressures. The gradual restart of nuclear reactors in Japan, and the approval of new large-scale projects such as Hinkley Point C in the UK, are welcome developments and a sign of confidence in our industry. However, the enrichment market is likely to remain challenging for some time to come.

Increased global demand for electricity and the trend towards decarbonisation in energy, heating and transport should result in future growth in nuclear power generation, and the IAEA predicts that nuclear power will be a key element in the future energy mix. According to the IAEA, nuclear power capacity expansion is forecast to grow to 598.2 GWe by 2030, up from 382.9 GWe in 2015.[4]

According to the latest IPCC Synthesis Report, at least 80% of the world's electricity must be low carbon by mid-century if we are to stand a chance of keeping global warming below 1.5°C.[5] Nuclear energy currently avoids approximately 2.5 billion metric tonnes of CO_2 from being emitted into the atmosphere each year,[6] and is the second-largest source of low carbon power after hydro.[7]

Currently, nuclear power provides about 11% of the world's electricity, and 21% of electricity in OECD countries.[8] As of January 2017, there are 447 commercial nuclear power reactors in operation around the world, with a total generating capacity of 391.4 GWe – an increase from 439 operable reactors and 382.9 GWe capacity in January 2016. A further 60 reactors are currently under construction, many in China.[9]

Global markets

Europe

A varied and evolving market:

- As of November 2016, there was a total of 186 nuclear power plant units in Europe, with an installed electric net capacity of 163 GWe.[10] Currently, 128 nuclear power reactors (119 GWe) operate in 14 of the 28 European Union (EU) member states, accounting for more than one-quarter of the electricity generated in the whole of the EU.[11]
- There are 53 units operating in three non-EU countries (Russia, Ukraine and Switzerland), accounting for about 17% of the electricity in the rest of Europe.[12]
- There are currently six new reactors being built in Europe, including two in Slovakia, one in France, one in Finland and two in Belarus,[13] with a number of reactors being planned, including four in the UK, one in Bulgaria, two in the Czech Republic, two in Hungary and six in Poland.[14]
- Germany,[15] Belgium[16] and Switzerland[17] are due to phase out nuclear power between 2022 and 2035.

North America

The world's largest producer of nuclear power:

- The USA accounts for more than 30% of worldwide nuclear generation of electricity.[18]
- In 2015, the country's 100 nuclear reactors had an installed capacity of 99.5 GWe, accounting for more than 19% of total electrical output.[19]
- However, low gas prices and liberalised wholesale electricity markets in certain states continue to cast doubt on the economic viability of some reactors and future projects.[20]
- We will continue to closely monitor the energy policy of the new administration.

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Strategic report
Our markets continued

Middle East and Asia

Emerging nuclear market with strong growth potential:

- Almost a third of South Korea's electricity needs are met by nuclear power,[21] and the industry is growing.[22] South Korea currently has a net nuclear capacity of 23.0 GWe, with 25 reactors in operation and three under construction that will bring total capacity up to 27.3 GWe by 2020.[23] Eight more reactors are planned to enter commercial operation by 2029, which would add a further 11.6 GWe of capacity.[24]
- The United Arab Emirates (UAE) is embarking upon a nuclear power programme in close consultation with the IAEA. Four commercial nuclear power reactors, with total capacity of 5.6 GWe, are under construction and due for completion by 2020. The first is more than 85% complete and is expected to come online in 2017.[25]
- Mainland China has 36 nuclear power reactors in operation, 21 under construction and more licensed to start construction. Additional reactors are planned, and a doubling of nuclear capacity to at least 58 GWe is expected by 2020/21, with an increase of up to 150 GWe by 2030.[26]
- With a flourishing nuclear power programme, India expects to have 14.6 GWe of nuclear capacity online by 2024, and 63 GWe by 2032. It aims to derive 25% of its electricity from nuclear power by 2050.[27]
- Nuclear power in Japan has been confirmed as a national strategic priority, although with reduced dependence.[28] 42 reactors that are currently operational remain offline, however, 24 of these reactors have applied to restart or are undergoing safety reviews[29] and it is expected that restarts will allow reactors to reach 60% of their 2010 levels by 2020.[30] New build plans are currently on hold.[31]

South Africa

Growing nuclear market with business opportunities:

- South Africa has two nuclear reactors generating 5% of the country's electricity.[32]
- The South African government is strongly committed to the future of nuclear energy to help add baseload power, with plans for a further 1.3 GWe. However, financial constraints could be an issue.[33]

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Strategic report

Our broader support of the nuclear sector

URENCO's business foundations are in providing global enrichment services to our customers. Additionally, we use our centrifuge technology and expertise to serve broader industries including medicine and science. We are also increasing our capabilities in responsible uranium stewardship and nuclear decommissioning.

Deconversion

Tails Management Facility (TMF)

Currently under construction at URENCO's site in Capenhurst, UK, the TMF will manage the deconversion of tails to stable uranium oxide (U_3O_8). It will consist of a number of associated storage, maintenance and residue processing facilities to support URENCO's long-term strategy for the management of tails.

The TMF has experienced a number of challenges and delays in construction; however we anticipate commissioning for late 2017/early 2018.

Once complete, it will play a key role in URENCO's commitment to, and leadership in, responsible uranium stewardship and environmental protection.

Decommissioning, recycling and management of uranic materials

Capenhurst Nuclear Services (CNS)

CNS is responsible for the management of uranic materials, decommissioning and recycling. A UK-based, wholly-owned URENCO subsidiary, CNS has specific experience in the field of uranic stewardship, management and storage.

Since 2012, CNS has been providing a dedicated service to the Nuclear Decommissioning Authority (NDA) for the responsible management of uranic materials and remediation work at the Capenhurst site on its behalf. Under this contract, CNS manages the bulk of the NDA's uranic inventory.

In 2016, following a rigorous site selection process, CNS was selected by the Ministry of Defence (MOD) to store and manage the Reactor Pressure Vessels (RPVs) from 27 defuelled nuclear submarines. Delivery of the RPVs will begin in the early 2020s. These contracts highlight CNS's capabilities for the management of nuclear materials.

Third party applications

Stable Isotopes

Stable Isotopes, a wholly-owned business unit of URENCO, employs our centrifuge technology to separate isotopes in support of medical industry initiatives and key industrial applications. Based at Almelo in the Netherlands, Stable Isotopes provides services of social and environmental value. Each year, more than one million patient treatments are performed using radioactive sources from Stable Isotopes' enriched materials.

During 2016, Stable Isotopes has seen an increase in demand for several of its products. New applications for enriched stable isotopes continue to be developed and Stable Isotopes is actively engaged in discussions with customers on how to support this growing demand.

U-Battery

There is a market opportunity for micro-modular reactor technology, which URENCO believes will be an important part of our future low carbon, sustainable energy landscape. As a flexible and scalable option for local power and heat generation, these reactors have great potential as a complementary technology to larger reactors.

U-Battery is a micro nuclear reactor which will be able to produce local power and heat for a range of energy needs. It is primarily targeted at markets for off-grid power such as energy-intensive industry and remote or isolated locations.

Powered by intrinsically safe TRISO fuel, U-Battery is based on a simple design utilising existing, proven technology. The modular design of U-Battery will enable it to be factory-built and delivered to its site of operation. This will lead to faster and more affordable build times.

U-Battery is being developed by a consortium of companies including URENCO, Amec Foster Wheeler, Cammell Laird and Laing O'Rourke.

Our Tails Management Facility will play a key role in URENCO's commitment to, and leadership in, responsible uranium stewardship and environmental protection

Strategic report

Principal risks and uncertainties

Risk management and mitigation is a key area of focus for URENCO. Across all areas of URENCO, we work hard to raise risk awareness and we have developed a range of measures to help identify, manage and mitigate potential risks and threats that could impact our business.

Our approach

Robust risk management is at the centre of our business ethos and operations. It is a vital component of our global leadership within the nuclear industry. As part of our Governance, Risk and Control framework, we follow best practice and ensure we comply with the rigorous legal requirements under which we operate.

Operating in a heavily regulated industry, we focus on early identification of risks and implementing appropriate risk evaluation and mitigation or avoidance strategies. Our Executive Risk Management Committee reviews the Group's top risks, their controls and planned actions, and reports back to the Audit Committee and Board on a regular basis.

Our Risk Management framework is based on a three 'lines of defence' approach:

1st Line

Operational management

The operational management team is tasked with identifying and assessing risks on an ongoing basis and is responsible for implementing and maintaining appropriate controls aligned to Group Policies and Procedures.

2nd Line

Risk management & compliance

The Audit Committee oversee the effective operation of the Company's risk management framework. The Group's Compliance, Risk Management and Internal Audit functions support the business in ensuring effective implementation of and compliance with the risk management policies and procedures across the business.

3rd Line

Governance

Our Internal Audit function provides independent assurance that controls, implemented either to mitigate or avoid risks, are operated efficiently and effectively across the organisation.

During the year the Board has considered the nature and level of risk that we are prepared to accept in order to deliver our business strategies. The Board considers that the principal risks to achieving its strategic aims are set out here.

Risk	Mitigation
1. Safety	
Across the URENCO Group, we need to ensure we operate to the highest standards of safety to maintain a safe environment for our colleagues and stakeholders.	We seek to operate to the highest standards of safety and have implemented safety management systems, designed to minimise our risks, whilst regular monitoring ensures compliance with safety standards. We focus on continuous improvement and the detection and remediation of potential hazards before incidents have a chance to occur. We also meet regulatory requirements and follow regulatory protocols for the safe handling of uranium and other chemicals. By adhering to best practice in this area we continually seek to ensure minimal impact upon employees, contractors, the public and the environment.

Strategic report

Principal risks and uncertainties continued

Risk	Mitigation
2. Markets	
We experience ongoing challenging market conditions, exacerbated by ongoing price volatility across energy markets, impacts opportunities for growth.	In an increasingly volatile and complex trading environment we remain committed to ensuring that our business is as resilient as possible to meet these challenges. We have initiated a new strategy to ensure that we are able to maximise our global reach, technical capabilities and flexible plant structure to support our ability to respond to changing market conditions, customer demands and opportunities. We continue to model a broad range of market scenarios and stress test the effectiveness of our commercial strategies, mitigations and responses to new and emerging market threats and opportunities. We also monitor the ongoing sustainability of our order book through regular review of commercial contracts to ensure that any mark to market risks are identified and appropriate early interventions and mitigations are implemented.
3. Safeguards	
There is a potential risk for uranic material to be misappropriated from our enrichment facilities.	URENCO works closely with governments and regulators to create and comply with safeguard regimes and we continually maintain and review our uranium tracking methods on site. A common set of safeguards is applied across the organisation to ensure non-proliferation and prevent the misappropriation of uranic material. Our safeguard programmes are also supported by a rigorous accounting and audit approach to the uranic materials we keep on site to ensure that we consistently meet the stringent inspection criteria set by IAEA and EURATOM.
4. Security & cybercrime	
We need to ensure the security of fissile material and our own technology and assets, particularly with regards to the increasing threat of cybercrime to the energy sector.	We continue to work closely with the relevant government bodies, across the jurisdictions in which we operate (for example GCHQ in the UK and the Department of Homeland Security in the USA) to ensure that we comply with all applicable national and international security requirements and understand the nature of new and emerging physical and cyber security threats. Each of our sites is also supported by dedicated security resources to control access to sites, actively screen all personnel and ensure appropriate security policies and procedures are implemented. The ongoing monitoring of the effectiveness of security polices and arrangements are monitored and risk assessed on an ongoing basis by the URENCO Group Security function.
5. Transport	
The availability and willingness of third party logistics providers, regulators or port authorities to transport or accept uranic materials may impact our ability to optimise the benefits of a global infrastructure.	The safe behaviour of our transportation partners is guided by the standards we set at URENCO. Such standards reduce the risk of an accident or the misappropriation of sensitive materials. We only place contracts with approved companies and ensure we perform regular contract and performance monitoring audits. We adhere to IAEA guidelines and all other national and international regulations regarding the transportation of fissile material, and we go beyond regulatory requirements in aspects of our own logistics procedures.

Strategic report

Principal risks and uncertainties continued

Risk	Mitigation
6. Political and regulatory landscape	
Policy The nuclear industry remains a topic for debate with public and governmental opinion differing on its role in the future energy mix. In any jurisdiction, a change in government can bring about a change in policy, while unanticipated events can also change policy direction.	URENCO continually monitors nuclear policy around the world and on a regular basis, engages with policy makers and stakeholders to ensure that the benefits of nuclear as a sustainable, long-term and low-carbon source of energy are understood and considered as part of both the energy debate and future government policy.
Regulation Our operations and development are controlled by our ability to meet the stringent regulatory requirements of each country we operate in and supply. We are answerable to multiple national governments and subject to penalties if required standards are not met.	URENCO maintains compliance activities across the business. Our strong relationships with government regulators are managed locally by our Heads of Compliance at our production sites, while our URENCO Group functions also maintain an open dialogue with both national and trans-national regulators (e.g. the IAEA) and other governmental agencies. All learning elicited from our engagement with regulators is then shared across the URENCO Group through internal workshops and communications. Our focus on innovation and performance enables us to act as an effective partner across the nuclear supply chain and guide and share best practice across the industry as a whole. We are also closely monitoring and assessing the potential effects of the UK leaving the European Union and the EURATOM community on business and how we operate.
7. Pricing	
Short-term energy market pressures to sell excess inventory could drive prices below the level needed to sustain the ongoing investment in enrichment capability and threaten future centrifuge innovation and development.	Our long-term contracts with customers incorporate agreed forward pricing, to mitigate short-term price risk. We also ensure that while our responses to new market opportunities are competitive and offer a clear value proposition to our customers, they do not compromise our ability to support and finance re-investment and the ongoing manufacturing and development of our enrichment technology.
8. Financial volatility	
Significant and new exchange rate and fiscal volatility impacts predictability of business model and introduces complexity and volatility to URENCO's Income Statement. Following the UK's decision to exit the EU, financial volatility may be exacerbated in the near-term.	The Group mitigates its exchange rate exposure by hedging a portion of its forecast US dollar revenues and of its forecast sterling capital expenditure. This reduces the volatility of the Group's cash flows and reported earnings. The Group also mitigates currency exposure by holding a portion of its borrowings in US dollars. To manage our interest costs, we regularly review and, where appropriate, adjust the proportion of our fixed rate to floating rate borrowings by the use of interest rate swaps. We also regularly forecast the cash requirements of the business including projected cash flows from operations, projected capital expenditure, and the maturity of existing borrowings. Our Treasury department manages liquidity risk by ensuring that adequate medium-term committed funding is always available to meet our needs.

Strategic report

Principal risks and uncertainties continued

Risk	Mitigation
9. Counterparty risk	
We could be exposed to credit risk predominantly through transactions with other participants in the nuclear supply chain.	URENCO actively monitors the creditworthiness of commercial counterparties and has a set of limits with different levels of authority for sign-off. We also incorporate appropriate credit protection clauses in customer contracts to ensure payment protection. Our exposures to financial counterparties are managed through a counterparty credit exposure policy which sets credit limits based on counterparties' credit ratings.
10. Project management	
URENCO is committed to the ongoing investment in its physical infrastructure to ensure it has the capability and capacity to meet its current and future needs. Given the size and complexity of our projects there is a risk that we do not select the right project delivery strategies to ensure the effective management of project costs, schedule, quality of design, construction and commissioning.	Projects are subject to appropriate governance structures and contracting frameworks are implemented to manage the effective delivery of capital investments, and to maximise cost and schedule certainty. Risk-based performance parameters and incentive frameworks are also established on a project-by-project basis to further address the risks inherent in project delivery. Projects are also subject to management, commercial and internal audit assurance reviews to monitor project performance and to ensure that adequate project controls and contractual arrangements are in place to support early identification and resolution of risks and issues.
11. Long-term liabilities	
The cost and timing of URENCO's long-term nuclear activities are subject to external factors that URENCO can influence but not control, for example, government policy for long-term disposal costs of depleted U_3O_8.	URENCO continues to work with its regulators and government agencies, in partnership with other nuclear operators and stakeholders, to ensure that a sustainable and economically viable solution for the long-term storage of fissile material is developed.
12. Colleague retention and continuity	
We need to ensure we make the necessary investment in our people and succession planning processes to guarantee that we have the appropriate skills and experience to support URENCO's long-term sustainability.	Focused development and succession planning programmes are in place across the organisation to ensure that our colleagues' development plans are aligned with the organisation's needs and support the development of a pipeline of talent.
13. Change and transformation	
As detailed in our Strategic Report, URENCO is currently engaged in a major change programme to ensure that we take advantage of opportunities to optimise the way we do business, to maximise our sales potential and our ability to serve the nuclear supply chain. While we are confident that URENCO has the appropriate capabilities and resources to execute the change programme, there is an inherent risk that the organisation does not deliver the full scope of the strategy and the desired benefits in the prescribed time.	To support the delivery of these strategic objectives the existing company structure has been realigned and a simplified organisational structure implemented, supported by a new leadership team. The Leadership Team are responsible for monitoring the programme and benefits realisation on a regular basis, ensuring sufficient resources are available to deliver the required changes against the agreed deadlines. A Transformation Management Office has also been created to coordinate, monitor and report progress. We will continue to ensure that changes are only implemented once we have completed an appropriate level of planning and due diligence, relative to the risks.

Strategic report
Sustainability

As a key player in the global nuclear fuel cycle, sustainability is inherent in everything we do at URENCO. Firmly embedded across the business, it is a core part of our day-to-day operations. It shapes our customer partnerships, informs our efforts to meet demand, and guides our strategic and operational decision-making.

Our sustainability strategy

Our sustainability strategy guides the way we manage our business, helping us balance our commercial interests with our commitments to society and the environment. As part of this strategy, we have developed six sustainability focus areas.

Our approach to sustainability

In recent years we have made significant progress in the way we manage sustainability at URENCO. Each quarter we collect, interrogate and share sustainability data with our executive Management Team. The Managing Directors of each enrichment facility are accountable for the sustainability performance of their sites, with additional accountability assigned to sponsors for each of our sustainability focus areas.

To support our management of sustainability, in 2013 we established a Sustainability Committee, a Board committee in its third year. The Committee's meetings, which take place three times a year at different URENCO sites, are attended by senior management from across the Group. This approach ensures that sustainability is incorporated into all operational and strategic decision-making and embedded across the organisation, with Board-level involvement demonstrating the depth of our commitment.

Progress in 2016

In 2015 we introduced KPIs leading to an improvement in the way we monitor and report on progress in our sustainability focus areas, and in 2016 we refined this process further through enhanced data quality, analysis and validation.

We continue to report to the international Global Reporting Initiative (GRI) G4 reporting standards. Building on the progress we have made in recent years, in 2016 we improved our reporting process further by validating our materiality aspects with a range of stakeholders across the business to ensure the information and data we report on continues to be relevant. As a mark of our commitment to transparency and engagement with stakeholders, in 2016 we launched a new sustainability section of our website where we have summarised key areas of interest for our reporting year.

Focus area 1: Health and safety, safeguards and security

Health and safety, safeguards and security are critical to the long-term sustainability of URENCO. We aim for continuous improvement in our policies, processes and performance within this focus area.

Safety is our number one priority and a material aspect for our business. As such, it is a vital element of our culture for all employees and contractors, and we seek to uphold the highest standards of safety across the organisation.

Focus area 2: Environmental impact

Our business is closely aligned to our long-term commitment to a low carbon energy future. We are committed to minimising our environmental impact, and continue to achieve greater efficiencies across our business.

Focus area 3: Supplier of choice

The strength of our customer relationships is a great source of pride to everyone at URENCO. The quality, flexibility and reliability of our enrichment services mean we are well placed to meet the needs of our customers.

URENCO is committed to being a long-term partner to the nuclear industry, and the supplier of choice to our customers and the wider supply chain. As a result, excellent customer service continues to be a key priority.

Focus area 4: Employee engagement

URENCO continues to develop a capable and engaged workforce. We employ talented people who can help us deliver outstanding customer service and achieve long-term commercial success.

Our diverse workforce enables us to attract a broad range of talent into the business. We have activities in place that promote diversity and inclusion. Through a range of programmes and initiatives we encourage diversity and, in particular, reach out to young female scientists of the future.

Focus area 5: Community engagement

URENCO considers itself a good corporate citizen and provides regular transparent communications and dialogue with community stakeholders.

Focus area 6: Asset integrity

In order for our business to run smoothly, our plants' infrastructure, kit and components need to function efficiently. Across the organisation we are committed to targeted investments in asset upgrades and improvements.

For more information on our approach to managing sustainability, please visit our dedicated sustainability microsite:
http://www.urenco.com/sustainability/managing-sustainability

Strategic report

Group Finance Report

Year on year increase in revenue and EBITDA[1] but net loss reported due to impairment charge and increased finance costs as a result of adverse foreign exchange movements.

Results for 2016

Revenue

Revenue for the year ended 31 December 2016 was €1,893.0 million, up by €50.8 million over 2015. This increase is mainly due to higher Uranium related sales of €100.5 million, with increased volumes but lower average unit revenues. SWU revenues were down €58.9 million as a result of lower realised average unit revenues.

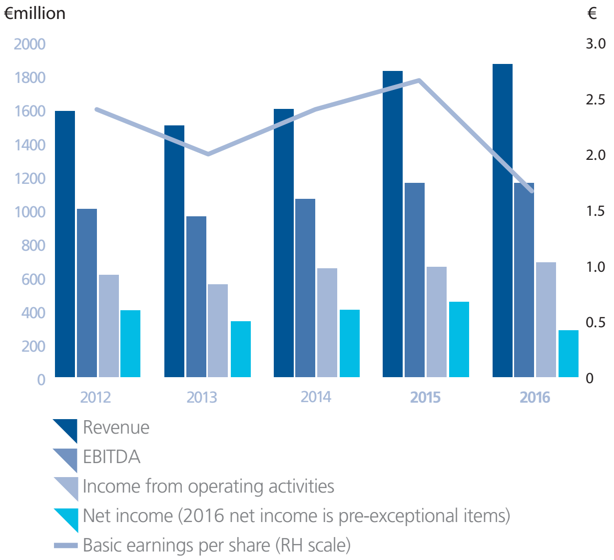
EBITDA[1]

EBITDA for 2016 increased by 4.0% to €1,170.0 million compared to last year (2015: €1,124.6 million (restated[2])) which was broadly attributable to lower production costs and lower net tails provision costs. In 2015 the tails provision rate was increased significantly due to revised operational assumptions, which resulted in an increase in tails provisions of €52.9 million for the historically produced tails at our sites. During 2016 there was a €28.3 million release from the tails provisions which included the impact of the disposal of a limited quantity of higher assay tails. The EBITDA margin for 2016 was 61.8% (2015: 61.0% (restated[2])) reflecting the benefits of the lower costs referred to above, with the impact of higher revenue offset by lower margins due to the increased level of Uranium related sales in 2016.

EBITDA performance

	2016 €m	2015 €m	% increase/ (decrease)
Income from operating activities (pre-exceptional items)	693.2	634.4	**9%**
Adjustment for depreciation [2]	(13.0)	(12.5)	
Add: depreciation and amortisation	489.4	496.1	
Add: share of results of joint venture	0.4	6.6	
EBITDA	1,170.0	1,124.6	**4%**

Financial performance



Exceptional items

Exceptional items totalling €793.0 million on a pre-tax basis were reported in 2016 (2015: €nil). These comprise an impairment of the carrying value of the USA operations of €760.0 million and a restructuring provision of €33.0 million.

The impairment in the carrying value of the USA operations reflects downward pressure on long-term price forecasts for uncontracted SWU volumes, compared with those assumed at the time of the construction of the USA operations. These pressures are due to the current surplus of global inventories, over-supply of enriched uranium and continued nuclear market uncertainty.

The restructuring provision mainly relates to expected severance payments to be made following the announcement of the implementation of a Group-wide restructuring programme.

The income tax credit associated with the exceptional items was €52.9 million (2015: €nil).

Net loss

Net income before exceptional items decreased by 37.2% to €283.8 million (2015: €452.1 million) corresponding to a Net income margin of 15.0% (2015: 24.5%). This decrease in Net income was mainly due to increased net finance costs and a higher income tax expense (before exceptional items).

Net finance costs for 2016 were €272.0 million, compared to €101.3 million in 2015. The main reason for this increase was an adverse impact from net foreign exchange movements on financing activities associated with the retranslation of certain loan balances in US dollar and euro, held by a sterling functional currency entity, which are outside of accounting hedging relationships (2016: loss of €110.2 million; 2015: gain of €30.2 million) and losses attributable to ineffective cash flow hedges (2016: loss of €16.6 million; 2015: gain of €23.0 million).

Where practicable, relevant loan balances are swapped using cross currency swaps and are placed in accounting hedge relationships. The currency volatility during the year that gave rise to these charges has also resulted in positive movements in the foreign currency translation reserve explained below.

The pre-exceptional tax expense for 2016 of €137.4 million increased by €56.4 million compared to last year (2015: €81.0 million). This increase arose primarily from non-deductible foreign exchange movements and transfer pricing adjustments, partially offset by a change in the relative proportion of profits and losses generated across the four jurisdictions that URENCO operates in. The Group's effective tax rate is sensitive to the geographic location of profits, together with the impact of non-taxable and non-deductible amounts. The post-exceptional tax expense of €84.5 million reflects the pre-exceptional expense of €137.4 million after the benefit of the €52.9 million credit associated with the exceptional items.

Depreciation was €489.4 million in 2016 compared to €496.1 million in 2015.

A net loss after exceptional items of €456.3 million was recorded for 2016 (2015: net income €452.1 million).

References

[1] EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results.
[2] Further details of the 2015 restatement and re-presentation are set out on page 27.

Strategic report

Group Finance Report continued

Impact of exceptional items

	2016 €m	2015 €m
Income from operating activities – before exceptional items	693.2	634.4
Exceptional items – before tax	(793.0)	-
Income from operating activities – after exceptional items	**(99.8)**	**634.4**

Net income – before exceptional items	283.8	452.1
Exceptional items – after tax	(740.1)	-
Net loss – after exceptional items	**(456.3)**	**452.1**

Cash flow

Operating cash flows before movements in working capital amounted to €1,242.2 million (2015: €1,294.8 million (re-presented[3])) and cash generated from operating activities was €1,226.0 million (2015: €1,244.1 million (re-presented[3])) as a result of higher revenues and a more favourable net working capital movement offset by higher cash cost incurred during 2016 associated with the deconversion, storage and disposal of tails.

Tax paid in the period was €117.1 million (2015: €121.7 million). Net cash flows from operating activities were €1,108.9 million (2015: €1,122.4 million (re-presented[3])).

Net cash flows from operating activities are used to finance investing activities, service the Group's debt and in future to fund the long-term decommissioning and tails liabilities currently reported in provisions in the Group's Consolidated Statement of Financial Position.

Capital expenditure

The Group invested a total of €407.6 million in 2016 (2015: €517.4 million), reflecting the conclusion of our capacity expansion programme in the USA and the ongoing investment in TMF of €229.0 million (2015: €208.8 million). The commissioning of TMF is scheduled for late 2017/early 2018. Capital expenditure is expected to fall further in future years following the completion of the TMF.

Capital structure

The Group's equity decreased to €1,543.4 million during the year (2015: €2,430.3 million) due to a decrease in retained earnings of €885.7 million reflecting the impact of the exceptional items referred to above, dividends paid during the year and actuarial losses on defined benefit pension schemes, a decrease in hedging reserve of €373.8 million, and an increase in foreign currency translation reserve of €372.6 million mainly due to the weakening of the sterling against the euro and US dollar. The movement in the hedge reserve is largely as a result of mark to market losses on cash flow and net investment hedges which protect the Group's future revenues and overseas net assets held in foreign currencies respectively.

Net debt decreased to €2,618.3 million (2015: €2,827.5 million). In June 2016, URENCO signed a new five-year €750 million revolving credit facility with ten banks. During the year all €350 million of the outstanding US dollar private placement debt has been repaid.

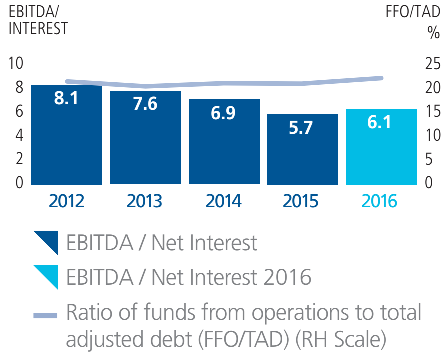
The Group monitors its capital structure through the use of financial ratios, principally those of net debt to total assets and funds from operations to total adjusted debt (FFO/TAD), as discussed further in note 25 of the consolidated Group financial statements.

Net debt to total asset ratio remained strong at 36.6% (2015: 35.6%), well within the Group's target ratio of less than 60%.

The Group targets an FFO/TAD ratio that results in a strong investment grade credit rating. The FFO/TAD ratio was 22.0% (2015: 20.7%) as EBITDA, the main component of FFO, has increased, and net debt has decreased.

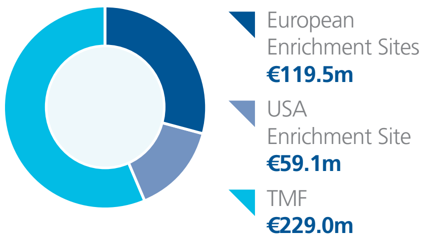
The Group's interest cover also remains strong at 6.1x (2015: 5.7x).

Five-year summary funding ratios



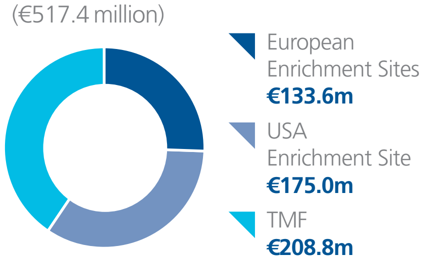
2016 Capital expenditure

(€407.6 million)



2015 Capital expenditure

(€517.4 million)



References

[3] Further details of the re-presentation of Operating cash flows before movements in working capital, Cash generated from operating activities, and Net cash flows from operating activities are set out on page 27.

Group pension funds

URENCO operates a number of pension schemes for our employees in the Netherlands, UK, and Germany. These are a mixture of defined contribution and defined benefit schemes.

The net liability for the Group's defined benefit pension schemes at 31 December 2016 was €142.8 million (2015: €70.9 million). This increase was due to the €101.4 million increase in the present value of the defined benefit obligations partly offset by the increase in the fair value of the plan assets of €29.5 million. The increase in the present value of the defined benefit obligations was driven by lower discount rates across all countries in which the Group operates defined benefit pension schemes.

Following the triennial valuation of the UK scheme in 2015, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of £6.5 million annually for seven years, until 2022.

URENCO proposes to close the UK defined benefit section to further accrual from 5 April 2017 for most Group employees and has conducted a comprehensive consultation with employees and their representatives and the pension scheme trustees. The financial impact of the changes to the UK defined benefit scheme will be recognised in the income statement on the date the proposed changes are effective, in April 2017.

Plant and machinery decommissioning

We have an obligation under our operating licences to decommission our enrichment facilities safely once they reach the end of their operational life. During 2015 the Group carried out a periodic review of the costs associated with plant and machinery decommissioning.

In 2016 the decommissioning provision increased by €29.0 million (2015: €51.5 million) due to the installation of additional plant and machinery of €13.4 million (2015: €4.4 million) and additional container purchases of €15.6 million (2015: €11.9 million). There were no revised assumptions relating to the decommissioning of plant and machinery in 2016 (2015: €35.2 million).

The addition to the decommissioning provision associated with the installation of plant and machinery and additional container purchases has been recognised as an equivalent addition to the decommissioning asset in the statement of financial position.

Tails deconversion, storage and eventual disposal

We provide for the costs of deconverting the by-product of the enrichment process (chemically converting tails from UF_6 to U_3O_8), long-term storage and eventual disposal. During the year the Group reviewed the costs associated with tails deconversion, storage and disposal.

Additional tails provisions in the year were €139.6 million (2015: €182.9 million), due to tails generated in that period and an increase in the applied tails rate.

Provisions utilised during 2016 were €94.4 million (2015: €43.5 million), and a provision release of €28.3 million (2015: nil) was recorded which included the impact of the disposal of a limited quantity of higher assay tails.

Further information on nuclear provisions can be found on pages 101 and 102.

Order book

We have a strong order book which extends to the second half of the next decade with an approximate value at 31 December 2016 of €15.5 billion based on €/$ of 1 : 1.05 (2015: €16.6 billion based on €/$ of 1 : 1.09).

Funding position

Liquidity continues to remain strong as a result of cash flow generation. As at 31 December 2016 the Group has €750 million of committed undrawn revolving credit facilities as well as cash and short term deposits of €253.3 million (2015: €391.3 million).

Our funding position remains robust and continues to be underpinned by our strong order book, which gives long-term revenue visibility, and robust EBITDA margins, resulting in significant cash flow generation.

The Company's debt is rated by Moody's (Baa1/Stable/P-2) and Standard & Poor's (BBB+/Stable).

Funding programme

The Group's funding strategy is to:

- maintain a core of longer-dated debt and committed borrowing facilities, consistent with the long-term nature of the Group's investments and the need to maintain an optimised long-term capital structure;
- use a range of financial instruments and financial markets in order to exploit attractive funding opportunities as they emerge; and
- manage debt maturities by raising funds in advance of ultimate repayment dates of debt instruments.

The average time to maturity of the Group's debt at 31 December 2016 was 5.5 years (at 31 December 2015: 5.7 years).

Managing foreign currency risk

Our foreign currency hedging policy has the twin objectives of reducing volatilities in net cash flow and income. However, a long-term reduction in income exposure is much more difficult to achieve due to the strict requirements with respect to hedge accounting under IFRS. The functional currency of URENCO Limited is sterling, although the company reports its results in euros.

The Group receives most of its customer revenues in US dollars and euros. URENCO hedges the net cash flows of its European business, by selling US dollar customer revenue and buying forward the sterling required to meet the costs of the UK operations; and selling the remaining US dollars to buy euros. The net cash flows of the USA business of URENCO have been used to pay US dollar denominated costs.

The Group smooths the impact of changes in foreign exchange rates by using a progressive rolling programme of buying and selling currency over a period of up to six years ahead. This medium-term hedging period strikes a balance between the objective of maximising cash flow certainty (which suggests a long hedging period) and the objective of maintaining a hedge portfolio that largely qualifies for hedge accounting under IFRS. URENCO has a stable future revenue stream that is managed using a portfolio of financial hedges. There is always an element of uncertainty due to changes in quantities and timing of deliveries based on market movements and customers' requirements, which makes it difficult to achieve effective hedge accounting over the longer term.

During the year, the company entered into €400.0 million (2015: €1.0 billion) of cross currency swaps, bringing the total to €1.4 billion, to convert the economic exposure of part of the Group's debt from euros to US dollars. This better aligns the currency of the debt with the asset base and cash flows of the Group.

Strategic report
Group Finance Report continued

URENCO Group Financial Policy Statement

The Financial Policy of the Group defines the broad parameters for financing the company and has the agreement and support of all of our shareholders.

The Group will finance itself through a combination of equity, including retained reserves and debt. For these purposes, long-term unfunded decommissioning liabilities are treated as debt. URENCO Limited cannot issue new equity without the agreement of all of its shareholders.

In order to achieve an efficient financial profile, the gearing level and financial ratios will be maintained to retain a solid investment grade credit rating for the Group.

At all times, the Group will maintain sufficient liquidity to ensure that it is a going concern and will manage the composition of its debt to minimise risks from market deterioration in liquidity, interest rates or currencies. Detailed Treasury management policies set parameters for the management of these risks.

Dividend policy

The Group will aim to pay a dividend out of its annual earnings with the level of dividend being set to take account of net profit, cash flows, reserves and the level of credit ratios. Until financial ratios comfortably exceed the minimum threshold for BBB+ at S&P and Baa1 at Moody's, the annual dividend will not exceed 100% of the Net income for the year. A lower dividend may be set when credit ratios, cash flow or funding conditions dictate that this is necessary and, equally, a higher dividend may be declared when the minimum thresholds of the key financial ratios are comfortably exceeded.

In 2016, €350.0 million in dividends for the year ended 31 December 2015 was paid to shareholders (2015: €340.0 million).

The Board has approved that dividends of €300.0 million be paid on 22 March 2017. The level of the final dividend for 2016 exceeds the level of Net income/(loss) (both before and after exceptional items) but consideration has been given to both (i) the fact the Net loss has been generated by adverse non-cash charges (foreign exchange losses on certain unhedged loan balances and the USA impairment charges); and (ii) the Group's favourable net debt position and credit ratios; and (iii) the availability of sufficient distributable reserves.

As at 31 December 2016, the company had distributable reserves available of €732.0 million (31 December 2015: €871.5 million).

Outlook

URENCO will ensure that it responds appropriately to the challenges that arise from the UK's proposed exit from the European Union, so as to try to minimise the impact on its operations, customers and employees.

We anticipate that pricing pressures will continue in the near-term due to the presence of excess inventories of enriched product. If sustained into the middle and long-term URENCO would experience lower profit margins and reduced cash flow.

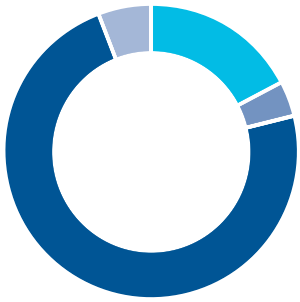
However, we believe that the combination of our current robust finances coupled with our new strategic direction will enable us to remain a reliable and sustainable partner to the global nuclear industry, providing customers with the highest level of service, quality and expertise.

The Strategic Report was approved by the Board of Directors on 8 March 2017 and signed on behalf of the Board by:

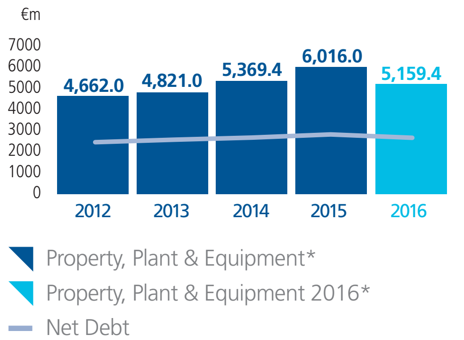
Stephen Billingham

Stephen Billingham
Chairman

Interest bearing loans and borrowings
(€2,871.6 million)



Property, plant & equipment vs debt



* Excludes decommissioning assets

Notes to Financial Highlights

(a) EBITDA
In 2016 the definition of EBITDA has been amended to exclude exceptional items. Accordingly, EBITDA is now defined as follows: Earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results (or income from operating activities before exceptional items plus depreciation and amortisation, plus joint venture results). Foreign exchange gains and losses on financing activities have been included within Finance income (year ended 31 December 2016: €14.6 million; year ended 31 December 2015: €96.6 million) and Finance costs (year ended 31 December 2016: €124.8 million; year ended 31 December 2015: €66.4 million) respectively. Previously these were included in Other expenses. Depreciation and amortisation are adjusted to remove elements of depreciation included in changes to inventories and other expenses. The presentation of the comparative financial information for the year ended 31 December 2015 has been restated to be on a consistent basis. See note 2 to the financial statements for further details.

(b) Cash generated from operating activities
Cash generated from operating activities has also been re-presented for foreign exchange differences on monetary items, which are now included in Effect of foreign exchange rate changes in the cash flow statement rather than in increase/(decrease) in payables which impacts Cash generated from operating activities.

Strategic report

The Board of Directors

1.

1. Stephen Billingham

Chairman of the Board and Non-executive Director

Stephen is Chairman of Anglian Water Group, Chairman of Punch Taverns plc and a non-executive Director and Chairman of the Audit Committee of Balfour Beatty plc. Stephen was Finance Director (CFO) of British Energy Group plc, the FTSE 100 company and the UK's largest electricity generator. Prior to joining British Energy, he was the Group Finance Director (CFO) of the international engineering and design consultancy, WS Atkins plc. He was the Finance Director of the team that signed the Metronet/London Underground Public Private Partnership. He has been Group Treasurer of the engineering group BICC plc (now Balfour Beatty plc) and the utility Severn Trent plc. In 2016 he was awarded an honorary DSc from Aston University. Stephen joined the URENCO Board in September 2009 and was appointed Chairman on 1 January 2016. Year Of Birth 1958.

2.

2. Thomas Haeberle

Chief Executive Officer

Thomas joined URENCO in December 2015 and became Chief Executive Officer on 1 January 2016, at which time he joined the URENCO Board.

Thomas gained a PhD in Chemical Reaction Engineering from the University of Erlangen-Nürnberg. He started his career in 1987 at Röhm GmbH, the manufacturer of Plexiglas.
He progressed his career with the company throughout its transition to Degussa GmbH and thereafter Evonik Industries AG.

Thomas was appointed President and CEO of Infracor GmbH, the key service provider of Marl Chemical Park, from 2003 to 2006, and he has also served as President of Degussa's Methacrylates, Building Blocks and Industrial Chemicals Business Units. He was appointed to the Board of Evonik Degussa GmbH in 2009 and Evonik Industries AG in 2011.
Year of Birth 1956.

3.

3. Ralf ter Haar

Chief Financial Officer

Ralf ter Haar joined URENCO in June 2014 and was appointed Chief Financial Officer (CFO) of URENCO Limited in November 2014. He joined URENCO from NXP Semiconductors N.V., where he held the position of Senior Vice President and Corporate Controller. Prior to joining NXP in 2009, Ralf served as Alcatel-Lucent's CFO for the Asia Pacific Region, based in Shanghai, and its Global Head of Trade & Project Finance, based in Paris.

Ralf started his career in banking, with ABN AMRO, where he held various positions in the investment banking division as well as the international network. He holds a MSc in economics and a LLM in business law from the Erasmus University in Rotterdam. Ralf joined the URENCO Board in November 2014. Year of Birth 1965.

4.

4. George Verberg

Deputy Chairman and Chairman, Remuneration and Appointments Committee and Non-executive Director

George graduated from the Netherlands School of Economics of the Erasmus University. From 1971 to 1974 he was at the Ministry of Education, Culture and Science. In 1974 he moved to the Ministry of Economic Affairs where he held the positions of Director General for Trade and Services, and Director General for Energy. He joined NV Nederlands Gasunie in 1988 and was CEO from 1992 to 2004. He was appointed President of the International Gas Union from 2003 to 2006 and joined the URENCO Board in December 2003. George is Deputy Chairman and also Chairman of the Remuneration and Appointments Committee. Year of Birth 1942.

5.

5. Frank Weigand

Deputy Chairman and Chairman, Audit Committee (from 1 January 2016) and Non-executive Director

Frank completed his PhD in Physics at the Max-Planck-Institute for Polymer Research in Germany in 1996. He joined McKinsey in 1996, holding senior positions in serving clients on strategic, organisational and operational issues across Europe and in Asia. Frank was also a member of the leadership group of McKinsey's 'Electric Power and Natural Gas', 'cement' and 'operations' practices.

In 2001, he became Director of Strategy and Quality Management at RWE Systems in Dortmund, Germany. In 2005 he was appointed Director of Corporate Planning and Controlling at RWE Power AG before becoming Vice President Controlling for RWE Group. From 2010 to 2012 he was CFO of RWE npower plc in Swindon, UK. Since 2013, Frank has been CFO of RWE Power AG and RWE Generation SE. He joined the URENCO board in November 2014 and is Deputy Chairman and also Chairman of the Audit Committee.
Year of Birth 1966.

Strategic report

The Board of Directors continued

6.

6. Miriam Maes

Chair, Sustainability Committee and Non-executive Director

Miriam Maes has worked for 35 years for multinationals and for more than 20 years managing national and international P&Ls. Miriam currently serves as Chairman of the Board for ELIA Group, the Belgian and Part German Electricity Transmission System Operator. She also serves as Non-executive Director on the Board of four international listed companies, headquartered in France (Assystem, Naturex, Vilmorin & Cie, Eramet). In addition, Miriam represents the Dutch Ministry of Finance in two of its participations: Miriam joined the Ultra Centrifuge Netherlands (UCN) and URENCO Board in October 2015 and was appointed as Non-executive Director on the Supervisory Board of the Port of Rotterdam.

She has been the CEO of Foresee, an energy and climate change strategy consultancy, since 2007. In 2012, Miriam became a Senior Fellow on the Climate and Energy Program of the German Marshall Fund of the United States (GMF) and Delivery Director of GMF's Energy Transition Forum (ETF). She took ownership of the Energy Transition Program in 2015 and relaunched this US-European senior level Think and Do tank in 2015.

Miriam joined the URENCO Board in October 2015. Year of Birth: 1956.

7.

7. Richard Nourse

Non-executive Director

Richard is Managing Partner of Greencoat Capital LLP, the renewable energy and resource efficiency fund manager. Richard is also a Director of Enrichment Holdings Limited, the company through which the British government holds its shareholding in URENCO, having previously been a Director at the Shareholder Executive, part of the British government. Until 2007, he held senior positions at Merrill Lynch, including Head of the EMEA Energy and Power Team. Richard started his career in the City over 30 years ago with Morgan Grenfell. He joined the URENCO Board in January 2009.
Year of Birth 1964.

8.

8. Alan Bevan

Non-executive Director

Alan joined E.ON SE in January 2010 as Vice President in the M&A department and became Senior Vice President and Global Head of Mergers & Acquisitions in December 2010. Previously, Alan was responsible for Strategy and M&A at E.ON's UK subsidiary. Alan joined the URENCO Board in February 2015 and is a member of the Remuneration and Appointments Committee.
Year of Birth 1967.

9.

9. Justin Manson

Non-executive Director

Justin is a Director of the UK Government Investments, HM Treasury, and a member of its Executive Committee. He is a non-executive Director and member of the Audit and Risk Committee of UK Export Finance.

He was an investment banker at Morgan Stanley for 20 years and before that at CSFB and First Boston for eight years. He has corporate finance, mergers and acquisitions, and capital markets experience across numerous industries and was based in London, New York, Tokyo and Mexico City. He has been an adviser to governments and state-owned companies as well as to multinational companies and financial institutions.

Justin is a Governor of the Chelsea Academy and has been a trustee of the Royal National Theatre Foundation and a member of its Finance and Investment Committee. He joined the URENCO Board in January 2016 and is a member of the Audit Committee and the Sustainability Committee. Year of Birth 1960.

Company Secretary
Sarah Newby

Registered number
01022786

Registered office
URENCO Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
Buckinghamshire SL2 4JS

Auditors
Deloitte LLP
2 New Street
London EC4A 3BZ

Financial statements

Consolidated Group Financial Statements

For the year ended 31st December 2016

Governance

Financial statements

Governance

Corporate governance

Ensuring good governance at URENCO

Our policy on corporate governance is to follow principles of good governance, transparent reporting and URENCO's core values. We practise a system of full transparency where management reports regularly and comprehensively to the Board and provides extensive background information for all matters requiring Board approval. All Board decisions are clearly minuted and recorded. The Board, together with external advisers as appropriate, consider in further detail issues of particular complexity through regular meetings of the Audit Committee, Sustainability Committee, Remuneration and Appointments Committee and, where required, special working groups. Our commitment to good corporate governance ensures the Group has clear strategic direction and enables us to assess, control and manage risk effectively.

The UK Corporate Governance Code (the Code) sets out principles of good corporate governance and Code provisions which are applicable to listed companies incorporated in the UK. As a non-listed company, URENCO is not subject to the Code, however we recognise the value of applying the principles of the Code where appropriate.

The Board and its committees

Board composition

The Board consists of the Chairman, six Non-executive Directors and two Executive Directors.

Two Non-executive Directors are appointed by each of URENCO's three Shareholders. An additional Non-executive Director is elected onto the Board by unanimous resolution of the Shareholders and elected as Chairman by the Board. The two Executive Directors are elected into position by the Board.

The Directors of the Company in office during the 2016 financial year were:

Non-executive Directors

- Stephen Billingham — Chairman
- Frank Weigand — Deputy Chairman and Chairman of the Audit Committee
- George Verberg — Deputy Chairman and Chairman of the Remuneration and Appointments Committee
- Miriam Maes — Chair of the Sustainability Committee
- Alan Bevan
- Justin Manson
- Richard Nourse

Executive Directors

- Thomas Haeberle — Chief Executive Officer
- Ralf ter Haar — Chief Financial Officer

The Directors of the Company in office as at the date of the Annual report and their biographies are on pages 28-29.

Operation of the Board

The Board manages overall control of the Group's affairs and is responsible to the Shareholders for key policies and strategic direction. The Board meets regularly to consider matters specifically reserved for its decision. These include the approval of the strategic business plan, finance policies, budget and financial statements, major capital projects, acquisitions and disposals, major regulatory issues and major policies on environmental, health and safety issues, and senior management appointments.

The Board and its Committees are provided with full and timely information well in advance of meetings. The agenda is set by the Chairman in consultation with the Executive Directors and Company Secretary. Formal minutes recording discussions and decisions of all Board and Committee meetings are prepared and circulated to the respective Board and Committee members.

The Board recognises the need for a reasonable balance between Executive and Non-executive Directors in providing judgement and advice on decision-making. In addition to fulfilling their legal responsibilities as Directors, Non-executive Directors are valued by the Company for the judgement and experience they provide to the Board at Board and Committee meetings.

Board meetings

URENCO's Board meets regularly throughout the year in order to effectively discharge its duties. During 2016, the Board met six times.

Each year the Board holds one of its meetings at an enrichment facility. In 2016, that meeting was held at URENCO USA.

Board meetings attendance

	Number of meetings	Meetings attended
Stephen Billingham	6	6
Frank Weigand	6	5
George Verberg	6	6
Miriam Maes	6	6
Alan Bevan	6	6
Justin Manson	6	6
Richard Nourse	6	6
Thomas Haeberle	6	6
Ralf ter Haar	6	6

Governance

Corporate governance continued

Board committees

The Board has three Committees: the Audit Committee, the Sustainability Committee and the Remuneration and Appointments Committee. More detail of the work of these Committees is contained later in this report. Each Committee reports formally to the Board after each meeting.

Accountability and audit

The Board has overall responsibility for internal controls, including risk management, and approves appropriate policies regarding Group objectives. The Executive Directors are responsible for identifying, evaluating and managing both financial and non-financial risk and implementing and maintaining control systems in accordance with Board policies.

The Group's core targets and objectives are set out in the business plan and budget, which are approved annually by the Board. Management reports for the Group are prepared on a monthly basis and periodically distributed to the Board for review at Board meetings. The plans and reports cover both revenue and expenditure (including capital) and financing.

The Board is also responsible for the Group's system of internal controls and for reviewing its effectiveness. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In practice, the Board delegates to the Audit Committee responsibility for reviewing and examining the effectiveness of the Company's internal controls and risk management systems.

Additional background information

Shareholding structure

URENCO's shares are ultimately held one-third by the UK government (through Enrichment Investments Limited), one-third by the Dutch government (through Ultra-Centrifuge Nederland Limited), and one-third by two German utilities (through Uranit UK Limited). Shares in its German holding company are indirectly held 50% by E.ON S.E. and 50% by RWE AG.

History and wider governance issues

URENCO was founded in 1970 following the signing of the Treaty of Almelo by the governments of Germany, the Netherlands and the UK. It was incorporated as an English private limited liability company on 31 August 1971. The Treaty of Almelo establishes the fundamental principles for supervising effectively URENCO's technology and enrichment operations with respect to non-proliferation. A Joint Committee of representatives of the governments of the signatory countries exercises this supervisory role but has no role in URENCO's day-to-day operations. The Joint Committee considers all questions concerning the safeguards system (as established by IAEA and EURATOM), classification arrangements and security procedures, exports of the technology and EUP and other non-proliferation issues. The Joint Committee also considers issues connected with changes in URENCO's ownership and transfers of technology. URENCO's Executive Management periodically meets with the Joint Committee.

Before the construction of URENCO's enrichment facility in the US and in order to permit the transfer into the USA of classified information regarding URENCO's proposed new facility, the USA government entered into a new intergovernmental treaty (the Treaty of Washington) with the governments of Germany, the Netherlands and the UK to ensure that the same conditions that had been agreed in the Treaty of Almelo would also apply in the USA. The Treaty of Washington was signed on 24 July 1992.

In order to permit the completion (in 2006) of the joint venture with Areva regarding the Group's technology business ETC, France needed to adhere to the principles of the Treaty of Almelo. A new treaty (the Treaty of Cardiff) was signed on 12 July 2005 by the governments of Germany, the Netherlands, the UK and France. EC competition clearance was also required to complete the transaction. This was granted on 1 July 2006. The terms of the clearance require certain commitments from URENCO and Areva to ensure that URENCO and Areva remain competitors in the field of enrichment and that no commercially sensitive information about their enrichment operations passes between URENCO and Areva by virtue of their being joint shareholders of ETC.

Governance

Audit Committee Report

Chairman's statement

Frank Weigand
Chairman, Audit Committee

I am pleased to present the report of the Audit Committee for 2016.

The Audit Committee (the 'Committee') is a committee of the Board of Directors of URENCO Limited. Its role is to monitor, on behalf of the Board, the Group's financial reporting, the integrity of its financial statements and its systems of internal control (financial, operational, compliance and risk management). The Committee provides updates and, where appropriate, recommendations to the Board on these matters.

Since my appointment as Chairman of the Committee on 1 January 2016, I am pleased to report that the Committee has continued to play an important role in ensuring high quality financial reporting and providing assurance to the Board on the effectiveness of the internal control environment. Together with my fellow Committee members, we have responded to developments during the year as required, focussing on key matters which arise in addition to our planned work programme. In particular, the Committee spent considerable time reviewing and challenging management's assessment on the valuation of the US enrichment assets, as described in more detail below. Looking ahead, we intend to continue focussing on the audit, assurance, and risk processes within the business as it continues to evolve.

Summary of the role of the committee

In accordance with its Terms of Reference, the Committee's key responsibilities include, but are not limited to:

- monitoring the integrity of the annual and half year financial statements and the appropriateness of accounting policies;
- approving, on the Board's behalf, the half year financial statements;
- making recommendations to the Board concerning adoption of the Annual report and Accounts and advising the Board as to whether they are fair, balanced and understandable;
- receiving reports from management on the principal risks and uncertainties of the Group (see details of these on pages 18-21);
- reviewing the significant financial reporting topics and challenging significant accounting judgements contained in the financial statements;
- reviewing and monitoring the systems of internal and financial control and risk management, including reviewing foreign exchange, interest rate and funding risk together with other commercial risks;
- overseeing the Group's relationship with the external auditors, including monitoring and reviewing the external auditor's independence, objectivity and effectiveness and recommending to the Board external audit fees for approval and the appointment of auditors each year;
- monitoring and reviewing the effectiveness of the internal audit function and reviewing the internal audit plan, internal audit reports and management's responses to findings and recommendations; and
- reviewing any material investigations instigated in response to allegations of suspected or actual frauds, impropriety or any behaviours that are contrary to URENCO's Code of Conduct and values, as committed by either URENCO employees, any associated persons or third parties operating on behalf of URENCO.

A copy of the Committee's Terms of Reference is available on URENCO's website at www.urenco.com.

An annual review of the Terms of Reference was conducted at the Committee meeting of 21 February 2017 and the Terms of Reference were updated on 8 March 2017 following Board approval.

Composition of the Audit Committee

The Committee comprises three members:

- Frank Weigand (Non-executive Director and Committee Chairman)
- Miriam Maes (Non-executive Director)
- Justin Manson (Non-executive Director)

Biographies for Committee members are detailed on pages 28-29.

Given that all of the Committee members are appointees of shareholders in URENCO Limited, they are not considered independent under guidance of the UK Corporate Governance Code.[1]

References
[1] As a non-listed company, URENCO is not subject to the Code but recognises the principles of following it where appropriate to do so.

Governance

Audit Committee Report continued

Meetings

The Committee is required, under its Terms of Reference, to meet at least three times a year. During 2016 the Committee met four times.[2] The membership and attendance record of the Committee members during the year is set out below.

	Member since	Meetings attended
Frank Weigand	03/12/2014	4 of 4
Miriam Maes	08/10/2015	4 of 4
Justin Manson	01/06/2016	4 of 4

Corporate governance

Following due and careful consideration, the Board is satisfied that the membership of the Committee meets the requirement for recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the company operates.

The Committee has a standing agenda, aligned to events in the Group's financial and reporting calendar, for consideration at each meeting. This work programme, which is formally reviewed by the Committee on an annual basis, is also regularly monitored to ensure that it encompasses all issues required to be considered by the Committee during the year.

At the invitation of the Committee, the Chairman of the Board, the Chief Executive Officer, Chief Financial Officer, Head of Group Internal Audit and the Group's external auditors (Deloitte LLP) also attend the Committee's meetings. Representatives from other functions also attend as and when appropriate. The Company Secretary is secretary to the Committee.

Private meetings were held at each Committee meeting with the Head of Group Internal Audit and the external auditors at which executive management was not present. In addition, the Chairman of the Committee held meetings with the audit engagement partner during the year.

No external assessment of Committee performance has been undertaken in the period although the Committee Chairman and Company Secretary conducted an effectiveness review in January 2017, based on a framework provided by the external auditors, and reported the results to the February Committee meeting. There were no significant findings arising from the review although some areas for future focus were identified, including the development of a more formal induction programme and more frequent ongoing training for Committee members.

Given their status as nominees of shareholders, members of the Committee are not submitted for re-election at the Group's Annual General Meeting. In the context of URENCO's shareholding structure, the Committee was comfortable with these points and the overall conclusion of the review was that the Committee continued to be effective.

Detailed below is the key work undertaken by the Committee during the year under review and up to the date of this Annual report.

Activities of the Audit Committee during the year

Internal Controls and Risk

During 2016 the Committee received and considered regular reports from the Group's Internal Audit, Finance, Tax, Treasury and Risk functions and the Group's external auditor, in order to assess the quality and effectiveness of the system of internal controls. These included reviews and monitoring of:

- the 2015 Annual report and the 2016 half year results;
- work completed by the internal auditors in reviewing and auditing the Group, in order to assess the adequacy and effectiveness of the Group's internal controls;
- external auditor reporting on the design and implementation of key financial controls;
- the independence, objectivity and fees of the external auditors and scope of audit and non-audit services;
- work completed by Internal Audit regarding the adequacy and effectiveness of the Group's internal controls for capital expenditure projects, including the TMF;
- Internal Audit's annual report on compliance with the Group's anti-bribery and corruption policy;
- the Group's top strategic risks and regular operational risk and commercial risk reports;
- the annual Group Tax update and review of tax policy;
- Group Treasury activities and review of financing provisions in the Group's funding arrangements;
- the Group's insurance strategy and policy; and
- review of URENCO's alignment to the UK Corporate Governance Code[3].

The Committee has reviewed the effectiveness of URENCO's risk management and internal control systems for the financial year and the period to the date of approval of the financial statements. The Committee can confirm that no significant weaknesses were identified during the year with regards to the adequacy of the system of internal control.

References

[2] 23 February, 28 June, 24 August and 23 November.

[3] As mentioned in more detail in the Corporate Governance statement, as a non-listed company, URENCO is not subject to the UK Corporate Governance Code but recognises the value of applying the principles of the Code where appropriate.

Governance

Audit Committee Report continued

Significant issues related to the financial statements

The Committee discussed with management the critical accounting judgements and key sources of estimation and uncertainty outlined in note 2 of the Annual report, 'Significant estimates, assumptions and judgements'. The significant areas of focus reviewed by the Committee during 2016 included significant accounting principles, policies and practice and their appropriateness. In conducting these discussions the Committee considered the work and recommendations of the Group finance functions and the input and reports received from the external auditors. The most significant matters that the Committee considered were the following:

- **Carrying value of the US enrichment business**

  Issue background

  During 2016, there was further downward pressure on long-term forecast market price for uncontracted SWU volumes, based on the current surplus of global inventories, oversupply of enriched uranium and continued nuclear market uncertainty.

  There is inherent risk given the significant level of judgement required in determining the critical assumptions within the USA value in use model. These critical assumptions are estimations of future market dynamics and associated SWU market pricing projections and the discount rate used.

  Other key assumptions are the extension of the USA operating licence beyond 2040 which management expect to receive in the ordinary course of business; ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating expenditure and the costs of deconverting future tails produced.

Committee response: Management identified an impairment indicator for its USA operations cash generating unit and assessed the recoverable amount of assets based on value in use, calculated using a discounted cash flow model.

The Committee has reviewed management's reports detailing the carrying value and recoverable amount as well as the critical and key judgements and estimates used and concluded that an impairment is required relating to the USA operations. The key change in assumptions compared to the analysis performed at 31 December 2015, when there was still a small headroom in the impairment test, was a further deterioration in the long-term forecast market prices for uncontracted SWU sales. The impact of such SWU price fluctuations primarily relates to the period post the second half of the next decade as the majority of sales prior to that time are contracted. Further details about the impairment and the assumptions used in determining the recoverable amount are given in note 6.

The external auditors appropriately challenged management on the critical and key judgements and assumptions used in the USA impairment test, and provided their view orally and in their written report provided to the Committee on 21 February 2017. The Committee reviewed and challenged management's judgements and estimates on this matter, ultimately concluding that they were appropriate. The price forecast and other key business plan assumptions were subject to extensive Committee and Board discussion.

- **European enrichment business tails provisioning**

  Issue background

  During 2015 management rebased the European enrichment sites' tails provisions to reflect the unit cost of de-converting tails at the Group TMF which is currently under construction. The TMF capital cost and future operating costs are reviewed by management on an ongoing basis and at each reporting period date.

  Management judgement is required in estimating the TMF deconversion cost assumptions, most notably the TMF final capital cost. TMF construction is forecast by management to be completed in late 2017/early 2018. Until complete, the total capital cost remains a key estimate within the European tails provision valuation.

  Further descriptions on the nature of tails, deconversion and other items noted above are provided on pages 101-102.

Committee response: The Group reviews its tails provision strategy on a triennial basis, using a steering group of senior technical and operational personnel. This was last performed in 2015. During 2016, tails provisions were updated to reflect the latest management estimate of the total capital cost referred to above as well as changes in cost assumptions related to the signing of a commercial deal to re-enrich a limited amount of high assay tails.

The Committee reviewed and challenged the key assumptions and judgements employed in the review as well as the resulting associated financial provisions estimated to be required.

The tails provision recognised at the period end and the TMF project status was appropriately challenged by the external auditors, and the Committee receives oral and written reporting on this work. This reporting included consideration of the external auditor's work in respect of cost estimates, timing estimates, and the application of applicable discount and inflation rates. These matters are discussed with Deloitte, both to understand their work, and to facilitate challenge of management in this area.

In order to ensure that the Committee is kept aware of the key risks and uncertainties relating to the successful delivery of the TMF, the Head of Group Internal Audit, supported by external subject matter expertise, is responsible for ensuring that the project is subject to a regular and rigorous risk assessment process. The output from this process is reported directly to the Group CEO and CFO; and an update, regarding the effectiveness of risk mitigation strategies implemented to manage critical risks and uncertainties, is presented to the Committee.

The Committee was satisfied that the provision recognised in respect of the European tails disposal costs are appropriate.

Governance

Audit Committee Report continued

- **Uranic inventory cost allocation and ownership**

  Issue background

  Where URENCO is processing customer feed, the carrying value of the unsold EUP inventory is recognised as the SWU costs incurred. In addition the Group generates its own feed by using a higher consumption of SWU to produce EUP, meaning that customer EUP requested assays can be achieved using incremental SWU and the resulting feed conserved is recognised as URENCO inventory. Management judgement and complex calculations are performed to allocate the cost of inventory between SWU and own feed generated.

Committee Response: URENCO management have prepared detailed accounting papers for the Committee, setting out the background to accounting for inventory and their assessment of ownership of material. The Committee has reviewed and challenged the accounting policies applied in this area, and are satisfied on their compliance with International Financial Reporting Standards, and appropriateness to URENCO's business model.

In conjunction with the above, the reporting period end feed 'headroom test' prepared by management is reviewed by the Committee, which is discussed and challenged with management. This 'headroom test' assesses the level of feed inventory to which URENCO holds legal title after removing amounts borrowed from third parties and feed inherent within low assay feed and the Committee was satisfied that it was calculated appropriately.

In addition, the Committee received oral and written reports from the external auditor on their work performed in this area and the results were reviewed in detail by the Committee. The Committee was satisfied that the inventory values and allocation between inventory types recognised as owned by URENCO are appropriate.

- **Revenue and feed profit recognition**

  Issue background

  Key management judgements include URENCO's assessment of the period in which revenue and profit should be recognised, the fair value of consideration received, ownership and legal title over material, and the accounting adopted for any unusual or non-standard transactions in the period. These judgements are relevant for sales of enriched uranium, uranium feed and natural uranium each year.

  In terms of feed sales profit recognition, management judgement is required when considering whether URENCO holds title to feed volumes sold, or whether the feed is from third party feed stocks held at URENCO enrichment sites. To the extent that any third party feed is sold by URENCO (none in the current period), then a provision would be required to reflect the current market value of the feed volume deficit.

Committee response: Each year, the Committee considers and assesses the Group's revenue recognition policy for all sale types, through the annual review of finance policies prepared by finance management. The revenue accounting policy are summarised within note 2 on page 65 to the Annual report.

The Committee considered any observations and findings made by the external auditors as part of their reporting to the Committee within their oral and written report presented on 21 February 2017. For the year ended 31 December 2016, this included the observation that a high volume of sales occurred in the final month of the year, where the Committee satisfied itself that this was due to the requested timing of deliveries from customers.

As detailed in the inventory ownership section on page 37 of this report, the feed 'headroom test' assesses the level of feed inventory to which URENCO holds legal title and the Committee was satisfied that it was calculated appropriately.

Finally, in respect of non-standard or complex transactions in the period, the Committee challenged management on the cases that it presented, in order to understand their commercial substance, and proposed accounting, in order to ensure these were appropriate.

The committee was satisfied that the revenue recognition is appropriate and that the profit recognition for feed sales has been accounted for appropriately.

Financial and Business Reporting

At the meeting of 21 February 2017, the Committee reviewed the content of this Annual report and accounts and advised the Board that, in its view, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In justifying this statement the Committee has considered the robust process which operates in creating the Annual report and Accounts, including the fact that:

- clear guidance and instruction is given to all contributors;
- revisions to regulatory requirements are monitored on an on-going basis;
- planning meetings are conducted between management of key subsidiaries and the external auditors in advance of the year end reporting process, and the information / developments raised in these meetings used to inform the compilation of the Annual report;
- a thorough process of review, evaluation and verification of the inputs from business units is undertaken to ensure accuracy and consistency;
- a meeting of the Committee is held to review and consider the draft Annual report and Accounts in advance of the final sign off; and
- final sign off is provided by the Board.

Governance

Audit Committee Report continued

External audit effectiveness and independence

The Committee has satisfied itself that the UK professional and regulatory requirements for audit partner rotation and employment of former employees of the external auditor have been complied with.

The external auditors are required to adhere to a rotation policy based on best practice and professional standards in the United Kingdom. The standard period for rotation of the audit engagement partner is five years, and for any key audit partner, seven years. The current audit engagement partner was appointed during URENCO's 2016 financial year and will rotate off at the conclusion of the 2020 audit in accordance with this requirement.

URENCO notes the European Commission rules on mandatory audit firm rotation and the Order by the Competition and Markets Authority regarding the mandatory use of competitive tender processes and auditor responsibilities including the associated transition rules. Deloitte LLP was appointed as the Group's external auditors in 2011 when the last competitive tender process was conducted. According to those rules, URENCO will be required to formally tender the external audit at or before the latest following completion of the 2020 audit. Currently, URENCO does not have any contractual obligations that would restrict its choice of external auditors.

The Committee reviewed the effectiveness of the external auditor during 2016. This process incorporated feedback from management and key individuals across the Group, as well as the Committee's own experience. The assessment considered the robustness of the audit process, the quality of the delivery of the audit plan, the quality of reporting on findings and recommendations to the Committee and management, and the quality of the audit team and service provided.

In considering the independence of the external auditor, the Committee received a transparency report from the auditor, which describes their arrangements to identify, report and manage any conflicts of interest, and reviewed the extent of non-audit services provided to the Group. Since 2014, the Committee has had an Auditor Independence Policy, which was updated during the period and reviewed by the Committee on 21 February 2017. URENCO's Auditor Independence Policy includes the definition of prohibited non-audit services, which corresponds with the European Commission's rules on auditor independence and with the Ethical Standards issued by the Audit Practices Board in the UK.

The engagement of the Group's external auditors to provide audit related assurance services and non-audit services which are not prohibited is subject to rigorous internal control and sign-off and may only be undertaken up to a cumulative value of €100,000 for each category of audit services after which reference to, and approval of, the Committee is required. Further details of the split between Deloitte LLP's fees between audit services and non-audit services is provided in note 5.

Having reviewed Deloitte LLP's performance during the year and satisfied itself of their continuing independence and objectivity within the context of applicable regulatory requirements and professional standards, the Committee has invited the Board to recommend the reappointment of Deloitte LLP as auditor at the forthcoming Annual General Meeting (AGM) and a resolution to that effect appears in the notice of the AGM. Deloitte LLP has accumulated significant knowledge and experience that allow it to carry out effective and efficient audits during this period and provide insightful and informed challenges.

Risk management and the effectiveness of internal control

The Terms of Reference of the Committee require that the Committee review and examine the effectiveness of the Company's internal controls and risk management systems and advise the Board in the exercise of its responsibility for maintaining sound risk management and internal control systems.

The Board has approved a set of policies, procedures and frameworks for effective internal control. The Group has procedures for the delegation of authorities for significant matters, to ensure approval is sought at the appropriate level. These procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

A formal annual certification is provided by senior management confirming that appropriate internal controls were in operation and confirming compliance with Group policies and procedures. Any weaknesses are highlighted, are reviewed by senior management, and the Group Head of Internal Audit and reported to the Committee. The Internal Audit function will also monitor and selectively check the results of this exercise, ensuring that representations made are consistent with the results of its work during the year.

During 2016, the Group Business Assurance function regularly provided an update detailing new commercial or operational risks and any additional mitigation required to Committee meetings. In addition, the Committee performed an annual review and evaluation of the risks which are considered to be significant at a Group level, and the adequacy and appropriateness of mitigating controls or risk reduction strategies. These were then considered by the Board. The types of risks identified included strategic, material operational and compliance risks and are detailed on pages 18-21 of the report.

Audit Committee Report continued

The Terms of Reference also require that the Committee review and approve the statements to be included in the Annual report (and if interim statements are produced, to do likewise) concerning internal controls and risk management prior to endorsement by the Board. In 2016, as in previous years, the Committee conducted such review and approval.

Much of the Committee's work in this area was driven by the Group Head of Internal Audit's reports on the effectiveness of internal controls and fraud. A summary of the Committee's engagement with the Internal Audit function is set out below.

Internal audit

The Group has an Internal Audit department with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of URENCO's operations.

The Internal Audit function carries out risk-based audits across the Group and is based on an audit plan, which is aligned to the key risks of the business and is presented to and approved by the Committee. Any amendments to the plan are also subject to approval from the Committee.

The Group Head of Internal Audit has direct access to the Chairman of the Committee and provided updates regarding internal audit activities, progress of the Group internal audit plan, the results of any unsatisfactory audits, the action plans to address these areas and any resource requirements required to meet the Committees' assurance requirements.

During the year, the Committee also reviewed and approved the proposed Internal Audit programme for 2017 and the performance of the Group Head of Internal Audit. No significant issues or concerns were highlighted.

Approval

On behalf of the Audit Committee

Frank Weigand

Chairman of the Audit Committee

8 March 2017

Governance

Sustainability Committee Report

Chair's statement

Miriam Maes
Chair, Sustainability Committee

I am pleased to present the report of the Sustainability Committee for 2016.

Since taking over as Chair from Frank Weigand on 1 January 2016, my fellow Committee members and I have continued in our commitment to oversee and help drive forward key sustainability policies at URENCO Limited.

The Sustainability Committee is one of the three committees of the Board of Directors of URENCO Limited. The Committee's main areas of focus are the monitoring of key performance indicators in health, safety, environment, asset integrity, security, safeguards, ethical conduct and social performance. The Committee also maintains an overview of the Group's governance policies and the achievement of key objectives in these areas.

In this report, the Committee provides a description of the key activities it has performed during the year.

Duties

In accordance with its terms of reference, the Committee's key responsibilities include, but are not limited to:

- Reviewing on an annual basis the Group's sustainability agenda and associated policies, with a view to ensuring that these take account of external developments and expectations, and reporting to the Board on the results of these reviews;
- Conducting annual reviews of the Group's implementation of policies on: safety and asset integrity; social performance (including community relations, social investment (including education initiatives) and political contexts); environment and ethical conduct and reporting to the Board on the results of these reviews;
- Reviewing and approving key performance indicators (KPI's) in relation to the Committee's main areas of focus, and monitor performance against such targets;
- Considering and approving the Group's Sustainability Report; and
- Compiling a report on the Group's sustainability activities to be included in the Group's Annual report.

A copy of the Sustainability Committee's Terms of Reference is available on URENCO's website at www.urenco.com.

Committee compositions and attendance

The Sustainability Committee comprises four members:

- Miriam Maes (Committee Chair and Non-executive Director)
- Frank Weigand (Non-executive Director)
- Justin Manson (Non-executive Director)
- Thomas Haeberle (Chief Executive Officer)

The Committee met three times in 2016. One of the meetings took place at URENCO's operational site in the USA (Eunice, New Mexico) where Committee members participated in a tour of the enrichment facility following the completion of the third phase of the capacity expansion project in 2015 and reviewed developments in the implementation of the Group's sustainability programme.

The membership and attendance record of the Sustainability Committee members during 2016 is set out below.

	Number of meetings	Meetings attended
Miriam Maes	3	3
Frank Weigand	3	2
Justin Manson	3	3
Thomas Haeberle	3	3

Activities of the Sustainability Committee during the year

In 2016, the Committee:

- Considered and approved the 2015 Sustainability Report to meet the Core standards outlined by the Global Reporting Initiative's (GRI) G4 reporting requirements;
- Monitored the implementation of the sustainability programme;
- Reviewed performance against non-financial KPIs for 2015 in each of our six sustainability focus areas, and considered and approved KPIs for 2016;
- Oversaw the development of the sustainability culture across the Group to integrate sustainability into the business;
- Reviewed safety performance during 2015 and monitored the implementation of safety initiatives during 2016;
- Monitored progress on the asset integrity programme and peer review process; and
- Reviewed the Committee's terms of reference and approved the work programme for 2017.

Approval

On behalf of the Sustainability Committee

Miriam Maes

Chair of the Sustainability Committee

8 March 2017

Governance
Remuneration Report

Chairman of the Remuneration and Appointments Committee Statement

George Verberg
Chairman, Remuneration and Appointments Committee

The role of URENCO's Remuneration and Appointments Committee remains to ensure that the Chair of the Board and Executive positions are occupied by high calibre individuals who are fully able to meet the requirements of the role. Furthermore the committee is responsible for the remuneration arrangements for the Chairman of the Board and for the Executive Directors, in order to offer every encouragement to enhance the Company's performance and deliver our strategy in a responsible manner.

Introduction

This report is on the activities of the Remuneration and Appointments Committee for the period to 31 December 2016. It sets out the remuneration policy and remuneration details for the Executive and Non-executive Directors of URENCO.

The report is split into three main areas:

- The statement by the Chairman of the Remuneration and Appointments Committee;
- The Annual report on remuneration; and
- The policy report.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual report on remuneration that are subject to audit are indicated in that report. The statement by the Chairman of the Remuneration and Appointments Committee and the policy report are not subject to audit.

The Annual report on remuneration provides details on remuneration in the period. It will be subject to approval from shareholder representatives at the Remuneration and Appointments Committee.

Composition

The Remuneration and Appointments Committee is composed entirely of Non-executive Directors. The Chairman of the Committee in 2016 was George Verberg. Frank Weigand, Alan Bevan and Richard Nourse were members of the Committee. Frank Weigand and Alan Bevan share one voting right. In attendance by invitation are the URENCO Limited Board Chairman, Chief Executive Officer and Chief Human Resources Officer. The Chief Executive Officer does not attend the meetings where his remuneration is discussed.

Role and responsibilities

The Remuneration and Appointments Committee is a committee of the Board of Directors of URENCO Limited.

The key responsibilities of the Remuneration and Appointments Committee are to make recommendations to the Board:

- On the remuneration packages for each Director;
- The appointment of the Chief Executive Officer, Chief Financial Officer and the Company Secretary;
- The appointment of Independent Directors;
- The fees of Non-executive Directors of the Company;
- Succession planning; and
- Organisational and governance recommendations when required.

Membership and attendance during the year

	Number of meetings	Meetings attended
George Verberg	10	10
Richard Nourse	10	10
Frank Weigand	10	9
Alan Bevan	10	9

Key issues in 2016

During 2016 the Remuneration and Appointments Committee:

- Reviewed the 2016 targets set for the Chief Executive Officer and Chief Financial Officer;
- Set 2017 targets for the Chief Executive Officer and Chief Financial Officer;
- Appointed Stephen Billingham as the new Chairman of the URENCO Board on 1 January 2016;
- Considered Executive Remuneration, Chair and Non-executive Director fees;
- Discussed succession planning; and
- Reviewed the long-term incentive plan.

Approval

On behalf of the Remuneration and Appointments Committee

George Verberg

Chairman of the Remuneration and Appointments Committee

8 March 2017

Governance
Remuneration Report continued

Annual Report on Remuneration

Single total figure of remuneration for each Director

The remuneration of the Executive Directors for the years 2016 and 2015 was made up as follows:

	Basic salary and fees €	Pensions €	Benefits €	Performance related bonuses[1] €	LTIP[2] €	Total 2016 €
Executive Directors						
Thomas Haeberle	**689,240**	**-**	**79,697**	**375,548**	**-**	**1,144,485**
Ralf ter Haar	**491,245**	**7,534**	**147,840**	**415,569**	**-**	**1,062,188**
Total	**1,180,485**	**7,534**	**227,537**	**791,117**	**-**	**2,206,673**

[1] The amount for Ralf ter Haar is based on performance criteria which include elements related to retention and ongoing service with the Company.
[2] The amounts for LTIP represent the cash awards relating to the scheme maturing at the end of the year (the LTIP 2013). The cash awards were nil because none of the Directors were eligible to join this scheme due to their date of joining being later than the date of grant.

	Basic salary and fees[3] €	Pensions €	Benefits €	Performance related bonuses[4] €	LTIP[5] €	Total 2015 €
Executive Directors						
Helmut Engelbrecht[6]	2,108,520	2,962,331	76,753	174,357	602,771	5,924,732
Ralf ter Haar	488,109	95,943	256,839	381,644	99,748	1,322,283
Total	2,596,629	3,058,274	333,592	556,001	702,519	7,247,015

[3] The amount for Helmut Engelbrecht includes certain items payable under the terms of his 2005 contract of employment, including additional salary paid in lieu of notice and a lump sum payment in respect of pre-age 65 pension benefits. Helmut Engelbrecht ceased to be a Director on 31 December 2015.
[4] The amount for Ralf ter Haar is based on performance criteria which include elements related to retention and ongoing service with the Company.
[5] The amounts for LTIP include amounts receivable as a result of the achievements of performance targets relating to the financial year, which are accrued on a straight-line basis during the service period. Also included are adjustments following revisions to forecast performance targets.
[6] Certain aspects relating to remuneration for Helmut Engelbrecht remained subject to finalisation at the date of issue of the 2015 Annual report.

The remuneration of the Non-executive Directors for the year 2016 was made up as follows:

	Basic salary or fees €	Benefits €	Performance related bonuses €	LTIP €	Total 2016 €
Non-executive Directors[7]					
Stephen Billingham[8]	**244,936**	**-**	**-**	**-**	**244,936**
Alan Bevan	**50,717**	**-**	**-**	**-**	**50,717**
Miriam Maes	**57,390**	**-**	**-**	**-**	**57,390**
Justin Manson[7]	**55,082**	**-**	**-**	**-**	**55,082**
Richard Nourse	**50,717**	**-**	**-**	**-**	**50,717**
George Verberg	**56,055**	**-**	**-**	**-**	**56,055**
Frank Weigand	**67,094**	**-**	**-**	**-**	**67,094**
Total	**581,991**	**-**	**-**	**-**	**581,991**

[7] On 4 August, URENCO announced that Peter Hill CBE would join the URENCO Limited Board as the Independent Non-executive Chairman. On 4 October 2016, it was announced that Peter would no longer take up the position as planned in October 2016. A payment of £50,000 (approximately €58,000) was made to Peter.
[8] Stephen Billingham was appointed as Chairman of the Board on 1 January 2016, and was replaced as a Board member by Justin Manson.

Governance

Remuneration Report continued

The remuneration of the Non-executive Directors for the year 2015 was made up as follows:

	Basic salary or fees €	Benefits €	Performance related bonuses €	LTIP €	Total 2015 €
Non-executive Directors					
John Hood[8]	275,152	-	-	-	275,152
Alan Bevan	40,855	-	-	-	40,855
Stephen Billingham[8]	59,324	-	-	-	59,324
Bernhard Fischer	12,145	-	-	-	12,145
Victor Goedvolk	43,245	-	-	-	43,245
Miriam Maes[9]	13,124	-	-	-	13,124
Richard Nourse	48,578	-	-	-	48,578
George Verberg	61,827	-	-	-	61,827
Frank Weigand	69,187	-	-	-	69,187
Total	623,437	-	-	-	623,437

[8] Stephen Billingham replaced John Hood as Chairman on 1 January 2016
[9] Miriam Maes replaced Victor Goedvolk on 8 October 2015

Additional requirements in respect of the single total figure table

Share holding

The Executive Directors hold no shares in the Company.

Taxable benefits

Taxable benefits paid to Executive Directors include provision of motor vehicles, medical insurance and living expenses.

In the event that payments are made in sterling, the average rate is adopted for conversion purposes, this was at £0.85238 for €1 for 2016 (2015: £0.73714 to €1).

Performance related bonuses

Performance related bonuses for Executive Directors are based on individual and Company-based performance criteria.

Long-Term Incentive Plan

The long-term incentive plan is an annual scheme which grants cash awards with the maximum potential award determined at grant. Awards only vest to the extent that certain performance targets are met over the relevant performance period.

The Executive Directors are eligible to share in the Company's long-term incentive plan. Details of the accrued entitlements earned by the Executive Directors are shown below:

	Thomas Haeberle €	**Ralf ter Haar €**	**Scheme maturing at 31 December**
Incentive scheme accrual as at 1 January 2016	**13,182**	**98,359**	
Foreign exchange adjustments	**(3,574)**	**(11,920)**	
LTIP paid during the year	**-**	**-**	
LTIP 2014 accrued during the year	**39,324**	**(30,267)**	2017
Total LTIP accrual at 31 December 2016	**48,932**	**56,172**	

The Executive Directors participate in long-term incentive plans, which are normally granted on a yearly basis. All plans result in a potential award of cash, with the maximum potential determined at the date of grant, with the awards vesting after a specified number of years. The performance criteria under the various plans and associated cash awards vary, as do the performance periods. As at 31 December 2016, both Executive Directors were only participants to the LTIP 2014. They are not eligible to the LTIP 2013 due to their date of joining being later than the grant date.

The Executive Directors are eligible to participate in the LTIP 2015, which would have vested in 2018. The grant for the LTIP 2015 was delayed to January 2017 and so the plan has been renamed LTIP 2016, with a shortened performance period of two years to maintain vesting in 2018. This plan has not been included in the remuneration figures as accruals will only start from January 2017.

Governance

Remuneration Report continued

Award sizes as percentage of salary for Executive Directors:

2014 LTIP:

Performance is measured on three metrics: increase in EPS, EBITDA margin (please see note below) and Missed Deliveries. The three metrics are weighted as follows: EPS 70%; EBITDA Margin 20%; Missed Deliveries 10%.

The Executive Directors' awards vest to the extent that EPS and EBITDA Margin performance targets are met over the four year performance period, and Missed Deliveries performance targets are met over the three year performance period. The three metrics are calculated as follows:

- EPS is calculated as net income attributable to equity holder of the parent divided by the number of shares (see note 12 to the consolidated financial statements). EPS growth is measured by comparing the actual EPS in Year 0 (2013) to the actual EPS in year 4 (2017);
- EBITDA Margin is measured as the unweighted average EBITDA margin for the period 2014 to 2017 inclusive, with EBITDA being consistent as defined in the Glossary of terms; and
- Missed Deliveries are measured as the cumulative number of missed URENCO sales deliveries for the period 2015 to 2017 inclusive.

Any unvested awards would lapse for individuals who are dismissed or resign. For leavers by retirement, illness or caused by death these awards would usually vest at the date of leaving with any payment made as close to the leaving date as possible. The amount of the payment would be pro-rated to date of leaving.

Award sizes as percentage of salary for Executive Directors:

Metric	Growth in EPS achieved over 4 year period 2014-2017				Average EBITDA Margin over 4 year period 2014-2017				Missed Deliveries over 3 year period 2015-2017			
Metric Weighting	**70%**				**20%**				**10%**			
Performance Target	0%	15%	32%	≥40%	<60%	60-62.99%	63-64.99%	≥65%	≥3	2	1	0
% of metric achieved	0%	40%	85%	100%	0%	20%	50%	100%	0%	40%	50%	100%
Gross Cash Award as % of salary[1]	0%	42%	90%	105%	0%	6%	15%	30%	0%	6%	8%	15%

[1] Gross cash award as percentage of salary is calculated as Metric Weighting multiplied by cash award for percentage of metric achieved.

2016 LTIP:

The award is structured to vest in accordance with the achieved 'Performance Score' as determined by reference to:

- certain Strategic Milestones aligned with the realisation of the targets associated with the new strategy (as discussed on page 6); and
- Value Creation as determined by a quantitative assessment of the change in equity value during the performance period.

In the event of 'on target' performance, the award is weighted 50% attributable to Strategic Milestones and 50% attributable to Value Creation. The Value Creation element has the ability to increase to 100% in the event of Value Creation over performance. Therefore, the maximum Performance Score is 150%.

The Performance score is calculated on the basis of the achievement of the Performance Conditions, as determined by the Remuneration Committee at the end of the performance period.

The award sizes as percentage of salary for Executive Directors are 150% of annual basic salary (as at January 2016) x Performance Score.

Total pension entitlements

The Executive Directors are eligible for membership to the defined contribution section of the Group pension scheme. The scheme also provides for dependants' pensions and lump sums on death in service.

Governance
Remuneration Report continued

Relative importance of spend on pay

The table below shows the actual employee pay of the Group and change between the current and previous years, compared to retained earnings and dividends paid.

	2016 €m	2015 €m	% (decrease)/ increase
Total employee pay	**184.3**	202.3	(8.9)%
Retained earnings	**1,123.2**	2,008.9	(44.1)%
Dividends paid	**350.0**	340.0	2.9%

Statement of implementation of remuneration policy in the following financial year

The Company's policy on Executive Directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value. The package consists of basic salary, benefits, pension and performance related bonus and a long term incentive plan (LTIP), with a significant proportion based on performance and dependent upon the achievement of targets.

The remuneration of the Non-executive Directors is in line with UK market standards and is reviewed annually rather than biannually, other than the remuneration of the Chairman which is set at the beginning of the term of appointment.

The salary and benefits for Executives are reviewed annually. The Chief Financial Officer received a 1.85% increase in basic salary for the 2016 calendar year, compared to 2015. This increase in basic salary was in line with the increase for all employees throughout the Company. Executive Directors receive benefits that principally comprise living expenses, motor vehicles, private healthcare and other expenses.

Consideration of matters relating to Directors' remuneration

The Committee makes recommendations to the Board on the remuneration packages for each Director. Remuneration for each Non-executive Director is subject to final approval at the Annual General Meeting.

Policy Report

Introduction

The information below summarises key aspects of the Company's remuneration policy for Executive and Non-executive Directors.

Future policy

The policy is that a substantial proportion of the pay and benefits package should be performance related. The following provides a summary of the key components of the remuneration package for Directors:

Basic salary

Purpose

To recruit and retain high calibre executives.

Operation

This is determined for each Executive Director taking into account the responsibilities of the individual and information from independent sources on the level of salary for similar jobs in a selected group of comparable companies.

Basic salary levels are reviewed annually by the Committee, taking account of Company performance, individual performance, levels of increase for the broader UK population and inflation.

The Committee also considers the impact of any basic salary increase on the total remuneration package.

Annual increases are typically within the standard maximum given. However, there may be occasions when the Committee needs to recognise, for example, development in role, change in responsibility and/or specific retention issues.

In these circumstances, the Committee may offer a higher annual increase.

Maximum levels will be reviewed to take account of any significant rise in inflation levels.

Opportunity

Standard annual salary increase in line with the increase for all employees throughout the company.

Governance
Remuneration Report continued

All taxable benefits

Purpose

To provide market competitive benefits.

Operation

The Company provides the following ongoing benefits:

- Car related benefits;
- Medical insurance;
- Death insurance;
- Holiday leave; and
- Other ancillary benefits.

In addition, the Company pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments.

The Company reimburses all reasonable and necessary business expenses.

Opportunity

The Committee reserves the discretion to exceed the ongoing maximum level for certain situation–specific benefits, such as relocation. Full details of the exercise of any such discretion will be provided to shareholders in the Remuneration Report.

Performance related bonuses

Purpose

To encourage and reward delivery of the Company's strategic priorities.

Operation

Performance related bonuses for Executive Directors are based on performance criteria.

Opportunity

Performance criteria relate to safety performance; EBITDA; and major capital projects. 15% of potential bonus is payable at the discretion of the Committee.

Long-term incentive plan

Purpose

To encourage creation of value in the business over the longer term.

Operation

An annual plan which grants cash awards with the maximum potential awards determined at grant. Awards only vest to the extent that certain minimum performance targets are met over a stated performance period.

It is the Committee's intention that these outstanding awards should be paid out in accordance to the terms on grant of the schemes.

Opportunity

Award size as a percentage of salary for Executive Directors is set out in the table on page 44.

Governance

Remuneration Report continued

Pensions

Purpose

To offer market competitive levels of benefit.

Operation

The Executive Directors are eligible for membership to the Group pension scheme. The scheme has a defined benefit pension section, which is approved by HM Revenue & Customs (closed to new entrants including the CEO and CFO) and a defined contribution section. The scheme also provides for dependent's pensions and lump sums on death in service.

Opportunity

The Company makes regular contributions for pension payments. The maximum contribution is 13.0% of salary for the defined contribution scheme.

The following provides a summary of the key elements of the remuneration package for Non-executive Directors:

Fees

Purpose

To recruit and retain high calibre Non-executive Directors.

Operation

This is determined for each Non-executive Director taking into account the responsibilities of the individual and information from independent sources on the level of salary for similar jobs in a selected group of comparable companies.

Remuneration for Non-executive Directors is subject to final approval at the Annual General Meeting.

Approach to recruitment remuneration

The ongoing remuneration arrangements for a newly recruited or promoted Director will reflect the remuneration policy in place for Directors at the time of appointment. The ongoing components for Executive Directors will therefore comprise basic salary and fees, benefits, performance related bonus, LTIP and pension contribution. The ongoing components for Non-executive Directors will comprise fees.

The initial basic salary for a newly recruited or promoted Executive Director will be set to reflect the individual's experience, salary levels within the Company and market levels. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

Approval

This report was approved by the board of Directors on 8 March 2017 and signed on its behalf by.

Sarah Newby

Sarah Newby

Company Secretary

8 March 2017

Governance

Directors' Report

The Directors present their Annual Report and Accounts for the year ended 31 December 2016.

Regulations relating to Strategic Report

The Directors have ensured compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and have presented the Strategic Report separately to the Directors' Report. Both Reports must also be separately approved by the Board of Directors and signed on behalf of the Board by a Director or the Company Secretary. The Corporate Governance section set out on pages 32 to 33 forms part of this report.

Results and dividends

Net loss for the year attributable to equity holders of the Parent Company amounted to €456.3 million (2015: net income €452.1 million).

The Directors recommend a final dividend for the year of €300.0 million. The Directors have assessed the level of distributable reserves and cash resources at the Parent Company and are satisfied they are sufficient to support the proposed dividend. No interim dividend was paid during 2016 (2015: final dividend of €350.0 million paid in 2016, with no interim dividend declared or paid in 2015).

Principal activity

The URENCO Group's principal activity is the supply of enrichment services (SWU) and the provision of enriched uranium product (EUP) to generate fuel for nuclear power utilities. URENCO has four uranium enrichment facilities, located at Almelo in the Netherlands, Capenhurst in the UK, Gronau in Germany and Eunice, New Mexico in the USA.

The Group also has subsidiaries dedicated to overseeing our work in the field of uranium stewardship. These include URENCO ChemPlants Limited, which is responsible for the construction of the TMF in the UK; and CNS, which provides responsible materials management for the nuclear industry.

The Group also owns a 50% interest in ETC, a joint venture company jointly owned with AREVA. ETC provides gas centrifuge technology for the Group's enrichment facilities through its subsidiaries in the UK, Germany, the Netherlands and the USA. The Group accounts for its interest in ETC using the Equity Accounting method.

URENCO Limited is the ultimate holding Company and provides management and strategic support for the URENCO Group, being URENCO Limited and its subsidiaries.

More information on the Group's activities is presented from page 10 in the Strategic Report. An indication of the likely future developments in the Group and details of research and development activities are included in the Strategic Report on page 16.

Going concern

The Group's business activities, achievements, risks and opportunities are set out in the Chief Executive Officer's review on pages 6 to 7 and the Group Finance Report on pages 24 to 27. The Group Finance Report includes information on the financial position of the Company as well as a description of the Group's objectives, policies and processes for managing its capital, its exposures to foreign currencies and other financial risks. URENCO's business is long-term by nature and its significant order book of contracted and agreed sales (€15.5 billion extending to the second half of the next decade (2015: €16.6 billion)) provides a strong foundation for the future. The Group has adequate financial resources and its cash flow forecasts indicate that financing facilities committed and in place are sufficient to cover the Group's cash needs to at least a year after the approval date of these financial statements, including all committed capital expenditure.

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Risk management: the use of financial instruments

The Group's policies with respect to financial instrument risk management are covered on page 26 and in note 25 to the consolidated financial statements.

Capital Structure

The capital structure is set out in note 23 and and forms part of the Group Finance report on page 25.

Research and development

Research activities within the Group are predominately carried out by the Central Technology Group (CTG) which conducted research and development into improving operational performance and safety.

Research activities relating to core centrifuge technology are undertaken by ETC to maintain the Group's position of technical excellence. The Group continues to seek out opportunities to exploit new markets.

Governance

Directors' Report continued

Political contributions and other donations

During the year, the Group made no contributions (2015: €nil) to local political parties. As part of the Group's commitment to the communities in which it operates, contributions totalling €1,014,200 (2015: €1,659,900) were made during the year to local charities and community projects.

Events after the reporting period

As of 8 March 2017, no material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the Annual Report and Accounts.

Disabled employees

It is the policy of the Group to give full and proper consideration to applications from disabled people for employment where the job can be adequately performed by a disabled person. In the event that an existing employee becomes disabled, it is the policy of the Group to allow that person to continue their employment if possible, or to provide alternative training if necessary.

Employee involvement and consultations

During the period, employees within the Group have been informed of developments throughout the Group and in the industry. This is through Group and local newsletters, the intranet, notices and meetings. Where appropriate, formal meetings were held between local management and employee representatives as part of the process of communication and consultation.

Directors' interests

The Directors held no interests in the issued share capital of URENCO Limited either beneficially or otherwise at 31 December 2016 or at any other time during the year. The Directors have declared that they have no material interest during the year in any contract which is significant in relation to the Company's business.

Supplier payment policy and practice

The Group values its relationships with suppliers of goods and services. The Group negotiates terms and conditions of supply prior to delivery and, as a matter of policy, honours these terms once delivery has been made. At 31 December 2016, the Company had an average of 26 days' purchases owed to trade creditors (2015: an average of 20 days' purchases owed to trade creditors).

Auditor

Each of the persons who is a Director at the date of approval of this Annual 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/she ought to have taken as a Director in order to make himself/herself 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.

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint Deloitte LLP for the coming year will be put to the Annual General Meeting on 8 March 2017.

By order of the Board.

Sarah Newby
Company Secretary

8 March 2017

Governance

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual report and the Group 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standards 101 Reduced Disclosure Framework. Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group for the period.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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

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

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 8 March 2017 and is signed on its behalf by.

By order of the Board.

Sarah Newby

Sarah Newby

Company Secretary

8 March 2017

Financial statements
Independent Auditor's Report

Opinion on financial statements of URENCO Limited

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended 31 December 2016;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standards (FRS) 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements that we have audited comprise:

- the Consolidated Income Statement,
- the Consolidated Statement of Comprehensive Income,
- the Consolidated and Parent Company Statements of Financial Position,
- the Consolidated and Parent Company Statement of Changes in Equity,
- the Consolidated Cash Flow Statement,
- the related Consolidated notes 1 to 33, and
- the related Parent Company notes 1 to 20.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union.

The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Summary of our audit approach

Key risks

The key risks that we identified in the current year were:

- Carrying value of the US enrichment business
- European enrichment business tails disposal provisioning
- Uranic inventory cost allocation and ownership
- Revenue and feed profit recognition

Materiality

The materiality that we used in the current year was €25 million, which is approximately 5% of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities for the year.

Scoping

Our Group audit scope focused on the four URENCO enrichment site operating entities (URENCO UK Limited, URENCO Deutschland GmbH, URENCO Nederland B.V. and Louisiana Energy Services, LLC), the entity constructing the TMF (URENCO ChemPlants Limited), the UK uranium handling services entity (Capenhurst Nuclear Services Limited) and the UK head office entities. We performed full scope audits for all of these entities, which are significant to the Group. Our full scope audit procedures cover net assets (99% of Group total), revenue (98% of Group total) and adjusted loss before tax (97% of Group total).

Significant changes in our approach

There were no significant changes to our key audit risks identified, basis for materiality used or audit scoping from our prior year audit.

Going concern

We have reviewed the Directors' statement contained within note 2 on page 62 that the Group is a going concern.

We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Financial statements

Independent Auditor's Report continued

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below, which are the same risks as identified in the prior year, are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Our risk descriptions below include references to specific URENCO and nuclear market concepts and terms, which are described further in the Glossary of terms to this Annual report and accounts on page 125-126.

Carrying value of the USA enrichment business

Risk description

Management exercises judgement in assessing that the enrichment business is comprised of two cash-generating units ('CGUs'); the European and UAS operations. There is an ongoing requirement for management to assess each CGU for indicators of impairment at each reporting period end. The risk has focussed on the USA CGU given the significant carrying value and the relatively low impairment test headroom identified in prior periods. Note 2 to the financial statements on page 65 provides further details on the URENCO significant accounting policy for the impairment of enrichment assets.

During 2016 there was a further deterioration in the long-term forecast market price for SWU, as a result of the current surplus of global inventories, the oversupply of enriched uranium and continued nuclear market uncertainty. Management identified an impairment indicator for the recently constructed USA CGU and assessed the recoverable amount of assets based on value in use, calculated using a discounted cash flow model. A pre-tax impairment of €760.0 million has been recorded.

There is a significant level of judgement in determining the critical assumptions within the value in use calculation. The critical assumptions are estimations of future market dynamics and the associated SWU market pricing projections; and the 8.4% pre-tax nominal discount rate used.

Other key assumptions are the extension of the USA operating licence beyond 2040 which management expects to receive in the ordinary course of business; ongoing capital expenditure requirements to maintain and operate the business; together with levels of associated operating costs and the disposal cost of tails produced from enrichment.

The carrying value of the USA deferred tax asset was based on a complex calculation reflecting both the reduced accounting carrying value of the impaired USA enrichment assets compared to the tax base, and the effect of not having sufficient future probable profits to support full recognition of the deferred tax assets.

This risk is included as a significant issue related to the financial statements within the Audit Committee report on page 36, and is a critical accounting judgement and key source of estimation uncertainty within note 2 to the financial statements on page 65. Further details on the critical assumptions are provided in note 6 to financial statements on page 77.

How the scope of our audit responded to the risk

We verified the determination of the USA and European CGUs to underlying sale agreements and scrutinised the impairment indicator analysis performed by management.

For the USA enrichment business, we obtained the discounted cash flow model used to determine the value in use as at 31 December 2016. We verified the mathematical accuracy of the valuation model and relevant data inputs, together with our challenge of the uncontracted forecast SWU price and 8.4% pre-tax nominal discount rate critical assumptions.

In 2016, management engaged independent experts to assist in preparing pricing outlooks for uncontracted SWU sales, which were based on detailed modelling of the forecast supply-demand and relative positions on the cost curve. We obtained and reviewed these pricing outlooks and directly discussed the work performed with the independent experts used by management. We assessed the objectivity of the independent experts used through direct enquiry with the individuals who performed the analysis and assessment of their professional qualifications, we also reviewed the agreed scope of their work performed.

The discount rate was estimated by management using the Capital Asset Pricing Model (CAPM) and was validated by an independent investment bank. We utilised Deloitte valuation specialists to independently develop an expectation in respect of the discount rate used and compared it against that used by management.

We challenged other key assumptions in the value in use model detailed in the risk description section above, by obtaining third party evidence where available, through consultation with operational management and evaluation and challenge of the Board approved forecasts against recent performance. We independently recalculated the USA deferred tax asset position.

We evaluated the sensitivity analysis performed and the disclosures prepared by management on pages 77-78.

Independent Auditor's Report continued

Key observations

The uncontracted SWU price forecast adopted by management was approximately the mid-point of the two independent expert ranges and was considered reasonable. The 8.4% pre-tax nominal discount rate was within our acceptable range, albeit towards the lower end.

We concluded that the key assumptions had been appropriately determined and no additional impairments were identified from the work performed.

European enrichment business tails disposal provisioning

Risk description

During the prior year, management rebased the European enrichment sites' tails provisions using the estimated future deconversion cost of processing tails through the TMF under construction. The TMF deconversion cost estimate is reviewed by management at each reporting period end, as this TMF cost estimate is required to measure the future tails deconversion provision. As at 31 December 2016, management recognised a €895.8 million provision to dispose of URENCO tails currently held. Further details on the tails provision are provided in note 27 to financial statements on page 101.

Management judgement is required in estimating the TMF deconversion cost assumptions, most notably the final capital cost of the TMF. The commissioning of the TMF is forecast by management to be late 2017/early 2018. Until the TMF is complete, the total capital cost remains a key estimate within the European tails provision valuation, as any increase in TMF cost would increase the current and future tails provision.

Other key management judgements in estimating this long term tails provision are the determination of the future TMF operational assumptions and costs; final disposal and transport costs; cash flow timings and macroeconomic assumptions (inflation and discount rate) to recognise the provision at a present value cost. Given the nature of the nuclear enrichment industry, there is often very limited independent third party data or past precedent as to the eventual cost and timing of these activities. This risk is included as a significant issue related to the financial statements within the Audit Committee report on page 36, and is a critical accounting judgement and key source of estimation uncertainty within note 2 to the financial statements on page 65.

How the scope of our audit responded to the risk

We met with operational management to understand the TMF construction progress, the residual risks and estimated contingency levels. The Senior Statutory Auditor conducted a TMF site visit in January 2017 and the audit team verified the critical assumptions in relation to the forecast capital cost and timing of completion.

We compared future cost and timing estimates against internal project data, including TMF deconversion costs and, where possible, external support and the relevant nuclear regulation. We challenged key assumptions through meetings with technical and operational personnel, review of key management reports and through comparison to other market participants and the prevailing industry approach were possible.

The volume of tails to be deconverted was verified to operational and financial reports. For the third party tails disposal contract, we reviewed the underlying contractual terms and challenged the accounting adopted by management against the relevant accounting standards.

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

Key observations

We concluded that the key cost and operational assumptions were appropriately determined.

The 1.96% real discount rate macroeconomic assumption was within our acceptable range, albeit towards the higher end.

Uranic inventory cost allocation and ownership

Risk description

URENCO handles uranic material in a variety of forms. Its principal raw material is feed, which may be owned by URENCO, owned by customers, or borrowed. As at 31 December 2016 the Group recognised €550.2 million of inventories, split predominantly between €103.1 million of raw materials (mainly feed) and €445.1 million of SWU work in progress. Further details on the inventories are provided in note 19 to financial statements on page 88.

Where URENCO is enriching feed owned by customers, the carrying value of the unsold EUP inventory is the URENCO SWU costs incurred only. URENCO can use a higher consumption of SWU than the customer requests and use a lower amount of feed to produce EUP to the customer's specification, with the conserved feed recognised as URENCO inventory at a carrying value equivalent to the incremental SWU cost required.

Management judgement and complex calculations are therefore required to identify the volume of feed owned by URENCO and allocate the cost of inventory between the SWU and URENCO feed in the financial statements.

Financial statements
Independent Auditor's Report continued

The valuation of URENCO feed in the financial statements is also dependent on its physical form. Certain volumes of feed exist as LAF which is lower uranium content material created during the URENCO enrichment process. LAF must first be re-enriched by URENCO, before the feed within LAF is available for onward sale or further enrichment. This re-enrichment cost is provided for by URENCO and the feed is recognised as inventory.

The Group historically entered into feed borrowing transactions under which it recognised inventory assets and associated borrowing liabilities at cost. Management therefore performs a complex calculation known as the 'owned feed headroom test' at each period end, which compares the volumes of URENCO's feed to the outstanding borrowings and the volumes of feed not immediately accessible as it is contained within LAF.

The headroom test determines whether there is any deficit in URENCO's feed inventory compared to these borrowing and re-enrichment obligations. Any feed deficit would be revalued to the current market value, to reflect the underlying fact that URENCO had sold feed that was either borrowed or contained within LAF. Due to the complexity of the underlying calculations, we have included the accuracy of this calculation as a key risk.

This risk is included as a significant issue related to the financial statements within the Audit Committee report on page 37, and is a critical accounting judgement and key source of estimation uncertainty within note 2 to the financial statements on page 64.

How the scope of our audit responded to the risk

SWU and feed uranic inventories held at URENCO's four enrichment sites are controlled by perpetual inventory systems that we independently assessed. We reviewed and challenged the International Atomic Energy Agency (IAEA) regulatory documents relating to the inspection of URENCO inventory controls for uranic materials, and attended IAEA and EURATOM independent stock counts of physical feed during 2016. We received and verified confirmations from third parties in respect of URENCO inventory held at third party nuclear sites.

We reviewed management's owned feed and SWU inventory tracking system and operational reports, and validated the mathematical accuracy and underlying data inputs. We scrutinised management's allocation of inventory cost between feed and SWU, verifying the inputs of the calculation to source documentation. We reviewed the annual movements in inventory types, through recalculation and by reconciling items to supporting evidence where appropriate.

In respect of the owned feed headroom test, we recalculated the amount of feed URENCO held ownership of, taking into account borrowed feed material from third parties and URENCO's own feed within LAF material.

Key observations

We are satisfied that the inventory values and allocation between inventory types recognised as owned by URENCO were appropriately calculated. We concurred that the Group could satisfy its borrowing obligations from its owned feed position.

Revenue and feed profit recognition

Risk description

The Group has recognised revenue of €1,893.0 million in 2016. Given the complex nature of the Group's enrichment contracts and delivery contractual terms, management judgement is required in applying the Group's revenue recognition policies to enrichment services, and feed and natural uranium sale transactions. This risk is increased at period ends given the large volume of customer sales and the high value of individual sales. These revenue recognition judgements include the date at which transfer of risk and reward occurs.

In terms of feed sales profit recognition, management judgement is required when considering whether URENCO holds title to feed volumes sold, or whether the feed is from third party feed stocks held at URENCO enrichment sites. To the extent that any third party feed is sold by URENCO (none in the current period), then an increase to the currently recognised borrowing liability would be required to reflect the current market value of the feed volume deficit.

This risk is included as a significant issue related to the financial statements within the Audit Committee report on page 37, and is a critical accounting judgement and key source of estimation uncertainty within note 2 to the financial statements on page 64. The Group's policy on revenue recognition is set out in note 2 on page 65 of the financial statements.

How the scope of our audit responded to the risk

We have reviewed the Group's revenue recognition policy for all sales types. We challenged the timing and value of revenue recognised through analytical reviews, agreement to executed contracts and signed delivery documentation.

For revenue recognised in the period shortly before and after 31 December 2016, we agreed sales to physical delivery notifications confirming transfer of uranic material to the customer, and traced payments to bank statements.

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

In respect of the feed sales profit recognition, as detailed in the uranic inventory cost allocation and ownership audit risk on page 64, we recalculated the amount of feed URENCO held ownership of, taking into account borrowed feed material and own feed inherent in material to be re-enriched, noting that all sales were made out of URENCO's own stock.

Financial statements

Independent Auditor's Report continued

Key observations

We are satisfied that the Group's revenue recognition policy was appropriately applied and that the profit recognition for feed sales was accounted for appropriately.

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

Our application of materiality

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

We determined materiality for the Group to be €25 million (2015: €25 million), which is approximately 5% (2015: 5%) of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities for the year, and below 2% (2015: 2%) of equity. Profit before tax is adjusted to exclude the pre-tax impairment charge and restructuring cost exceptional items which would, if included, significantly distort materiality for the year. These exceptional items are separately disclosed in the income statement and note 6 to assist in understanding the underlying financial performance achieved by the Group.

Following our reassessment of the levels at which we would report to the Committee and as discussed and agreed with the Committee, we report all audit differences in excess of €1,250,000 (2015: €500,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

We performed full scope audits on the four enrichment site operating entities, URENCO UK Limited, URENCO Deutschland GmbH, URENCO Nederland B.V. and Louisiana Energy Services, LLC, as they represent the Group's principal business units.

We performed full scope audits on the entity constructing the TMF (URENCO ChemPlants Limited), the UK uranium handling services entity (Capenhurst Nuclear Services Limited) and the UK head office entities, which are significant to the Group. Our full scope audit procedures cover net assets (2016: 99%, (2015: 94%) of Group total), revenue (2016: 98%, (2015: 96%) of Group total) and of profit before tax (2016: 97%, (2015: 95%) of Group total).

Our audit work at each entity was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality, ranging from €0.5 million to €16.3 million (2015: €1.8 million to €15.0 million).

At URENCO's UK head office we tested the Group consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned URENCO site visits and component auditor direction and supervision meetings, that has been designed so that the Senior Statutory Auditor and/or a senior member of the Group audit team visits each of the four enrichment and other full scope audit significant component locations at least once every year.

Our overall audit scope was consistent with prior year.

Opinion 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 and the Directors' Report.

Financial statements

Independent Auditor's Report continued

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report arising from this matter.

Our duty to read other information in the Annual report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual report is fair, balanced and understandable and whether the Annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

8 March 2017

Financial statements

Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 Result for the year (post exceptional items) €m	2016 Exceptional items in year €m	2016 Result for the year (pre exceptional items) €m	2015 Result for the year (restated[(i)]) €m
Revenue from sales of goods and services	3	**1,893.0**	**-**	**1,893.0**	1,842.2
Work performed by the Group and capitalised		**14.7**	**-**	**14.7**	20.8
Changes to inventories of work in progress and finished goods		**(38.0)**	**-**	**(38.0)**	24.4
Raw materials and consumables used		**(13.0)**	**-**	**(13.0)**	(11.0)
Tails provision created	27	**(139.6)**	**-**	**(139.6)**	(182.9)
Employee benefits expense	7	**(184.3)**	**-**	**(184.3)**	(202.3)
Depreciation and amortisation	5	**(489.4)**	**-**	**(489.4)**	(496.1)
Impairment of USA operations	6	**(760.0)**	**(760.0)**	**-**	-
Restructuring costs	6	**(33.0)**	**(33.0)**	**-**	-
Other expenses	5	**(349.8)**	**-**	**(349.8)**	(354.1)
Share of results of joint venture	16	**(0.4)**	**-**	**(0.4)**	(6.6)
(Loss)/income from operating activities	5	**(99.8)**	**(793.0)**	**693.2**	634.4
Finance income	8	**112.7**	**-**	**112.7**	185.9
Finance costs	9	**(384.7)**	**-**	**(384.7)**	(287.2)
(Loss)/income before tax		**(371.8)**	**(793.0)**	**421.2**	533.1
Income tax (expense)/income	10	**(84.5)**	**52.9**	**(137.4)**	(81.0)
Net (loss)/income for the year attributable to the owners of the Company		**(456.3)**	**(740.1)**	**283.8**	452.1
(Loss)/earnings per share		**€**	**€**	**€**	€
Basic (loss)/earnings per share	12	**(2.7)**	**(4.4)**	**1.7**	2.7

(i) In 2016, foreign exchange gains and losses on financing activities have been included within Finance income (year ended 31 December 2016: €14.6 million; year ended 31 December 2015: €96.6 million) and Finance costs (year ended 31 December 2016: €124.8 million; year ended 31 December 2015: €66.4 million) respectively. Previously these were included in Other expenses. The presentation of the comparative financial information for the year ended 31 December 2015 has been restated to be on a consistent basis. See note 2 for further details.

Financial statements
Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 €m	2015 €m
Net (loss)/income for the year attributable to the owners of the Company		**(456.3)**	452.1
Other comprehensive (loss)/income:			
Items that have been or may be reclassified subsequently to the income statement			
Cash flow hedges – transfers to revenue	26	**105.1**	57.4
Cash flow hedges – mark to market		**(206.4)**	(133.7)
Net investment hedge – mark to market		**(343.1)**	(87.6)
Deferred tax income on hedges	10	**10.2**	7.1
Current tax income on hedges	10	**6.8**	3.3
Exchange differences on hedge reserve		**53.6**	(2.9)
Total movements to hedging reserve		**(373.8)**	(156.4)
Exchange differences on foreign currency translation of foreign operations		**371.5**	298.8
Share of joint venture exchange differences on foreign currency translation of foreign operations		**1.1**	(0.2)
Total movements to foreign currency translation reserve		**372.6**	298.6
Items that will not be reclassified subsequently to the income statement			
Actuarial (losses)/gains on defined benefit pension schemes	28	**(87.4)**	38.9
Deferred tax income/(expense) on actuarial (losses)/gains	10	**14.7**	(10.3)
Current tax income on actuarial (losses)/gains	10	**0.5**	-
Share of joint venture actuarial (losses)/gains on defined benefit pension schemes		**(7.0)**	2.5
Utility partner payments		**(0.3)**	(0.3)
Deferred tax income on utility partner payments	10	**0.1**	0.1
Total movements to retained earnings		**(79.4)**	30.9
Other comprehensive (loss)/income		**(80.6)**	173.1
Total comprehensive (loss)/income for the year attributable to the owners of the Company		**(536.9)**	625.2

Financial statements

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	**2016 €m**	2015 (Re-presented[i]) €m
Assets			
Non-current assets			
Property, plant and equipment	13	**5,282.8**	6,150.5
Investment property	14	**7.4**	7.5
Intangible assets	15	**40.9**	52.5
Investments including joint venture	16	**1.1**	7.2
Financial assets	18	**9.0**	9.1
Derivative financial instruments	26	**153.2**	77.7
Deferred tax assets	10	**373.3**	301.0
		5,867.7	6,605.5
Current assets			
Inventories	19	**550.2**	507.7
Trade and other receivables[i]	20	**409.7**	419.3
Derivative financial instruments	26	**56.7**	21.6
Income tax receivable[i]	10	**12.0**	7.3
Short-term bank deposits	21	**1.6**	-
Cash and cash equivalents	22	**251.7**	391.3
		1,281.9	1,347.2
Total assets		**7,149.6**	7,952.7
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	23	**237.3**	237.3
Additional paid in capital	23	**16.3**	16.3
Retained earnings		**1,123.2**	2,008.9
Hedging reserve		**(661.5)**	(287.7)
Foreign currency translation reserve		**828.1**	455.5
Total equity		**1,543.4**	2,430.3
Non-current liabilities			
Trade and other payables	29	**40.8**	140.4
Interest bearing loans and borrowings	26	**2,350.7**	2,989.6
Provisions	27	**1,491.9**	1,416.0
Retirement benefit obligations	28	**142.8**	70.9
Deferred income	24	**38.5**	42.4
Derivative financial instruments	26	**319.7**	203.3
Deferred tax liabilities	10	**39.0**	58.2
		4,423.4	4,920.8
Current liabilities			
Trade and other payables	29	**442.5**	278.2
Interest bearing loans and borrowings	26	**520.9**	229.2
Provisions	27	**18.8**	5.0
Derivative financial instruments	26	**175.4**	83.3
Income tax payable		**23.6**	4.1
Deferred income	24	**1.6**	1.8
		1,182.8	601.6
Total liabilities		**5,606.2**	5,522.4
Total equity and liabilities		**7,149.6**	7,952.7

[i] From 2016, Income tax receivable is separately presented. Previously, this was included in Trade and other receivables. The presentation of the comparative financial information for the year ended 31 December 2015 has been restated to be on a consistent basis.

Registered Number 01022786

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2017.

They were signed on its behalf by.

Dr Thomas Haeberle
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer

Financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 1 January 2016	**237.3**	**16.3**	**2,008.9**	**(287.7)**	**455.5**	**2,430.3**
Loss for the year	**-**	**-**	**(456.3)**	**-**	**-**	**(456.3)**
Other comprehensive (loss)/income	**-**	**-**	**(79.4)**	**(373.8)**	**372.6**	**(80.6)**
Total comprehensive income/(loss)	**-**	**-**	**(535.7)**	**(373.8)**	**372.6**	**(536.9)**
Equity dividends paid (see note 11)	**-**	**-**	**(350.0)**	**-**	**-**	**(350.0)**
As at 31 December 2016	**237.3**	**16.3**	**1,123.2**	**(661.5)**	**828.1**	**1,543.4**

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 1 January 2015	237.3	16.3	1,865.9	(131.3)	156.9	2,145.1
Income for the year	-	-	452.1	-	-	452.1
Other comprehensive income/(loss)	-	-	30.9	(156.4)	298.6	173.1
Total comprehensive income/(loss)	-	-	483.0	(156.4)	298.6	625.2
Equity dividends paid (see note 11)	-	-	(340.0)	-	-	(340.0)
As at 31 December 2015	237.3	16.3	2,008.9	(287.7)	455.5	2,430.3

Financial statements
Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Notes	2016 €m	2015 (Re-presented) €m
(Loss)/income before tax		**(371.8)**	533.1
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:			
Share of joint venture results	16	**0.4**	(3.9)
Depreciation and amortisation	5	**489.4**	496.1
Impairment of USA operations	6	**760.0**	-
Restructuring costs	6	**33.0**	-
Finance income [i]	8	**(112.7)**	(185.9)
Finance cost [i]	9	**384.7**	287.2
Loss on write off of property, plant and equipment		**1.6**	0.8
Increase in provisions		**57.6**	167.4
Operating cash flows before movements in working capital		**1,242.2**	1,294.8
Increase in inventories		**(92.2)**	(10.9)
(Increase)/decrease in receivables and other debtors		**(24.4)**	0.6
Increase/(decrease) in payables and other creditors[iii]		**100.4**	(40.4)
Cash generated from operating activities		**1,226.0**	1,244.1
Income taxes paid		**(117.1)**	(121.7)
Net cash flow from operating activities		**1,108.9**	1,122.4
Investing activities			
Interest received		**70.3**	42.9
Proceeds from sale of property, plant and equipment		**0.4**	0.5
Purchases of property, plant and equipment		**(407.6)**	(449.9)
Increase in prepayments in respect of fixed asset purchases[ii]		**-**	(67.5)
Purchase of intangible assets		**-**	(2.3)
Increase in investment		**(0.2)**	(0.3)
Net cash flow from investing activities		**(337.1)**	(476.6)
Financing activities			
Interest paid		**(212.6)**	(172.0)
Payments in respect of settlement of debt hedges		**-**	(93.4)
Dividends paid to equity holders	11	**(350.0)**	(340.0)
Proceeds from new borrowings		**366.4**	827.7
Placement of short-term deposits		**(1.6)**	-
Repayment of borrowings		**(728.7)**	(989.7)
Net cash flow from financing activities		**(926.5)**	(767.4)
Net decrease in cash and cash equivalents		**(154.7)**	(121.6)
Cash and cash equivalents and short-term deposits at 1 January		**391.3**	522.3
Effect of foreign exchange rate changes[iii]		**15.1**	(9.4)
Cash and cash equivalents at 31 December	22	**251.7**	391.3
Short-term deposits at 31 December	21	**1.6**	-
Cash and cash equivalents and short-term deposits at 31 December		**253.3**	391.3

(i) From 2016 foreign exchange gains and losses on financing activities are included in Finance income (year ended 31 December 2016: €14.6 million; year ended 31 December 2015: €96.6 million) and Finance costs (year ended 31 December 2016: €124.8 million; year ended 31 December 2015: €66.4 million) respectively. Previously they were included in Increase/(decrease) in payables and other creditors. The presentation of the comparable financial information for the year ended 31 December 2015 has been re-presented to be on a consistent basis.

(ii) This represents prepayments in respect of fixed asset purchases payments made to the ETC joint venture in advance of deliveries of centrifuge cascades.

(iii) The presentation of Effect of foreign exchange rate has been amended. This now also includes foreign exchange differences on Cash and cash equivalents and Short-term deposits which were previously reported under Increase/(decrease) in payables and other creditors. The comparative information for the year ended 31 December 2015 has been amended to be on a consistent basis.

Financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. General information

URENCO Limited ('the Company') is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is given on page 127. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 4 and in the Strategic Report on pages 10 to 12.

2. Significant accounting policies

Basis of preparation and presentation

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

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

The Group financial statements are presented in euros because the euro is the currency of the primary ecomomic environment in which the Group operates. The Group consists of entities that have functional currencies of US dollar, sterling and euros. The Parent Company's functional currency is sterling, which means that its books and records are denominated in sterling even though the financial statements are presented in euros. Foreign operations are included in accordance with the policies set out in note 2.

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

Going concern

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

Changes in accounting policy and prior year restatement

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except as follows:

In order to provide an improved measure of underlying business performance, the Group has changed its accounting presentation to more appropriately include foreign exchange gains and losses on financing activities within Finance income and Finance costs rather than Other expenses. The presentation of the comparative financial information has been restated to be on a consistent basis. This change in presentation did not have any impact on net income or equity. The impact on Other expenses, Finance Income and Finance costs for the comparative period is detailed below.

	Year ended 31 December 2015 Audited €m
Other expenses – prior to restatement	(323.9)
Foreign exchange losses	66.4
Foreign exchange gains	(96.6)
Other expenses – restated	(354.1)
Finance income – prior to restatement	89.3
Foreign exchange gains	96.6
Finance income – restated	185.9
Finance costs – prior to restatement	(220.8)
Foreign exchange losses	(66.4)
Finance costs - restated	(287.2)

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

The Group has adopted the following new and amended IFRS and IAS during the year; that are mandatorily effective for the accounting period that begins on or after 1 January 2016. Adoption of these revised standards did not have any material impact on the financial performance or position of the Group as at 31 December 2016.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

	IASB Effective Date – periods commencing on or after	EU-endorsed effective Date – periods commencing on or after
Amendments to IFRS 11 – Accounting for Acquisitions of Interest in Joint Operations	1 January 2016	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	1 January 2016
Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016	1 January 2016
Amendments to IAS 27 – Equity method in Separate Financial Statements	1 January 2016	1 January 2016
Annual Improvements to IFRSs – 2012-2014 cycle – IFRS 7; IFRS 5; IAS 19; IAS34	1 January 2016	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception	1 January 2016	1 January 2016

New and revised standards and interpretations in issue by not yet effective

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

	IASB Effective Date – periods commencing on or after	EU-endorsed effective Date – periods commencing on or after
New standards		
IFRS 9 - Financial Instruments	1 January 2018	1 January 2018
IFRS 14 - Regulatory Deferral Accounts	First time adopters with first financial statements beginning on or after 1 January 2016	EU has decided not to endorse
IFRS 15 - Revenue from Contracts with Customers	1 January 2018	1 January 2018
IFRS 16 - Leases	1 January 2019	Endorsement outstanding
Amended standards		
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	Endorsement halted
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	Endorsement outstanding
Amendments to IAS 7: Disclosure Initiative	1 January 2017	Endorsement outstanding
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	Endorsement outstanding
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Endorsement outstanding
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	Endorsement outstanding
Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IFRS 1 First Time Adoption of IFRS	1 January 2018	Endorsement outstanding
Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IAS 28 Investments in Associates and Joint Ventures	1 January 2018	Endorsement outstanding
Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IFRS 12 Disclosure of Interests in Other Entities	1 January 2017	Endorsement outstanding
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Endorsement outstanding
Amendments to IAS 40: Transfers of Investment Property	1 January 2018	Endorsement outstanding

The directors have not yet evaluated the impact of the adoption of these standards and interpretations on the consolidated financial statements in the period of initial application.

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

Basis of consolidation

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

In the 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. The most critical of these relate to impairment of enrichment assets, provisions for tails and decommissioning, current and deferred tax assets and liabilities, cost of defined benefit plans, profit recognition for borrowed stock, derivative instruments, accounting assay and allocation of inventory costs between SWU and owned feed, application of the Group's reveue recognition policy and useful life of centrifuges. The use of inaccurate assumptions in assessments made for any of these judgements and estimates could result in a significant impact on financial results and position.

Critical accounting judgements

- In order to account for constituent parts of enriched uranium product or low assay feed, where the resultant fungible material is part owned by third parties and part owned by URENCO, certain assumptions and judgements are required in order to attribute inventory value across the categories of raw materials, work-in-progress and finished goods. These judgements involve consideration of anticipated customer behaviour and forecasts surrounding market price developments. These judgements result in the calculation of an average mean contractual customer tails assay or 'accounting assay' that is used to derive the SWU and Feed component of enriched uranium product and low assay feed.
- In certain circumstances, sales of goods and services are deemed to have been met from inventory borrowed under agreement from third parties. Calculating the exact amount of third party inventory utilised requires assumptions around forecast future customer activity and plant operations. In such circumstances where revenue is generated from the sale of borrowed inventory, the profit that results from the sale of those inventories is deferred until future periods.
- 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. 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 whether revenues are recognised in accordance with the Group's revenue recognition policy and updating of this policy for any new types of transactions.
- Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that suitable taxable income will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of deferred tax assets at 31 December 2016 was €373.3 million (2015: €301.0 million). At 31 December 2016, there were unrecognised deferred tax assets totalling €258.9 million (2015: €18.8 million) including US tax losses and charitable contributions with a tax value of €13.1 million (2015: €18.8 million) that are expected to expire before they can be used. Further details are contained in note 10.
- The Group has taken out 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.
- 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. Details of these assumptions and the Group pension liability are given in note 28.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

Key sources of estimation uncertainty

- Enrichment asset cash generating units (CGUs) are reviewed for impairment at period ends whenever events or circumstances indicate that the carrying value may not be fully recoverable. Where impairment indicators have been identified, management has assessed the recoverable amount of assets based on value in use, using discounted cash flow models.

  The critical assumptions inherent within the value in use calculations are: estimations of future market dynamics (including levels of long term growth for the nuclear enrichment market) and associated market pricing projections and the 8.4% pre-tax nominal discount rate used (2015: 8.5%). Further details on these critical assumptions and sensitivity analysis are provided in note 6. Other key assumptions include the extension of the USA operating licence beyond 2040 which management expect to receive in the ordinary course of business; ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating and nuclear tails waste disposal costs.

  URENCO has two key nuclear enrichment CGUs, its European operations and its USA operations. For 2016 management concluded that there were no indicators of impairment for URENCO's European enrichment CGU, given the significant headroom in the prior year value in use impairment test, which continued to exist even after the 2016 price outlook deterioration.

  The value in use calculations for the USA enrichment CGU are based on long-term cash flow projections which utilise the Group's ten year business plan in the short term and post business plan management forecasts covering the period to 2060, together with relevant sensitivity analysis for key assumptions and variables.

  Pricing assumptions are based on a comprehensive internal market analysis of future market conditions, with reference to external forecast data where available. The 2016 discount rate was prepared using the Capital Asset Pricing Model (CAPM) and was validated by an independent investment bank.

  An impairment test on URENCO USA enrichment CGU as at 31 December 2016 has been completed which showed that the carrying value of its assets exceeded the recoverable amount of €2,651.9 million for the USA operations, resulting in a pre-tax impairment charge of €760.0 million (€714.7 million post-tax).

- Provision 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 and the internal cost of deconversion services using TMF. The availability and cost of a repository suitable for the final disposal of depleted U_3O_8 is a key judgement and the level of uncertainty varies widely across the four countries in which URENCO operates.

  The provision for tails is calculated as a rate applicable to the quantity of tails held at the statement of financial position date. Consequently, a movement in the rate or quantity of tails held would result in a movement in the provision, excluding any changes due to translation of non-euro denominated provisions to the reporting currency of euros. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to '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 nominal rate of 2% (2015: 2%) per annum and discounted at a rate of 4% (2015: 4%), to take account of the time value of money. The fundamental assumptions underlying these provisions are reviewed on a periodic basis. The last review was carried out in 2015. Details of the provisions are given in note 27.

- 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. During 2016 no changes in the estimated useful life were made.

Revenue recognition

The Group principally operates as a supplier of uranium enrichment services.

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

The Group also generates revenue from the sale of URENCO owned uranium to customers.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services and goods provided in the normal course of business, excluding discounts, VAT and other sales related taxes.

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

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

Sale of services

Revenue is derived from the sales of the SWU component of EUP arising from the enrichment service provided. Revenue is recognised at the time the service is provided under the terms of the contract and is accepted by 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.

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

Sale of goods

Revenue is derived from the sale of uranium in the form of UF_6 and 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 when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably. This may be at physical delivery or transfer to a customer's book account held by a third party or with URENCO both of which represent delivery such that these contracts are outside the scope of IAS39.

Interest Income

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

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.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all risks and rewards of ownership of the asset have passed to the Group are capitalised in the statement of financial position and are depreciated over their useful lives. The capital elements of future obligations under finance leases and hire purchase are included as liabilities in the statement of financial position. The interest elements of the rental obligations are charged in the income statement over the periods of the finance leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

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

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

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

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

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

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

Retirement benefit costs

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

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

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

Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income in the period in which they occur.

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

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

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Net interest income or expense is recognised within Finance income (see note 8) or Finance costs (see note 9).

Interests in joint ventures

The Group has an interest in a joint venture which is a joint arrangement. The Group has accounted for the results of its Enrichment Technology Company (ETC) joint venture in accordance with IFRS 11 Joint Arrangements. The Group has recognised and measured the investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

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

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

Financial statements of jointly controlled entities are prepared for the same reporting period as the Group.

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

For the year ended 31 December 2016

2. Significant accounting policies continued

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

Taxation

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

Property, plant and equipment

Plant and machinery is stated at cost, less accumulated depreciation and impairment losses (if any). Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Decommissioning assets are also reported under plant and machinery and are measured at net present value of future decommissioning costs and revised for changes. Decommissioning assets are depreciated over 2 – 15 years using the straight-line method.

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

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

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

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

Depreciation is charged so as to write off the cost of assets less their residual values, other than freehold land and assets under construction, over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	12 - 40 years
Plant and machinery	2 – 15 years
Office fixtures and fittings	12 years
Motor vehicles	4 years
Computer equipment	3 – 5 years

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

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

Investment property

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

Investment property, which is property held to earn rentals, is stated at cost, less accumulated depreciation and impairment losses (if any). Cost includes the purchase price and directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, excluding the costs of day-to-day servicing.

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

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

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

Intangible assets

Research and development expenditure (internally-generated intangible assets)

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

Licence costs

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

The USA enrichment site operating licence was granted in 2006 and is being amortised over the remaining licence period, which is from the commencement of production in the USA. The first amortisation took place in 2010 when the USA enrichment plant started its production.

Other software assets

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised following 'Go Live' of the system in November 2010.

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

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

Waiver payment

The waiver payment comprises the right for URENCO UK to not have to make future royalty cash payments associated with certain plant and equipment at the Capenhurst site. The consideration for this waiver payment will be settled by contracted storage services to be provided in future years by CNS. 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 statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and its intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. For raw materials, work-in-progress and finished goods, costs comprise direct material costs and, where applicable, direct labour and production costs, and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated predominantly by using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Spares and other equipment are valued on a FIFO basis.

Inventory borrowings from third parties

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

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

Short-term bank deposits

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

Cash and cash equivalents

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

Financial instruments

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

Trade receivables

Trade receivables can carry interest in accordance with the contract conditions. Trade receivables are stated at their invoiced value as payments are invariably received within the contract terms. For these reasons, no provisions are deemed necessary.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Borrowing costs

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

Interest bearing loans and borrowings

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

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

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

Trade payables

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

Derivative financial instruments and hedging

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

For the year ended 31 December 2016

2. Significant accounting policies continued

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

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

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

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

Cash flow hedges

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

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

Fair value hedges

For an effective hedge of changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged and the gains and losses are taken to income or loss; the derivative is remeasured at fair value and gains and losses are taken to income or loss. Both the change in fair value of the hedged item and the value movement of the derivative are recorded in finance costs in the income statement.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in income and loss (in finance income or finance costs). On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in other comprehensive income is transferred to income or loss.

Provisions

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

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

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

The Group’s other provisions are for restructuring costs and refeeding of low assay feed.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

2. Significant accounting policies continued

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

Provisions for refeeding low assay feed represent the full cost to the Group of re-enriching low assay feed in the future, back to the assay of natural uranium. This includes the safe disposal of any resultant tails material. These provisions are calculated using assumptions on the amount of separative work that will be required in the future and the cost of providing enrichment capacity to perform that work.

3. Revenue

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

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Sales of goods and services	**1,893.0**	1,842.2
Finance income[(i)]	**112.7**	185.9
Total income	**2,005.7**	2,028.1

(i) The presentation of Finance income has been restated to include foreign exchange gains on financing activities. See note 2.

A portion of the Group's revenue which is denominated in foreign currencies is cash flow hedged. The amounts disclosed above for revenue from the sale of goods and services include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a net loss of €105.1 million (2015: net losses €57.4 million) (see note 26).

4. Segment information

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

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

The Group's operating segments are as follows:

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

Segment performance is evaluated based on net income or loss which is calculated on the same basis as income or loss from operating activities in the consolidated financial statements. Finance costs and finance income are managed centrally and presented in the other segment accordingly.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

4. Segment information continued

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

Year ended 31 December 2016	Enrichment business €m	ETC €m	Other [i] €m	Consolidated €m
Revenue				
External sales	1,775.9	-	117.1	1,893.0
Total external revenue	1,775.9	-	117.1	1,893.0
Result				
Loss from operating activities	(14.2)	(0.7)	(84.9)	(99.8)
Finance income	6.7	-	106.0	112.7
Finance costs	(129.4)	-	(255.3)	(384.7)
Loss before tax	(136.9)	(0.7)	(234.2)	(371.8)
Income tax	(105.8)	-	21.3	(84.5)
Net (loss)/income for the year	(242.7)	(0.7)	(212.9)	(456.3)
Other information				
Total depreciation and amortisation	500.8	-	(11.4)	489.4
Less depreciation recognised in increased inventories	(42.7)	-	-	(42.7)
Add depreciation expenses within other expenses	29.7	-	-	29.7
Depreciation and amortisation for EBITDA calculation	487.8	-	(11.4)	476.4
Loss from operating actitivies (post-exceptionals)	(14.2)	(0.7)	(84.9)	(99.8)
Exceptional items	788.9	-	4.1	793.0
Income/(loss) from operating activities (pre-exceptionals)	774.7	(0.7)	(80.8)	693.2
Depreciation and amortisation	487.8	-	(11.4)	476.4
Joint venture result	-	0.7	(0.3)	0.4
EBITDA[ii]	1,262.5	-	(92.5)	1,170.0
Capital additions:				
Property, plant and equipment	473.8	-	2.8	476.6
Investment property	-	-	-	-
Intangible assets	0.4	-	-	0.4
Segment assets	6,590.3	-	559.3	7,149.6
Segment liabilities	3,126.5	-	2,479.7	5,606.2

[i] Other comprises the corporate Head Office, CNS and Group accounting consolidation adjustments.

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

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4. Segment information continued

Year ended 31 December 2015 [i] (restated)	Enrichment business €m	ETC €m	Other [ii] €m	Consolidated €m
Revenue				
External sales	1,762.3	-	79.9	1,842.2
Total external revenue	1,762.3	-	79.9	1,842.2
Result				
Income/(loss) from operating activities	623.7	20.7	(10.0)	634.4
Finance income	6.9	-	179.0	185.9
Finance costs	(113.3)	-	(173.9)	(287.2)
Income/(loss) before tax	517.3	20.7	(4.9)	533.1
Income tax	(102.6)	-	21.6	(81.0)
Net income/(loss) for the year	414.7	20.7	(16.7)	452.1
Other information				
Total depreciation and amortisation	506.7	-	(10.6)	496.1
Less depreciation recognised in increased inventories	(13.6)	-	-	(13.6)
Add depreciation expenses within other expenses	1.1	-	-	1.1
Depreciation and amortisation for EBITDA calculation	494.2	-	(10.6)	483.6
Income/(loss) from operating activities (post-exceptionals)	623.7	20.7	(10.0)	634.4
Exceptional items	-	-	-	-
Income/(loss) from operating activities (pre-exceptionals)	623.7	20.7	(10.0)	634.4
Depreciation and amortisation	494.2	-	(10.6)	483.6
Joint venture result	-	(20.7)	27.3	6.6
EBITDA – restated	1,117.9	-	6.7	1,124.6
EBITDA – prior to restatement	1,130.4	-	36.9	1,167.3
Adjustment for foreign exchange financing activities	-	-	(30.2)	(30.2)
Adjustment for depreciation	(12.5)	-	-	(12.5)
EBITDA – restated	1,117.9	-	6.7	1,124.6
Capital additions:				
Property, plant and equipment	729.2	-	(8.4)	720.8
Investment property	-	-	-	-
Intangible assets	0.5	-	1.8	2.3
Segment assets	7,403.8	6.3	542.6	7,952.7
Segment liabilities	3,568.6	-	1,953.8	5,522.4

(i) During 2016 the calculation of EBITDA has been amended to exclude the depreciation included in Changes to inventories of finished goods and work in progress and in Other expenses. Further foreign exchange gains and losses on financing activities are reported under Finance income and Finance costs respectively rather than Other expenses. Income from operating activities, Finance income, Finance costs, Depreciation and amortisation and EBITDA have been restated to be on a consistent basis.

(ii) Other comprises the corporate Head Office, CNS and Group accounting consolidation adjustments.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

4. Segment information continued

Geographical information

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

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

Year ended 31 December 2016	UK €m	Rest of Europe €m	US €m	Rest of the World* €m	Consolidated €m
Total external revenue	**70.1**	**620.0**	**1,012.0**	**190.9**	**1,893.0**
Location of non-current assets					
Property, plant and equipment	**1,507.5**	**1,145.4**	**2,629.9**	**-**	**5,282.8**
Investment property	**5.8**	**1.6**	**-**	**-**	**7.4**
Intangible assets	**5.2**	**13.7**	**22.0**	**-**	**40.9**

* predominantly Asia

Year ended 31 December 2015	UK €m	Rest of Europe €m	US €m	Rest of the World* €m	Consolidated €m
Total external revenue	71.5	663.1	943.4	164.2	1,842.2
Location of non-current assets					
Property, plant and equipment	1,434.0	1,269.2	3,477.3	-	6,150.5
Investment property	5.8	1.7	-	-	7.5
Intangible assets	7.7	16.0	28.8	-	52.5

* predominantly Asia

5. (Loss)/income from operating activities

(Loss)/income from operating activities before tax and net finance costs has been arrived at after charging:

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Depreciation of property, plant and equipment (note 13)	**481.0**	476.7
Depreciation of investment property (note 14)	**0.4**	0.3
Amortisation of intangible assets (note 15)	**8.0**	19.1
	489.4	496.1
Exceptional items (note 6)	**793.0**	-
Employee benefits expense (note 7)	**184.3**	202.3
Operating costs	**278.2**	288.9
Administrative and other costs	**33.0**	43.9
Minimum lease payments under operating leases recognised in income for the year	**3.9**	3.8
Research and development costs	**44.5**	31.4
Foreign exchange gains [(i) / (ii)]	**(9.9)**	(15.4)
Foreign exchange losses [(i) / (ii)]	**0.1**	1.5
Other Expenses	**349.8**	354.1

(i) Derivatives not qualifying as effective hedges are reported in Finance income and Finance cost (see notes 8 and 9).

(ii) The presentation of Other expenses has been restated to exclude foreign exchange gains and losses on financing activities (see note 2).

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5. (Loss)/income from operating activities continued

Auditor's remuneration

An analysis of auditor's remuneration is provided below:

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Audit of Company	**0.3**	0.2
Audit of subsidiaries	**0.5**	0.5
Total audit fees	**0.8**	0.7
Audit related services	**0.3**	0.3
Total audit and audit related services	**1.1**	1.0
Non-audit services relating to taxation	**-**	-
Other non-audit services	**-**	-
Total non-audit services	**-**	-
Total fees	**1.1**	1.0

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

Details of the Company's policy on the use of auditors for non-audit services, the reason why the auditor was used and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 34. No services were provided pursuant to contingent fee arrangements.

6. Exceptional items

Exceptional items are those items of financial performance, that due to their size, nature and incidence the Group believes should be separately disclosed in the income statement to assist in understanding the underlying financial performance achieved by the Group. The appropriate classification of exceptional items involves subjective judgment by management including whether the item is truly exceptional and non-recurring. Exceptional items include an impairment charge, restructuring costs and the associated tax impact of all items. There were no exceptional items in the prior year.

Impairment charge

The USA operations cash generating unit provides enrichment and associated services for the nuclear power industry in the USA.

Impairment testing on the USA operations was performed as at 31 December 2016, based on the methodology as set out in note 2 and using a nominal pre-tax discount rate of 8.4% (2015: 8.5%).

The recoverable amount, based on the value in use, was €2,651.9 million, which was €760.0 million lower than the carrying value. Therefore a pre-tax impairment charge of €760.0 million has been recorded in the income statement for 2016. The carrying value of the deferred tax asset increased by a net €45.3 million through the 2016 income statement, being a combination of a gross deferred tax asset of €291.1 million and an offsetting valuation allowance of €245.8 million. This net increase reflected both the reduced accounting carrying value of the impaired USA enrichment assets compared to the tax base, and the effect of not having sufficient future probable profits to support full recognition of all deferred tax assets. Therefore a pre-tax impairment charge of €760.0 million has been recorded, which together with a net income tax income of €45.3 million, led to a post-tax impairment charge of €714.7 million.

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

The key change in assumptions for 2016 compared to the analysis performed at 31 December 2015, when there was still headroom in the impairment test of the USA operations, was further downward pressure on long-term forecast market prices for uncontracted SWU volumes. This was due to the current surplus of global inventories, oversupply of enriched uranium and continued nuclear market uncertainty. The impact of such SWU price fluctuations primarily relates to the period commencing second half of the next decade as the majority of sales prior to that time are contracted.

The value in use prepared as at 31 December 2016 assumes that SWU prices and volumes for uncontracted sales are within the range of external forecast data. These assumed prices are applied to all uncontracted sales volumes which are then met from own production.

Critical assumptions used in the impairment analysis that had a significant impact on the outcome are the pre-tax discount rate and the SWU price for uncontracted sales. The table below summarises the impact on the impairment charge for either: (i) a +/- 1% change in the pre-tax discount rate; or (ii) a +/- 10% change in the SWU price for uncontracted sales. In each case, all other assumptions and variables are unchanged.

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6. Exceptional items continued

Key assumption	Sensitivity	(Increase) / decrease Impairment charge in €m
Pre- tax discount rate	Increase by 1% (to 9.4 %)	(218.1)
	Decrease by 1% (to 7.4 %)	266.3
SWU price	Increase by 10%	242.6
	Decrease by 10%	(244.6)

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

Restructuring costs

URENCO has recognised a restructuring provision during the year of €33.0 million (2015: €nil) regarding the expected costs for the implementation of an announced Group-wide restructuring programme. These costs mainly relate to severance payments to be made. URENCO has developed a new organisational structure across the Group in order for it to meet the future needs of the business, to reduce costs and remain competitive. The development of this new structure has identified a number of potentially surplus roles and this information has been communicated to all employees impacted during December 2016.

The tax consequence of the restructuring provision was a reduction in income tax expense of €7.6 million, consisting of current tax income of €1.2 million and deferred tax income of €6.4 million.

7. Employee benefits expense

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

	Year ended 31/12/16 Number	Year ended 31/12/15 Number
Technical	**1,178**	1,184
Commercial	**37**	36
Administration	**338**	298
	1,553	1,518

Their aggregate remuneration comprised:

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Wages and salaries	**149.5**	162.1
Social security costs	**15.8**	14.4
Pension costs	**19.0**	25.8
	184.3	202.3

Directors' emoluments (see page 42):

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Emoluments	**2.8**	4.1
Amounts receivable under long-term incentive scheme	**-**	0.7
Company contributions paid to a defined benefit pension scheme	**-**	0.2
Company contributions paid to a defined contribution pension scheme	**-**	0.1
Company contributions to be paid for past service costs	**-**	2.8
	Number	Number
Members of defined benefit pension schemes	**-**	1
Members of defined contribution schemes	**1**	1

In respect of the highest paid Director:

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Emoluments including pension	**1.1**	5.9
Accrued pension at the end of the year	**-**	0.2

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8. Finance income

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Interest on bank and other deposits	**1.5**	0.6
Gain on non-designated derivatives	**13.5**	33.4
Interest rate/cross currency interest rate swaps	**83.1**	55.3
Foreign exchange gains on financing activities [i]	**14.6**	96.6
	112.7	185.9

(i) The presentation of Finance income has been restated to include foreign exchange gains on financing activities (see note 2).

9. Finance costs

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Interest on bank borrowings and other loans	**108.6**	122.6
Capitalised interest cost	**(45.2)**	(41.5)
Interest rate/cross currency interest rate swaps	**110.8**	77.1
Unwinding of discount on provisions	**50.6**	45.6
Net interest expense on defined benefit pension schemes	**1.9**	3.6
Surety bond	**3.1**	3.0
Charge to the income statement from non-designated derivatives	**30.1**	10.4
Foreign exchange losses on financing activities [i]	**124.8**	66.4
	384.7	287.2

(i) The presentation of Finance costs has been restated to include foreign exchange losses on financing activities (see note 2).

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Notes to the Consolidated Financial Statements continued

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10. Income tax

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

Consolidated income statement	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Current tax		
UK corporation tax	**11.3**	(1.6)
Foreign income tax	**120.0**	99.9
Adjustments in respect of prior periods	**14.4**	7.8
Total current tax	**145.7**	106.1
Deferred tax (see Deferred income tax analysis below)		
Origination and reversal of temporary differences	**(310.9)**	(9.7)
Adjustments in respect of prior periods	**2.3**	(14.5)
Write-off of expired tax losses(i)	**9.0**	5.0
Movement in unrecognised deferred tax(ii)	**239.5**	(4.6)
Impact of change in tax rate for deferred tax	**(1.1)**	(1.3)
Total deferred tax	**(61.2)**	(25.1)
Income tax expense reported in the consolidated income statement	**84.5**	81.0

(i) New Mexico state tax losses with a tax value of €9.0 million (2015: €5.0 million) have expired during the year and have been written off. A full valuation allowance was held against these tax losses.

(ii) Movements in unrecognised deferred tax consist of €245.8 million (2015: €nil) arising on exceptional items, (€9.0) million (2015: (€5.0) million) on the expiry of New Mexico state tax losses, and an additional amount provided of €2.7 million (2015: €0.4 million).

Income tax on exceptional items within the income statement

The €760.0 million pre-tax impairment charge detailed in note 6, resulted in a €291.1 million deferred tax income which is included within origination and reversal of temporary differences above, offset by a €245.8 million valuation allowance that has been included within the movement in unrecognised deferred tax above. The carrying value of the deferred tax asset therefore increased by €45.3 million through the 2016 income statement tax line. This increase reflected both the reduced accounting carrying value of the impaired US enrichment assets compared to the tax base, and the effect of not having sufficient future probable profits to support full recognition of all deferred tax assets. Further details are available in note 6.

The €33.0 million restructuring cost detailed in note 6, resulted in a 2016 income tax income of €1.2 million and a deferred tax income of €6.4 million, within the origination and reversal of temporary differences above.

Income tax related to items charged or credited directly to other comprehensive income	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Current tax		
Arising on financial instruments reported in equity	**(6.8)**	(3.3)
Arising on actuarial (losses)/gains on defined benefit pension schemes	**(0.5)**	-
Total current tax income	**(7.3)**	(3.3)
Deferred tax		
Arising on financial instruments reported in equity	**(10.2)**	(7.1)
Arising on actuarial (losses)/gains on defined benefit pension schemes	**(14.7)**	10.3
Arising on utility partner payments	**(0.1)**	(0.1)
Total deferred tax (income)/expense	**(25.0)**	3.1
Income tax income reported in the consolidated statement of comprehensive income	**(32.3)**	(0.2)

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

	Year ended 31/12/16 €m	Year ended 31/12/16 %	Year ended 31/12/15 €m	Year ended 31/12/15 %
(Loss)/profit before tax	**(371.8)**		533.1	
Weighted at the average UK statutory income tax rate of 20.00% (2015: 20.25%)	**(74.4)**	**20.0**	107.9	20.3
Adjustments in respect of income tax of previous years	**16.7**	**(4.5)**	(6.7)	(1.3)
Tax effect of non-deductible/non-taxable items	**56.2**	**(15.1)**	(59.5)	(11.2)
Movement in unrecognised deferred tax	**239.5**	**(64.4)**	(4.6)	(0.9)
Effect of different foreign tax rates	**(152.4)**	**41.0**	45.2	8.5
Effect of rate changes on deferred tax	**(1.1)**	**0.3**	(1.3)	(0.2)
Income tax expense reported in consolidated income statement	**84.5**	**(22.7)**	81.0	15.2

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10. Income tax continued

A reduction in the UK mainstream corporation tax rate from 21% to 20% (effective from 1 April 2015) was enacted during 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. During 2016, the UK Government announced a further reduction in the rate of Corporation tax to 17% (effective from 1 April 2020) which was enacted on 15 September 2016. Consequently, the average annual UK corporation tax rate for the year ended 31 December 2016 is 20.00% (2015: 20.25%).

The Group's UK deferred tax assets and liabilities have been revalued using a 17% tax rate, resulting in a net deferred tax income of €0.5 million being credited to the income statement, and a net deferred tax expense of €0.1 million being charged to other comprehensive income.

The average annual German tax rate consists of corporation tax including surcharge levied by the federal authorities and trade tax levied by the local commune. Whereas the corporation tax rate (15.0%) including surcharge (5.5% of corporation tax) remained unchanged compared to previous years an increase in the trade tax rate from 14.315% to 14.595% (effective from 1 January 2016) was enacted during 2016. During 2016 the City of Gronau announced an increase in the municipal collection rate of the trade tax resulting in the new tax rate of 14.595%. The average annual German tax rate for the year ended 31 December 2016 is 30.42% (2015: 30.14%).

The Group's German deferred tax assets and liabilities have been revalued using a 30.42% tax rate, resulting in a net deferred tax income of €0.6 million being credited to the income statement.

Deferred income tax

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

	Consolidated statement of financial position		Consolidated income statement	
	31/12/16 €m	31/12/15 €m	**Year ended 31/12/16 €m**	Year ended 31/12/15 €m
Deferred tax (liabilities)/assets				
Relating to fair value movements on financial instruments	**-**	(14.1)	**13.7**	(0.5)
Relating to fixed assets	**(52.5)**	(111.5)	**63.0**	(52.6)
Relating to other temporary differences	**0.8**	12.6	**(11.0)**	15.4
Relating to prior years	**-**	-	**-**	(4.1)
Relating to provisions	**8.6**	43.8	**(35.9)**	40.4
Relating to retirement benefits	**4.1**	11.0	**(6.6)**	14.9
Effect of rate changes on deferred tax	**-**	-	**-**	1.0
Total deferred tax liabilities	**(39.0)**	(58.2)		
Deferred tax assets				
Relating to amounts allowed when paid	**-**	61.6	**(61.0)**	33.7
Relating to fair value movements on financial instruments	**29.7**	17.7	**(16.2)**	(5.0)
Relating to fixed assets	**(272.1)**	(388.1)	**161.5**	(20.8)
Relating to other temporary differences	**10.3**	(8.2)	**26.8**	(20.9)
Relating to prior year	**-**	-	**(2.3)**	18.6
Relating to provisions	**147.0**	84.2	**70.1**	(12.7)
Relating to retirement benefits	**27.8**	4.1	**7.6**	(14.4)
Relating to start up costs	**69.6**	84.9	**(9.0)**	(7.4)
Relating to tax losses	**619.9**	463.6	**98.9**	34.6
Effect of rate changes on deferred tax	**-**	-	**1.1**	0.3
Valuation allowance	**(258.9)**	(18.8)	**(239.5)**	4.6
Total deferred tax assets	**373.3**	301.0		
Deferred tax income			**61.2**	25.1

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10. Income tax continued

The recognition of the deferred tax assets set out above is based on the expectations of suitable taxable profits in the future. In the case of the Group's USA enrichment operations, net deferred tax assets of €287.8 million (2015: €200.4 million), relating predominately to unused tax losses and start up costs, have been recognised based on the expectations of future taxable profits in the period 2017 to 2026. At 31 December 2016 a valuation allowance totalling €258.9 million (2015: €18.8 million) was provided against deferred tax assets. Included within the valuation allowance were unused tax losses with a tax value of €11.9 million (2015: €18.8 million) and charitable contribution carry overs with a tax value of €1.2 million (2015: €nil). To the extent unutilised, the €11.9 million of tax losses will expire in 2017 and the €1.2 million charitable contribution carry overs will expire between 2017 and 2020.

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

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

11. Dividends paid and proposed

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2015 of 208.33 cents per share (2014: 202.38 cents per share)	**350.0**	340.0
	350.0	340.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2016 of 178.57 cents per share (2015: 208.33 cents per share)	**300.0**	350.0

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

12. (Loss)/earnings per share

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

The calculation of the basic (loss)/earnings per share is based on the following data:

	Year ended 31/12/16	Year ended 31/12/15
In millions of euros		
(Loss)/earnings for the purposes of basic (loss)/earnings per share being net (loss)/income attributable to equity holders of the parent	**(456.3)**	452.1
In millions of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**168.0**	168.0
In euros		
Basic (loss)/earnings per share	**(2.7)**	2.7

There has been no movement in the number of issued ordinary shares during the year (see note 23).

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

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13. Property, plant and equipment

2016	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assetsunder construction €m	Total €m
Cost as at 1 January 2016	2,091.9	6,745.4	142.6	18.7	1,161.9	10,160.5
Additions	42.3	35.8	9.0	0.7	388.8	476.6
Transfers (see note 14 and 15)	52.3	87.0	5.1	0.8	(149.6)	(4.4)
Disposals	(3.6)	(12.0)	(0.9)	(0.1)	-	(16.6)
Exchange adjustments	25.4	(124.7)	(1.0)	(0.1)	(143.4)	(243.8)
Cost as at 31 December 2016	2,208.3	6,731.5	154.8	20.0	1,257.7	10,372.3
Depreciation as at 1 January 2016	418.7	3,483.6	92.9	14.8	-	4,010.0
Charge for the year	66.4	394.1	18.5	2.0	-	481.0
Impairment charge (see note 6)	298.2	394.9	1.5	-	59.0	753.6
Disposals	(3.6)	(10.2)	(0.9)	(0.1)	-	(14.8)
Exchange adjustments	(0.6)	(138.9)	(0.6)	(0.2)	-	(140.3)
Depreciation as at 31 December 2016	779.1	4,123.5	111.4	16.5	59.0	5,089.5
Carrying amount as at 1 January 2016	1,673.2	3,261.8	49.7	3.9	1,161.9	6,150.5
Carrying amount as at 31 December 2016	1,429.2	2,608.0	43.4	3.5	1,198.7	5,282.8

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

The category of fixtures and fittings comprises office fixtures and fittings and computer equipment.

The transfers in 2016 relate to a reclassification from property, plant and equipment to other software assets and licence costs and investment property with net book value of €2.5 million and €1.0 million respectively.

At 31 December 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €83.9 million (2015: €110.7 million) principally in relation to cascades, equipment and buildings.

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

	2016 €m	2015 €m
Cost at 31 December	320.3	307.6
Impairment	(7.0)	-
Depreciation at 31 December	(190.0)	(173.1)
Carrying amount at 31 December	123.3	134.5

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

	2016 €m	2015 €m
Cost at 31 December	349.8	314.5
Impairment	(28.0)	-
Depreciation at 31 December	(85.8)	(68.6)
Carrying amount at 31 December	236.0	245.9

The borrowing costs capitalisation rate of assets under construction was 4.43% (2015: 4.41%).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

13. Property, plant and equipment continued

2015	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assetsunder construction €m	Total €m
Cost as at 1 January 2015	1,773.6	6,025.6	115.7	18.2	971.6	8,904.7
Additions	40.3	222.9	15.2	0.1	442.3	720.8
Transfers (see note 14 and 15)	127.7	189.6	9.8	0.2	(308.2)	19.1
Disposals	(0.8)	(1.4)	-	-	-	(2.2)
Written off	(1.5)	-	(1.8)	-	-	(3.3)
Exchange adjustments	152.6	308.7	3.7	0.2	56.2	521.4
Cost as at 31 December 2015	2,091.9	6,745.4	142.6	18.7	1,161.9	10,160.5
Depreciation as at 1 January 2015	342.5	2,990.2	75.8	12.3	-	3,420.8
Charge for the year	62.8	395.4	16.1	2.4	-	476.7
Disposals	(0.2)	(0.8)	-	-	-	(1.0)
Written off	(1.4)	-	(1.8)	-	-	(3.2)
Transfers (see note 14)	(0.7)	-	-	-	-	(0.7)
Exchange adjustments	15.7	98.8	2.8	0.1	-	117.4
Depreciation as at 31 December 2015	418.7	3,483.6	92.9	14.8	-	4,010.0
Carrying amount as at 1 January 2015	1,431.1	3,035.4	39.9	5.9	971.6	5,483.9
Carrying amount as at 31 December 2015	1,673.2	3,261.8	49.7	3.9	1,161.9	6,150.5

14. Investment property

2016	**Total €m**
Cost as at 1 January 2016	**8.8**
Transfers (see note 13)	**1.0**
Exchange adjustments	**(0.8)**
Cost as at 31 December 2016	**9.0**
Depreciation as at 1 January 2016	**1.3**
Charge for the year	**0.4**
Exchange adjustments	**(0.1)**
Depreciation as at 31 December 2016	**1.6**
Carrying amount as at 1 January 2016	**7.5**
Carrying amount as at 31 December 2016	**7.4**

Investment property includes land and buildings acquired by URENCO UK Limited in December 2013 and land and buildings owned by URENCO Nederland B.V. transferred from Property, plant and equipment during the prior year.

No formal valuation was conducted on the investment properties during 2016 as investments are carried at cost. The fair value of the investment properties has been assessed by the Directors using a discounted cash flow valuation method to identify any material changes to the formal valuations conducted previously. The fair value as at 31 December 2016 under this method was €8.8 million (31 December 2015: €7.8 million). There has been no change to the valuation technique used during the year.

The rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €1.0 million (2015: €1.0 million). Associated direct operating expenses amounted to €0.3 million (2015: €0.8 million). Rental income is recognised within revenue.

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14. Investment property continued

2015	Total €m
Cost as at 1 January 2015	6.1
Transfers (see note 13)	2.4
Exchange adjustments	0.3
Cost as at 31 December 2015	8.8
Depreciation as at 1 January 2015	0.3
Charge for the year	0.3
Transfers (see note 13)	0.7
Depreciation as at 31 December 2015	1.3
Carrying amount as at 1 January 2015	5.8
Carrying amount as at 31 December 2015	7.5

15. Intangible assets

2016	**Licence costs €m**	**Other software assets €m**	**Waiver payments €m**	**Total €m**
Cost as at 1 January 2016	**68.7**	**91.2**	**7.6**	**167.5**
Additions	**-**	**0.4**	**-**	**0.4**
Written off	**-**	**(0.1)**	**-**	**(0.1)**
Transfers (see note 13)	**1.2**	**1.1**	**0.2**	**2.5**
Exchange adjustments	**0.8**	**(3.2)**	**(1.1)**	**(3.5)**
Cost as at 31 December 2016	**70.7**	**89.4**	**6.7**	**166.8**
Amortisation as at 1 January 2016	**22.9**	**85.8**	**6.3**	**115.0**
Charge for the year	**4.7**	**2.5**	**0.8**	**8.0**
Impairment charge (see note 6)	**6.4**	**-**	**-**	**6.4**
Written off	**-**	**(0.1)**	**-**	**(0.1)**
Transfers between categories	**(2.8)**	**-**	**(2.8)**	**-**
Exchange adjustments	**0.1**	**(2.8)**	**(0.5)**	**(3.4)**
Amortisation as at 31 December 2016	**36.7**	**85.4**	**3.8**	**125.9**
Carrying amount as at 1 January 2016	**45.8**	**5.4**	**1.3**	**52.5**
Carrying amount as at 31 December 2016	**34.0**	**4.0**	**2.9**	**40.9**

The licence costs mainly relate to the costs of obtaining an operating licence in the USA. This licence was granted to LES in 2006 for a 30 year term. The costs are amortised on a straight-line basis over the remaining licence period from the date of the commencement of production in the USA. The USA enrichment plant commenced commercial operations in June 2010 having received the necessary approvals from the USA Nuclear Regulatory Commission.

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

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

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

	2016 €m	2015 €m
Cost at 31 December	**1.4**	1.2
Impairment	**-**	-
Depreciation at 31 December	**(1.1)**	(1.1)
Carrying amount at 31 December	**0.3**	0.1

The borrowing costs capitalisation rate of assets under construction was 4.43% (2015: 4.41%).

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15. Intangible assets continued

2015	Licence costs €m	Other software assets €m	Waiver payments €m	Total €m
Cost as at 1 January 2015	64.3	84.0	7.1	155.4
Additions	0.2	2.1	-	2.3
Transfers (see note 13)	0.6	0.3	-	0.9
Exchange adjustments	3.6	4.8	0.5	8.9
Cost as at 31 December 2015	68.7	91.2	7.6	167.5
Amortisation as at 1 January 2015	18.1	67.7	5.2	91.0
Charge for the year	4.1	14.1	0.9	19.1
Impairment charge	-	-	-	-
Exchange adjustments	0.7	4.0	0.2	4.9
Amortisation as at 31 December 2015	22.9	85.8	6.3	115.0
Carrying amount as at 1 January 2015	46.2	16.3	1.9	64.4
Carrying amount as at 31 December 2015	45.8	5.4	1.3	52.5

16. Investments

Investments in joint venture

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

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

	2016 €m	2015 €m
Share of the joint venture balance sheet		
Non-current assets	**6.1**	23.5
Current assets	**27.0**	32.6
Share of gross assets	**33.1**	56.1
Non-current liabilities	**(25.8)**	(27.1)
Current liabilities	**(11.4)**	(22.7)
Share of gross liabilities	**(37.2)**	(49.8)
	(4.1)	6.3
Unrecognised share of net liabilities of joint venture	**4.1**	-
Group's share of net assets	**-**	6.3

	For the year to 31/12/16 €m	For the year to 31/12/15 €m
Share of joint venture results		
Total revenue	**76.7**	208.9
Group's share of (loss)/profit for the year	**(0.7)**	20.7
Group's share of profit/(loss) for the year not recognised	**0.3**	(16.8)
Unrealised profit elimination	**-**	(10.5)
Share of results of joint venture	**(0.4)**	(6.6)

At 31 December 2016, the Group has recorded the investment in ETC at nil reflecting that ETC had negative equity of (€4.1 million) and the Group does not recognise its share of the net liabilities of the joint venture once the value of the investment has reduced to nil because the Group is not liable for ETCs net liabilities. At 31 December 2015, the Group recorded an investment of €6.3 million equal to the net equity of ETC.

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16. Investments continued

	2016 €m	2015 €m
Share of (net liabilities)/net assets of joint venture		
As at 1 January	**6.3**	-
Group's share of (loss)/profit for the year	**(0.7)**	20.7
Reversal of previously unrecognised Group's share of profit	**-**	(16.8)
Group's share of other comprehensive income	**(9.7)**	11.9
Reversal of previously unrecognised Group's share of other comprehensive income	**-**	(9.5)
Share of (net liabilities)/net assets of joint venture	**(4.1)**	6.3
Group's share of profit not recognised	**0.3**	-
Group's share of other comprehensive income not recognised	**3.8**	-
As at 31 December	**-**	6.3

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

Other Investments

	€m
Cost as at 1 January 2016	**0.9**
Additions	**0.2**
Cost as at 31 December 2016	**1.1**
Carrying value as at 1 January 2016	**0.9**
Carrying value as at 31 December 2016	**1.1**

The Group invested in a 10% share in Twente Technology Fund (TTF). TTF is an innovative venture capital fund. The fund invests in promising young and starting high tech corporations in the Twente area in the Netherlands. URENCO has invested €1.1 million in the fund which is held at cost.

	€m
Cost as at 1 January 2015	0.7
Additions	0.2
Cost as at 31 December 2015	0.9
Carrying value as at 1 January 2015	0.7
Carrying value as at 31 December 2015	0.9

17. Subsidiaries

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

18. Financial assets

	31/12/16 €m	31/12/15 €m
Restricted cash	**9.0**	9.1

Restricted cash primarily represents two items:

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

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19. Inventories

	31/12/16 €m	31/12/15 €m
Raw materials	**103.1**	74.5
Work-in-progress	**445.1**	430.7
Finished goods	**2.0**	2.5
	550.2	507.7

Work-in-progress comprises costs associated with the delivery of enrichment contracts where the SWU element of enriched uranium has not been allocated to the customer. All inventories are held at cost.

20. Trade and other receivables (current)

	31/12/16 €m	31/12/15 €m
Trade receivables	**342.8**	339.4
Trade receivables due from related parties (see note 33)	**0.5**	0.8
Other receivables[(i)]	**40.9**	22.3
Prepayments	**25.5**	56.7
Accrued income	**-**	0.1
	409.7	419.3

[(i)] From 2016 Income tax receivable is separately presented. Previously this was included in Other receivables. The presentation of the comparative financial information for the year ended 31 December 2015 has been restated to be on a consistent basis.

The trade and other receivables disclosed above are all classified as loans and receivables and are therefore measured at amortised cost.

The average contractual credit period taken on sales of goods and services is 36 days (2015: 37 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. No provisions for doubtful debt is deemed necessary as all invoices are expected to be paid in full by their due date. The average age of these trade receivables is 13 days (2015: 15 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 33 on page 107.

At the year end none of the trade receivables were past their due date and none were considered to be not recoverable.

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

Prepayments previously included swap accrued interest of €nil million (2015: €33.7 million). These amounts have been reclassified and are included in the derivative valuations within Other financial assets and financial liabilities.

21. Short-term bank deposits

	31/12/16 €m	31/12/15 €m
Short-term bank deposits	**1.6**	-

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

22. Cash and cash equivalents

	31/12/16 €m	31/12/15 €m
Cash and cash equivalents	**251.7**	391.3

Cash at bank earns or pays interest at floating rates based on banks' current account rates. Money market deposits at call or due within three months earn interest at the market rate on the date of the investment.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

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For the year ended 31 December 2016

23. Share capital and reserves

	31/12/16 €m	31/12/15 €m
Authorised:		
240 million ordinary shares of £1 each		
‘A’ ordinary	**113.0**	113.0
‘B’ ordinary	**113.0**	113.0
‘C’ ordinary	**113.0**	113.0
	339.0	339.0
Issued and fully paid:		
168 million ordinary shares of £1 each		
‘A’ ordinary	**79.1**	79.1
‘B’ ordinary	**79.1**	79.1
‘C’ ordinary	**79.1**	79.1
	237.3	237.3

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

The reserves outlined in the consolidated statement of changes in equity on page 60 are as follows:

Additional paid in capital

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

Hedging reserve

The hedging reserve is a separate component of equity used to record changes in the fair values of cash flow hedging instruments and net investment hedging instruments in accordance with the Group’s accounting policy.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of certain foreign subsidiaries and the parent entity.

24. Deferred income

Deferred income relates to payments received in advance for contracted enrichment or storage services, which will be supplied in future periods.

	2016 €m	2015 €m
As at 1 January	**44.2**	49.6
Movement during the year	**1.1**	(7.3)
Exchange difference	**(5.2)**	1.9
As at 31 December	**40.1**	44.2
Included in current liabilities	**1.6**	1.8
Included in non-current liabilities	**38.5**	42.4
	40.1	44.2

The balance at year-end substantially relates to deferred income for contracted storage services to be provided by CNS in future years for which the consideration was received in advance, predominantly in the form of land and a waiver of royalty payments. This deferred income was initially determined as the present value of estimated future storage fees for a fixed volume of uranic material. Revenue recognition takes place during the years these storage services will be provided. The unwinding of the discount on the deferred income is recorded as finance costs.

For the year ended 31 December 2016

25. Financial risk management objectives and policies

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

The Group's derivative transactions are principally forward currency contracts, interest rate swaps and cross-currency swaps. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

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

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

Credit risk

The Group's principal financial assets are cash and cash equivalents, short-term bank deposits, trade and other receivables and derivative financial instruments, which represent the Group's maximum exposure totalling €859.4 million (2015: €860.4 million).

The Group trades only with what it considers are creditworthy third parties, who are mainly other participants in the nuclear fuel supply chain. It is the Group's policy that all customers wishing to trade on credit are subject to an internal approval process based on an internally devised system of credit scoring. Customers are assigned credit limits based on this credit score and their credit balances are monitored and managed against these limits on a monthly basis. Historically, there has been no payment default by any customer trading with the Group under this procedure.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The following table provides an analysis of the percentage of debtors at the year-end with an external or internal credit rating.

	External Credit Rating			Internal Credit Rating	
Credit Rating	**Number of Customers**	**% of value**	**Rating Agency**	**Number of Customers**	**% of value**
AA	1	10	S&P	1	2
A-	5	32	S&P	-	-
A-	1	1	Moodys	-	-
BBB+	1	6	S&P	-	-
BBB	-	-		4	5
BBB-	-	-		1	19
BB+	-	-		5	22
BB	-	-		1	3
	8	49		12	51

With respect to credit risk arising from other financial assets of the Group, comprising cash and cash equivalents, short-term deposits, and certain financial derivative instruments, the Group's credit risk is the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Counterparties for these assets are banks with investment-grade credit ratings assigned by international credit-rating agencies.

The Group has not pledged and does not hold collateral over any balances.

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25. Financial risk management objectives and policies continued

Interest rate risk

Some of the Group's borrowings are exposed to the risk of changes in market interest rates, which relates primarily to the Group's short-term debt obligations with floating interest rates.

In order to manage its interest costs, the Group's policy is to maintain a proportion of its borrowings at fixed rates of interest. Given the current low level of interest rates the Group has in previous years issued medium term fixed rate bonds, the Board having approved the Group to exceed the previous 60% fixed rate limit. At 31 December 2016, after taking into account the effect of fixed rate interest rate swaps, 93% (2015: 94%) of the Group's borrowings are at a fixed rate of interest.

Interest rate sensitivity analysis

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

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

The following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

If market interest rates had been 100 basis points higher/(lower) at 31 December 2016, interest expense before tax would have been €2.0 million higher (31 December 2015: €2.0 million higher).

Foreign currency risk

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

The Group has transactional currency exposures as a result of approximately 69% (2015: 62%) of its revenues being denominated in US dollars, whilst currently only approximately 26% (2015: 32%) of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 33% (2015: 29%) of Group costs being denominated in sterling, whilst revenue is mainly in euro and US dollar.

In order to mitigate these exposures, the Group's policy is to hedge its net contracted US dollar and sterling exposures in its UK and rest of European businesses (i.e. cash revenues less cash costs) using forward currency contracts and related derivative financial instruments. The Group's policy is to hedge forward its net contracted US dollar and sterling exposures to a minimum of 80% in years 1 and 2, 60% in year 3, 40% in year 4 and a minimum of 20% in year 5.

Foreign currency sensitivity analysis

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

- A number of external and inter-company loans which are denominated in US dollars and euro are designated as, and are effective hedges, of the Group's investments in US dollars and euro denominated assets. Any gains/losses arising on the retranslation of these US dollar or euro loans are recorded directly to other comprehensive income and would be offset in equity by a corresponding loss/gain arising on the retranslation of the related hedged foreign currency net asset.
- The Group enters into currency forward contracts to mitigate currency risk, the majority of which are against the US dollar. These are currency derivatives that are part of an effective cash flow hedge for currency fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Any hedge ineffectiveness affects the income statement.

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25. Financial risk management objectives and policies continued

The following table demonstrates the sensitivity to changes in sterling and euro against the US dollar:

	Change in £ / US$ rate	Effect on income/(loss) before tax €m	Effect on equity €m	Change in € / US$ rate	Effect on income/(loss) before tax €m	Effect on equity €m
2016	**+10%**	**13.5**	**75.8**	**+10%**	**4.4**	**107.1**
	-10%	**(16.5)**	**(92.7)**	**-10%**	**(5.3)**	**(130.9)**
2015	+10%	6.5	65.8	+10%	4.1	128.2
	-10%	(8.0)	(80.4)	-10%	(5.0)	(156.7)

Liquidity risk

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

The Group has €750 million (2015: €925 million) undrawn committed bank facilities. The Group manages liquidity risk by a combination of undrawn credit facilities and by refinancing debt in advance of the maturity date.

The Group seeks to achieve flexibility and continuity of funding through the active use of a range of different instruments, markets and currencies. External debt funding is sought over a range of different tenors in order to avoid a concentration of maturities. At 31 December 2016, 18% (2015: 7%) of the Group's interest bearing loans and borrowings will mature in less than one year.

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

2016	**Less than 3 months €m**	**3-12 months €m**	**1-5 years €m**	**>5 years €m**	**Total €m**
Interest bearing loans and borrowings	**36.5**	**560.9**	**1,269.1**	**1,387.0**	**3,253.5**
Trade and other payables	**442.5**	**-**	**40.8**	**-**	**483.3**
Interest rate/cross currency swaps – net payment/(receipt)	**4.5**	**44.3**	**155.0**	**236.7**	**440.5**
Foreign exchange contracts	**39.4**	**70.9**	**194.0**	**3.9**	**308.2**
Other financial liabilities	**-**	**5.2**	**47.4**	**86.8**	**139.4**
	522.9	**681.3**	**1,706.3**	**1,714.4**	**4,624.9**

2015	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Interest bearing loans and borrowings	36.4	286.0	1,130.9	2,216.2	3,669.5
Trade and other payables	278.2	-	140.4	-	418.6
Interest rate/cross currency swaps – net payment/(receipt)	4.5	28.6	106.4	238.9	378.4
Foreign exchange contracts	14.1	49.9	110.3	3.1	177.4
Other financial liabilities	-	5.6	54.4	100.7	160.7
	333.2	370.1	1,542.4	2,558.9	4,804.6

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25. Financial risk management objectives and policies continued

Capital management

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

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

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

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

	2016 €m	2015 €m
Net debt (see page 97)	**2,618.3**	2,827.5
Total assets	**7,149.6**	7,952.7
Net debt to total assets	**36.6%**	35.6%

	2016 €m	2015 €m
EBITDA pre-exceptional items(i)	**1,170.0**	1,124.6
Less:		
Net interest on bank borrowings and other loans	**(139.8)**	(150.4)
Unwinding of discount on provisions	**(50.6)**	(45.6)
Current tax expenses	**(145.7)**	(106.1)
Plus:		
Operating lease depreciation	**3.8**	4.0
Pension normalisation	**(4.7)**	1.0
Funds from operations (FFO)	**833.0**	827.5
Interest bearing loans and borrowings	**2,871.6**	3,218.8
Cash and short-term bank deposits	**(253.3)**	(391.3)
Operating lease adjustment	**56.8**	111.5
Pensions deficit	**142.8**	70.9
Deferred tax on pensions deficit	**(31.9)**	(15.1)
Tails and decommissioning provisions	**1,333.6**	1,327.3
Depreciation within tails provisions	**(229.7)**	(239.8)
Deferred tax on provisions	**(155.6)**	(128.0)
Deferred tax on depreciation within tails provisions	**49.2**	49.5
Total adjusted debt (TAD)	**3,783.5**	4,003.8
FFO/TAD	**22.0%**	20.7%

(i) During the year the calculation of EBITDA has been amended (see note 4). The EBITDA for the comparative year has been restated to be on a consistent basis. This resulted in an decrease in FFO/TAD by 1 percentage point to 20.7%.

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For the year ended 31 December 2016

26. Other financial assets and financial liabilities

Interest bearing loans and borrowings

At 31 December	Effective interest rate %	Maturity	2016 €m	2015 €m
Current				
Bank overdrafts:			-	-
Other loans:				
$100 million series B Senior notes	6.47%	30 Jun 16	-	92.1
$100 million series B Senior notes	5.56%	12 Dec 16	-	92.1
€500 million Eurobond	4.00%	5 May 17	**362.3**	-
€100 million Term facility agreement (inflation linked)	2.88% + inflation	7 Dec17	**112.4**	-
$132.2 million European Investment Bank financing facility	3.30%	29 Mar 23	**14.0**	13.6
$99 million European Investment Bank financing facility	3.15%	22 May 23	**10.6**	10.1
€100 million European Investment Bank financing facility	4.772%	17 Oct 24	**7.1**	7.1
€100 million European Investment Bank financing facility	3.34%	28 Oct 27	**7.1**	7.1
$108.6 million European Investment Bank financing facility	Floating	29 Jun 28	**7.4**	7.1
			520.9	229.2
Non-current				
Other loans:				
€500 million Eurobond	4.00%	5 May 17	**-**	362.2
$100 million Senior notes	5.50%	11 May 17	**-**	92.1
€100 million Term facility agreement (inflation linked)	2.88% + inflation	7 Dec 17	**-**	112.0
€100 million European Investment Bank financing facility	4.439%	23 Mar 18	**100.0**	100.0
$50 million series C Senior notes	5.66%	12 Dec 18	**-**	46.0
€750 million Eurobond	2.50%	15 Feb 21	**747.3**	746.6
€500 million Eurobond	2.25%	5 Aug 22	**495.8**	495.2
$132.2 million European Investment Bank financing facility	3.30%	29 Mar 23	**83.8**	94.7
$99 million European Investment Bank financing facility	3.15%	22 May 23	**62.8**	70.9
€100 million European Investment Bank financing facility	4.772%	17 Oct 24	**50.0**	57.1
€500 million Eurobond	2.375%	2 Dec 24	**495.8**	495.3
€100 million European Investment Bank financing facility	3.34%	28 Oct 27	**71.4**	78.6
$108.6 million European Investment Bank financing facility	Floating	29 Jun 28	**81.2**	85.7
Yen 20 billion Loan Agreement	6.24%	28 Apr 38	**162.6**	153.2
			2,350.7	2,989.6
			2,871.6	3,218.8

As at 31 December 2016, after taking into account the effect of interest rate swaps, 93% (2015: 94%) of the Group's borrowings are at a fixed rate of interest.

Amounts recognised in the income statement are interest expense of €108.6 million (2015: €122.6 million) and interest income of €1.5 million (2015: €0.6 million).

A total of $350 million of senior notes matured or were repaid in 2016. Of the senior notes outstanding as at 31 December 2015 $200 million was repaid in line with their maturity date, and $150 million was repaid earlier than their maturity date. $33.5 million and €14.3 million of scheduled repayments were made against European Investment Bank financing facilities in the year.

During the year the Group signed a new revolving credit facility totalling €750 million (2015: €925 million) and all other revolving credit facilities were cancelled. There were no drawings under the revolving credit facility at the end of the year (2015: none).

For the year ended 31 December 2016

26. Other financial assets and financial liabilities continued

Hedging activities and derivatives

Revenue related hedges

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

As at 31 December 2016, the net liability of the FFECs was €232.5 million (31 December 2015: liability of €146.8 million), with the movement driven principally by euro and US dollar forward rates strengthening against sterling in the year. The vast majority of FFECs are designated as cash flow hedges, with the gains and losses deferred in equity. There is a small minority of FFECs that have been dedesignated from hedge relationships and therefore their gains and losses are recognised in the income statement. Also, a small number of FFECs were not formally designated in a hedge and are revalued through the income statement.

During the year, €105.1 million of hedging losses (year ending 31 December 2015: losses of €57.4 million) were recycled to revenues due to the maturing of contracts in effective hedging relationships.

Borrowing related hedges

The Group uses Cross Currency Interest Rate Swaps ('CCIRSs') to hedge its US dollar, euro and yen debt instruments into sterling as they are held by URENCO Limited, a Sterling functional currency entity. The Group's portfolio of CCIRS, hedging a principal of €1,562.6 million (31 December 2015: €1,153.2 million), help to manage the foreign exchange volatility which would be recognised through the income statement.

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

As at 31 December 2016, the Group's portfolio of CCIRSs was held at a liability of €52.7 million (31 December 2015: liability of €40.5 million). The movement in the year was driven by a rise in fair value liability of the net euro to US dollar debt swaps to an overall liability of €38.7 million (31 December 2015 liability of €7.4 million), offset in part by a fall in fair value liability of a long dated swap instrument to a liability of €14.0 million (year ending 31 December 2015: liability of €35.5 million). These fair value movements are largely due to the strengthening of US dollar forward rates in the year against euro and a strengthening of yen forward rates against the US dollar.

Included in loans at 31 December 2016 were $488.5 million (31 December 2015: $851.9 million) of borrowings in US dollars which have been designated as a net investment hedge. These borrowings, when added to the currency swaps in a net investment hedge detailed above, total $2.0 billion and hedge the Group's investment in USA subsidiaries (URENCO USA Inc. and Louisiana Energy Services LLC). Also included in loans at 31 December 2016 were borrowings of €750.7 million (31 December 2015: €765.0 million), which have been designated as hedges of the net investment in the Group's European sites. Gains or losses on the retranslation of these borrowings are transferred to other comprehensive income to offset any gains or losses on translation of the net investment in subsidiaries.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

26. Other financial assets and financial liabilities continued

Fair values

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

	Book value 2016 €m	**Fair value 2016 €m**	Book value 2015 €m	Fair value 2015 €m
Financial assets				
Trade and other receivables	**409.7**	**409.7**	419.3	419.3
Other financial assets				
Forward foreign exchange contracts – hedged	**2.7**	**2.7**	50.4	50.4
Forward foreign exchange contracts – non-hedged	**2.3**	**2.3**	-	-
Interest rate/cross currency swaps	**204.9**	**204.9**	48.9	48.9
Short-term deposits	**1.6**	**1.6**	-	-
Cash and cash equivalents	**251.7**	**251.7**	391.3	391.3
Total	**872.9**	**872.9**	909.9	909.9
Financial liabilities				
Interest bearing loans and borrowings				
Floating rate borrowings	**201.0**	**209.2**	204.9	213.5
Fixed rate borrowings	**2,670.6**	**2,841.3**	3,013.9	3,082.7
Trade and other payables	**483.4**	**483.4**	418.6	418.6
Derivative financial liabilities at fair value through profit or loss				
Derivatives in designated hedges	**227.1**	**227.1**	197.2	197.2
Forward foreign exchange contracts	**10.4**	**10.4**	-	-
Interest rate/cross currency swaps	**257.6**	**257.6**	89.4	89.4
Total	**3,850.1**	**4,029.0**	3,924.0	4,001.4

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

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

Fair value disclosures

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

26. Other financial assets and financial liabilities continued

As at 31 December 2016, the Group held the following financial instruments, measured at fair value, all at a Level 2 hierarchy:

	2016 €m	2015 €m
Financial assets at fair value		
Forward Foreign Exchange Contracts – hedged	**2.7**	50.4
Forward Foreign Exchange Contracts – non hedged	**2.3**	-
Cross Currency Interest Rate Swaps	**204.9**	48.9
Total assets measured at fair value	**209.9**	99.3
Financial liabilities at fair value		
Forward Foreign Exchange Contracts - hedged	**(227.1)**	(197.2)
Forward Foreign Exchange Contracts – non hedged	**(10.4)**	-
Cross Currency Interest Rate Swaps	**(257.6)**	(89.4)
Total liabilities measured at fair value	**(495.1)**	(286.6)
Net FFEC liability	**(232.5)**	(146.8)
Net CCIRS liability	**(52.7)**	(40.5)
Total net liability	**(285.2)**	(187.3)

Net Debt

The Group had a total net debt of €2,618.3 million as at 31 December 2016 (31 December 2015: €2,827.5 million).

Debt is split between US dollar denominated debt of €259.5 million (31 December 2015: €604.3 million), euro denominated debt of €2,449.5 million (31 December 2015: €2,461.3 million) and yen denominated debt of €162.6 million (31 December 2015: €153.2 million).

After the impact of the CCIRSs, which swap either euro or yen debt into US dollar debt, the Group has an effective split of US dollar denominated debt of €1,822.1 million (31 December 2015: €1,757.5 million) and euro denominated debt of €1,049.5 million (31 December 2015: €1,461.3 million).

The value of net debt has moved from €2,827.5 million to €2,618.3 million principally due to a repayment of debt from cash generated operationally during the year.

The calculation of net debt as at 31 December 2016 and 31 December 2015 is set out below:

	At 31 December 2016 €m	At 31 December 2015 €m
Non current interest bearing loans and borrowings	**2,350.7**	2,989.6
Current interest bearing loans and borrowings	**520.9**	229.2
Less: Short-term deposits	**(1.6)**	-
Less: Cash and cash equivalents	**(251.7)**	(391.3)
Net debt	**2,618.3**	2,827.5

For the year ended 31 December 2016

26. Other financial assets and financial liabilities continued

Classification of assets and liabilities

2016	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	-	-	5,282.8	5,282.8
Investment property	-	-	7.4	7.4
Intangible assets	-	-	40.9	40.9
Investments	-	-	1.1	1.1
Financial assets	9.0	-	-	9.0
Derivative financial instruments	-	209.9	-	209.9
Deferred tax assets	-	-	373.3	373.3
Trade and other receivables	384.2	-	25.5	409.7
Income tax receivable	-	-	12.0	12.0
Inventories	-	-	550.2	550.2
Short-term deposits	1.6	-	-	1.6
Cash and cash equivalents	251.7	-	-	251.7
Total	646.5	209.9	6,293.2	7,149.6

2016	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	483.3	-	-	-	483.3
Deferred income	-	-	40.1	-	40.1
Interest bearing loans and borrowings	2,871.6	-	-	-	2,871.6
Derivative financial instruments	-	495.1	-	-	495.1
Deferred tax liabilities	-	-	-	39.0	39.0
Provisions	-	-	-	1,510.7	1,510.7
Retirement benefit obligations	-	-	-	142.8	142.8
Income tax payable	-	-	-	23.6	23.6
Total	3,354.9	495.1	40.1	1,716.1	5,606.2

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Notes to the Consolidated Financial Statements continued

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26. Other financial assets and financial liabilities continued

Classification of assets and liabilities continued

2015	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	-	-	6,150.5	6,150.5
Investment property	-	-	7.5	7.5
Intangible assets	-	-	52.5	52.5
Investments	-	-	7.2	7.2
Financial assets	9.1	-	-	9.1
Derivative financial instruments	-	99.3	-	99.3
Deferred tax assets	-	-	301.0	301.0
Trade and other receivables	369.9	-	49.4	419.3
Income tax receivable	-	-	7.3	7.3
Inventories	-	-	507.7	507.7
Cash and cash equivalents	391.3	-	-	391.3
Total	770.3	99.3	7,083.1	7,952.7

2015	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	418.6	-	-	-	418.6
Deferred income	-	-	44.2	-	44.2
Interest bearing loans and borrowings	3,218.8	-	-	-	3,218.8
Derivative financial instruments	-	286.6	-	-	286.6
Deferred tax liabilities	-	-	-	58.2	58.2
Provisions	-	-	-	1,421.0	1,421.0
Retirement benefit obligations	-	-	-	70.9	70.9
Income tax payable	-	-	-	4.1	4.1
Total	3,637.4	286.6	44.2	1,554.2	5,522.4

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26. Other financial assets and financial liabilities continued

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

	Fair value asset 2016 €m	**Fair value liability 2016 €m**	Fair value asset 2015 €m	Fair value liability 2015 €m
Cash flow hedges				
Within 1 year	**54.4**	**(106.9)**	21.6	(83.3)
1 to 2 years	**0.4**	**(72.3)**	17.7	(61.0)
2 to 3 years	**0.4**	**(34.3)**	12.4	(38.3)
3 to 4 years	**0.1**	**(17.5)**	2.5	(11.5)
More than 4 years	**152.3**	**(4.0)**	45.1	(3.1)
	207.6	**(235.0)**	99.3	(197.2)
Fair value hedges				
Within 1 year	**-**	**(65.9)**	-	-
1 to 2 years	**-**	**-**	-	
2 to 3 years	**-**	**-**	-	-
3 to 4 years	**-**	**-**	-	-
More than 4 years	**-**	**(177.6)**	-	-
	-	**(243.5)**	-	-
Net investment hedges				
Within 1 year	**-**	**-**	-	-
1 to 2 years	**-**	**-**	-	(7.2)
2 to 3 years	**-**	**-**	-	-
3 to 4 years	**-**	**-**	-	-
More than 4 years	**-**	**-**	-	(49.1)
	-	**-**	-	(56.3)
Derivative instruments designated in part as cash flow hedges and in part as net investment hedges				
Within 1 year	**-**	**-**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**-**	**-**	-	-
3 to 4 years	**-**	**-**	-	-
More than 4 years	**-**	**(14.0)**	-	(33.1)
	-	**(14.0)**	-	(33.1)
Currency derivatives not designated as cash flow hedges and charged to income				
Within 1 year	**2.3**	**(2.6)**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**-**	**-**	-	-
3 to 4 years	**-**	**-**	-	-
	2.3	**(2.6)**	-	-
Total	**209.9**	**(495.1)**	99.3	(286.6)
Of which – non-current	**153.2**	**(319.7)**	77.7	(203.3)
Of which – current	**56.7**	**(175.4)**	21.6	(83.3)

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For the year ended 31 December 2016

27. Provisions

	Tails disposal €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2016	**909.2**	**418.1**	**93.7**	**1,421.0**
Additional provision in the year	**139.6**	**29.0**	**241.7**	**410.3**
Unwinding of discount	**33.3**	**16.3**	**1.0**	**50.6**
Utilisation of provision	**(94.4)**	**(8.2)**	**(152.9)**	**(255.5)**
Release of provision	**(28.3)**	**(2.9)**	**(0.3)**	**(31.5)**
Transfers	**(0.9)**	**-**	**-**	**(0.9)**
Exchange difference	**(62.7)**	**(14.5)**	**(6.1)**	**(83.3)**
At 31 December 2016	**895.8**	**437.8**	**177.1**	**1,510.7**
Included in current liabilities				**18.8**
Included in non-current liabilities				**1,491.9**
				1,510.7

	Tails disposal €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2015	694.0	348.6	67.2	1,109.8
Additional provision in the year	182.9	51.5	117.2	351.6
Unwinding of discount	28.0	14.6	3.0	45.6
Utilisation of provision	(43.5)	(4.7)	(95.5)	(143.7)
Release of provision	-	(0.7)	(1.3)	(2.0)
Transfers	22.4	-	-	22.4
Exchange difference	25.4	8.8	3.1	37.3
At 31 December 2015	909.2	418.1	93.7	1,421.0
Included in current liabilities				5.0
Included in non-current liabilities				1,416.0
				1,421.0

Provision for tails disposal

The enrichment process generates depleted uranium ('tails'). Provision has been made on a discounted cash flow basis for all estimated future costs for the eventual safe disposal of the tails. The costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal.

The final amount of the provision is currently uncertain but is evaluated based upon the planned operational activity involved in successfully achieving safe disposal in accordance with regulatory requirements. The planned costs are based on historic experience, operational assumptions, internal cost forecasts and third party contract prices for the relevant parts of the disposal cycle. A key area of uncertainty remains the unit cost of deconversion which will remain until such time that the TMF project has been completed and the deconversion plant has been commissioned. The availability and cost of a repository suitable for the final disposal of depleted U_3O_8 is a key judgement and the level of uncertainty varies widely across the four countries in which URENCO operates. These costs are escalated where appropriate based on current expectations of inflation and discounted to provide a present value cost per unit, or tails rate, which is applied to the quantity of tails held at the statement of financial position date. Further description of the estimates and assumptions applied are given in note 2.

Management has considered the applicable inflation rate of 2% per annum (2015: 2% per annum) and the risk free discount rate of 4% per annum (2015: 4% per annum) and concluded they are unchanged from those applied at year end 2015. The real discount rate is 1.96% (2015: 1.96%).

During the year the tails provision increased by €139.6 million (2015: €182.9 million) due to tails generated in that period and an increase in the applied tails rate. In 2015 the rate was increased significantly due to revised operational assumptions. This addition to the tails provision has been recognised as a cost in the income statement under tails provision created. Costs incurred during the year for the safe deconversion, storage and disposal of tails of €94.4 million (2015: €43.5 million) have been utilised against the provision. A provision release of €28.3 million (2015: €nil) was recorded which included the impact of the disposal of a limited quantity of higher assay tails.

It is expected that €510.7 million of the tails provision will be used within the next 10 years, €262.8 million of the provision will be used within the next 10 to 30 years and €122.3 million will be used within the next 30 to 100 years.

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27. Provisions continued

Of the total €895.8 million (2015: €909.2 million) of tails provisions held at year end, €666.1 million (2015: €669.4 million) relates to discounted future cash flows and €229.7 million (2015: €239.8 million) relates to discounted future depreciation of assets currently at cost held for the purpose of meeting tails liabilities.

The provision for tails disposal is dependent on certain assumptions and estimates, such as timing of disposal and the applicable discount rate. A 10% reduction of the discount rate would lead to an increase of the provision by €67.2 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €54.1 million.

Provision for decommissioning of plant and machinery

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

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

Management has considered the applicable inflation rate of 2% per annum (2015: 2% per annum) and the risk free discount rate of 4% per annum (2015: 4% per annum) and concluded they are unchanged from those applied at year end 2015. The real discount rate is 1.96% (2015: 1.96%).

During the year the decommissioning provision increased by €29.0 million (2015: €51.5 million) due to the installation of additional plant and machinery of €13.4 million (2015: €4.4 million) and additional container purchases of €15.6 million (2015: €11.9 million). There were no revised assumptions surrounding the decommissioning of plant and machinery in 2016 (2015: €35.2 million). The addition to the decommissioning provision associated with the installation of plant and machinery and additional container purchases has been recognised as an equivalent addition to the decommissioning asset in the statement of financial position.

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

The provision for decommissioning plant and machinery is dependent on certain assumptions and estimates, such as timing of decommissioning and the applicable discount rate. A 10% reduction of the discount rate would lead to an increase of the provision by €33.7 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €30.5 million.

Other provisions

These comprise provisions relating to the future re-enrichment of low assay feed, restructuring provisions and other personnel provisions. 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 €199.0 million due to the creation of low assay feed and reduced by €146.9 million due to expenditure incurred on re-enrichment of low assay feed.

The other provisions include an amount of €33.0 million for restructuring costs, mainly relating to expected severance payments to be made, see also note 6. Uncertainties exist around the exact amount and timing of cash outflows as many elements of the restructuring programme are subject to employee consultation procedures. Of the total amount it is estimated that €17.7 million will be paid within one year and the remainder of €15.3 million after one year.

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

These other provisions are not materially sensitive to discount rates.

28. Retirement benefit obligations

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. Some are defined benefit schemes (three in total); others are defined contribution schemes and are funded externally. The defined benefit schemes comprise both funded and unfunded schemes. No other post-retirement benefits are currently provided by the Group. ETC forms part of URENCO's defined benefit pension schemes. Assets and liabilities are allocated on a notional basis by employee to enable correct accounting across the subsidiaries.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

28. Retirement benefit obligations continued

Valuations of the schemes are carried out at least every three years. The most recent actuarial assessments for the UK scheme of plan assets and the present value of the defined benefit obligations were carried out at 5 April 2015 and subsequently rolled forward to 31 December 2016. Following the triennial valuation of the UK schemes, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of £6.5 million (€7.6 million at 31 December 2016 exchange rate) annually for seven years, until 2022. URENCO proposes to close the UK defined benefit section for further accrual from 5 April 2017 for most group employees and has conducted consultations with employees and their representatives and the pension scheme trustees. The financial impact of the changes to the UK defined benefit scheme will be recognised in the income statement on the date the proposed changes are effective, in April 2017.

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

Key financial assumptions used:	2016 %	2015 %
Discount rate	**1.8-2.7**	2.4-3.9
Expected rate of salary increases	**2.3-4.5**	2.5-4.1
Future pension increases	**1.0-3.5**	1.0-3.1

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

	Netherlands		UK		Germany	
Mortality assumptions:	**2016 years**	2015 years	**2016 years**	2015 years	**2016 years**	2015 years
Life expectancy at age 60 for a male currently aged 60	**26.4**	26.3	**28.2**	28.2	**23.7**	23.6
Life expectancy at age 60 for a female currently aged 60	**28.6**	28.8	**31.0**	30.7	**28.2**	28.1
Life expectancy at age 60 for a male currently aged 40	**28.8**	28.7	**30.6**	30.5	**26.5**	26.4
Life expectancy at age 60 for a female currently aged 40	**31.1**	30.9	**33.2**	33.1	**30.8**	30.7

Mortality tables:	Netherlands	UK	Germany
2016	**AG Prognosetafel 2016 with WTW fund specific mortality experience 2016**	**S2PA YOB tables with appropriate age weightings using CMI 2014 projections 1.5% minimum improvements p.a.**	**Heubeck table 2005 G**
2015	AG Prognosetafel 2014 with TW fund specific mortality experience 2014	S21PA YOB tables with appropriate age weightings using CMI 2014 projections 1.5% minimum improvements p.a.	Heubeck table 2005 G

Sensitivity analysis

The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefit obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2016 for the Group's retirement benefit schemes would have had the effects shown in the table below.

		(Increase) / decrease in retirement benefit obligations €m
Discount rate	Effect of increase in discount rate by +0.25% at 31 December 2016	**37.1**
	Effect of decrease in discount rate by -0.25% at 31 December 2016	**(39.9)**
Inflation rate	Effect of increase in inflation rate by +0.25% at 31 December 2016	**(24.2)**
	Effect of decrease in inflation rate by -0.25% at 31 December 2016	**22.7**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

28. Retirement benefit obligations continued

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

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Current service cost	**(11.4)**	(14.0)
Administrative expense paid from scheme assets	**(1.2)**	(0.8)
Net interest expense on defined benefit pension scheme	**(1.9)**	(3.6)
Past service cost	**(1.4)**	(4.2)
	(15.9)	(22.6)

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

The amount charged to income in respect of defined contribution pension schemes was €5.0 million (2015: €6.8 million).

The actual return on scheme assets was €91.8 million (2015: €1.5 million).

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

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Actuarial (losses)/gains	**(84.6)**	38.9
Exchange difference	**11.5**	(4.8)
	(73.1)	34.1

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

Movement in present value of defined benefit obligation			**2016 €m**			2015 €m
	Total	**Funded schemes**	**Unfunded schemes**	Total	Funded schemes	Unfunded schemes
At 1 January	**(651.3)**	**(622.7)**	**(28.6)**	(668.0)	(642.8)	(25.2)
Current service cost	**(11.4)**	**(10.3)**	**(1.1)**	(14.0)	(13.5)	(0.5)
Past service cost	**(1.4)**	**(0.4)**	**(1.0)**	(4.2)	(1.0)	(3.2)
Interest cost	**(19.7)**	**(19.1)**	**(0.6)**	(22.3)	(21.7)	(0.6)
Actuarial (losses)/gains	**(158.5)**	**(156.4)**	**(2.1)**	59.1	59.1	-
Benefits paid to members	**29.9**	**28.9**	**1.0**	21.8	20.9	0.9
Contributions by members	**(1.3)**	**(1.3)**	**-**	(1.3)	(1.3)	-
Settlements	**0.5**	**-**	**0.5**	-	-	-
Transfers	**-**	**(4.3)**	**4.3**	-	-	-
Foreign exchange	**60.5**	**60.5**	**-**	(22.4)	(22.4)	-
At 31 December	**(752.7)**	**(725.1)**	**(27.6)**	(651.3)	(622.7)	(28.6)

Movements in the fair value of plan assets	**2016 €m**	2015 €m
At 1 January	**580.4**	566.4
Interest income	**17.9**	18.7
Actuarial gains/(losses)	**71.2**	(20.2)
Contributions by employer	**18.2**	18.2
Contributions by members	**1.3**	1.3
Benefits paid to members	**(28.9)**	(20.8)
Administrative expenses paid from scheme assets	**(1.2)**	(0.8)
Foreign exchange	**(49.0)**	17.6
At 31 December	**609.9**	580.4

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

28. Retirement benefit obligations continued

	2016 €m	2015 €m
Present value of defined benefit obligation	**(752.7)**	(651.3)
Fair value of plan assets	**609.9**	580.4
Recognised (liability) at 31 December	**(142.8)**	(70.9)

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

	Fair value of assets	
	2016 €m	2015 €m
Equity instruments	**268.4**	263.6
Debt instruments	**268.5**	267.3
Other assets	**73.0**	49.5
	609.9	580.4

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

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

The estimated amounts of contributions expected to be paid to the schemes during the current financial year (2017) is €16.6 million.

29. Trade and other payables

Current

	31/12/16 €m	31/12/15 €m
Trade payables	**104.6**	54.8
Other payables	**85.3**	26.0
Accruals	**204.3**	157.4
Amounts due to joint venture	**48.3**	40.0
	442.5	278.2

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 26 days (2015: 20 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

Accruals include derivative accruals of €nil million (2015: €35.0 million). The presentation of these amounts has been reclassified in 2016 to include the equivalent amount within note 26 Other financial assets and financial liabilities.

Non-current

	31/12/16 €m	31/12/15 €m
Other payables	**40.8**	140.4

Other payables comprise SWU and feed inventory borrowed from third parties for the purpose of optimising URENCO's production flexibility. The SWU and feed is expected to be returned in or by 2018.

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Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016

30. Operating lease arrangements

The Group as lessee

The Group has entered into operating leases on certain land, property, motor vehicles and items of machinery. These leases have an unweighted average life of four years based on the number of contracts and a weighted average life of 27 years based on the value of the contracts. The remaining terms of the leases vary from one to 95 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2016 €m	2015 €m
Within one year	**3.6**	3.8
In the second to fifth years inclusive	**8.9**	12.0
After five years	**86.8**	100.7
	99.3	116.5

	2016 €m	2015 €m
Minimum lease payments under operating leases recognised in income for the year	**3.9**	3.8

31. Contingent liabilities

There are no material contingent liabilities as at 31 December 2016 (2015: €nil).

32. Events after the reporting period

As of 8 March 2017, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2016 financial statements.

33. Related party transactions

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

Transactions with the URENCO pension scheme are detailed in note 28.

Trading transactions

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

	Sales of goods and services		**Purchases of assets, goods and services**		**Amounts owed by related parties**		**Amounts owed to related parties**	
	Year ended 31/12/16 €m	Year ended 31/12/15 €m	**Year ended 31/12/16 €m**	Year ended 31/12/15 €m	**31/12/16 €m**	31/12/15 €m	**31/12/16 €m**	31/12/15 €m
UKGI	**2.2**	46.9	**0.2**	2.6	**-**	6.8	**-**	-
E.ON	**5.3**	27.3	**-**	-	**2.6**	-	**-**	-
RWE	**14.0**	21.2	**19.6**	22.0	**6.9**	-	**-**	-
ETC[i]	**1.6**	2.9	**95.6**	247.4	**-**	-	**47.8**	39.1

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

For the year ended 31 December 2016

33. Related party transactions continued

The Department for UK Government Investments (UKGI), E.ON SE (E.ON) and RWE AG (RWE) are all related parties of the Group because of their indirect shareholdings in URENCO Limited. Enrichment Technology Company Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of assets, goods and services from them were made under the Group's normal trading terms.

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

The Enrichment Technology Company Limited pension scheme is administered as part of the URENCO pension scheme. Included in URENCO's share of results of Joint Venture and Investments is 50% of the Enrichment Technology Company Limited Income Statement charges and liabilities arising from retirement benefit obligations. Included in the amounts recognised in the share of results of joint venture in respect of the defined benefit schemes is a charge of €2.7 million relating to the Joint Venture (2015: €3.3 million). Included in the share of net assets of the Joint Venture as a recognised liability is €32.6 million relating to the Joint Venture (2015: €22.3 million).

During the year, Group companies contributed €19.0 million (2015: €25.8 million) for the benefit of employees into post-employment benefit plans.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Remuneration report on page 42.

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Short-term employee benefits	**2.8**	4.8
Post-employment benefits	**-**	3.1
	2.8	7.9

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for their services as a Director, covered above.

Registered number
01022786

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Directors' Responsibilities Statement

In respect of the Parent Company financial statements

Statement of Directors' responsibilities in respect of the accounts

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

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

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

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

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

By order of the Board.

Sarah Newby

Sarah Newby
Company Secretary
8 March 2017

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Company Statement of Financial Position

As at 31 December 2016

	Notes	2016 €m	2015 €m
Non-current assets			
Property, plant and equipment	5	**9.5**	7.3
Intangible assets	6	**1.6**	3.0
Investments in subsidiaries and associate	7	**2,993.2**	2,293.1
Deferred tax asset	9	**-**	1.9
Derivative financial instruments	13	**290.2**	192.2
		3,294.5	2,497.5
Current assets			
Amounts due from Group undertakings	8	**1,009.3**	2,320.8
Trade and other receivables	8	**132.7**	183.6
Derivative financial instruments	13	**166.3**	104.9
Short-term deposits		**1.6**	-
Cash and cash equivalents		**247.9**	382.1
		1,557.8	2,991.4
Total assets		**4,852.3**	5,488.9
Current liabilities			
Interest bearing loans and borrowings	10	**(46.2)**	(229.2)
Amounts due to Group undertakings	11	**(747.5)**	(1,370.2)
Trade and other payables	12	**(84.7)**	(107.6)
Derivative financial instruments	13	**(179.2)**	(104.9)
		(1,057.6)	(1,811.9)
Non-current liabilities			
Interest bearing loans and borrowings	10	**(611.8)**	(778.3)
Amounts due to Group undertakings	11	**(1,752.5)**	(1,755.9)
Derivative financial instruments	13	**(329.7)**	(232.1)
Other payables		**(2.1)**	(1.9)
Retirement benefit obligations	14	**(15.6)**	(9.4)
		(2,711.7)	(2,777.6)
Total liabilities		**(3,769.3)**	(4,589.5)
Net assets		**1,083.0**	899.4
Equity			
Share capital	15	**237.3**	237.3
Retained earnings	16	**841.0**	670.1
Hedging reserve		**4.7**	(8.0)
Total equity		**1,083.0**	899.4

Registered Number 01022786

The profit after tax for the financial year of the Parent Company amounts to €244.4 million (2015 restated: €370.2 million).

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2017.

They were signed on its behalf by:

Dr Thomas Haeberle
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer

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Company Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 1 January 2016	**237.3**	**670.1**	**(8.0)**	**899.4**
Income for the period	**-**	**244.4**	**-**	**244.4**
Other comprehensive income (note 16)	**-**	**276.5**	**12.7**	**289.2**
Total comprehensive income	**-**	**520.9**	**12.7**	**533.6**
Equity dividends paid	**-**	**(350.0)**	**-**	**(350.0)**
As at 31 December 2016	**237.3**	**841.0**	**4.7**	**1,083.0**

	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 1 January 2015	237.3	709.2	-	946.5
Income for the period (as restated*)	-	370.2	-	370.2
Other comprehensive income (as restated*)	-	(69.3)	(8.0)	(77.3)
Total comprehensive income	-	300.9	(8.0)	292.9
Equity dividends paid	-	(340.0)	-	(340.0)
As at 31 December 2015	237.3	670.1	(8.0)	899.4

* In the prior year, €56.4 million of income has been reclassified from Income for the period to Other comprehensive income as this was incorrectly classified following transition to FRS 101.

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Notes to the Company Financial Statements

For the year ended 31 December 2016

1. Significant accounting policies

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

Basis of preparation and presentation

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

The URENCO Limited financial statements are presented in euros. This is consistent with the presentation of the Group consolidated financial statements.

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

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, standards not yet effective, financial instruments and related party transactions. Where required, equivalent disclosures are given in the Group accounts of URENCO Limited. The auditor's remuneration for audit and other services is disclosed in note 5 to the Group consolidated financial statements.

Going concern

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

Taxation

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

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

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

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

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

Operating leases

Rentals paid under operating leases are recognised on a straight-line basis over the term of the lease.

Foreign currencies

The Company's functional currency is sterling and the financial statements are presented in euros. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date, with all differences being taken to profit and loss. All other translation differences are taken to total comprehensive income. The average sterling to euro rate for 2016 was £0.81654 to €1 (2015: £0.72687 to €1) and the year-end rate was £0.85238 to €1 (2015: £0.73714 to €1).

Notes to the Company Financial Statements continued

For the year ended 31 December 2016

1. Significant accounting policies continued

Property, plant, equipment and depreciation

Property, plant and equipment are included at cost less depreciation. Depreciation is provided on all Property, plant and equipment, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Freehold buildings	12 – 40 years
Plant and machinery	3 – 15 years
Office fixtures and fittings	12 years
Computer equipment	3 – 5 years

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

Intangible fixed assets

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

Investments

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

Derivative financial instruments

The Company enters into derivative financial instruments in order to manage foreign exchange risk on behalf of the URENCO Group. Additionally the Company uses interest rate swaps and cross currency interest rate swaps. Further details of derivative financial instruments are disclosed in note 13.

Derivatives are initially recognised at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gains or losses are recorded as finance income or finance costs unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in the income statement depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

1. Significant accounting policies continued

Retirement benefit obligations

The Company operates a defined benefit pension scheme for the benefit of all employees who started their employment prior to 31 December 2007. For employees joining the Company after this date, the Company operates a defined contribution scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. On 10 August 2009, the Company's defined benefit scheme merged with the URENCO UK pension scheme.

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

The cost of providing benefits is determined using the projected unit credit method, with actuarial assessments being carried out at each reporting date. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur. They are recognised directly in retained earnings and included as a movement in the present value of the net defined benefit liability.

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

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

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

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recorded on a net basis as net finance income or expense.

Critical accounting judgements and key sources of estimation uncertainty

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

Management has identified a significant estimate in the preparation of the Company financial statements, being the determination of the recoverable value of investments in subsidiaries. Please see note 7.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involves making assumptions about life expectancies, discount rates, expected rates or 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. Please see note 14.

2. Employee benefits expense

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

	2016 Number	2015 Number
Technical	**38**	35
Administration	**115**	105
	153	140

Their aggregate remuneration comprised:

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Wages and salaries	**22.4**	21.7
Social security costs	**2.4**	2.1
Pension costs	**4.3**	6.6
	29.1	30.4

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

2. Employee benefits expense continued

Directors' emoluments (see page 42):

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Emoluments	**2.8**	4.1
Amounts receivable under long-term incentive scheme	**-**	0.7
Company contributions paid to a defined benefit pension scheme	**-**	0.2
Company contributions paid to a defined contribution pension scheme	**-**	0.1
Company contributions to be paid for past service costs	**-**	2.8
	Number	Number
Members of defined benefit pension schemes	**-**	1
Members of defined contribution schemes	**1**	1

In respect of the highest paid Director:

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Emoluments	**1.1**	5.9
Accrued pension at the end of the year	**-**	0.2

In the prior year, in addition to the accruals already made in the Company's defined benefit scheme, H.Engelbrecht had a right under his contract of employment to receive a certain income as retirement benefit which would be payable under certain conditions. These rights vested on 31 December 2015. The revenue funding cost of this Company commitment, as assessed by an independent actuary, was assessed to be €3.1 million. This cost was recognised during the prior year.

3. Taxation

Deferred tax

Deferred tax balances recognised at 31 December are as follows:	**2016 €m**	2015 €m
Relating to fixed assets	**0.4**	0.3
Relating to short term temporary differences	**0.6**	1.0
Relating to fair value movements on financial instruments	**(5.1)**	(0.5)
Retirement benefit obligations	**3.6**	1.1
Total deferred tax (liability)/ asset	**(0.5)**	1.9

The Deferred tax liability has been recognised within Other payables, within Non-current liabilities.

The Deferred tax charge recognised in the income statement was €5.1 million.

4. Dividends paid and proposed

	Year ended 31/12/16 €m	Year ended 31/12/15 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2015 of 208.33 cents per share (2014: 202.38 cents per share)	**350.0**	340.0
	350.0	340.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2016 of 178.57 cents per share (2015: 208.33 cents per share)	**300.0**	350.0

The 2016 final dividend of €300.0 million is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

5. Property, plant and equipment

	Fixtures and fittings €m
Cost as at 1 January 2016	11.8
Additions	4.1
Exchange adjustments	(1.7)
Cost as at 31 December 2016	14.2
Depreciation as at 1 January 2016	4.5
Charge for the year	0.8
Exchange adjustments	(0.6)
Depreciation as at 31 December 2016	4.7
Net book value as at 1 January 2016	7.3
Net book value as at 31 December 2016	9.5

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

6. Intangible assets

	Software assets €m
Cost as at 1 January 2016	8.9
Exchange adjustments	(1.2)
Cost as at 31 December 2016	7.7
Amortisation as at 1 January 2016	5.9
Charge for the year	1.1
Exchange adjustments	(0.9)
Amortisation as at 31 December 2016	6.1
Net book value as at 1 January 2016	3.0
Net book value as at 31 December 2016	1.6

7. Investments in subsidiaries and associate

	Shares in subsidiary and associated undertakings €m
Cost as at 1 January 2016	2,526.0
Additional investment in URENCO USA Inc.	1,217.9
Cost as at 31 December 2016	3,743.9
Impairment as at 1 January 2016	(232.9)
Impairment of investment in URENCO USA Inc.	(517.8)
Impairment as at 31 December 2016	(750.7)
Carrying amount as at 1 January 2016	2,293.1
Carrying amount as at 31 December 2016	2,993.2

Additions in the year relates to the conversion of debt to equity in the Company's 100% owned subsidiary, URENCO USA Inc.

During the year the Company recognised an impairment of its investment in URENCO USA Inc (UUI) down to the recoverable net asset value of UUI and its subsidiaries of €2.6 billion, as assessed on a value in use basis. The value in use has been calculated based on a pre-tax nominal discount rate of 8.4%. See page 77 for additional details of the impairment.

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

7. Investments in subsidiaries and associate continued

Details of the Company's subsidiaries and associate at 31 December 2016 are as follows:

	Nature of business	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Name of subsidiary				
URENCO Enrichment Company Limited	Holding / central services	England and Wales	100	100
URENCO UK Limited	Enrichment services	England and Wales[i]	100	100
URENCO ChemPlants Limited	Deconversion	England and Wales	100	100
URENCO Deutschland GmbH	Enrichment services	Germany[i]	100	100
URENCO Nederland BV	Enrichment services	the Netherlands[i]	100	100
URENCO Deelnemingen BV	Holding	the Netherlands[i]	100	100
URENCO Finance NV	Financing	the Netherlands	100	100
URENCO USA Inc.	Holding	US	100	100
URENCO Inc.	Sales / marketing	US[i]	100	100
URENCO Finance UK Limited	Holding	England and Wales[i]	100	100
URENCO Finance US LLC	Financing	US[i]	100	100
Louisiana Energy Services, LLC	Enrichment services	US[i]	100	100
Capenhurst Nuclear Services Limited	Uranium handling services	England and Wales	100	100
URENCO USA Energy Services LLC	Consultancy services	US[i]	100	100
URENCO Consultancy Services Limited	Dormant	England and Wales	100	100
Latin American Contract Services Limited	Dormant	England and Wales[i]	100	100
URENCO Logistics GmbH	Dormant	Germany[i]	100	100
National Enrichment Facility Series 2004 LLC	Financing	US[i]	100	100
Name of associate				
Enrichment Technology Company Limited	Manufacturing	England and Wales[i][ii]	50	50

(i) Denotes companies / partnership whose shares are indirectly held by URENCO Limited

(ii) 21.7% is held directly by URENCO Limited, with the remaining 28.3% held by URENCO Deutschland GmbH.

8. Trade and other receivables

	31/12/16 €m	31/12/15 €m
Amounts due from Group undertakings	**1,009.3**	2,320.8
Other receivables	**2.0**	1.4
Corporation tax receivable	**124.0**	104.8
Prepayments and accrued income	**6.7**	77.4
	1,142.0	2,504.4

The amounts due from Group undertakings include intercompany current accounts and intercompany loan balances, the majority of these are subject to interest. The average rate prevailing in the year was 0.32% (2015: 0.31%). The intercompany receivables are not secured on the Company's assets and are payable on demand.

Prepayments and accrued income includes interest accrued on intercompany receivables of €nil (2015: €nil).

9. Deferred tax asset

	31/12/16 €m	31/12/15 €m
Deferred tax	**-**	1.9

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

10. Interest bearing loans and borrowings

		31/12/16 €m	31/12/15 €m
Bank and other loans repayable:			
Current:			
$100 million series B Senior notes	6.47%	-	92.1
$100 million series B Senior notes	5.56%	-	92.1
$132.2 million European Investment Bank financing facility	3.30%	**14.0**	13.6
$99 million European Investment Bank financing facility	3.15%	**10.6**	10.1
€100 million European Investment Bank financing facility	4.772%	**7.1**	7.1
€100 million European Investment Bank financing facility	3.34%	**7.1**	7.1
$108.6 million European Investment Bank financing facility	Floating	**7.4**	7.1
Total current		**46.2**	229.2
Between 2 and 5 years:			
$100 million Senior notes	5.50%	-	92.1
€100 million European Investment Bank financing facility	4.439%	**100.0**	100.0
$50 million series C Senior notes	5.66%	-	46.0
Greater than 5 years:			
$132.2 million European Investment Bank financing facility	3.30%	**83.8**	94.7
$99 million European Investment Bank financing facility	3.15%	**62.8**	70.9
€100 million European Investment Bank financing facility	4.77%	**50.0**	57.1
€100 million European Investment Bank financing facility	3.34%	**71.4**	78.6
$108.6 million European Investment Bank financing facility	Floating	**81.2**	85.7
Yen 20 billion Loan Agreement	6.24%	**162.6**	153.2
Total non-current		**611.8**	778.3

11. Amounts due to Group undertakings

	31/12/16 €m	31/12/15 €m
Current liabilities	**747.5**	1,370.2
Non-current liabilities	**1,752.5**	1,755.9
	2,500.0	3,126.1

Intercompany current accounts included in amounts due to Group undertakings are subject to interest. The average rate prevailing in the year was 0.32% (2015: 0.31%). The intercompany payable is not secured on the Company's assets and is payable on demand.

12. Trade and other payables

	31/12/16 €m	31/12/15 €m
Accruals	**40.7**	73.6
Trade payables	**2.0**	2.4
Amounts due to related parties	**42.0**	31.1
Other taxes and social security costs	-	0.5
	84.7	107.6

Accruals includes interest accrued on intercompany payables of €22.0 million (2015: €22.0 million).

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

13. Derivative financial instruments

Categories of financial instruments at fair value

	Amounts due within one year		Amounts due after more than one year	
	31/12/16 €m	31/12/15 €m	**31/12/16 €m**	31/12/15 €m
Financial assets at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	**109.6**	83.3	**137.0**	114.5
Interest rate/cross currency contracts	**53.4**	-	**151.6**	48.9
Forward foreign exchange contracts	**3.3**	21.6	**1.6**	28.8
Total assets measured at fair value	**166.3**	104.9	**290.2**	192.2
Financial liabilities at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	**(3.9)**	(21.6)	**(10.0)**	(28.8)
Interest rate/cross currency contracts	**(65.9)**	-	**(191.6)**	(89.4)
Forward foreign exchange contracts	**(109.4)**	(83.3)	**(128.1)**	(113.9)
Total liabilities measured at fair value	**(179.2)**	(104.9)	**(329.7)**	(232.1)

The Company is exposed to certain transactional currency exposures arising from transactions made by other members of the URENCO Group. Such exposures arise from transactions in currencies other than the functional currency of the entity, mainly the US dollar and euro.

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

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

14. Retirement benefit obligations

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

The valuation used for IAS19R disclosures has been based on the most recent actuarial valuation and updated by the actuaries during 2016 to take account of the requirements of IAS19R in order to assess the liabilities of the scheme at 31 December 2016. Scheme assets are stated at their market values at the reporting dates.

Main assumptions:

Key financial assumptions	**2016**	2015
Discount rate	**2.7%**	3.9%
Salary increases	**4.5%**	4.1%
Pension increases	**3.5%**	3.1%
Price inflation	**3.5%**	3.1%

Mortality assumptions	**2016**	2015
Life expectancy at age 60 for a male currently aged 60	**29.4**	29.7
Life expectancy at age 60 for a female currently aged 60	**31.9**	31.8
Life expectancy at age 60 for a male currently aged 40	**32.2**	32.0
Life expectancy at age 60 for a female currently aged 40	**34.3**	34.2

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

14. Retirement benefit obligations continued

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

	Market value 2016 €m	Market value 2015 €m
Equities	**23.6**	28.6
Bonds	**25.2**	25.0
Total market value of scheme assets	**48.8**	53.6
Present value of scheme liabilities	**(64.4)**	(63.0)
Pension liability	**(15.6)**	(9.4)

Movement in present value of benefit obligation	**2016 €m**	2015 €m
At 1 January	**(63.0)**	(54.1)
Current service costs	**(0.8)**	(1.3)
Past service costs	**(3.3)**	(3.9)
Interest cost	**(2.0)**	(2.2)
Actuarial (losses)/gains	**(17.6)**	1.5
Benefits paid to members	**10.8**	1.4
Contribution by members	**(0.1)**	(0.1)
Settlements	**(0.2)**	-
Exchange difference	**11.8**	(4.3)
At 31 December	**(64.4)**	(63.0)

Movements in the fair value of plan assets	**2016 €m**	2015 €m
At 1 January	**53.6**	46.9
Interest income	**1.8**	1.9
Actuarial gains	**7.2**	1.3
Contribution by employer	**4.3**	2.4
Contribution by members	**0.1**	0.1
Benefits paid to members	**(10.8)**	(1.4)
Administrative expenses	**(0.1)**	-
Exchange difference	**(7.3)**	2.4
At 31 December	**48.8**	53.6

Components of pension cost	**2016 €m**	2015 €m
Current service cost	**(0.8)**	(1.3)
Interest on pension scheme liabilities	**(2.0)**	(2.2)
Interest on scheme assets	**1.8**	1.9
Past service costs	**(3.3)**	(3.9)
Settlements	**(0.2)**	-
Administrative expenses and taxes	**(0.1)**	-
Total pension cost recognised in income statement	**(4.6)**	**(5.5)**
Actuarial (losses)/gains	**(10.4)**	2.8
Total pension movement recognised in the SOCI	**(10.4)**	2.8

	2016 €m	2015 €m
Present value of defined benefit obligation	**(64.4)**	(63.0)
Fair value of plan assets	**48.8**	53.6
Recognised liability at 31 December	**(15.6)**	(9.4)

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

14. Retirement benefit obligations continued

The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefit obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2016 for the Company's retirement benefit schemes would have had the effects shown in the table below.

	(Increase)/decrease in retirement benefit obligations 31 December 2016 €m
Discount rate	
Effect of increase in discount rate by +0.25% at 31 December 2016	**3.2**
Effect of decrease in discount rate by -0.25% at 31 December 2016	**(3.5)**
Inflation rate	
Effect of increase in inflation rate by +0.25% at 31 December 2016	**(3.1)**
Effect of decrease in inflation rate by -0.25% at 31 December 2016	**2.9**

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

Regular contributions to the scheme from both the members and employer for the year beginning 1 January 2017 are expected to be €1.0 million (2016 actual contributions: €4.4 million) reflecting that the scheme will be closed to further accruals from 5 April 2017.

A triennial valuation for the pension scheme was completed as at 5 April 2015 and has been updated to 31 December 2016 by a qualified actuary. The latest valuation preliminary results show a continuing deficit and increased future costs for providing the final salary benefits. URENCO proposes to close the UK defined benefit section for further accrual from April 2017 and has conducted consultations with employees and their representatives and the pension scheme Trustees. The financial impact of the changes to the defined benefit pension scheme will be recognised in the income statement on the date the proposed changes are effective in April 2017.

In 2008, the Company also introduced a defined contribution scheme for new employees. The total cost of defined contribution arrangements of €1.2 million (2015: €1.2 million) has been fully expensed against profits in the current year.

15. Called up share capital

	31/12/16 €m	31/12/15 €m
Authorised		
Ordinary share capital, 240 million ordinary shares of £1 each:		
'A' Ordinary Shares	**113.0**	113.0
'B' Ordinary Shares	**113.0**	113.0
'C' Ordinary Shares	**113.0**	113.0
	339.0	339.0
Issued		
Allotted, called up and fully paid, 168 million ordinary shares of £1 each:		
'A' ordinary shares	**79.1**	79.1
'B' ordinary shares	**79.1**	79.1
'C' ordinary shares	**79.1**	79.1
	237.3	237.3

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

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

16. Retained earnings

	€m
At 1 January 2015	709.2
Net profit for the year 2015 (as restated)	370.2
Dividends paid	(340.0)
Actuarial gains on retirement benefit obligation	2.8
Deferred tax on actuarial gains	(0.6)
Foreign exchange translation differences (as restated)	(71.5)
At 31 December 2015	**670.1**
Net profit for the year 2016	**244.4**
Dividends paid	**(350.0)**
Actuarial losses on retirement benefit obligation	**(10.4)**
Deferred tax on actuarial losses	**1.7**
Foreign exchange translation differences	**285.2**
At 31 December 2016	**841.0**

The €12.7 million gain in the Hedging reserve (2015: €8.0 million loss) relates to fair value movements recognised on debt instruments that are designated in a hedge relationship.

As at 31 December 2016, the Company had distributable reserves available of €732.0 million (31 December 2015: €871.5 million).

17. Operating lease arrangements

The Company as lessee

The Company has entered into operating leases on certain land, property, motor vehicles and items of machinery.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	31/12/16 €m	31/12/15 €m
Within one year	**1.0**	1.1
In the second to fifth years inclusive	**2.4**	3.3
After five years	**-**	0.2
	3.4	4.6

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Notes to the Company Financial Statements continued

For the year ended 31 December 2016

18. Related party transactions

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

	Purchases of assets, goods and services	
	Year ended 31/12/16 €m	Year ended 31/12/15 €m
ETC[i]	**0.3**	0.3

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

	Amounts owed to related parties	
	Year ended 31/12/16 €m	Year ended 31/12/15 €m
ETC[i]	**42.0**	31.1

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

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

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

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

19. Contingent liabilities

The Company is party to a number of composite guarantees of borrowings by certain of its subsidiaries which at the reporting date amounted to €2,766.9 million (2015: €2,550.2 million). The Directors do not expect any liability to arise under these guarantees.

20. Events after the reporting period

As of 8 March 2017, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2016 financial statements.

Glossary of terms

Areva
The French energy group.

Capital expenditure
Purchases of property, plant and equipment including prepayments relating to payments to ETC in advance of contracted cascade deliveries, which will be supplied in future periods.

Cascade
The arrangement of centrifuges connected in parallel and in series is termed a 'cascade'. In a uranium enrichment plant several cascades are operated in parallel to form an 'operational unit' producing one U_{235} assay. Various operational units form one enrichment plant.

CNS
Capenhurst Nuclear Services Limited. This company has taken responsibility for storage of certain uranic materials on behalf of the Nuclear Decommissioning Authority at the Capenhurst facility in the UK.

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

EBITDA
Earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results (or income from operating activities plus depreciation and amortisation, plus joint venture results). Depreciation and amortisation are adjusted to remove elements of such changes already included in changes to inventories and other expenses.

Enrichment
The step taken in the nuclear fuel cycle that increases the concentration of U_{235}, relative to U_{238}, in order to make uranium usable as a fuel for light water reactors.

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

ETC
Enrichment Technology Company Limited.

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

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

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

FFO/TAD
FFO/TAD is the ratio of funds from operations (FFO) to total adjusted debt (TAD). FFO is defined as EBITDA adjusted for interest costs, current tax expenses and operating lease and pension obligations. TAD is interest bearing loans and borrowings adjusted for cash and short-term bank deposits, operating leases, retirement benefit obligation deficit, and tails and decommissioning provisions.

Gas centrifuge
Gas centrifugation is a uranium enrichment process which uses the gas centrifuge to accelerate molecules so that particles of different masses are physically separated along the radius of a rotating container. This increases the concentration of the fissionable U_{235} isotope.

Global Reporting Initiative (GRI)
The GRI is the reporting framework which provides guidance on sustainability performance reporting.

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

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards.

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

Louisiana Energy Services, LLC (LES)
Owner and operator for URENCO USA, 100% owned by the URENCO Group.

Low Assay Feed (LAF)
Tails material with a U_{235} assay such that there is economic rationale to include in plans to re-enrich.

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

National Enrichment Facility (NEF)
Now known as URENCO USA.

Net assets
Total assets less total liabilities.

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

Net finance costs
Finance costs less finance income, net of capitalised borrowing costs and including gains and losses of non-designated hedges.

Glossary of terms continued

Net interest

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

Nuclear fuel supply chain

The multiple steps that convert uranium as it is extracted from the earth to nuclear fuel for use in power plants. Uranium enrichment is one step in the nuclear fuel supply chain.

Order book

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

Parent Company

URENCO Limited.

STEM

The STEM education programme includes Science, Technology, Engineering and Maths.

Supplier of choice

Increasing available capacity and experience of new operating environments facilitates first class service delivery and the flexibility to meet the changing needs of our customers. This will enable URENCO to be considered the 'supplier of choice' by our customers.

SWU

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

Tails (Depleted UF_6)

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

Tails Management Facility (TMF)

The facility constructed and operated by URENCO ChemPlants Limited that will manage the deconversion of tails to stable uranium oxide (U_3O_8). Currently under construction at URENCO's site in Capenhurst, UK, it will consist of a number of associated storage, maintenance and residue processing facilities to support URENCO's long-term strategy for the management of tails.

Treaty of Almelo

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

Treaty of Cardiff

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

Treaty of Washington

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

tSW

Tonnes of Separative Work.

tSW/a

Tonnes of Separative Work per annum.

Turnover

Revenue from the sale of goods and services.

UEC

URENCO Enrichment Company Limited.

UK GAAP

The Generally Accepted Accounting Practice in the UK.

Uranic Material

Natural uranium, enriched uranium and depleted uranium.

Uranium

A fairly abundant metallic element. Approximately 993 of every 1,000 uranium atoms are U_{238}. The remaining seven atoms are U_{235} (0.711%), which is used in today's nuclear power stations to generate energy by fission.

Uranium hexafluoride (UF_6)

All enrichment processes today work with gaseous material; therefore uranium is converted to UF_6.

Uranium related sales

Sales of uranium in the form of UF_6, U_30_8 or the UF_6 component of EUP.

URENCO ChemPlants Limited

URENCO ChemPlants Limited, a subsidiary company of URENCO, is responsible for the construction and operation of the Tails Management Facility at URENCO's site at Capenhurst,UK.

URENCO USA

URENCO'S enrichment facility in New Mexico, USA, owned and operated by Louisiana Energy Services, LLC.

USNRC

Nuclear Regulatory Commission – the Nuclear Regulator in the USA.

U_{235}

The fissionable uranium isotope found in natural uranium.

U_{235} assay

The weight percentage of U_{235} atoms in uranium presented as a percentage of U_{235} atoms divided by all uranium atoms.

U_{238}

The non-fissionable uranium isotope that makes up most of natural uranium.

U_3O_8

Uranium oxide, the most stable form of uranium.

Working capital

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

Contact Listing

Registered office and Group headquarters address:

URENCO Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
Buckinghamshire
SL2 4JS
United Kingdom

General enquiries
Tel: +44 (0) 1753 660 660
E-mail: enquiries@urenco.com
Contact: Jayne Hallett – Director of Corporate Communications

Investor relations
Tel: +44 (0) 1753 660 660
E-mail: enquiries@urenco.com
Contact: Sally Wright – Investor Relations

URENCO Enrichment Company Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
Buckinghamshire
SL2 4JS
United Kingdom

Tel: +44 (0) 1753 660 660
E-mail: enquiries@urenco.com
Contact: Jayne Hallett – Director of Corporate Communications

URENCO Deutschland GmbH
Postfach 19 20
D – 48580 Gronau
Germany

Tel: +49 (0) 2562 711 0
E-mail: info@de.urenco.com
Contact: Joachim Ohnemus – Managing Director

URENCO Nederland BV
Postbus 158
7600 AD Almelo
The Netherlands

Tel: +31 (0) 5 46 54 54 54
E-mail: prnl@urenco.com
Contact: Ad Louter – Managing Director

URENCO UK Limited
Capenhurst
Cheshire
CH1 6ER
United Kingdom

Tel: +44 (0) 151 473 4000
E-mail: enquiries@cap.urenco.co.uk
Contact: Martin Pearson – Managing Director

URENCO, Inc. and URENCO USA, Inc.
1560 Wilson Boulevard, Suite 300
Arlington
Virginia 22209-2463
USA

Tel: +1 (703) 682-5203
E-mail: inquiries@urencoinc.com
Contact: Kirk Schnoebelen – President and CEO

URENCO ChemPlants Limited
Capenhurst
Cheshire
CH1 6ER
United Kingdom

Tel: +44 (0) 151 473 7400
E-mail: enquiries@urenco.com
Contact: Pleun Schuddebeurs – Managing/Executive Project Director

Capenhurst Nuclear Services Limited
Capenhurst
Cheshire
CH1 6ER
United Kingdom

Tel: +44 (0) 151 473 3635
E-mail: enquiries@urenco.com
Contact: David Slater – Managing Director

Louisiana Energy Services, LLC
PO Box 1789
Eunice
New Mexico 88231
USA

Tel: +1 (505) 394 4646
Email: enquiries@urenco.com
Contact: David Sexton – President and CEO

Enrichment Technology Company Limited
Unit 6
South Capenhurst Technology Park
Capenhurst
Cheshire
CH1 6EH
United Kingdom

Tel: +44 (0) 151 363 3800
E-mail: info@enritec.com
Contact: Michael Smith – Company Secretary

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URENCO Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
Buckinghamshire
SL2 4JS, UK

URENCO.com