urenco

The Energy to Succeed

Supporting a net zero world

Annual report and accounts 2020

Financial highlights

Revenue
€1,700m
(2019: €1,805m)

Cash generated from operations
€1,171m
(2019: €1,094m)

EBITDA[1]
€1,088m
(2019: €1,220m)

Capital expenditure
€141m
(2019: €151m)

Net income
€505m
post-exceptionals
€531m
pre-exceptionals
(2019: €8m, €565m)

Net debt[2]
€456m
(2019: €928m)

[1] EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation, amortisation and joint venture results.
[2] Net debt comprises loans and borrowings (current and non-current) plus obligations under finance leases less cash and cash equivalents and short term deposits.

Contents

Forward looking statements – this document may include certain forward looking statements, beliefs or opinions, including statements with respect to Urenco's business, financial condition and results of operations. These forward looking statements can be identified by the use of forward looking terminology, including the terms 'believes', 'plans', 'anticipates', 'targets', 'aims', 'continues', 'expects', 'extends', 'hopes', 'may', 'will', 'would', 'could', or 'should' or in each case, their negative or other various or comparable terminology.

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Chairman's foreword[1]

"Urenco has maintained its 100% delivery record and, in doing so, helped to keep hospitals, homes and critical businesses powered all around the world."

In the year that Urenco celebrated the 50th Anniversary of the Treaty of Almelo, the organisation has shown through the strength and determination of its employees the ability to operate safely and deliver for customers, while meeting overall production and financial targets. This is despite the challenges presented by the COVID-19 pandemic. On behalf of the Board and myself, my thanks go to our employees and business partners who have made this possible.

Urenco's response to COVID-19

Urenco has maintained its 100% delivery record and, in doing so, helped to keep hospitals, homes and critical businesses powered all around the world.

Urenco's employees and business partners have rapidly adapted to new ways of working. The key priority was to ensure safety and wellbeing by incorporating comprehensive prevention, response and support measures (page 19).

The Board remains confident that the measures will continue to manage the challenges of COVID-19. Urenco's operations are underpinned by the ability to provide services for customers from four production sites in Germany, the Netherlands, the UK and the US.

[1] In 2020, Chairman of the Board Stephen Billingham agreed to extend his term of office until the end of 2022.

The pandemic did not hamper employees' development and the work to invigorate the organisational culture. Diversity and inclusion continued to be key for Urenco. Several initiatives were launched to ensure Urenco is an inclusive organisation and that equality and diversity are celebrated and valued. One highlight was an inaugural global conference for the diversity and inclusion champions: an interactive, virtual two day event to share organisation wide successes and develop ideas on future initiatives.

Global enrichment market

In the US and Europe, nuclear generated electricity output has closely followed last year's trends, albeit lower due to depressed electricity demand during the pandemic. The impact has been particularly felt in Europe, where a few nuclear reactors were idle due to low power prices or reduced demand.

The market price for enrichment has continued to increase in 2020. Prices are back above $50 per SWU from their low point of $34. Uranium prices also increased as a result of COVID-19 measures and a reaction to the production restrictions and mothballing of mines and milling operations.

Despite this, our view is that market prices need to increase in the long run. They are not sufficient for investment in new enrichment plants or reinvestment in existing facilities. While we continue to significantly reduce operating and capex costs, the investment required for managing depleted uranium and the eventual dismantling and decommissioning of our plants continues to rise.

However, we remain positive about the future and Urenco's long term sustainability, and in 2020 we increasingly saw long dated business being contracted at price levels which will enable us to plan for reinvestment in our plants. Nuclear is also the second largest source of clean energy used today and will continue to play a critical role in providing baseload electricity. Current and next generation reactors require diverse and reliable uranium enrichment services, which Urenco has a key role in providing.

Political environment

Urenco is confident that the actions it has taken to prepare for the UK's withdrawal from the European Union will ensure that we can continue to provide services to our customers around the world.

Under the refreshed strategy (page 12), Urenco and its Board continue to believe it is a strength of the business to operate four enrichment facilities in four different countries. We are confident that we are demonstrating our long term, sustainable commitment to our operations in Germany and the positive contribution they make to the German economy, particularly in relation to the retention of skills and advanced technology.

Urenco welcomed the agreement between the US Department of Commerce and Russian nuclear supplier Rosatom on the level of uranium imports into the US from 2021 until 2040. This agreement was supported by US Government legislation in December 2020.

Urenco and its Board believe it is key to an efficient market for enrichment services in the USA and in the best interests of our US customers, who are supplied by our enrichment facility in New Mexico. In the UK, Urenco was pleased with the Government's announcements in 2020, which demonstrated a positive approach to nuclear and support for the development of new generating capacity and innovative technology.

In the Netherlands, Urenco will monitor with interest the political debate on the energy transition and the potential enhanced future role of nuclear energy.

Our positioning

Urenco remains unique in the world of uranium enrichment in operating four facilities in four different countries, and for 50 years it has been a leader in its field. As sustainability has risen up the agenda of countries across the world, Urenco and its Board are proud of the organisation's role in facilitating low carbon electricity generation for global consumers. We look forward to continuing to make a valuable contribution long into the future by supporting our customers in the nuclear power industry

Stephen Billingham

Stephen Billingham CBE
Chairman

Chief Executive Officer's review

"None of this would have been possible without our people, whose performance in 2020 was outstanding. I would like to thank all employees for their commitment to the company and their hard work during the challenging times that COVID-19 has brought."

Boris Schucht shares his views on the strategic role of nuclear in the future energy transition, how it can help us meet net zero targets, and how Urenco, with its strong performance over the past 12 months, has a key contribution to make.

How did Urenco perform in 2020?

Financial performance in 2020 was strong, despite the COVID-19 pandemic, and the results were in line with our expectations.

Revenue, EBITDA and net income were all down on 2019, in particular due to reduced SWU volumes. All remained robust, driven by the current order book and our sites' performance. Our contract order book extends to the 2030s, with an approximate value of €9 billion, and provides Urenco with good visibility of near-term financial performance.

Net financial debt continued to reduce, which was €456 million at the end of 2020 (2019: €928 million). We have a strong balance sheet, which can help protect us from any potential longer term adverse consequences of COVID-19 and the ongoing challenges of the enrichment market.

Our operations remained safe and stable, and we met our health and safety targets (page 17). Inactive commissioning of our Tails Management Facility was completed, the final stage of active commissioning is well underway and uranium oxide production is expected to start in the first half of 2021 (page 18).

A new Technology and Development function was created to bundle Urenco's technical and business development activities. The function will optimise our global assets and deploy specific technologies to make best use of our skills and expertise, and effectively manage long term liabilities, such as decommissioning and reuse/disposal of nuclear materials (page 24).

New sales were achieved in 2020 (page 20), and we continue to work closely with our customers to monitor and support their financial and operational situations.

None of this would have been possible without our people, whose performance in 2020 was outstanding. I would like to thank all employees for their commitment to the company and their hard work during the challenging times that COVID-19 has brought. The organisation adapted very quickly to the changes required to support the wellbeing of our people and protect our operations as much as possible, which I, and the other members of the Executive team, were both highly impressed by and extremely grateful for. I was also happy that, despite COVID-19, we made progress on the cultural development of the company, which underpins our successful future as outlined in our strategy. 2020 was also a year of celebration. It was a real pleasure in March to mark 50 years since Urenco's founding treaty, the Treaty of Almelo, was signed, an agreement which continues to provide stability and strength for our organisation as we look to the next 50 years.

UD, Gronau, Germany

Tails Management Facility Capenhurst, UK

UUK, Capenhurst, UK

"I strongly feel that nuclear power perfectly complements energy generated from renewables in a net zero world and the uses of hydrogen for the decarbonisation of several sectors. These three technologies belong together and they are the future of energy systems."

With the UN Climate Change Conference (COP26) later in 2021, what are your views on the role of nuclear in the energy mix?
Current energy challenges are dominated by the climate crisis and the need to decarbonise our economies. There is a growing global consensus on the need to significantly and urgently reduce CO_2 emissions. Many countries and businesses are now setting net zero targets, some as soon as 2050 – less than 30 years from now.

Nuclear power can and should play an important role in the clean energy transition. Achieving a sustainable energy system and meeting our ambitious climate targets will be much harder without existing nuclear power and investment in new nuclear. This is being increasingly recognised and accepted around the world, with the UK, France, the US and Canada among the countries announcing funding for nuclear in the past year, and several others, such as the Netherlands, considering enhancing their capacity (page 23).

I believe that, for electricity systems with a significant renewables component in the mix, seasonal storage is needed due to the intermittency issue. Therefore, we are currently seeing the first countries starting to develop hydrogen or power-to-gas concepts as alternatives. Also, some sectors – such as haulage, steel production or cement production – will be very difficult to decarbonise without hydrogen and perhaps other synthetic fuels, and nuclear can assist with their efficient and low-carbon production.

I strongly feel that nuclear power perfectly complements energy generated from renewables in a net zero world and the uses of hydrogen for the decarbonisation of several sectors. These three technologies belong together and they are the future of energy systems.

To make this a reality, nuclear needs a level playing field where carbon emissions have a price in all markets; nuclear must become more cost-effective; and nuclear requires better access to finance. These are the three big issues for nuclear for the next 10-20 years and it is essential that industry, regulatory and government stakeholders collaborate to solve them. In this respect, I was pleased to see the recognition of the valuable role nuclear can play in several countries' policies and initiatives in 2020, including the UK Government's 10 Point Plan for net zero transition, announced in November, and subsequently in the Energy White Paper.

Urenco's energy use and approach to climate change is described on page 30.

UUK, Capenhurst, UK

Stable Isotopes, UNL, Almelo, The Netherlands

Students at the Science Museum's Wonderlab: The Equinor Gallery, UK; taken pre-COVID-19

How can Urenco, through its strategy, support nuclear energy in making a valuable contribution to realising net zero?

We have updated our strategy to reflect our view of the future and what we need to achieve to play our role within it.

There are challenges. Growth in the nuclear sector has slowed, and potentially peaked in the Western world. Through our strategy we are adapting to these changes to be able to continue to offer high-quality products and services for our customers and ensure the sustainability of our part of the nuclear fuel cycle.

Our core business has always been, and will continue to be, uranium enrichment services, using our leading centrifuge technology. We can supply current and new light water reactors, and have the experience and knowledge to deliver enriched uranium to all major fuel fabricators in the world. We are strongly committed to our existing customers and markets, exploring areas of growth and striving to achieve business at levels which will enable us to reinvest in our business. We offer our customers an integrated nuclear fuel supply, covering all elements of the nuclear fuel supply chain.

Using our core competencies and leading technology, existing products and services will be complemented by increasing our offering in related areas where we can create real value, such as the fuelling of new reactors, stable and medical isotopes, waste treatment and decommissioning.

There are customers who are already today considering slightly higher increases in low enriched uranium (LEU) requiring enrichment up to 10%, called LEU+, to improve the economic efficiency of their nuclear power plants. We are currently preparing our sites to be able to meet future customer needs.

There is a second driver for new products in our sector: new reactor designs may need fuels with a higher level of enrichment.

The intention is to improve efficiency and also safety through enhanced accident tolerance. This work is at a very early stage. We are preparing for the necessary developments on the design of our plants, and for the regulatory requirements, so we can provide these in the future when customers should need them.

Our stable and medical isotopes facility in the Netherlands is increasing its capacity and the expanded facility will be officially opened in 2021. We have made this investment to meet the rapidly growing demand for enriched and depleted isotopes of elements. This is an area of huge social value, providing improvements to everyday lives, including medical diagnostics, therapy, and pain relief, and also supporting the development of quantum computers.

Our UK subsidiaries, Urenco ChemPlants and Urenco Nuclear Stewardship, are dedicated to the responsible and sustainable management of nuclear materials. Urenco ChemPlants operates the Tails Management Facility, a £1 billion investment (page 18). This is complemented by the work of Urenco Nuclear Stewardship, focused on decommissioning and waste management, which has won new contracts this year (page 26).

We will increase our collaboration with governments and partners within the industry to help shape the future of nuclear power and its regulation.

Most importantly, we are investing in our people. They are the foundation of our strategy. Creating a winning team will be facilitated by the 'Our Culture' programme. Our ambition is to enhance our position as an employer of choice with an inclusive culture aligned with our values and ambitions, maintaining a healthy and high performing organisation. We offer highly skilled and well paid jobs, reaching out to apprentices and graduates through a variety of programmes and placements, and continuously improve our development and talent programmes.

This is enhanced by our Richie education programme, which has now reached more than 300,000 students worldwide – encouraging the next generation of scientists and engineers.

What will you be focusing on in 2021?

The pandemic is likely to remain a challenge for society, and for us, for a large part of 2021. We will ensure that our operations and the health and safety of our employees are maintained to the highest possible level.

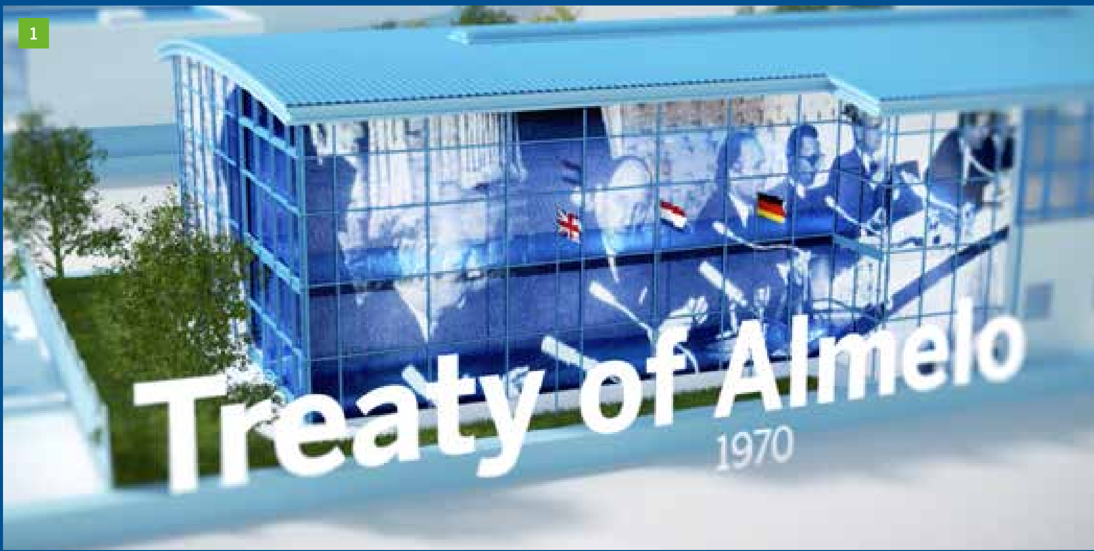
COP26 will be held in the UK. It will be important for the nuclear industry to participate in the dialogue and debate to clearly articulate that nuclear energy is a critical part of the solution for climate change, and Urenco will support this.

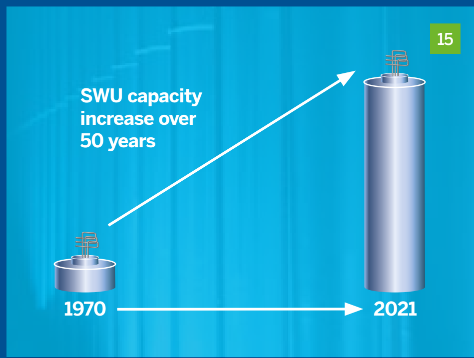
A key focus for 2021 will be the implementation of elements of 'Our Strategy' and 'Our Culture' programmes, which are intrinsically linked. I am proud to say that the majority of the programmes' initiatives originated from Urenco teams, so these really are our programmes, developed by us, for us. I strongly believe that this excellent work will support our long term success and enable us to fulfil our role in supporting net zero goals for the global energy market.

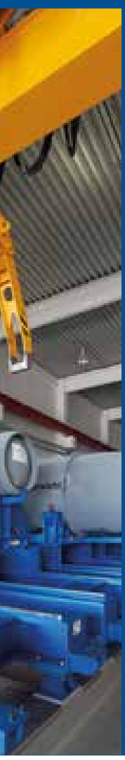
Boris Schucht
Chief Executive Officer

50 years of Urenco

On 4 March 2020 we celebrated the 50th anniversary of our organisation's founding treaty – The Treaty of Almelo. We marked this through celebrations with employees, reflecting on the importance of our treaty commitments, successes to date and future innovations. We donated €50,000 to a variety of local charities at each of our locations, voted for by employees.







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Our business

Urenco is an international supplier of enrichment services and fuel cycle products with sustainability at the core of our business. Operating in a pivotal area of the nuclear fuel supply chain for more than 50 years, we facilitate low carbon electricity generation for consumers around the world.

Urenco provides safe, cost effective and reliable services, operating within a framework of high environmental, social and governance standards, complementing international safeguards.

We are committed to continued investment in the responsible management of nuclear materials; innovation activities with clear sustainability benefits, such as nuclear medicine, industrial efficiency and research; and nurturing the next generation of scientists and engineers.

Our winning team
Over 1,500 high skilled employees around the globe.

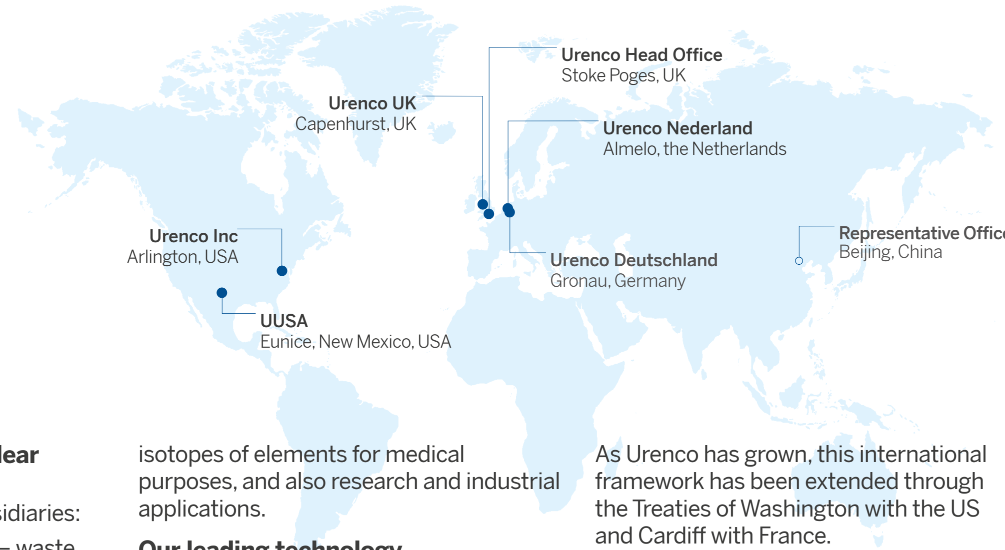
We are unique
The only commercial enrichment company operating four facilities in four different countries: in the UK; Germany; the Netherlands and the US. Our Group Head Office is based in the UK, near London.

Our finances are strong
Our contract order book extends to the 2030s, with an approximate value of €9 billion.

We value our customers
We have more than 50 customers in 21 different countries and supply the majority of countries that use nuclear energy.

We always deliver
- We met 100% of our delivery commitments again in 2020
- Our global capacity was 18,300 tSW/a at the end of 2020

Images left to right: Urenco UK; Urenco Nederland; UUSA; Urenco Deutschland



We responsibly manage nuclear materials

Through two dedicated UK subsidiaries:

- Urenco Nuclear Stewardship – waste management, long term storage and decommissioning services
- Urenco ChemPlants – deconversion, processing and storage services through our Tails Management Facility

We are furthering nuclear medicine

Our expanding Urenco Stable Isotopes business is meeting the rapidly growing demand for enriched and depleted isotopes of elements for medical purposes, and also research and industrial applications.

Our leading technology

Provided by our joint venture company, Enrichment Technology Company.

Our Treaty commitments, ownership and oversight

The Treaty of Almelo was signed in 1970 by the British, Dutch and German governments. This established robust safeguards to protect our technology from misuse and proliferation.

As Urenco has grown, this international framework has been extended through the Treaties of Washington with the US and Cardiff with France.

Government representatives, named the Joint Committee, provide oversight of our security and safeguards

Urenco's Board is responsible for the corporate governance of our company (page 50).

Case study: Working during COVID-19

Amanjit

Senior Analyst, Head Office

Working from home was a new experience for many Head Office employees. We had to adjust quickly to a new way of working and find different methods to stay connected with our colleagues.

I was really impressed by how everyone embraced the technology platforms we have and made a conscious effort to support one another. We missed the regular interaction that the office normally provides, so throughout the year we organised a series of virtual activities for everyone to get involved in, everything from wellbeing sessions to quiz nights.

There have been challenges, so it was important to stay in regular contact with our managers and maintain a good work/life balance.

We also shared working from home tips and were reminded of the support services available to us, such as the Employee Assistance Programme, a confidential, free service for all Urenco employees in the UK, offering both practical advice and counselling support on a range of subjects: for example, mental health, childcare, financial difficulties and helping elderly relatives.

Our Strategy

We have launched a new strategic planning process to reflect our view of the future and set out what we need to achieve in the long term (five to 15 years), mid term (three to five years) and short term (12-24 months). The result is Our Strategy – developed and delivered by our people, for our people.

Our purpose
To be viewed as a respected, resilient and trusted supplier, believing that nuclear power is an essential part of the energy mix toward a more sustainable future. Through the use of our technology and expertise, we have a duty to help ensure everyone has the energy to succeed.

Our vision
To be a trusted leader in meeting the world's demand for sustainable energy.

Our mission
Through the expertise of our people, our technology and our portfolio of products and services, we play an essential role in delivering the energy to succeed.

urenco
The Energy to Succeed

Our values
Safety
Integrity
Leadership
Innovation
Sustainability

Our purpose, vision, mission and values drive our strategic objectives and determine the culture of our organisation.

Our values

Safety
We are proud of keeping our people, the community and the environment safe and secure from harm and maintaining the reputation of our industry, products and services.

Integrity
We are honest, fair and respectful in how we conduct our business.

Leadership
We entrust our people to develop and support our leading role in the industry by being accountable, inclusive, collaborative and effective communicators.

Innovation
We have the energy, expertise and flexibility needed to help our customers and our business succeed over the long term.

Sustainability
We support the delivery of a successful long term future by continuing to invest in our people, communities, technology and services and return value for our shareholders.

Our Strategy is designed around five building blocks:

Create a winning team - our people

We will be the employer of choice, with an inclusive culture aligned to our values and ambitions, resulting in a healthy and high performing organisation.

Maintain our strong customer base

We will be the preferred supplier to our global customers, offering a portfolio of products and services that are tailored to their needs and provide security of supply.

Defend and innovate our core business operations

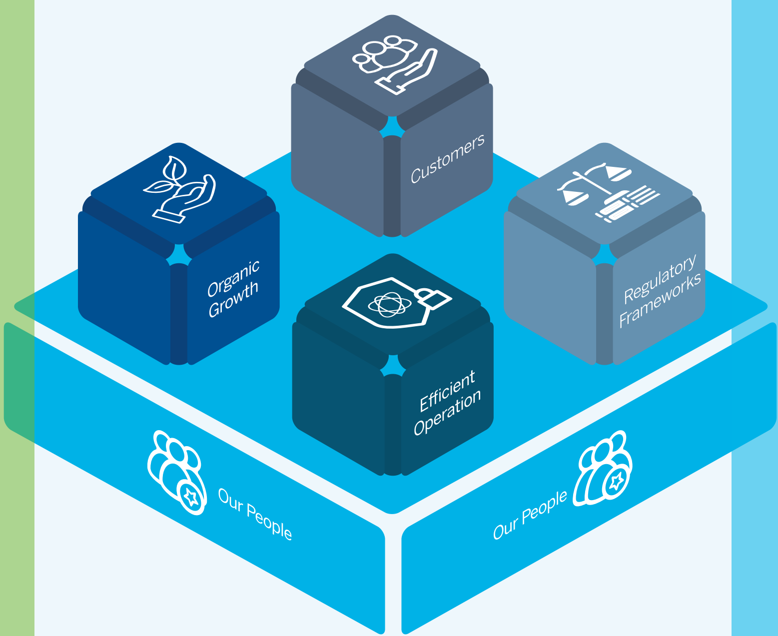
We will actively pursue innovation in order to remain a leading player in the enrichment industry, while we continue to focus on the safe and efficient operation of our assets.

Shape and utilise regulatory frameworks

We actively engage with key stakeholders to create a supportive business environment and build on strong relationships with our regulators and communities.

Promote organic growth

We will create value by becoming a more diversified company, offering a broader portfolio of products and services through expanding our core technologies and capabilities.



Our Culture, Diversity and Inclusion

Developing an inclusive culture and achieving together as a winning team.

With our people as the foundation of our strategy, our aim is to create a winning team. This ambition is being facilitated through the long term 'Our Culture' programme.

At the root of our culture work is behaviour. Any company culture is driven by how people behave: their attitudes and mindsets. We believe that when we have a fully inclusive culture – an environment where all voices are heard and diversity can thrive – we will make positive progress on delivering on our priorities.

Despite the disruption caused by the COVID-19 pandemic, our culture journey continued in 2020. In many respects, it brought out the best in our employees, who have worked together more flexibly and effectively than ever before.

Five workstreams have been identified to support the culture that our employees want to further develop:

- Behavioural change
- Tools & systems
- Leadership
- Communication
- Diversity & Inclusion

We have also developed six new target behaviours:

- Actively collaborates to form winning teams
- Embraces continuous improvement and innovation
- Empowers by holding self and others accountable
- Embodies transparency, respect and inclusivity
- Ensures physical and psychological safety and maintains integrity
- Acts consciously with a broader and longer term perspective in mind

We will expect our leaders to be role models for these behaviours, inspiring our employees to exhibit them in their daily working lives. Ultimately, all employees will be reviewed against them, with how people do their jobs considered to be just as important as what they do.

Target behaviours:

Actively collaborates to form winning teams

Embraces continuous improvement and innovation

Empowers by holding self and others accountable

Embodies transparency, respect and inclusivity

Ensures physical and psychological safety and maintains integrity

Acts consciously with a broader and longer term perspective in mind

Diversity and inclusion

We have recognised that our diversity and inclusion (D&I) goals will succeed only if we transform behaviours. Consequently, Urenco's D&I programme has been integrated into the 'Our Culture' programme.

Urenco places great emphasis on D&I. Our D&I programme, 'Including U', aims to:

- Ensure managers demonstrate effective leadership with due regard to inclusion, equality and diversity.
- Create an inclusive working environment where employees respect and value the differences in our people.
- Constantly challenge the status quo and develop new ways to improve the proportion of under-represented groups.
- Deliver relevant processes in a way that promotes equality and respects diversity and inclusion.
- Attract new people from the widest possible talent pool.

Urenco has laid solid foundations in its commitment to becoming a more diverse and inclusive organisation, with 'Including U Champions' across all sites and the successful initial roll out of awareness training. Initially focusing on improving the gender mix within the business – which remains a priority – the programme is now being extended to include other areas, with increased resource put in place to better support D&I initiatives.

The first global D&I conference for our 'Including U Champions' was held virtually during National Inclusion Week at the end of September and provided the opportunity to hear about some of the great work being undertaken across the organisation. The Champions' support on mental health was especially timely this year, and Urenco is now offering a half-day mental health awareness course to all employees in the UK and working closely with teams at every site to support their mental health initiatives.

Operational performance

The COVID-19 pandemic has required us to work differently, which has affected both operational and non-operational employees, and is illustrated in case studies throughout the Strategic Review. Urenco continues to implement its detailed and comprehensive COVID-19 plans to ensure the health and safety of our teams, communities and key stakeholders, and our ability to keep our plants operating. In 2020, the sites continued at full production and met the requirements of all shipments for our customers.

Safety is Urenco's number one priority, and both physical and mental wellbeing have been at the forefront of everything we have done in 2020, while we have maintained our asset security and reliability.

UD, Gronau, Germany

Highlights

Despite the COVID-19 restrictions, 2020 saw many operational highlights and successes.

Urenco Nederlands (UNL) obtained approval for an adjusted nuclear site licence, allowing for decontamination activities in the Recycling Centre to be further expanded. The UNL logistics team was also proud to contribute to Urenco's largest ever enriched uranium shipment from Europe to North America, safely achieved in April. This saw the team process nearly double the number of cylinders for the shipment than originally planned. The enhanced shipment was made possible using new state-of-the-art cylinder packages. These packages were also used to enable Urenco UK to complete its largest ever bulk shipment of product in September.

At Urenco Deutschland, preparations have been made for the refurbishment of centrifuges in the lead cascade in UTA-1 plant to enhance its performance. Similarly at Urenco UK, centrifuges were repopulated in three cascades in the E23 plant and a vibrational analysis system installed to improve pump reliability and reduce costs. Other major infrastructure investments continue at Urenco UK to replace older equipment, such as many of the high voltage systems.

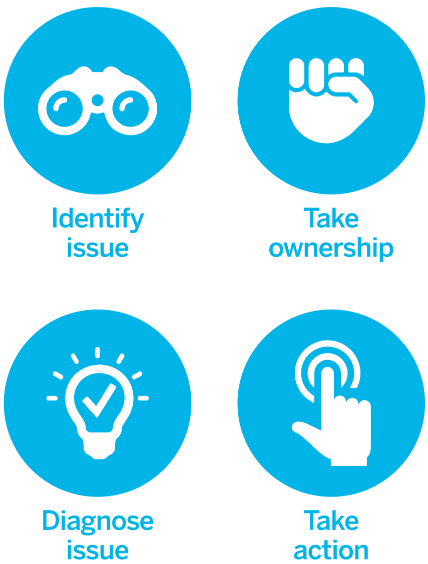
Our US site, UUSA, continued to make good progress on a major project to replace the weatherproof roof membrane of their first cascade hall (SBM 1001), remaining on schedule and budget.

All the enrichment plants maintained high reliability and asset integrity throughout the year, as demonstrated by their online performance and achieving business plan production goals.

Case study: Safety Month

At Urenco each year, we host a series of safety days, where each site focuses on specific safety activities. This year, all of the Urenco sites collaborated on a month-long effort in October which examined the 'Principles of Accountability'.

To accommodate COVID-19 safety restrictions, the activities were held virtually via online information, meetings and training sessions. They were designed to build a stronger culture of accountability for safety and provided examples of how employees can be responsible for safety, centred on identifying issues, taking ownership, diagnosing issues and identifying solutions, and taking action.



Safety

Our aim is to achieve the 'interdependent' stage of the DuPont Bradley Curve, taking personal accountability for our safety and the safety of others.

This year there was one Lost Time Injury (LTI) and four Medically Treated Injuries (MTIs), and one Restricted Work Case (RWC), resulting in a Total Recordable Incident Rate (TRIR) of 0.284 for over four million work hours. This is an improvement on 2019 and an injury rate we intend to continue to improve upon.

Throughout the year, Urenco focused on the 'Principles and Traits of a Healthy Nuclear Safety Culture', as described by the World Association of Nuclear Operators (WANO). These are designed to develop and maintain a healthy nuclear safety culture, with the goal of creating a framework for open discussion and continuing evolution of safety culture throughout the commercial nuclear energy industry. An overt focus on the principles of accountability was applied throughout the month of October during Urenco's first global Safety Month.

Urenco's US site, UUSA, led on the initiative, which involved interactive learning sessions to encourage more conversations about safety (see left).

Security and safeguards

The security of our sites and operations is of fundamental importance to protect our people, physical assets and technology.

Euratom, NRC and IAEA inspections were maintained in 2020 and no issues were identified.

Improvements included a group-wide review and reissue of security procedures, along with ongoing investments.

We are preserving the privacy of personal data, and continued to ensure strict adherence to all relevant industry and regulatory standards.

Tails Management Facility update

Urenco ChemPlants received official written notification from the UK Office for Nuclear Regulation (ONR) granting a Licence Instrument to commence active commissioning of the tails deconversion plant within the Tails Management Facility (TMF) at Capenhurst.

The letter in November followed a visit by the ONR to the TMF the previous month, which involved two days of external reviews and was external validation of its readiness to operate.

Uranium oxide production is expected to start in the first half of 2021.

The TMF represents a major investment in Urenco's strategy for its future management of nuclear materials, providing for the deconversion and storage of the by-product produced by the enrichment process. This helps us to manage our obligations as part of the nuclear fuel cycle.

BREXIT preparedness

By the end of 2020, Urenco finalised preparations for the UK's withdrawal from the European Union and European Atomic Energy Community (Euratom) treaty.

We welcomed the Trade and Cooperation Agreement between the UK and EU, and the conclusion of the civil Nuclear Cooperation Agreement (NCA) between the UK and Euratom, which will ensure that our European sites can continue to work together efficiently and effectively as part a global organisation.

In the UK and Euratom NCA, there is an explicit reference to our founding Treaty of Almelo and to the Treaty of Cardiff, which enables our collaboration with Orano on our joint venture Enrichment Technology Company (page 11).

We will continue to build on the strong cooperation between our regulating governments, both inside, and now outside, the EU. The UK and Euratom NCA is complemented by the UK Nuclear Safeguards Regulations, bilateral international safeguards agreements with the International Atomic Energy Agency and other new international NCAs agreed by the UK.

We have identified and mitigated the risks to our business while the new agreements are being implemented. We have ensured that our products are in the right locations across the world and international procurement of key supplies has been brought forward. Stock, equipment and other materials have been built up to continue production at our UK site in case of transport disruption.

These actions enable us to continue to provide services from all our sites in the UK, Europe and the US.

Case study: Working during COVID-19

Evonne
Senior Chemistry and Environmental Specialist, UUSA

In March, our school district closed down for two weeks due to COVID-19. That's when my working from home journey started.

The first few months were a definite challenge and I struggled with the work/life balance. I was anxious about the state of the world and the amount of news coverage surrounding COVID-19 was overwhelming. My children and their teachers were navigating a new world of online learning and I was struggling to fit everything in.

I started to block out periods of time and plan out my whole day to ensure I met my work commitments and helped my children through their schoolwork. Fortunately, I had the tools to make my working from home life easier. Our department used virtual meetings as a way to continue having our morning catch-ups and training, guaranteeing that we stayed connected and maintained our level of proficiency. Our management also created an environment that embraced flexibility, which meant that my work hours and days could shift, if necessary.

Despite the challenges, there have been positives during COVID-19. Personally, I have spent more time with my husband and children and we even attended my cousin's wedding online in November!

COVID-19 measures across Urenco

Throughout 2020 Urenco ensured measures were in place to prevent and mitigate the risks associated with COVID-19.

The main challenge, and the key priority, was to ensure the health and safety of our employees and the continued safe and secure operation of our sites.

Our Global COVID-19 Teams worked together quickly and decisively to establish detailed prevention, mitigation and recovery plans. We immediately cancelled international business travel and visitor tours of our sites. For business-critical visits, risk assessments were continuously reviewed and travel screening questionnaires completed before arrival to site, along with a temperature check.

Increased preventative measures were also implemented at all sites, including remote working for employees who could do so. Safety requirements were put in place for face coverings, hand sanitising stations and physical distancing.

Rapid COVID-19 testing by approved medical providers was made available to Urenco employees, offered on a voluntary basis for those who wished to have the test, and also as a requirement for onsite workers at specific locations where pandemic conditions dictated more stringent measures.

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

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

From March, work on the sites was focused on business critical activities with some capital projects being deferred or slowed. This has resulted in these projects being rescheduled into 2021.

Urenco's finances remained healthy, despite the pandemic. Our operational results in the past 12 months were in line with management expectations. COVID-19 has not had a major impact on our business models and strategies and we have fulfilled all regulatory requirements.

We supplied a large quantity of personal protective equipment to a multitude of charities, care homes and medical organisations to provide our communities with some of the resources they needed to protect themselves and their families.

Many measures will stay in place for the time being, with restrictions being eased gradually in line with Government guidance. We remain confident about our plans for managing COVID-19 and our robust operations are further strengthened by our ability to provide services for our customers from our sites in mainland Europe, the UK and the US.

We extend a huge thank you to our employees and partner organisations who have been incredibly resilient during this difficult time and supported us in new ways of conducting business.

Commercial and markets overview

> **"You get what you pay for. We would always want Urenco as one of our suppliers. They give us that certainty...."**
> US customer

Urenco offers quality, flexibility and reliability in the delivery of our enrichment services and fuel cycle products.

Our global reach and diverse offering from our enrichment facilities in four countries mean we are well placed to meet the needs of our customers around the world.

In 2020 we again met 100% of our customer deliveries and provided the volume of enrichment services we forecast in advance of the pandemic.

We usually travel to see our customers in person on a regular basis, meeting them at a variety of locations, including nuclear sites and international conferences. We also facilitate customer visits to our enrichment facilities, which provide a valuable opportunity for them to see Urenco's capabilities and better understand our operations. With travel restrictions in place for most of 2020, this form of contact was not possible. However, we continued to engage with our customers using online meetings, regular email updates and virtual tours of our facilities. This high level of communication is maintained by a dedicated team within the Commercial department.

2020 was another successful year in terms of gaining new sales. We have put in place new agreements with existing customers and extended our order book past 2030. We are also making preparations both to supply new nuclear build programmes and to deliver advanced fuels with Uranium-235 enriched up to 10% (page 27).

Transportation and logistics
Safety and timeliness are the highest priorities for the transportation of uranic materials at all stages of the enrichment process. Urenco uses only specialist transport suppliers, which are required to pass a quality audit. We continue working under a long term agreement with a vessel to provide regular transatlantic shipments of uranic materials. This ensures a sustainable and secure transport route, with cost certainty.

Engagement with suppliers
We frequently meet with and audit our suppliers to maintain our relationships with them and assess their performance against the contracts and service levels we agree.

This year, in the main, these meetings have been conducted remotely because of travel limitations due to the pandemic. Like Urenco, our suppliers implemented enhanced risk mitigations, and all service and contract obligations have been met. The ability to audit remotely has been enabled by recent investments in Urenco infrastructure.

We pay particular attention to our fuel cycle suppliers, where the Commercial team run additional audits, supported by qualified auditors and subject matter experts from our enrichment sites.

ISO 9001 standard fuel cycle supplier audits are conducted with all new suppliers, and then repeated every three to five years as 'surveillance' audits.

The audits verify that our suppliers, and any sub-contractors, have satisfactory quality management systems and hold appropriate certifications. They also ensure that our suppliers operate ethically, within suitable published codes of conduct. The audits are conducted alongside Urenco's standard Counterparty Due Diligence procedure, which is aligned with our values, Code of Conduct and Anti-Bribery and Corruption policy.

"A long-standing history… We have never had any complications with Urenco."
European customer

Case study: **2020 Customer Survey**

In 2020, Urenco had a comprehensive customer survey conducted by an independent organisation. The objective of the survey was to gain honest feedback from our customers and potential customers on our services and products, our brand and values, and our sustainability work. Urenco scored highly in all areas and customers are generally satisfied with the service Urenco provides, evidenced by 100% of respondents reporting they would recommend Urenco as a supplier.

The survey results were very favourable on the topics of deliveries, contract management, customer contact and communication. In 2021 Urenco will be using the findings from the survey to refine and improve our processes.

Case study: **Customer audit of Urenco Deutschland**

In November, a customer audit was held at Urenco Deutschland (UD). The audit involved comprehensive presentations and discussions by colleagues from both the site and Head Office. Our goal in customer audits is the fulfilment of all contractual requirements and customer satisfaction.

The auditor praised the transparency and flexibility shown by Urenco in the audit. Neither a deviation nor a recommendation was identified. The systematic connection between UD's stakeholder analysis and the continuous improvement plan, the excellent status of preventative maintenance work despite COVID-19 restrictions, and the site's ideas management programme were assessed as three areas of particular strength.

We welcome all feedback and were pleased to have some areas for improvement suggested, such as catching up on deferred training courses as soon as possible after the pandemic.

"They (Urenco) are unique in that they operate in the US and Europe."
US customer

"I have a lot of faith and trust in my account lead. He is our interface. He is Urenco to me."
US customer

Markets overview

SWU price: Since March 2011, when the enrichment spot price peaked at US$155/SWU, the price fell continuously to US$34/SWU in August 2018, with no increase registered at any time during this period. However, since then, the spot enrichment price, as reported by Tradetech and UxC, has crept upwards, reaching US$51.75/SWU and US$51.50/SWU respectively by the end of December 2020.

Case study: Sizewell C consortium

Urenco joined a consortium of businesses and organisations from across the UK nuclear supply chain calling on the UK government to move forward with proposals for Sizewell C, a planned new large-scale nuclear power plant in Suffolk.

The consortium comprises EDF Energy and over 150 UK-based supply chain partners, making the case for Sizewell C and the need for nuclear in the UK's energy mix. This aligns with Urenco's vision of making a valuable contribution to zero carbon electricity generation around the world.

Core markets

US: The US has seen a growing list of utilities announcing commitments to achieve net zero carbon emissions by 2050 – with several utilities seeing nuclear playing an important role in the realisation of that goal. Complementing this, as part of a $2 trillion clean energy plan designed to achieve a carbon emissions-free energy sector by 2035, the incoming Biden Administration appears to favour a 'technology neutral' approach that includes "all zero carbon technologies including hydroelectric power, geothermal, existing and advanced nuclear, and carbon capture and storage". The statement marks the first time since 1972 that the Democratic Party has officially expressed support for nuclear energy in its Official Party Platform[2].

The NRC approved Exelon's application for an additional 20 years of operation for Peach Bottom-2 and -3 – the second time the regulatory body has issued renewed licences authorising reactor operation from 60 to 80 years. Dominion Energy's Surry-1 and -2 are next in line, having received NRC approval of their final supplemental environmental impact statement in April. Dominion Energy and NexEra have since filed applications with the NRC to renew the two-unit North Anna and Point Beach plants' operating licences for an additional 20-year term. In contrast, Entergy's Indian Point-2 and NextEra's Duane Arnold became the latest US reactors to shut down permanently in 2020, while Exelon announced that both the two-unit Byron and Dresden nuclear power plants would be retired in 2021. Exelon added that its two-unit LaSalle and Braidwood plants were also at high risk of premature closure.

The US Department of Commerce and Rosatom have finalised their agreement on the level of uranium imports into the US from 2021 until 2040. This agreement was supported by US Government legislation in December 2020 (page 3).

Europe: EDF permanently shut down Fessenheim-2 at the end of June 2020, bringing the number of commercial reactors in France's nuclear fleet to 56. However, EDF aims to unveil a new, cheaper-to-build version of its EPR nuclear reactor by mid-2021, ahead of a 2022 government decision on whether or not to build new nuclear reactors after the Flamanville-3 project begins operating.

In the UK, following Hitachi's January 2019 decision to suspend plans to build two new nuclear power plants (four units in total) in Wylfa Newydd and Oldbury respectively, in 2020 it has confirmed the cancellation of the projects. Hitachi noted that the investment environment had become increasingly severe due to the impact of the pandemic.

Three UK Government reports of note were released towards the end of 2020. The Treasury reported that it was important to consider large scale nuclear projects in addition to Hinkley Point C if the country is to meet its net zero target by 2050. This followed the Government's 10 Point Plan for a Green Industrial Revolution that will provide up to £525 million to bring forward nuclear and invest in the development of advanced nuclear research and development, including up to £385 million in an Advanced Nuclear Fund for small modular reactors and advanced modular reactors.

Building on the 10 Point Plan, the UK Government's Energy White paper, published in December, included commitments to large and small-scale nuclear, to enter into negotiations on the Sizewell C project and engage with other nuclear power plant developers. Earlier in the year, in May, EDF submitted an application to build two new EPR units at Sizewell C. It is also of note that hydrogen features prominently in the Energy White Paper, with the UK Government aiming for 5GW of hydrogen production by 2030, backed by a new £240 million net zero Hydrogen Fund, and it is expected that nuclear has a role to play in meeting these needs.

[2] 2020 Democratic Party Platform

> **"We are looking for new areas of collaboration and Urenco is a big, smart company we can work with."**
>
> European customer

Asia: China is the fastest growing market in the nuclear sector. Its ambition to invest in its nuclear fleet will see it expand to become the largest nuclear generator before the end of this decade.

China has brought 10 new reactors online since 2018 (including the world's first AP1000s and EPR). In 2019, China approved the construction of six new units, and this year it approved four more units. Meanwhile, China will be releasing a new energy plan (in March 2021) that will propose setting a target of coal usage at 55% of China's energy mix by 2030, with nuclear, hydropower, wind and solar set to gain. By 2035, China aims to have 200 GWe of nuclear generating capacity in place, out of a total generating capacity of 2,600 GWe, or around 8% of total electricity production. Such an effort would require China to raise the pace of construction from six to eight reactors a year from 2021 to 2030.

South Korea has reaffirmed plans to phase out nuclear energy despite rising losses at state utility firms. The ninth long term plan envisages reducing dependence on nuclear and fossil fuels from 46.3% today to 24.8% by 2034 (nuclear reactors would fall to 17 by 2034 from a peak of 26 in 2024), while expanding renewables from 15.1% to 40%.

In Japan, the government is reviewing its energy policy, looking to use renewable energy sources and existing nuclear plants that can be operated safely, to meet its goal of achieving carbon neutrality by 2050. Japan now has 16 reactors at nine nuclear power plants that have cleared government requirements adopted after 2011.

Other markets:

UAE: ENEC's Barakah-1 was connected to the UAE grid and reached 80% of its electricity production capacity. It is on schedule to begin full commercial operation early in 2021. Operational readiness preparations for unit-2 are now underway, while construction of units-3 and -4 is in its final stages.

South Africa: With South Africa's only nuclear power plant licensed to operate until 2024, the National Nuclear Regulator (NNR) is in talks with Eskom regarding extending the operating life of the two-unit Koeberg plant by 20 years. The NNR is also considering approving the procurement of 2,500 megawatts of nuclear power, marking another step toward the expansion of the nuclear industry in the country.

The Netherlands: The Netherlands is to launch a consultation on whether to build up to 10 nuclear power plants, after a study commissioned by the Ministry of Economics found that nuclear energy would be as cheap as wind or solar power. As well as building plants, which could be underway by 2025, the government wants to relax nuclear regulations and make state funding available to subsidise projects.

Sweden: Vattenfall reports that it is likely to extend the life of five reactors beyond 2045. The extension applies to two reactors in Ringhals and five reactors in Forsmark, which could have a lifespan of 80 years.

Poland: The Polish government is to take over PGE EJ1, the company set up to build and operate Poland's first nuclear power plant. The acquisition will allow the government to manage the entire investment in the proposed projects. Commissioning of the first reactor is planned for 2033, with another five such units commissioned at intervals of two to three years.

Technology & Development

In 2020, a new Technology and Development function was created to bundle our technology capacities and business development activities across the organisation, as well as decommissioning, reuse and disposal of assets requirements.

The establishment of this function is an important part of our refreshed strategy. To date, the safe, efficient and compliant operation of our assets has been managed at each site. We recognised the need to develop a more flexible, multi-skilled team that can benefit the whole organisation and ensure we are utilising the best common practices and metrics to optimise performance.

Primarily based at the Urenco Technology Centre in Gronau (Germany), the Technology and Development team

We recognised the need to develop a more flexible, multi-skilled team that can benefit the whole organisation and ensure we are utilising the best common practices and metrics to optimise performance.

consists of a multi-disciplinary group of employees of different nationalities. Parts of the function are also based at our other sites - for example, Urenco Nuclear Stewardship in the UK.

The full remit of the function is as follows:

Research and development

Asset management

Supply chain assets

Design authority

Urenco Nuclear Stewardship

Information and security

Group projects

U-Battery

Stable Isotopes

Case study:
Stable and Medical Isotopes

Due to its versatility, our centrifuge technology is not limited to the separation of uranium isotopes. Our centrifuges can also be used for the separation of other isotopes – including cadmium, germanium, iridium, molybdenum, selenium, tellurium, titanium, tungsten, xenon and zinc – for medical, industrial and research applications.

We have gained expertise in this area for over three decades at our enrichment facility in the Netherlands, supporting the improvement of medical diagnostics, therapy and pain relief, and many other fields.

The first commercial order was a batch of enriched Xenon136 for research purposes, ordered by a renowned US university. Additional orders for xenon, zinc and other products followed, allowing Urenco Stable Isotopes to build a substantial portfolio of enriched and depleted products for a wide range of markets and customers.

In 2021, we are looking to take a considerable step forward in the production of stable and medical isotopes. The growing market in this field has led us to expand our facility to meet the demand, especially for products in the medical field - for example, Xenon 129. This product is used in MRI imaging to detect lung diseases. We are also doing research to discover solutions for cancer treatment. Already, hundreds of thousands of patients are treated every year with products made from our enriched stable and medical isotopes. Other applications of our products are very varied and include super fast computer processing power.

We are looking forward to working with customers on new research and development projects, producing high quality, cost-efficient products and solutions that will change lives.

UUK, Capenhurst, UK

Case study:
Urenco Nuclear Stewardship

Urenco Nuclear Stewardship has been in operation since 2012. Its core expertise centres on waste management, decommissioning and long term storage of nuclear materials. It both serves Urenco's requirements for these capabilities and utilises them to develop external business opportunities.

Waste management – Urenco Nuclear Stewardship has a new waste handling facility and strong technical expertise in waste strategy, characterisation, packaging and transport. In 2020 it successfully secured a contract to manage, treat and dispose of metallic waste from UK nuclear facilities over the next four years, being included in a framework worth up to £65 million (€73 million).

Decommissioning – During the past eight years, Urenco Nuclear Stewardship has been contracted to deliver £295M of decommissioning projects for the Nuclear Decommissioning Authority (NDA). It is also responsible for decommissioning projects across the Urenco Group.

Storage – Urenco Nuclear Stewardship currently stores 95% of the UK inventory of uranium on behalf of the NDA and has a contract with the Ministry of Defence for storage of submarine reactor pressure vessels prior to disposal.

Case study:
U-Battery awarded approximately £11m funding by UK Government

U-Battery, a micro-modular reactor development programme involving Urenco, progressed through to the next stage of the UK Department of Business, Energy and Industrial Strategy's (BEIS) Advanced Modular Reactor (AMR) competition in July.

This saw a further £10m contribution from the UK Government to conduct design and development work to bring the new nuclear technology closer to market.

It follows the successful completion of a feasibility study that made the business, economic and technical case for the deployment of U-Battery in the UK and in Canada, where it would be deployed in industrial applications, mining sites and remote locations and have a positive effect on decarbonisation and climate change efforts. It is also a highly versatile technology that can be used for other beneficial purposes, such as the production of hydrogen through the copper chlorine process.

U-Battery received an additional £1.1m of funding from BEIS to design and build the two main vessels (the reactor and intermediate heat exchanger) and the connecting duct.

During the next phases of the programme, U-Battery will be working to form new partnerships for the longer term development of the AMR.

Case study:
Next generation technologies and fuels

Urenco has committed further funding to enable its US and UK sites, UUSA and UUK, to explore in depth the production of LEU+, uranium enriched up to 10%.

As a leader in the nuclear industry, Urenco is well positioned to provide the enrichment services needed to support the nuclear industry's efficiencies, advancements and innovations in fuel production.

LEU+ can be used in existing light water reactors seeking to achieve higher levels of safety and improved economics.

Urenco's existing advanced gas centrifuge technology is capable of producing LEU+. Few modifications will be needed to the current facilities at UUK and UUSA.

Urenco is advancing the next generation of nuclear technologies and fuels as an important part of achieving greater efficiencies within the industry and making a valuable contribution to decarbonisation goals.

We have the knowledge and experience to play a leading role in this area, which will provide an enhanced service for our customers and wider benefits for society.

Sustainability

Our sustainability programme

Under the guidance of the Board Sustainability Committee (page 64), 2020 was a strategic and innovative year for our sustainability programme. There was innovation in our approaches so we could further our sustainability performance, despite the disruption caused by COVID-19. We strategically adjusted our approach to reflect changes in the social development and environmental agendas that COVID-19 – as well as the increasing importance of diversity and inclusion, and the move to net zero – has brought.

We are committed to making a valuable contribution to key universal United Nations Sustainable Development Goals (SDGs).

We are committed to making a valuable contribution to key universal United Nations Sustainable Development Goals (SDGs) and a synopsis of how our organisation contributes to each goal can be found on our website at www.urenco.com

Our Group sustainability champions have remained focused on six core sustainability areas:

- Health and safety, safeguards and security – page 17
- Environmental impact – page 30
- Supplier of choice – page 21
- Employee engagement – page 14
- Community engagement – page 32
- Asset integrity – page 16

COVID-19 has had a predictable impact on our social and community initiatives in particular, with lockdown necessitating reduced employee volunteering numbers, fewer Richie science workshops for school children and site visits being put on hold. We are updating the general virtual site tour to provide an opportunity for members of the public to find out more about us. The Richie programme (page 32) has focused on online content delivery in 2020. Our dedicated employee volunteers have found opportunities to support charities in a socially distanced manner, such as offering fruit baskets and conversation to 90 households in Almelo suffering from loneliness, illness or poverty; and UUSA employees and family members making face coverings for the local hospice and other non-profit agencies.

We have also evolved our strategy for social investment, with a clear focus on multi-year partnerships with charitable organisations and enhanced alignment of our internship, educational and other social programmes with our wider sustainability priorities. At the end of the year, the Board approved a proposal to increase social investment in 2021.

In 2020 we conducted an enhanced materiality assessment to support a refresh of our Sustainability Strategy. The views of key stakeholder groups were gathered through interviews with industry and sustainability experts, a customer survey, an employee survey and workshops with the Managing Directors and the Executive Committee.

SUSTAINABLE DEVELOPMENT GOALS

All stakeholders were asked to identify priorities for Urenco to take action on from a ‘comprehensive list’ of sustainability topics. The new Sustainability Strategy will be presented in our forthcoming Sustainability Report. We have already begun revitalising our sustainability approach, such as setting enhanced diversity and inclusion goals for the areas of recruitment, succession planning and training (page 15), and conducting a study of our ‘scope 3’ carbon emissions.

UUK, Capenhurst, UK

Case study:
Working during COVID-19

Lauren
Maintenance Administrator, Urenco UK

During my seven years at Urenco I have worked across the site in a number of roles. I am currently in the maintenance team for UUK as the team administrator and my usual desk would be in the offices of one of the plants.

In May 2019, I took 12 months of maternity leave after having my little boy, Jude. As the pandemic escalated this year, it was clear I would be working remotely on my return.

I was apprehensive, as coming back to work after a long period of time is nerve-wracking enough without there being a pandemic and a different working style.

I didn't even have a laptop, so my manager dropped one off and reassured me. I didn't expect to be doing my job with nursery rhymes in the background, however, I have made it work!

It's been a huge adjustment, but I'm lucky Urenco have been understanding about their employees having children and other commitments at home. It has been a challenging year for all of us and I am very much looking forward to getting back to some form of normality in 2021.

Energy use and climate change

Nuclear energy is part of the solution for tackling climate change. Through our product, we support the decarbonisation of the world's electricity grids, the journey to net zero carbon emissions and a 'green recovery' from COVID-19.

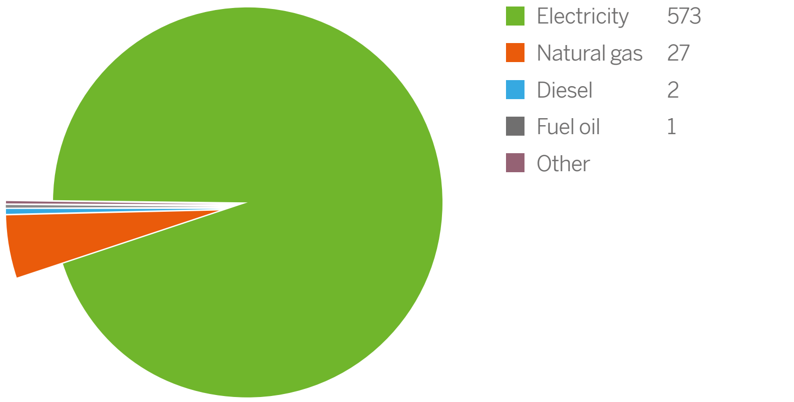
Periodic assessment of climate change risk has been part of our overall risk programme. We expect to develop further risk and mitigation plans in 2021, aligned with evolving plans on setting both short and long term carbon reduction targets. We aim to reduce our own carbon emissions and support a lower carbon supply chain for nuclear energy. More information will be included in the Sustainability Report, published in the summer.

In 2020, our total energy use and total emissions (scope 1 and 2) fell by 2% and 9% respectively, on a like-for-like basis. Office closures due to COVID-19 had a negligible effect on our energy consumption and carbon figures; by far the majority of our energy use and emissions relate to our core enrichment services, and these continued to operate as normal despite the outbreak.

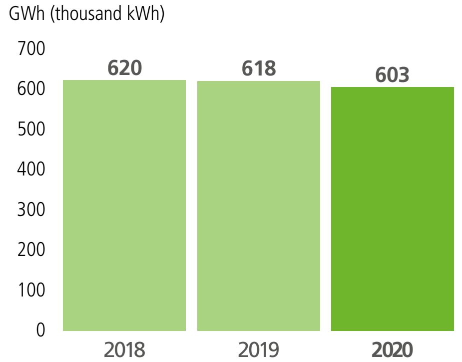
Our Energy Savings Group promotes energy efficiency across our sites, with a particular focus on electricity usage, which accounts for more than 93% of our total carbon emissions (scope 1 and 2). Our electricity consumption across all four enrichment sites reduced by a further 2% in 2020. This was mostly due to efficiency measures such as further roll out of upgrades to the TC12 centrifuges at our sites in the Netherlands, UK and Germany, and continuing installation of LED lighting and pump speed optimisation at our UK site. Please also see our disclosure in line with the Streamlined Energy and Carbon reporting requirements on page 73 for details of energy-saving projects in the UK.[1]

In 2020 we commissioned a study of the 'scope 3' emissions associated with our wider value chain. This study has identified key areas for us to focus on with our suppliers to support further reductions to our carbon footprint.

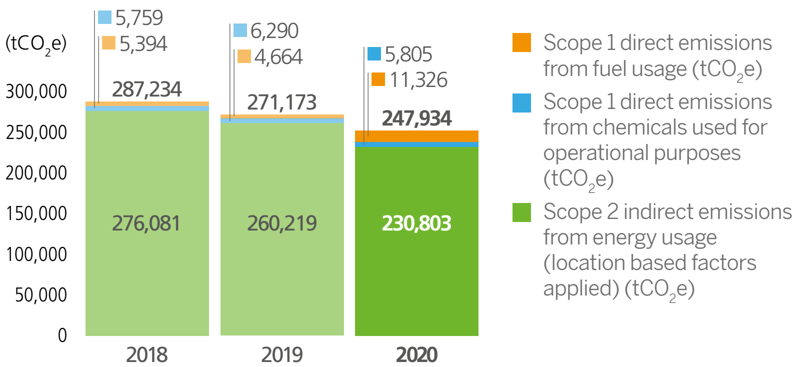
2020 energy consumption by source GWh (million kWh)



Energy consumption



Greenhouse gas emissions



[1] Our energy and carbon data is subject to limited assurance by external provider Corporate Citizenship, in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the relevant subject-matter specific ISAE for greenhouse gas data (ISAE 3410, Assurance Engagements on Greenhouse Gas Statements). Please see www.urenco.com/sustainability/quality-certifications for the most recent annual assurance statement.

Images above, top to bottom;
Tails Management Facility, Capenhurst, UK;
Urenco Nuclear Stewardship, Capenhurst, UK

Nuclear materials management

Responsible uranium stewardship will always be a key element of our commitment to sustainability. We apply the expertise of our two UK subsidiaries, Urenco ChemPlants and Urenco Nuclear Stewardship, to provide solutions for our own business and the wider nuclear energy industry. Our Tails Management Facility (TMF) will convert depleted uranium hexafluoride (UF_6) or 'tails', produced by our core enrichment services, into stable uranium oxide (U_3O_8). Our research and development department is continuously innovating to minimise the amount of radioactive waste generated through our processes and creating a more sustainable approach for future decommissioning projects.

Water usage

Water consumption reduced by 10% in 2020, mainly due to changes in operational processes. We also began rainwater harvesting at our TMF facility in the UK, which will reduce our reliance on water from external sources in future years.

Case study: Innovative approach to energy saving at UNL

In a quest for further energy saving possibilities at UNL, a drone has been purchased to perform infrared scans of buildings on the site. Heat emissions will be identified, examined and diminished through the new tool, which employees have been trained and certified to operate.

In addition, gas consumption will be reduced at UNL from next year through an improvement to the air humidification system in the Recycling Centre, replacing the current gas-powered unit with a modern electric solution.

Our communities

Engagement with our local communities helps create better mutual understanding and supports our licence to operate. This takes the form of site tours, with a virtual site tour being updated to provide further access; attendance at council, local liaison and other elected representative meetings; and the provision of practical and financial support through our volunteering and donations programmes.

We continued our efforts in 2020 in the hope of easing the hardship being felt by many. Major beneficiaries included cultural institutions, such as the Science Museum in London and Chester Zoo (UK); cross-cutting local community support organisations, such as United Way (US); community health facilities, such as St Josef Hospice (Germany); and environmental initiatives such as reforestation projects (the Netherlands).

Richie education programme

A key area of our community outreach is our Richie education programme. Through the programme, Urenco is committed to inspiring the next generation of scientists and engineers. We engage with school children and university students around the world to nurture their interest in science, technology, engineering and maths (STEM) and encourage a wider understanding of the nuclear industry.

The programme includes school workshops and digital resources, which teach students about nuclear energy and the importance of protecting our planet in a fun and interactive way. Due to the COVID-19 pandemic, we postponed our 2020 programme of physical events and focused on promoting our digital resources, in collaboration with the British Science Association.

We shared home schooling activities and tips via our social media channels and reached around 75,000 students with our digital resources.

In 2020, we also extended our partnership with the Science Museum, making Urenco the Major Sponsor of 'Wonderlab: The Equinor Gallery' until 2025. The gallery features more than 50 immersive exhibits and demonstrations that show visitors how science and mathematics shape our everyday lives. Since opening in 2016, the gallery has welcomed nearly 1.5 million visitors.

Government Affairs

Government policy shapes the future of nuclear. We stay abreast of potential changes and consult with ministers and officials to help ensure informed decisions can be made by them and Urenco.

Case study: Building bridges for STEM in the Netherlands

On 23 and 24 November, secondary school students from four different schools in Almelo, the Netherlands, learned about STEM (science, technology, engineering and maths) by building bridges, pictured right in their school class bubble.

The initiative was organised by Discover High-Tech Almelo, a collaboration between 12 companies in Almelo, including Urenco, who have the joint aim of promoting STEM to future employees.

The challenge was to build a bridge using nothing but skewers, elastic bands and rope, with a span of at least 60 cm and strong enough to carry one or more bricks in the middle for 10 plus seconds. The winning team (pictured) built a bridge that could carry four bricks, an impressive 10 kilos in total!

The 'Bridge challenge' was a COVID-safe alternative for larger-scale STEM promotion activities that are normally organised by Discover High-Tech Almelo every November.

Stakeholder engagement

Urenco continued with its stakeholder engagement in 2020, in line with relevant restrictions on travel and the need to socially distance from March.

Stakeholder engagement highlights

January

- The United States Department of Energy Assistant Secretary for Nuclear Energy, Dr Rita Baranwal, pictured above, visited our US site, UUSA, with members of her team to learn more about our company and the service it provides.

February

- One of our largest and longest-standing customers visited UUSA. A site tour and an overview of how UUSA manages and tracks customer inventory were provided.

May

- A global Health and Fitness Week was held for employees, which included encouragement to take part in a 5K walk, run or cycle challenge. Urenco Nederland alone had 131 colleagues (almost half of the workforce) taking part. Donations were made to 18 charities.

June

- Urenco contributed to an independent report, published by Aurora Energy Research, which showed that hydrogen can meet up to half of Great Britain's final energy demand by 2050 while helping to reach net zero targets, and that nuclear has an important role in this.
- Urenco signed an open letter from the nuclear industry to EU key decision makers, asking for the contribution of the industry to be better recognised in future policy developments and funding decisions.

September

- Urenco's CEO, Boris Schucht, contributed to the debate on the future of nuclear and its role in achieving decarbonisation efforts at the IAEA Scientific Forum. His speech was given during the opening session of this prestigious event, with other speakers including Director General of the IAEA, Rafael Mariano Grossi; Alok Sharma MP, Secretary of State for the Department for Business, Energy and Industrial Strategy and Chair of the UN Climate Change Conference (COP26) in Glasgow in 2021; and Dr Fatih Birol, Executive Director of the International Energy Agency (IAE). The Forum is an annual event held in the margins of the IAEA General Conference.
- Urenco Deutschland's fire service donated protective jackets and trousers to the Gronau fire brigade to enable them to quickly comply with a new policy requiring them to change clothing contaminated by smoke at the scene of a fire to reduce the impact on their health.

October

- Urenco provided a response to the UK Business, Energy and Industrial Strategy (BEIS) Select Committee inquiry on post-pandemic economic growth. The submission clearly outlined the positive role nuclear can have in helping to rebuild the economy after COVID-19, while also helping to combat climate change, and encouraged the Government to focus investment on delivering net zero by 2050.
- Urenco UK employees helped to refurbish a building near Chester, creating a 'crisis café' to support members of the community who need access to a foodbank, counselling and employment advice due to the impact of the pandemic. The hub also offers respite for individuals suffering from mental illness.
- Urenco organised a virtual conference for UUSA employees and Urenco's Board, involving informative and interactive sessions on the site's achievements and challenges during 2020.

December

- A donation of €40,000 was made to the IAEA Marie Sklodowska-Curie Fellowship Programme to increase the participation of women in nuclear science by providing scholarships in nuclear related subjects.
- Boris Schucht delivered a speech to the Nuclear Europe Leaders group on nuclear energy's role in the production of hydrogen.
- Urenco's 'Celebrating U' event, recognising the achievement of employees, was held virtually this year, with an even bigger and better celebration planned for next year when we will bring the 2020 and 2021 winners together to mark their success.

Summary of engagements in 2020

We regularly map our stakeholders to ensure we are engaging with the right people and log these interactions so that areas of concern and interest can be addressed. A summary for 2020 is provided in the table below:

Stakeholder group	Type of engagement	Example topics raised	Achievements in 2020
Customers/suppliers	• Regular contact • Press/news releases • Social media • Customer survey	• COVID-19 measures • Environmental data	• 100% customer delivery record • 88% survey response rate from customers
Employees	• Intranet and news app • Newsletters • Physical/virtual all-hands meetings	• COVID-19 measures • Culture and strategy • Safety and mental health	• 50th anniversary celebrations • Mental health training • High participation in safety events
Pensioners	• Pension bulletins • Meetings • Letters	• Administrative changes • Investments	• Meetings well attended • Prompt responses to queries
Government/politicians/ regulators	• Regular contact • Site visits in accordance with COVID-19 measures	• COVID-19 measures • Net zero targets	• Regular political and regulatory meetings and involvement in working groups
Investors/shareholders/ banks/rating agencies	• Regular contact • Virtual investors roadshow	• COVID-19 measures • Economic performance • Market conditions • ESG ratings	• Regular one-to-one meetings • Virtual full-year results presentation
Local communities/school children/apprentices/ graduates	• Local liaison and dialogue • Practical and financial support • Richie education programme	• Science education • Sponsorships and donations	• Regular meetings with councils, local liaison committees and elected representatives • More than 76,000 students participated in the Richie programme globally
Media/social media	• News releases • Social media channels	• Financial results • Operations • Nuclear stewardship	• Press interviews to highlight pertinent topics and key industry updates • Regular news releases and social media posts
Non-governmental organisations	• Membership of industry associations	• Public education • Innovation and technology • Opportunities in new markets	• Sponsored and presented at virtual industry events • Contributed to industry publications

Ethical conduct

Ethics and professionalism are of the highest importance to Urenco, as set out in our Code of Conduct and values. The aim is to protect our business, employees and our key stakeholders.

We actively encourage open conversations about behaviours and concerns to be raised, in the first instance with line managers, who are responsible for addressing issues promptly and confidentially.

This is strengthened by a whistleblowing mechanism, providing another option if an individual does not wish to raise a matter directly or feels it has not been dealt with satisfactorily. An alert line has been provided with an independent organisation, which can be contacted free of charge and anonymously.

Urenco takes a zero-tolerance approach to bribery and corruption, as articulated in our Anti-Bribery and Corruption policy. Integrity is one of our core values and we expect our employees and key stakeholders to act in this manner in all their interactions.

The protection of privacy and confidentiality are key concerns, including securing personal data. We comply with all relevant legislation, including the EU General Data Protection Regulation (GDPR). This was of increased importance this year, with many more employees working from home, and comprehensive advice was issued on how to do so securely.

Case study:
United Way Giving at UUSA

In 2020, the COVID-19 pandemic required everyone to think outside the box to safely hold employee engagement and community events. This was especially true when it came to supporting the annual United Way Campaign at UUSA.

Each year, UUSA employees contribute to the United Way Campaign to support local non-profit organisations that help people in need. As part of this year's fundraiser, UUSA held a staycation drive-through event. From the comfort and safety of their vehicles, employees and their families were treated to food trucks and received a package of goodies intended to use at home for a staycation.

The giveaways included all of the ingredients to make S'mores, a DIY bird house and other fun items for the children, a creative guide that included summer recipes and activities to do from home, and some additional treats.

This event was the finale to the United Way Campaign and UUSA employees not only met, but exceeded, the goal set for this year. A total of over $420,000 was raised. This donation includes employee contributions, a UUSA company match donation and an additional match donation from a local private foundation. UUSA has been the largest donor to the United Way for the past 13 years, and in 2020 we donated a record amount. We look forward to continuing this tradition of giving for years to come.

Case study:
Working during COVID-19

Andreas
Safeguards Manager and Pandemic Coordinator,
Urenco Deutschland (UD)

The crisis has been challenging for everybody, both for employees and for the company, because of the risk of the virus spreading. Urenco listened to every colleague and has offered support, including for mental health.

I was fully aware of my responsibility to minimise the risk of infection for the company, my colleagues on site, my family and especially for my little daughter, who was born this summer. If I needed to go to the site, I measured my temperature beforehand with the thermometer provided by the company and ensured I did not have any other symptoms.

On site, all colleagues showed their commitment and willingness to adapt to the new situation. Different shift patterns, working from home or switching to digital meetings were all supported by the entire workforce and created a feeling of togetherness. I valued the creative efforts from the company to keep employees connected, such as food and safety packages delivered to home addresses. In addition to that, I really appreciated the adherence to the COVID-19 measures in place. In 2020 no UD employees contracted the virus while working on site. That's a huge success and UD was showcased as a best practice example of handling the pandemic in the biannual 'Citizens book Gronau' (Bürgerbuch Gronau).

Principal risks and uncertainties

Risk management and mitigation is a key area of focus for Urenco. Across all 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

Safety and security of our personnel, assets, and technology are Urenco's top priority and robust risk management is critical to ensuring our priorities are delivered. Risk Management 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.

As we are operating in a heavily regulated industry, we focus on early identification of risks and implementing appropriate risk evaluation and mitigation or avoidance strategies. Our Risk Management function works with our corporate functions and enrichment sites to ensure that a bottom-up risk management process is performed and captures key risks, their controls and planned actions. This is then consolidated and reviewed by our Group Executive Committee and Board.

Similarly, we operate a top-down risk management process to ensure that any strategic risks or uncertainties not captured by the bottom-up process are captured and assessed by both the Group Executive Committee and the Board on an annual basis. The Group Audit and Risk Management Committee is also responsible for reviewing the risk management process on an annual basis.

Risk Management also performs an independent audit function to both confirm our governance processes are properly implemented and to help identify opportunities for improved controls.

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 the organisation's policies and procedures.

2nd Line
Risk management and compliance

The Audit Committee oversees the effective operation of the organisation's risk management framework. Our 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 to ensure that controls are implemented and are operating 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 and objectives. The Board considers that the principal risks to achieving its strategic aims are set out here.

Risk	Mitigation
1. Safety	
Urenco operates in an environment subject to a wide range of health, safety and environment laws, regulations and standards. If we fail to comply with these requirements there is a risk that we will be subject to regulatory enforcement action, which is likely to adversely impact our employees, result in the imposition of restrictions on how we operate and would likely prove detrimental to our reputation.	We seek to operate to the highest standards of safety to maintain a safe environment for our employees and stakeholders and have implemented safety management systems, designed to minimise risks and ensure compliance with safety standards through regular monitoring. This includes the formal requirement for independent compliance audits and reviews at all our facilities. We ensure we meet regulatory requirements, follow regulatory protocols for the safe handling of uranium and other chemicals and focus on continuous improvement and the detection and remediation of potential hazards before incidents can occur. By adhering to best practice in this area, we continually seek to ensure minimal impact on employees, contractors, the public and the environment.

Risk	Mitigation
2. Markets	
Ongoing challenging market conditions are likely to continue to impact opportunities for growth in both existing and new markets.	In an increasingly complex market environment we remain committed to ensuring that our business is as resilient as possible to meet these challenges. We continue to ensure that we are able to maximise our global reach, technical capabilities and flexible plant operations to support our ability to respond to changing market conditions, customer demands and opportunities. We also 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.
3. Safeguards	
Though a very low risk and unlikely outcome, there is a potential risk for uranic material to be misappropriated from our enrichment facilities or during its transportation to or from our customers and supply chain partners.	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 and independent checks to the uranic materials we keep on site to ensure that we consistently meet the stringent inspection criteria set by the IAEA, Euratom and other national and international regulators. The safety practices of our transportation partners are guided by the standards we set at Urenco. Such standards reduce the risk of an accident or the misappropriation of sensitive materials. We adhere to IAEA guidelines and all other national and international regulations regarding the transportation of fissile material. We place contracts only with approved companies and ensure we perform regular contract and performance monitoring audits.
4. Security and cyber crime	
We need to ensure the security of fissile material and our own technology and assets, particularly with regards to the increasing threat of cybercrime against the energy sector. This exposes Urenco to an ongoing risk of cyber attack which could result in loss or corruption of data or disruption to operations, causing reputational damage.	We work closely with the relevant government bodies, across the jurisdictions in which we operate, 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. Security organizations for all Urenco facilities routinely meet to share both security data, recent developments and implementation of continuous improvements for threat prevention. The Urenco Chief Information Security Officer (CISO) is responsible for ensuring that Urenco maintains effective threat intelligence and incident response capabilities to meet the challenges of the continually changing cyber environment. The CISO also ensures that cyber security and resilience capabilities are subject to regular review and risk assessment to ensure we have the ability to prepare for, respond to and recover from cyber events or attacks which have the potential to negatively impact Urenco.

Risk	Mitigation
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 our global infrastructure.	Where possible, we ensure the availability of alternative routes and maintain a portfolio of logistics partners to ensure continuity of deliveries. We work closely with our supply chain partners to engage with, and provide assurance to, port authorities and regulators regarding our compliance with international regulations regarding the transportation of fissile material. The strength and depth of Urenco's transport and logistical arrangements were demonstrated throughout 2020 when, despite the added restrictions and complexities created by the COVID-19 pandemic, Urenco continued to both receive materials and despatch enriched uranium product across our sites with no scheduled deliveries or commitments being missed.
6. Political and regulatory landscape	
Policy The nuclear industry remains a topic for debate with public and government 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. **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 continually monitors nuclear policy around the world. We engage with policymakers 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. Urenco maintains compliance activities across the business. Our strong relationships with government regulators are managed locally by our Heads of Compliance at our enrichment sites, while our organisation-wide functions also maintain an open dialogue with both national and trans-national regulators (e.g. the IAEA) and other government agencies. All learning elicited from our engagement with regulators is then shared across the organisation with policies, procedures and ways of working amended as necessary.
7. Pricing	
Should the market fail to recover to the level expected, this will result in future prices not being sufficient to support and sustain ongoing investment in enrichment capability and future centrifuge innovation and development.	We seek to ensure that our contracts with customers incorporate agreed forward pricing to mitigate price risk. While recognising that our responses to new market opportunities are competitive and offer a clear value proposition to our customers, we ensure that our future contracts do not compromise our ability to support and finance re-investment, as well as the ongoing manufacturing and development of our enrichment technology.
8. Geopolitical Risks	
2020 has presented both global economies and political systems with an unparalleled level of risk and uncertainty, whereby national competitiveness, resilience, geopolitical competition, national security and economic and political nationalism have all been amplified by the COVID-19 pandemic, the outcome of the US election and the UK's final withdrawal from the European Union. We envisage that geopolitical uncertainties will continue as international relations are reset following the inauguration of the Biden presidency and as the world recovers from the public health, societal and economic impacts of the COVID-19 pandemic. Geopolitical uncertainties will continue to have the potential to impact Urenco's ability to access or operate within certain international markets.	Urenco's ability to deploy the advantages of its geographical diversity across its operations and value chain provides a degree of resilience and redundancy against the potential impacts arising from global uncertainty and geopolitical risks. We regularly assess and evaluate potential responses to a range of business and geopolitical scenarios that may arise and ensure that appropriate continuity and mitigation plans are in place. We also seek to mitigate any financial impacts of potential risks arising from increased political or geopolitical uncertainty, through a combination of hedging against foreign exchange rate risk, adjusting fixed and floating rate borrowings through interest rate swaps, ensuring that adequate medium-term committed funding is always available and repaying borrowings as early as possible based on our business plan.

UUSA, Eunice, New Mexico

Risk	Mitigation
9. Counterparty Risk	
Urenco is exposed to payment and default risk arising from worsening macroeconomic conditions while transacting with both customers and other participants in the nuclear supply chain.	Urenco has robust customer onboarding, monitoring and reporting procedures. We routinely assess the creditworthiness of Urenco's commercial counterparties and partners and seek to incorporate appropriate credit or payment protection into commercial agreements where appropriate.
10. Change Management	
There is a risk that Urenco lacks the capability, experience and capacity to successfully design, execute and integrate major change programmes, acquisitions or infrastructure projects across the business.	Major change programmes and infrastructure projects are subject to appropriate governance structures and oversight frameworks to ensure the effective delivery of projects within expected cost and schedule parameters. Change programmes and projects are also subject to both independent internal and external audit and assurance reviews to monitor project performance and to ensure appropriate controls and arrangements are in place to support early identification and resolution of risks and issues. A cultural transformation programme has been initiated to help ensure that Urenco has the necessary organisational culture, behaviours and ways of working to achieve its goals and deliver its strategic projects and change programmes.
11. Long Term Liabilities	
The cost and timing of Urenco's long term nuclear activities are based on a number of management estimates relating to operational parameters and long term cost assumptions, as well as being subject to external factors that Urenco can influence but not control - for example, government policy for long term disposal costs of depleted uranium oxide (U_3O_8).	Urenco regularly reviews the assumptions and estimates that support its nuclear provisions, taking into account past experience, current research and potential future developments. In addition, Urenco continues to work with 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 established.
12. Colleague Retention and Recruitment	
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 sustainable pipeline of talent. Urenco values its diverse and inclusive workforce and actively seeks to ensure a diverse organisation.
13. Brexit	
On December 24 2020, the EU and the UK concluded a bilateral Trade and Cooperation Agreement (UK-EU TCA). Once ratified by all member states, this will govern the UK and EU's post-Brexit economic and trading relationship. While the UK-EU TCA provides a significant degree of certainty regarding the new trading relationship between the UK and the EU, it is not envisioned to be a static position and, instead, will form the basis for future rounds of negotiations and discussions regarding both outstanding and future trade issues. Urenco, as with other businesses, will have to continue to respond and adapt to a changing environment throughout 2021, particularly with regards to new customs requirements and the transition to the UK's new regulatory regimes around chemicals, logistics and product safety.	Urenco has over 50 years' experience of exporting uranic materials across global markets and we have made the necessary modifications to our processes and procedures to minimise the impact of new customs arrangements implemented between the EU and the UK. The agreement of a UK-Euratom Nuclear Cooperation Agreement (NCA) has reinforced both the UK Government and Euratom's commitment to future civil nuclear cooperation, including safeguards, safety and security. It will also form the framework to maximise the opportunities presented by future trade and research in uranic materials and technology. Our Government Affairs and Risk Management functions will also continue to monitor and assess any potential impacts of the UK's new trading relationships with either the EU or Euratom and ensure that appropriate mitigation and contingency plans are implemented accordingly.

Risk	Mitigation
14. Critical Suppliers	
Across our supply chain we are reliant on products and services, provided through a number of critical third parties. There is a risk that critical or single source suppliers are either unable or unwilling to continue to supply goods or services resulting in disruption or delay to operations.	A key element of the Group Procurement strategy is to ensure that the provision of critical services or products is supported by robust supplier risk assessment, ongoing supplier monitoring, the identification of alternative vendors and contingency planning processes to ensure appropriate responses are implemented to suppliers identified as being in distress. Throughout the COVID-19 pandemic we have also invested in the necessary resources and technologies to ensure that Urenco can proactively assess the business resilience and continuity measures and arrangements implemented by our critical suppliers.
15. COVID-19	
The COVID-19 pandemic is a global event that has presented significant challenges for all businesses in terms of financial, operational and commercial resilience. While Urenco has been able to successfully manage and minimise many of the near term impacts of COVID-19, there will undoubtedly be long term challenges that will test our resilience and ways of working. In particular, the reimposition of severe public health restrictions, in response to future waves of Covid-19 throughout 2021, are likely to impact our ability to create and sustain the collaborative, organisational and cultural conditions required to develop and execute elements of our strategic plans and objectives.	A Group-wide taskforce, chaired by senior operational management, has been responsible for implementing the necessary measures required to both protect the health and safety of our employees and to ensure ongoing business resilience in response to the pandemic. As a result, Urenco met all its customer commitments in 2020 while keeping our workforce on site as safe as possible. This has included the introduction of measures to prevent and minimise the spread of COVID-19 across our global production sites, to mitigate the potential consequences of COVID-19 infections to our plant, people and their local communities and to ensure the effective recovery of operations and facilities as government responses and restrictions are either imposed or lifted.
16. Diversity and Inclusion Awareness	
The ability to demonstrate a consistent level of performance regarding diversity and inclusion is increasingly important in terms of both creating an environment in which collaboration, creativity and cooperation can thrive in order to drive a more productive and innovative workforce and ensuring that we minimise the regulatory and reputational risks associated with a lack of diversity in the workplace. For Urenco, and indeed the broader nuclear sector, there is also a critical need to acknowledge the importance that a more diverse and inclusive culture will have in attracting and retaining the talent required in the future to enable us to play a fundamental role in sustainable energy and the move to a net zero world. The "winning team" Urenco needs to develop for tomorrow will have greater expectations of its employer and the culture within which it will be able to succeed, including different ways to work as experienced during the management of Urenco through the COVID-19 pandemic	Urenco has an established network of local Diversity and Inclusion Champions to support and promote local diversity and inclusion awareness initiatives and activities. Diversity is, however, a strategic imperative and we are working with our newly appointed Culture, Diversity and Inclusion Programme Director and our global human resources functions to identify the activities, systems and processes required to create and enable a broader transformation whereby greater diversity contributes to successful organisational outcomes to ensure that we develop an inclusive culture with opportunities for all. As part of our commitment to deliver a more diverse and inclusive organisation, we have appointed Urenco's Chief Financial Officer as the new Executive Sponsor of Urenco's diversity and inclusion programme.

Group Finance Report

Lower EBITDA[1] than last year due to reduced revenue, partly offset by lower costs, with the impact on net income tempered by lower depreciation and lower net finance costs.

Results for 2020

Revenue

Revenue for the year ended 31 December 2020 was €1,700.1 million, a decrease of 5.8% on the €1,804.5 million in 2019. SWU revenues were lower in 2020 by €226.6 million and uranium related sales were higher by €65.7 million. For SWU revenues, both volumes and average unit revenues were lower than the previous year. Uranium related sales experienced higher volumes and higher realised unit prices. Other revenues increased by €56.5 million compared to 2019, primarily as a result of receipts associated with the settlement of claims filed by Urenco relating to the Chapter 11 bankruptcy of a US customer and uranium conversion services.

"We have achieved another year of robust financial performance."

Ralf ter Haar
Chief Financial Officer

EBITDA[1]

EBITDA for 2020 was €1,088.1 million, a decrease of €131.5 million (10.8%) from €1,219.6 million in 2019. This is due to the lower revenue net of changes to inventories and adverse exchange rate movements, partly offset by lower pre-exceptional net costs of nuclear provisions.

The net costs of nuclear provisions (before exceptional items of €25.6 million (2019: €143.0 million))[2] were €138.2 million in 2020, compared to €154.7 million in 2019, a decrease of €16.5 million..

The pre-exceptional net costs for tails provisions in 2020 were €3.5 million lower than those for 2019. Lower costs of tails provisions created arose due to fewer tails being generated during 2020 and large uplifts in the unit cost estimates of tails in 2019, being offset by a change in discount rates in 2020 not treated as exceptional. The increased release from the tails provisions relates to the optimisation of operations and the impact of the reduction in higher assay tails associated with enrichment services contracts.

Tails provision movement

	2020 €m	2019 €m	increase/ (decrease)
Additional tails provisions in the year	123.7	212.5	**(88.8)**
Change in discount rates	101.5	-	**101.5**
Release from tails provisions in the year	(105.0)	(88.8)	**(16.2)**
Net costs for tails provisions in the year (pre-exceptional)	**120.2**	**123.7**	**(3.5)**
Change in discount rates (exceptional)	25.6	111.3	**(85.7)**
Net costs for tails provisions in the year (post-exceptional)	145.8	235.0	**(89.2)**

The pre-exceptional net costs for decommissioning provisions increased by €48.4 million in 2020 due to a change in discount rates and an update to some cost estimates, partly offset by a slightly higher release of provisions resulting from revised timing assumptions and cylinder disposals.

Decommissioning provision movement

	2020 €m	2019 €m	increase/ (decrease)
Additional decommissioning provisions in the year	14.9	-	**14.9**
Change in discount rates	35.5	-	**35.5**
Release from decommissioning provisions in the year	(11.7)	(9.7)	**(2.0)**
Net costs for decommissioning provisions in the year (pre-exceptional)	**38.7**	**(9.7)**	**48.4**
Change in discount rates (exceptional)	-	31.7	**(31.7)**
Net costs for decommissioning provisions in the year (post-exceptional)	38.7	22.0	**16.7**

The net costs for other nuclear provisions in 2020 decreased by €61.4 million as a result of changes to the forecasts for future re-enrichment of low assay feed, from net costs of €40.7 million to net gains of €20.7 million.

Other operating and administrative expenses[3] were lower than the prior year at €434.0 million in 2020, compared to €443.3 million in 2019, a decrease of €9.3 million.

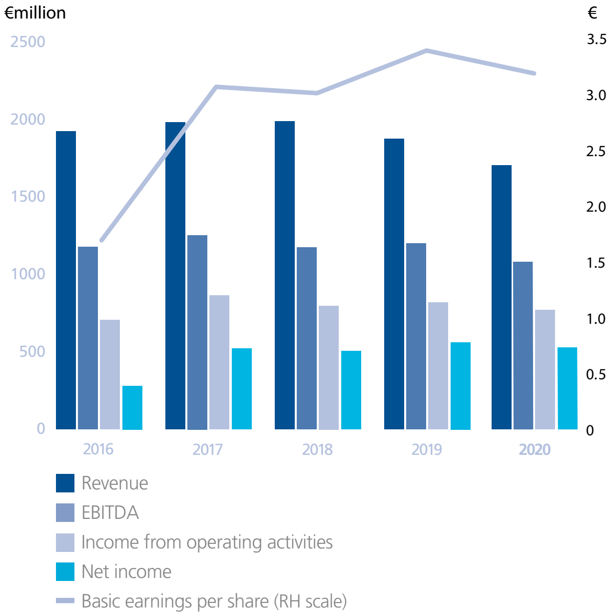
The costs associated with Changes to inventories of finished goods and SWU assets for 2020 were €38.7 million, an increase of €33.2 million from €5.5 million in 2019. In calculating the EBITDA impact of these stock movements and of movements in nuclear provisions, a net reduction in depreciation of €1.1 million was applied in 2020 (2019: net increase in depreciation of €18.6 million), giving a reduction in EBITDA of €19.7 million.

The EBITDA margin for 2020 was 64.0%, compared to 67.6% in 2019.

EBITDA performance

	2020 €m	2019 €m	% increase/ (decrease)
Income from operating activities - (pre-exceptional)	**774.4**	850.2	**(75.8)**
Adjustment for depreciation in inventories, SWU assets and nuclear provisions	(1.1)	18.6	**(19.7)**
Add: depreciation and amortisation	328.6	356.2	**(27.6)**
Adjustment for share of results of joint venture	(13.8)	(5.4)	**(8.4)**
EBITDA	**1,088.1**	**1,219.6**	**(131.5)**

Financial performance (pre-exceptional items)



Exceptional items

Exceptional items totalling €25.6 million on a pre-tax basis (€25.6 million post-tax) were reported in 2020 (2019: €643.0 million pre-tax and €557.2 million post-tax). The total net income tax credit associated with the exceptional items was €nil million (2019: €85.8 million).

The exceptional items recognised in 2020 are presented within net costs of nuclear provisions. In 2019 €143.0 million was presented within net costs of nuclear provisions and €500.0 million was recognised as Impairment of USA Operations.

1 EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results and a reconciliation to income from operating activities (pre-exceptional items) is set out on page 108.
2 Excluding the increase in the net costs for nuclear provisions to the extent that it has been treated as an exceptional item.
3 Other operating and administrative expenses are defined as expenses comprising raw costs of materials and consumables used, employee costs, restructuring charges and other expenses. In 2020 this definition has changed to exclude the adjustments for depreciation. The comparative amount for 2019 has been restated from €424.7 million to €443.3 million.

The exceptional charge in 2020 arose due to the increase in the value of nuclear provisions held by the US enrichment businesses following a revision to the discount rates applied to the provisions due to continued downward pressure on real interest rates in the US. Last year the exceptional charge presented within net costs of nuclear provisions arose due to the increase in the value of nuclear provisions held by the European enrichment business. This year saw a further adjustment to the nuclear provisions held by the European enrichment business in the ordinary course of business. Of the €25.6 million (2019: €143.0 million), €25.6 million (2019: €111.3 million) relates to tails provisions and €0.0 million (2019: €31.7 million) relates to decommissioning provisions.

Following an assessment of the key assumptions, management has concluded that there are no indicators for a reversal of previous impairment charges or a further impairment charge in 2020. Therefore this year, contrary to 2019, there is no exceptional item regarding impairment charges.

Net income

Net income, post-exceptional items, was €505.3 million in 2020 (2019: €7.6 million).

Net income, pre-exceptional items, was €530.9 million in 2020, a reduction of €33.9 million (6.0%) compared to the 2019 net income, pre-exceptional items, of €564.8 million.

The net income margin, pre-exceptional items, for 2020 was 31.2% compared to 31.3% for 2019.

Depreciation and amortisation for 2020 was €328.6 million, compared to €356.2 million for 2019, which mainly reflects the impairment of the carrying value of the US Operations in 2019.

Net finance costs for 2020 were €82.4 million, compared to €107.1 million for 2019.

Net finance costs were lower, reflecting the lower levels of net debt in 2020, foreign exchange movements on financing activities and lower costs associated with bond repurchases.

Where appropriate, foreign currency loan balances are placed in accounting hedge relationships, primarily by means of cross currency swaps. Where this is not possible, the retranslation of the relevant unhedged loan balances (denominated in US dollars and euros but held by a sterling functional currency entity) generate gains/losses as a result of foreign exchange movements in the year. In 2020 the impact of this was a loss of €7.8 million (2019: €15.5 million loss), reflecting relevant unhedged balances and movements in foreign exchange rates.

The unwinding of discounting on provisions was €0.2 million lower than 2019 at €69.0 million. Capitalisation of interest was €2.7 million higher at €65.1 million.

In 2020 the pre-exceptional tax expense was €161.1 million (an effective tax rate (ETR) of 23.3%), a decrease of €17.2 million from the pre-exceptional tax expense of €178.3 million for 2019 (ETR: 24.0%).

The decrease in the ETR from 24.0% to 23.3% is driven by the following factors : i) the agreement of an Advanced Pricing Agreement for the period 2013-2020 with the UK, Dutch and German tax authorities covering the allocation of certain revenue and costs between the three jurisdictions (decrease of 3.2%); partially offset by ii) the revaluation of UK and Dutch net deferred tax liabilities for increases in the respective mainstream tax rates (increase of 2.1%).

There is no difference in the post-exceptional and pre-exceptional tax expense of €161.1 million, as there is no net tax impact associated with exceptional items in 2020.

Impact of exceptional items

	2020 €m	2019 €m	increase/ (decrease)
Income from operating activities – (pre-exceptional)	774.4	850.2	**(75.8)**
Exceptional item (before tax) – US impairment	-	(500.0)	**500.0**
Exceptional item (before tax) – change in discount rates	(25.6)	(143.0)	**117.4**
Income from operating activities – (post-exceptional)	**748.8**	**207.2**	**541.6**

	2020 €m	2019 €m	increase/ (decrease)
Net income – (pre-exceptional)	530.9	564.8	**(33.9)**
Exceptional item (after tax) – US impairment	-	(446.0)	**446.0**
Exceptional item (after tax) – change in discount rates	(25.6)	(111.2)	**85.6**
Net income – (post-exceptional)	**505.3**	**7.6**	**497.7**

Tails deconversion, storage and eventual disposal

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

The tails provision increased by €250.8 million (2019: €323.8 million), due to tails generated in the period, increases in the applied tails deconversion rates for both the US and European enrichment operations, and a change in discount rates. The impact of the additional total tails provisions created in the year includes the impact of the reduction in the real discount rate for the US and European jurisdictions. This increased tails provisions by €127.1 million, which has been charged to the consolidated income statement within net costs of nuclear provisions, of which €25.6 million has been presented as an exceptional item.

Tails provisions utilised during 2020 were €42.0 million (2019: €42.5 million) and a provision release of €105.0 million (2019: €88.8 million) was recorded as a credit in net costs of nuclear provisions as a result of the impact of the reduction in higher assay tails associated with enrichment services contracts, changes in other cost assumptions and the optimisation of operations.

Plant and machinery decommissioning

Urenco has an obligation under its operating licences to decommission enrichment facilities safely once they reach the end of their operational life. The costs associated with plant and machinery decommissioning are monitored on an ongoing basis and are also subject to a detailed periodic review with the last such review, carried out in 2018.

During the year ended 31 December 2020 the decommissioning provision increased by €141.0 million (2019 increase: €83.6 million) due to revised assumptions relating to the decommissioning of plant and machinery of €107.4 million (2019: €66.3 million), the installation of additional plant and machinery of €19.6 million (2019: €13.6 million) and additional cylinder purchases of €14.0 million (2019: €3.7 million). The €107.4 million resulting from revised assumptions mainly relates to the impact of changes to discount rates of €88.4 million, of which €35.5 million has been expensed to the income statement and €52.9 million has been recognised in decommissioning assets.

Decommissioning provisions utilised during 2020 were €8.9 million (2019: €8.9 million) and a provision release of €11.7 million (2019: €9.7 million) was recorded as a credit in net costs of nuclear provisions.

Further information on nuclear provisions can be found on pages 144 to 146.

Group pension funds

Urenco operates 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 2020 was €56.8 million (2019: €65.2 million). This decrease was due to a €7.7 million increase in the present value of the defined benefit obligations, together with an increase in the fair value of the plan assets of €16.1 million.

In 2018, following the triennial valuation of the UK scheme, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of £6.6 million annually until 2022. The trustees intend to manage the pension scheme so that the economic and investment risks will be reduced through the adoption of a more cautious investment policy and the use of interest and inflation derivative contracts.

Cash flow

Operating cash flow before movements in working capital was €1,161.1 million (2019: €1,288.3 million) and cash generated from operating activities was €1,171.4 million (2019: €1,094.3 million). The higher cash flows from operating activities primarily result from favourable movements in working capital compared to 2019.

Tax paid in the period was €36.1 million (2019: €141.5 million) due to the timing and phasing of cash payments which can often span multiple years.

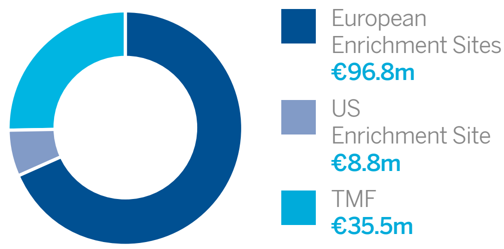
Net cash flows from operating activities were €1,135.3 million (2019: €952.8 million). Net cash flows from operating activities are used to finance investing activities, service the Group's debt, fund dividends to shareholders and, in the future, to fund the long term decommissioning and tails liabilities currently reported in provisions in the Group's Consolidated Statement of Financial Position.

Capital expenditure[1]

In 2020 the Group invested a total of €141.1 million (2019: €151.4 million), reflecting a lower level of expenditure on both core enrichment assets and the TMF. Expenditure on core enrichment assets is now broadly at a level forecast as part of our strategy and appropriate to maintain the existing fleet of enrichment assets for the near to mid-term.

Investment in TMF in 2020 was €35.5 million (2019: €43.0 million, 2018: €76.0 million), reflecting completion of construction in late 2018. The final stage of active commissioning is well underway and uranium oxide production is expected to start in the first half of 2021.

2020 Capital expenditure



Capital structure

The Group's equity decreased to €1,880.9 million during the year (2019: €1,885.8 million) due to an increase in retained earnings of €57.5 million (reflecting the net income of €505.3 million and gains of €2.2 million in other comprehensive income for the year, together with €450.0 million of dividends paid during the year), a decrease in the foreign currency translation reserve of €123.4 million, primarily due to foreign exchange losses on property, plant and equipment held in US dollars as a result of the weakening of the US dollar against the euro, and an increase in hedging reserve (including cost of hedging reserve) of €61.0 million. The movement in the hedging reserve is primarily associated with mark to market gains on cash flow hedges, which protect the Group's future revenues in foreign currencies.

Net debt[1] decreased to €455.7 million (2019: €928.1 million), including lease liabilities of €19.8 million (2019: €22.0 million).

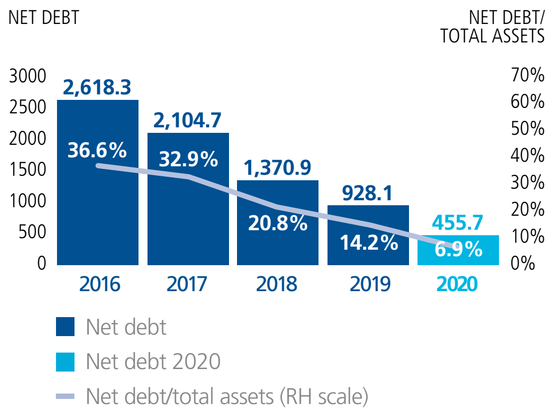
In 2020 the Group repurchased and cancelled €95.0 million of the August 2022 Eurobonds for a price of €98.2 million (103.4%). The transaction was completed in July 2020 for a total amount of €100.1 million, which included €1.9 million of accrued interest on these Eurobonds. As at 31 December 2020, a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

Net debt to total asset ratio remained strong at 6.9% (2019: 14.2%), well within the Group's target ratio of less than 60%.

1 Capital expenditure includes net cash flows from investing activities (excluding interest received) of €146.8 million and capital accruals (included in working capital payables) of €(5.7) million.

2 Net debt is defined in the Glossary on page 170 and the calculation is set out on page 139.

Net debt and Net debt/total assets



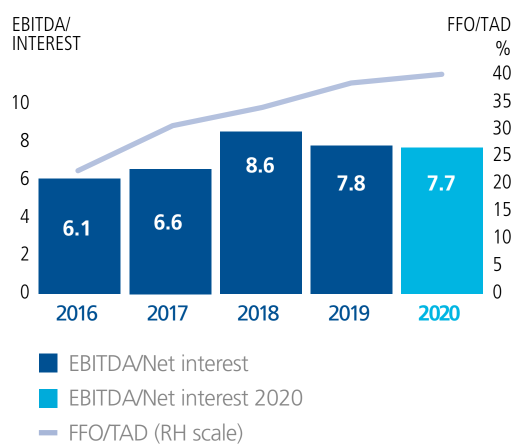
The Group monitors its capital structure through the use of financial ratios, principally those of net debt to total assets and funds from operations to total adjusted debt (FFO/TAD). The Group targets an FFO/TAD ratio that results in a strong investment grade credit rating.

The FFO/TAD ratio at the end of 2020 increased to 39.3%, compared to 38.2% at the end of 2019. This was due to a decrease in TAD, partially offset by a decrease in FFO. Further information on FFO/TAD can be found on page 134.

FFO was lower by €59.3 million due to lower EBITDA which was partially offset by lower net interest on bank borrowings and lower current tax expenses. TAD was lower by €224.3 million, primarily reflecting a decrease in net debt of €472.4 million but partially offset by an increase in tails and decommissioning provisions of €221.5 million, the increase in nuclear provisions reflecting the increase in provisions arising during the year as well as the impact of the reduction of discount rates for both tails and decommissioning. Details of the FFO/TAD calculation are set out in note 28 of the Group's Consolidated Financial Statements.

The Group's interest cover also remains strong at 7.7x (2019: 7.8x).

Five-year summary funding ratios



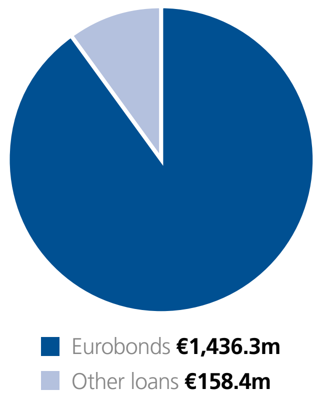
Funding position

Liquidity continues to remain strong as a result of cash flow generation. As at 31 December 2020, the Group had €750 million of committed undrawn revolving credit facilities which expire in June 2023, as well as cash, cash equivalents and short term deposits of €1,158.8 million (2019: €787.3 million).

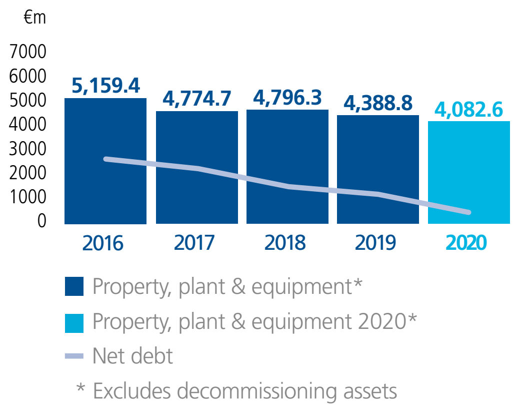
Our funding position remains robust and continues to be underpinned by our established contract order book, which gives high levels of revenue visibility and robust EBITDA margins, resulting in strong cash flow generation. Furthermore, the company has sufficient cash available to meet the maturity of €547.8 million of Eurobonds and the payment of a €150.0 million dividend in early 2021.

The Group's debt is rated by Moody's (Baa1/Stable) and Standard & Poor's (BBB+/Stable); these external ratings were unchanged during 2020.

Interest bearing loans and borrowings



Property, plant & equipment vs net debt



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 execute 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 2020 was 3.4 years (at 31 December 2019: 4.3 years).

Managing foreign currency risk

Our foreign currency hedging policy has the objectives of reducing volatilities in net cash flow and income, and to protect the income statement from balance sheet remeasurements of debt. 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. The net cash flows of Urenco's European business have been hedged 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 US business of Urenco have been used to pay US dollar denominated costs.

The Group hedges 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 three years ahead of the current year. 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 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.

The Group has a total of €833.4 million (2019: €939.0 million) cross currency swaps, mainly to convert the economic exposure of part of the Group's debt from euros to US dollars that are then net investment hedged for Group accounting purposes. This better aligns the currency of the debt with the asset base and cash flows of the Group.

Urenco Group Financial Policy Statement

The Financial Policy Statement defines the broad parameters for financing the Urenco Group 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. Due consideration is given to the Group's long term unfunded nuclear liabilities when considering financing options. 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. The dividend shall be set to take account of net income, 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 2020, €300.0 million in dividends for the year ended 31 December 2019 were paid to shareholders (2019: €300.0 million). An interim dividend of €150.0 million was paid on 9 December 2020, in respect of the financial year 2020.

The Board has approved that a final dividend of €150.0 million be paid on 24 March 2021. The level of the total dividend for 2020 is less than the net income. Consideration has been given to both the Group's favourable net debt position and credit ratios, and the availability of sufficient distributable reserves.

As at 31 December 2020, the Company had distributable reserves available of €943.3 million (31 December 2019: €1,059.3 million).

Order book

Urenco has a strong contract order book which extends into the 2030s with an approximate value at 31 December 2020 of €9.0 billion based on €/$ of 1 : 1.22 (2019: €10.6 billion based on €/$ of 1 : 1.12).

Outlook

Our core business continues to be the provision of uranium enrichment services. Through operating in this pivotal area of the nuclear fuel supply chain, we are facilitating low carbon electricity generation for consumers and businesses around the world and the achievement of crucial climate change goals.

This is complemented by using our competencies and leading technology to increase our offering in related areas where we can create real value, such as the fuelling of new reactors, waste treatment and decommissioning, and stable and medical isotopes, which will continue to grow.

The principal risks and uncertainties to which Urenco is exposed are broadly in line with those of last year.

The pandemic will remain a challenge for a large part of 2021. We will ensure our operations and the health and safety of our employees are maintained to the highest possible level.

While market prices need to increase in the long run, in 2020, we increasingly saw long dated business being contracted at price levels which will enable us to plan for reinvestment in our plants. Our contract order book has been extended beyond the 2030s and will extend further.

Our new stable and medical isotopes cascades will start operations in 2021 and active commissioning of our Tails Management Facility will progress, with commercial production expected to start in first half of this year.

Executive Committee

The Executive Committee is responsible for the strategic decision making across the organisation. This includes annual budgets, performance objectives, and risk and issue mitigation. It also oversees the Group and site operational activities – with a key focus on safety and security – and policies relating to employees and ethics to ensure the correct balance of skills and attributes across the organisation.

The members of the Executive Committee are:

Boris Schucht	Chief Executive Officer
Ralf ter Haar	Chief Financial Officer
Laurent Odeh	Chief Commercial Officer
Chris Chater	Chief Technology Officer
Dave Sexton	Chief Operating Officer

Company structure


UUK, Capenhurst, UK

The Board of Directors

Matters reserved for the Board's decision include the approval of the strategic business plan; budget and financial statements; major capital projects; acquisitions and disposals; significant regulatory issues; and important policies around environmental, and health and safety issues. During 2020, the Board met five times[1].

Stephen Billingham

Chairman of the Board

Stephen joined the Urenco Board in September 2009 and was appointed Chairman in January 2016.

He is currently Senior Independent Director and Chairman of the Audit Committee of Balfour Beatty plc.

Stephen's previous roles include Chief Financial Officer of British Energy Group plc, Chief Financial Officer of WS Atkins plc, Executive Chairman of Punch Taverns plc and Chairman of the Royal Berkshire NHS Foundation Trust and Anglian Water Group.

He has an honorary DSc from Aston University and in 2019 he was awarded a CBE in the Queen's Birthday Honours list.

Boris Schucht

Chief Executive Officer

Boris was appointed Chief Executive Officer of Urenco Limited and joined the Urenco Board in May 2019.

He joined from 50Hertz, the North-East German Transmission System Operator, where he held the position of Chief Executive Officer from 2010 until 2019.

Boris previously held a number of senior executive positions within the energy sector across Europe, including WEMAG AG and the Vattenfall Group. He holds an MA in Mechanical Engineering from the University of Aachen.

Boris is a Member of the Supervisory Board of Vienna Airport.

Ralf ter Haar

Chief Financial Officer

Ralf was appointed Chief Financial Officer of Urenco Limited in June 2014 and joined the Urenco Board in November 2014.

He joined Urenco from NXP Semiconductors N.V., where he was Senior Vice President and Corporate Controller.

Prior to this, Ralf served as Alcatel-Lucent's Chief Financial Officer for the Asia Pacific Region, based in Shanghai, and its Global Head of Trade and Project Finance, based in Paris.

He started his career in banking, with ABN AMRO. He holds an MSc in Economics and an LLM in Business Law from the Erasmus University in Rotterdam.

Frank Weigand

Non-Executive Director and Chair of the Audit Committee

Frank joined the Urenco Board in November 2014.

After completing a PhD in Physics at the Max Planck Institute for Polymer Research, Germany, he joined McKinsey & Company Inc in 1996.

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 Group of RWE AG. From 2010 to 2012, he became Chief Financial Officer of RWE npower plc in Swindon, UK. From 2013 to 2017, Frank was Chief Financial Officer of RWE Power AG and RWE Generation SE. Since January 2018, he has served as Chief Executive Officer and Chief Financial Officer of RWE Power AG.

Mel Kroon

Non-Executive Director and Chair of the Remuneration and Appointments Committee

Mel joined the Urenco Board in September 2018.

Mel has served as Chief Executive Officer at TenneT Holding B.V, Managing Director at Hooge Huys Verzekeringen N.V. and Deputy Chair of the Executive Board of SNS Reaal Insurance.

He currently serves as a Chairman of the Supervisory Board of Ultra-Centrifuge Nederland N.V., Member of the Board Dutch-German Chamber of Commerce, Chairman of the Supervisory Board Eneco Group NV, Chairman of the Supervisory Board Attero B.V., Member of the Supervisory Board TKH Group N.V., Chairman of the Supervisory Board Energyworx B.V., Member of the Supervisory Board Luchtverkeersleiding Nederland, Member of the Supervisory Board KVSA B.V., Member of the Advisory Board GroenLeven B.V., Advisor to Drakestar/Improved B.V. and Advisor to Mitsubishi Corporation.

In 2018, he was made an Officer in the Order of Oranje-Nassau.

[1] In addition to the five scheduled meetings, two ad hoc meetings were arranged to discuss specific items.

Miriam Maes

Non-Executive Director and Chair of the Sustainability Committee

Miriam joined the Urenco Board in October 2015.

After managing businesses for Unilever, ICI and the Marmon Group, in 2002 she became a European Executive of Texas Utilities and then Chief Operating Officer of non-regulated distribution networks for Électricité de France (EDF) in the UK.

This was followed by roles as Advisor to the UK Department for Energy and Climate Change, Chief Executive Officer of energy and climate change strategy consultancy Foresee, and Chair of the Energy Transition Forum in 2012, which she is still leading today.

In the past, Miriam served as Chairman of the Board of the ELIA Group and Non-Executive Director on the Board of Vilmorin & Cie. She is currently Chairman of the Supervisory Board of the Port of Rotterdam, Non-Executive Director on the Boards of Eramet, Assystem and Ultra-Centrifuge Nederland N.V., and member of the Advisory Committee of the Total-Tikehau Investment Fund and of Pioneer Point Capital.

Alan Bevan

Non-Executive Director

Alan joined the Urenco Board in February 2015.

He is Senior Vice President and Global Head of Mergers & Acquisitions at E.ON SE, an international energy supplier based in Essen, Germany. Alan is also responsible for managing E.ON's shareholdings in Urenco, Nordstream 1, and Enerjisa Üretim and Enerjisa Enerji in Turkey. Alan has 30 years' experience in the energy and utilities sector and began his current role in 2010, prior to which he was responsible for Strategy and M&A at E.ON's UK subsidiary.

Justin Manson

Non-Executive Director

Justin joined the Urenco Board in January 2016.

Justin is also a Director of Enrichment Holdings Limited, the company through which the British government holds its shareholding in Urenco. He is a Senior Adviser to UK Government Investments (UKGI), a company wholly-owned by HM Treasury, where he was most recently interim Chief Executive, having joined UKGI in May 2015 as a Director. He was a Non-Executive Director and member of the Risk and Nomination Committees of UK Export Finance from 2015-2019. Justin was a Managing Director and Senior Adviser at Morgan Stanley from 1996 to 2013, based in New York and London.

Richard Nourse

Non-Executive Director

Richard joined the Urenco Board in January 2009.

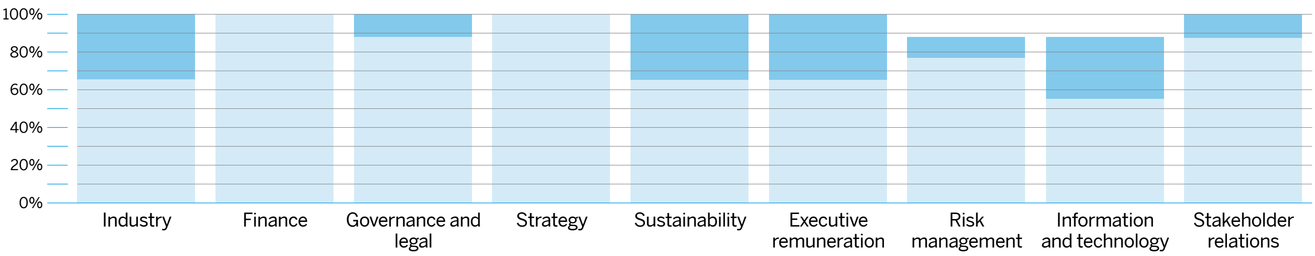
He is Founder and Managing Partner of Greencoat Capital LLP, the leading European renewable energy fund manager.

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 more than 30 years ago with Morgan Grenfell.

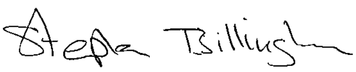
BOARD SKILLS MATRIX

Board members with significant experience (10+ years, managerial accountability, in-depth)

Board members with experience (5-10 years, regular exposure)



The Strategic Report was approved by the Board of Directors on 10 March 2021 and signed on behalf of the Board by:



Stephen Billingham
Chairman

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

Governance
Consolidated Financial Statements

For the year ended 31 December 2020

Governance

Our approach to corporate governance and how we have applied this in 2020.

Financial statements

The audited financial statements of Urenco for the year ended 31 December 2020.

Governance
Corporate Governance

Ensuring good governance at Urenco

Our policy on corporate governance is to follow principles of strong 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, considers 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 strong corporate governance ensures the Group has clear strategic direction and enables us to assess, control and manage risk effectively.

The 2018 UK Corporate Governance Code (the 'Code') sets out principles and provisions of good corporate governance and Code provisions which are applicable to all companies with a Premium Listing of equity shares in the UK. Urenco is not a listed company and is not required to adhere to the Code or to any alternative corporate governance arrangements; however, we recognise the value of applying the principles of the Code where appropriate.

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' Responsibilities Statement has been approved for issue by the Board of Directors on 10 March 2021.

Non-Executive Directors

• Stephen Billingham	Chairman
• Frank Weigand	Deputy Chairman and Chair of the Audit Committee
• Mel Kroon	Deputy Chairman and Chair of the Remuneration and Appointments Committee
• Miriam Maes	Chair of the Sustainability Committee
• Alan Bevan	
• Justin Manson	
• Richard Nourse	

Executive Directors

• Boris Schucht	Chief Executive Officer
• Ralf ter Haar	Chief Financial Officer

The Directors of the Company in office as at the date of the Annual Report are shown on pages 50 and 51 and their biographies can be found on the Urenco website at www.urenco.com

Role and 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, budget and financial statements, major capital projects, acquisitions and disposals, major regulatory issues and major policies on environmental, and 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, including at Board and Committee meetings.

Section 172(1) Statement

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

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

In discharging our Section 172 duties we have regard to the matters set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our pensioners and our relationship with governments, regulators and non-governmental organisations. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values, together with its strategic priorities and having a process in place for decision making, we do, however, aim to make sure that our decisions are consistent and predictable.

The table below provides links to other sections in the Annual Report which demonstrate the considerations under Section 172:

Section 172(1) Considerations	Where to find further information	Page
Decisions for the long term success of the Company	• Our Strategy	12-13
Interests of employees	• Our Strategy: Create a winning team • Our Culture, Diversity and Inclusion • Board meetings: engagement with UUSA colleagues • Case Study: European Forum	13 14-15 56 57
Board engagement with stakeholders and how the Directors have regard to the need to foster the Company's business relationship with all of its stakeholders, and the effect of that regard	• Our Strategy: Maintain our strong customer base • Our Strategy: Shape and utilise regulatory frameworks • Case Study: Customer Survey • Commercial and Markets Overview: Engagement with Suppliers	13 13 21 21
Impact of the company's operations on the community and environment	• Sustainability: Our sustainability programme • Sustainability: Energy use and climate change • Sustainability: Our communities • Sustainability Committee Report	28 30 32 64
Reputation for high standards of business conduct	• Sustainability: Ethical conduct • Audit Committee Report	35 58-63
Risk	• Principal risks and uncertainties	36-41

As is normal for large companies, we delegate authority for day-to-day management of the Company to the Chief Executive Officer and then engage management in setting, approving and overseeing execution of the business strategy and related policies. At every meeting, the Board receives reports on matters including safety and security performance, financial and operational performance, sales and marketing, new business developments and business conducted at recent Committee meetings. Over the course of the financial year, the Board also reviews other matters, including the Company's business strategy, key risks, stakeholder-related matters and governance, compliance and legal matters.

The Company's key stakeholders are set out in the stakeholder map on page 34 and include its workforce, customers, suppliers, the local communities in which it operates and regulators. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Urenco Group means that generally our stakeholder engagement best takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the Company's stakeholders, so as to encourage the directors to understand the issues to which they must have regard, please see page 33 (Key stakeholder engagements in 2020).

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial key performance indicators, risk, corporate responsibility matters and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys and focus groups). As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our Section 172 duty to promote success of the Company.

For further details on how our Board operates and the way in which we reach decisions, see 'Role and operation of the Board' above. For information regarding the matters we discussed and debated during the year, the key stakeholder considerations that were central to those discussions and the way in which we have had regard to the need to foster the Company's business relationship with customers, suppliers and other stakeholders, please see below and pages 33 (Stakeholder engagement), 58-63 (Audit Committee Report), 64 (Sustainability Committee Report), 65-71 (Remuneration Report), 14-15 (Our Culture, Diversity and Inclusion), 28-35 (Sustainability), 35 (Ethical conduct) and 72-75 (Directors' Report).

Governance

Corporate Governance continued

We set out below some examples of how the directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 when discharging their Section 172 duty and the effect of that on certain of the decisions taken by them.

Strategy: During 2020, the Board considered and approved Our Strategy (as described in pages 12 to 13 of the Strategic Report). In making its decision, the Board had regard to a number of factors, including the impact on all key stakeholder groups set out in the stakeholder map on page 34 and the long term success of the Company. The Board had particular regard to the interests of employees in setting the strategy, with colleagues from all levels of the organisation involved throughout the strategic planning process, and the importance of colleagues in the success of the Company is emphasised in the 'Our People' building block underpinning the Company's strategy. In addition, the Board had regard to relationships with regulators and communities through the 'Regulatory Frameworks' building block and customers through the 'Customer' building block.

Dividend: Each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. For the 2020 financial year, we declared and paid an interim dividend of €150 million and recommended a final ordinary dividend of €150 million, a total of €300 million. In making our decision we considered a range of factors. These included the long term viability of the Company, its expected cash flow and financing requirements, the ongoing need for strategic investment in our business and the expectations of our shareholders as the supplier of long term equity capital to the Company. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

Social investment: During 2020, the Board considered and approved a proposal to increase social development investment in 2021. In making its decision the Board had regard to key stakeholder groups including local communities in the surrounding area of each site. For further information on social investment activities during the year, please see page 28 (Our sustainability programme).

Annual strategic risk review: On an annual basis the Board carries out a review of the Company's key strategic risk and uncertainties. In performing this review the Board seeks the opinions of, and takes into consideration, the inputs of a broad range of Urenco stakeholders. This included the consideration of the outputs of individual strategic risk assessments, performed at each of our enrichment facilities, and based on the collective view of our site management teams; insight and views of the Urenco Executive Committee regarding its oversight of site specific, functional and corporate strategic risks; and outputs of one-to-one meetings, held between the Group Head of Risk and Internal Audit and individual Board members and senior management. As part of this review the Board, and its Committees, also considered specific advice and insight, regarding key issues, risks and uncertainties received from subject matter experts over the course of the year. In 2020 this included regular updates on COVID-19. The Board also sought specific details, from key business partners and stakeholders regarding the details of key mitigations and controls implemented in order to adequately mitigate and manage risks and uncertainties.

Board meetings

Urenco's Board meets regularly throughout the year in order to effectively discharge its duties. During 2020, the Board met five times.

Each year, the Board plans to hold one meeting at a Urenco enrichment facility. This was not possible in 2020 due to Covid-19 restrictions, therefore the planned visit to the US facility in 2020 was deferred. However, the planned workforce engagement sessions took place virtually with the participation of all directors in informative and interactive sessions with colleagues at all levels of the organisation which set out UUSA's achievements and challenges during 2020. Board members were keen to ask questions and hear feedback from colleagues on culture change and people development programmes. Due to the success of the virtual sessions, further Board engagement sessions have been arranged for 2021, with the first of these sessions taking place in March.

Board meetings attendance

	Number of meetings in 2020	Meetings attended
Alan Bevan	5	5
Stephen Billingham	5	5
Mel Kroon	5	5
Miriam Maes	5	5
Justin Manson	5	5
Richard Nourse	5	5
Boris Schucht	5	5
Ralf ter Haar	5	5
Frank Weigand	5	5

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 distributed to the Board periodically. The plans and reports cover both revenue and expenditure (including capital) and financing.

On an annual basis the Board reviews the Group's Strategic Risk Report. The types of risks identified in the 2020 review included strategic, material operational and compliance risks and are detailed on pages 36 to 41.

[1] In addition to the five scheduled meetings, two ad hoc meetings arranged to discuss specific items.

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 a holding company, Uranit UK Limited; shares in its German holding company are indirectly held 50% by E.ON S.E. and 50% by RWE AG).

The role of the shareholders and the Board is defined in Urenco's shareholder agreements and constitutional documents. The role of the governments who supervise Urenco from the non-proliferation perspective is set out in the Treaty of Almelo.

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 any potential 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 USA and in order to permit the transfer into the USA of classified information regarding Urenco's proposed new facility, in the US 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 Orano 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. European Commission 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 Orano to ensure that they remain competitors in the field of enrichment and that no commercially sensitive information about their enrichment operations passes between Urenco and Orano by virtue of their being joint shareholders of ETC.

Case study:
European Forum

Representatives from the European works councils and trade unions met the CEO virtually in November 2020 to discuss topical questions raised by employees.

The online European Forum began with an encouraging update from the CEO on business performance, operational highlights and progress made on our strategy and culture programmes, amid the challenging circumstances of the COVID-19 pandemic. He asked representatives to convey his thanks to all their colleagues for keeping all operations running without interruption, a key priority of the Company. The CEO then engaged with representatives from each of our European enrichment sites and head office on topics including strategy, organisation and operations, finance and company results, culture and shared service functions.

In order to attain best practice in corporate governance, boards are encouraged to engage directly with the workforce and, to that end, Miriam Maes, Non-Executive Director and Chair of the Sustainability Committee, was invited to the Forum, enabling direct dialogue and allowing colleagues to raise issues that they were interested in and concerned about. Discussions took place on organisational culture, and diversity and inclusion, as well as the role and responsibilities of our Board directors and shareholders. As a result of Miriam's contribution to this session and her interest and experience in diversity and inclusion, she has been invited to be interviewed for our internal celebration of International Women's Day in 2021. In addition, following discussions, it was agreed that the topic of employee development would be discussed in more detail at the next European Forum in April 2021.

Governance
Audit Committee Report

Chair's statement

Frank Weigand
Chair, Audit Committee

I am pleased to present the report of the Audit Committee for 2020.

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.

During 2020, 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, focusing on key matters which arise in addition to our planned work programme. Looking ahead, we intend to continue focusing on the audit, assurance, financial reporting and risk processes within the business as it continues to evolve.

Summary of the role and responsibilities 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, with the Board's authority, 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;
- Reviewing regular reports from management regarding new and emerging risks and uncertainties of the Group (see details of these on pages 36 to 41);
- Reviewing the significant financial reporting topics, new accounting standards' impact, and challenging significant accounting judgements and estimates contained in the financial statements;
- Reviewing and monitoring the systems of internal and financial control and risk management;
- Overseeing the Group's relationship with the external auditors, including monitoring and reviewing the external auditor's independence, objectivity and effectiveness; approving the external audit fees; and recommending the appointment of auditors to the Board for approval 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 fraud, impropriety or any behaviours that are contrary to Urenco's Code of Conduct and values, as committed by Urenco employees, any associated persons or any 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 in February 2021 and the Terms of Reference were updated following Board approval in March 2021.

Composition of the Audit Committee

The Committee comprises three members:

- Frank Weigand (Non-Executive Director and Committee Chair)
- Miriam Maes (Non-Executive Director)
- Justin Manson (Non-Executive Director)

Biographies for Committee members can be found on Urenco's website at www.urenco.com.

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

Meetings

The Committee is required, under its Terms of Reference, to meet at least three times a year. During 2020 the Committee met five times.[2] The membership and attendance record of the Committee members during the year is set out below.

	Number of meetings in 2020	Meetings attended
Frank Weigand	5	5
Miriam Maes	5	5
Justin Manson	5	5

[1] As a non-listed company, Urenco is not subject to the Code but recognises the value of applying the principles of following it where appropriate to do so.
[2] 3 March, 22 June, 5 August, 7 October and 3 December.

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, Group Head of Risk and 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 or their nominee is secretary to the Committee.

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

During 2020, the external auditor provided updates on the corporate governance and accounting standards as part of their audit. The key topics covered related in particular to developments in reporting on climate change matters and carbon emissions and reporting on corporate governance.

The Committee Chair and the Interim Company Secretary conducted an internal effectiveness review of the Committee's performance in January 2021, based on a framework provided by an external audit firm, and reported the results in the February 2021 Committee meeting. This review was attended by the Chairman of the Board, the Group Head of Risk and Internal Audit and the CFO. There were no significant findings arising from the review, although some areas for future consideration were identified, including enhancements to the training programme.

Given their status as nominees of shareholders, members of the Committee are not submitted for re-election at the Company'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 internal 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 2020 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 2019 Annual Report and the 2020 half year results;
- Reports from management detailing the principal risks and uncertainties of the Group, and the related key accounting judgements and estimates, considerations and conclusions;
- Work completed by the Internal Audit function, in reviewing and auditing the effectiveness and adequacy of the Group's internal control environment, including review of information technology, procurement, commercial risk management, project management, and health and safety management systems and processes;
- The annual report on compliance with the Group's anti-bribery and corruption policies and procedures;
- Regular operational risk and commercial risk reports;
- The annual Group Tax update, review of the Group's tax policy and publication of the Group's tax strategy;
- Group Treasury activities and review of financing provisions in the Group's funding arrangements;
- The Group's insurance strategy and policy;
- The annual pensions and deficits review;
- Urenco's alignment to the UK Corporate Governance Code[3];
- External auditor reporting on the design and implementation of key financial controls; and
- The independence, objectivity and fees of the external auditors and scope of audit and non-audit services.

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 reported to the Committee or identified during the year with regards to the adequacy of the system of internal control.

[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 Group's consolidated financial statements. In conducting these discussions, the Committee considered the work and recommendations of the Group finance functions, together with input and reports from the external auditor. The most significant matters that the Committee considered were the following:

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

  Issue background

  During 2019, the Group recognised a pre-tax impairment charge against its US cash-generating unit asset carrying value of €500 million. The impairment was – amongst others - driven by the further deterioration in the long term forecast market price for SWU, based on continued nuclear market uncertainty, as well as by higher estimated costs.

  There is continued inherent uncertainty, given the significant level of management judgement required in determining the estimations of future market dynamics, that the associated Urenco SWU market pricing forecasts could have improved, or alternatively could have decreased since 2019. Any significant change would result in an impairment reversal indicator or a new impairment indicator for 2020, potentially leading to a reversal of the impairment charge recognised in previous years or a further impairment charge in 2020.

  The key assumptions within the 2020 impairment indicator analysis are the revenues and cash flows forecast to be generated during the operational life of the business, which are a function of the forecasts for SWU capacity and market prices for uncontracted SWU; ongoing capital expenditure requirements to maintain and operate the business; levels of associated operating expenditure and the costs of deconverting tails in the future; extension of the US operating licence beyond 2040, which management expect to receive in the ordinary course of business; and the discount rate.

  Committee response: Management has reassessed the long term forecast market prices for SWU during 2020, including an assessment of the SWU prices for new Urenco sales contracts signed during the year. These long term prices are substantially the same as those used in the valuation model to determine the recoverable amount as at 31 December 2019. On this basis, and following an assessment of the other key assumptions detailed above, management has concluded that there are no indicators for a reversal of previous impairment charges or a further impairment charge, and hence no requirement to update the 2019 valuation model.

  The Committee has reviewed management's reports detailing the above impairment indicator and impairment reversal assessment, as well as the critical and key judgements and estimates used and concluded that no impairment reversal or further impairment charge is required relating to the US operations in 2020. Further details about the impairment and the assumptions used in determining the recoverable amount are given in note 2 of the Group's Consolidated Financial Statements.

  The external auditors appropriately reviewed and assessed management's view on the critical and key judgements and assumptions used in the USA impairment indicator assessment, and provided their view orally and in their written reports provided to the Committee on 3 December 2020 and 25 February 2021 and in the section on key audit matters in their Auditor's Report.

  The Committee reviewed and challenged management's judgements and estimates on this matter by way of oral and written report. The Committee has also taken into account the work of the external auditor on this matter. Ultimately, the Committee concluded that the judgements and estimates of management were appropriate.

- **European enrichment business - tails provisioning**

  Issue background

  During 2015, management rebased the European enrichment sites' tails provisions to reflect the unit cost of deconverting tails at the Tails Management Facility (TMF) in the UK, which is currently being commissioned. The TMF capital cost and future operating costs are reviewed by management on an ongoing basis and at each reporting period date.

  Significant management judgement is required in estimating the TMF deconversion cost assumptions, most notably the TMF total capital cost and future operating costs. Mechanical construction of TMF was completed in late 2018, with the final stage of active commissioning well underway. Until these activities are completed, the forecast TMF deconversion cost remains a key estimate within the European tails provision valuation.

  Further descriptions of the nature of tails deconversion and other items noted above are provided in note 30 of the Group's Consolidated Financial Statements.

  Committee response: The Group reviews its overall tails provision strategy annually, using a steering group of senior technical and operational personnel. During 2020, European tails provisions were reviewed to ensure they continued to appropriately reflect the latest management estimates relating to: the TMF final capital cost referred to above; any changes in cost assumptions related to an optimisation of tails management operations across the Group; the impact of the reduction in higher assay tails associated with enrichment services contracts; and the discount and inflation rates applied in calculating provisions.

  During the year, the valuation of the tails provisions was increased by €127.1 million as a result of reductions to the discount rates applied by both the US and the European enrichment businesses. The impact of the change in discount rates applied by the US enrichment business of €25.6 million was presented as an exceptional item in the income statement because historically the discount rate had remained unchanged for many years. As the discount rate applied by the European business had also been changed last year, this was therefore not considered exceptional.

  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 and the presentation of the impact of the change in US discount rates as an exceptional item.

  The tails provision recognised at the period end and the TMF project status were appropriately reviewed by the external auditor, and the Committee received 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 appropriate discount and inflation rates. These matters were discussed with the external auditor, both to understand its work, and to facilitate the Committee's challenge to management in this area. The external auditor has reported this as a key audit matter in its Auditor's Report.

The Committee noted that the Group’s policy for estimating the TMF deconversion cost was unchanged from previous periods and was satisfied that the provision recognised in respect of the European tails deconversion, storage and disposal is appropriate.

- **Group provisioning for decommissioning liabilities**

  Issue background

  During 2018, management undertook an in-depth review of its overall decommissioning provisions strategy. Following this triennial review, the provisions required in respect of decommissioning obligations as at 31 December 2018 increased by €123.0 million, largely driven by: a change in forecast timing of future decommissioning activities; new estimates for the volumes of waste arising and the costs of its disposal; revisions to estimates for capital investments required to decommission plant; and additional scope for certain legacy assets that need decommissioning, particularly on the Capenhurst site.

  Key estimates are required in the calculation of provisions for decommissioning obligations, including the likely costs and timing of future activity required for Urenco to satisfy its legal obligations, together with assumptions relating to the relevant discount and inflation rates applied.

  Further descriptions of the nature of decommissioning provisions and other items noted above are provided in note 30 of the Group’s Consolidated Financial Statements.

  Committee response: The Group reviews its overall decommissioning provisions strategy in depth on a triennial basis, using a steering group of senior technical and operational personnel. This was last performed in 2018 and will next be performed in 2021. In addition, management reviews the decommissioning provisions for each of its enrichment sites on an annual basis to ensure key assumptions remain valid and that the provisions continue to accurately reflect the Group’s liabilities.

  During the year, the valuation of the decommissioning provisions was increased by €107.4 million due to revised assumptions. The impact of the change in discount rates accounted for €88.4 million of this increase, of which €35.5 million was recognised in the income statement and €52.9 million has been recognised as an increase in decommissioning assets.

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

  The decommissioning provisions recognised at each period end are audited by Deloitte, and the Committee receives oral and written reporting on this work. This included consideration of Deloitte’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 its work, and to facilitate challenges to management in this area. The external auditor has reported this as a key audit matter in its Auditor’s Report.

  The Committee noted that the Group’s policy for calculating decommissioning provisions was unchanged from previous periods and was satisfied that the provisions recognised in respect of decommissioning 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 at the point in time when control of the service or good transfers to the customer; the fair value of consideration received; ownership and legal title over uranic material; the amount and timing of gains and losses recognised from commodity contracts held at fair value; and the accounting adopted for any unusual or non-standard transactions in the period. These judgements are relevant for sales of enriched uranium, enrichment services and natural uranium each year.

  For enrichment sales, judgment is required whether revenues should be recognised at a point in time or over a period in time. Management’s view is that revenues should be recognised at a point in time because when Urenco performs enrichment activities, this is not enhancing an asset that is controlled by any specific customer. Judgment is required in assessing that the point in time when control of the enrichment services passes to the customer is normally on delivery of the enriched uranium. Management judgment is also required in assessing the amount of the overall value of a long term enrichment contract that should be allocated to each of the individual deliveries based on management’s assessment of the standalone selling prices of those deliveries, particularly when this overall value includes variable consideration.

  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. Due to the assumptions and judgements used in measuring feed assets and liabilities, a ‘headroom test’ is performed to ascertain whether feed sold during a given accounting period was actually owned by Urenco or was deemed to be borrowed from third parties. When there is feed headroom at the end of the period, any profit earned on those feed sales should be recognised and when there is a feed shortfall the associated profit should be deferred to a later period.

  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 management. The revenue accounting policy is summarised within note 2 of the Group's consolidated financial statements.

  The Committee considered any observations and findings made by the external auditors as part of their reporting within their oral and written report presented on 25 February 2021. For the year ended 31 December 2020, this included the observation that revenue accounting for new contracts and contract modifications required critical accounting judgements, particularly regarding the standalone selling price and variable consideration. The external auditor has reported this as a key audit matter in its Auditor’s Report.

  In respect of feed profit recognition, management performs a feed ‘headroom test' to assess the level of feed inventory to which Urenco holds legal title. The Committee was satisfied that the available feed headroom was calculated appropriately and that there was therefore no requirement to defer the recognition of profit on feed sales.

  Finally, in respect of the commodity contracts held at fair value and the non-standard or complex transactions in the year, 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 timing of revenue recognition is appropriate and that the profit recognition for feed sales has been accounted for appropriately.

Governance

Audit Committee Report continued

Financial and business reporting

At its meeting on 25 February 2021, 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 and new accounting standards are monitored on an ongoing 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 review and approval of the draft 2020 Annual Report and Accounts in advance of the final sign-off by the Board. This review included the critical accounting judgements explained in note 2 of the Group's consolidated financial statements; and
- The Committee considered the conclusions of the external auditor over the key audit risks that contributed to its audit opinion.

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 UK. The standard period for rotation of the audit engagement partner is five years, and seven years for any key audit partner. 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.

During the year, management reviewed the Companies Act 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. As a result of that review, management is now satisfied that Urenco Limited is a not a Public Interest Entity (PIE) as defined in the Act and is, therefore, not required to formally tender or rotate the external audit. Accordingly, Urenco Limited can continue to reappoint Deloitte LLP. However, management notes that due to its status as an EU PIE, Urenco Finance NV, a subsidiary incorporated in the Netherlands, will be required under Dutch EU PIE audit regulations to formally tender the external audit, at the latest following completion of the 2020 audit. As Deloitte will have reached the maximum term of 10 years, Urenco Finance NV requires a different audit firm from 2021. Currently Urenco does not have any contractual obligations that would restrict its choice of external auditor.

During 2020, the Committee has considered and approved a proposal from management to appoint Mazars as auditor for Urenco Finance NV from 2021.

The Committee reviewed the effectiveness of the external auditor during 2020. 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 its 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 reviewed by the Committee on 25 February 2021. Urenco's Auditor Independence Policy includes the definition of prohibited non-audit services, which corresponds with applicable 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 approval 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 of Deloitte LLP's fees between audit services and non-audit services is provided in note 5 of the Group's Consolidated Financial Statements.

Having reviewed Deloitte LLP's performance during the year, and satisfied itself of the auditor's 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 an insightful and informed challenge.

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 throughout the year and confirming compliance with Group policies and procedures. Any weaknesses are highlighted and reviewed by senior management, and the Group Head of Risk and 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 2020, the Group Head of Risk and Internal Audit regularly provided relevant updates detailing new commercial or operational risks and any additional mitigation required to Committee meetings. In addition, the Committee considered the adequacy and appropriateness of mitigating controls or risk reduction strategies, as detailed on pages 36 to 41.

The Terms of Reference also require that the Committee review and approve the statements concerning internal controls and risk management to be included in the Annual Report (and interim statements, if they are produced). In 2020, as in previous years, the Committee conducted such review and gave its approval. Much of the Committee's work in this area was driven by the Group Head of Risk and 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 Risk and Internal Audit has direct access to the Chair of the Committee and provides 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 needed to meet the Committee's assurance requirements.

During the year, the Committee also reviewed and approved the proposed internal audit programme for 2021 and the performance of the Group Head of Risk and Internal Audit in delivering the 2020 internal audit plan. No significant issues or concerns were highlighted.

Approval

On behalf of the Audit Committee

Frank Weigand
Chair of the Audit Committee
10 March 2021

Governance
Sustainability Committee Report

Chair's statement

Miriam Maes
Chair, Sustainability Committee

I am pleased to present the report of the Sustainability Committee (the 'Committee') for 2020.

During 2020, my fellow Committee members and I have continued in our commitment to oversee and help drive forward key sustainability policies across the Urenco Group.

Across all aspects of sustainability, a key theme of 2020 was how the company adjusted its approach to maintain performance during the COVID-19 pandemic. A major workstream was the refresh of the Sustainability Strategy, building on existing performance and focussing on sustainability priorities for our industry and society for the 2020s. Particularly pertinent in this time of crisis, the Committee also considered the review of Urenco's contribution to socioeconomic development through its combined approach to donations, volunteering, scholarships and internships.

The 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 ('KPIs') across the full range of relevant sustainability issues, such as health and safety, environment, security, social performance and diversity and inclusion. 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:

- Receiving regular reports from management on the implementation and operation of the Group's sustainability related policies and standards, and challenging, where appropriate, the actions of management;
- 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: health and safety, asset integrity; social performance (including community relations, social investment, political contexts and charitable donations); environment and ethical conduct and reporting to the Board on the results of these reviews;
- Reviewing and approving KPIs in relation to the Committee's main areas of focus, and monitoring performance against these 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

The Sustainability Committee comprises four members:

- Miriam Maes (Committee Chair and Non-Executive Director)
- Justin Manson (Non-Executive Director)
- Frank Weigand (Non-Executive Director)
- Boris Schucht (Chief Executive Officer)

Richard Nourse replaced Justin Manson on the Committee with effect from 16 February 2021.

The Committee met three times in 2020.[1] One of the meetings took place at Urenco's Head Office in Stoke Poges. Two took place virtually due to COVID-19 travel restrictions.

The membership and attendance record of the Committee members during 2020 is set out below.

	Number of meetings in 2020	Meetings attended
Miriam Maes	3	3
Justin Manson	3	3
Frank Weigand	3	3
Boris Schucht	3	3

Activities of the Sustainability Committee during the year:

In 2020, the Committee:

- Provided oversight to the refresh of the Sustainability Strategy, in alignment with the new Group Strategy;
- Considered and approved the 2019 Sustainability Report, prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option; and
- Monitored the implementation of the sustainability programme and reviewed performance against the current sustainability KPIs.

Approval

On behalf of the Sustainability Committee.

Miriam Maes
Chair of the Sustainability Committee
10 March 2021

[1] 3 March, 22 June and 6 October

Governance
Remuneration Report

Chair of the Remuneration and Appointments Committee Statement

Mel Kroon
Chair, Remuneration and Appointments Committee

I am pleased to present the report of the Remuneration and Appointments Committee for 2020.

The role of Urenco's Remuneration and Appointments Committee remains to ensure that the Chair of the Board and Executive positions are occupied by individuals who are able to meet the requirements of the role. Furthermore the Committee is responsible for the remuneration arrangements for the Chair 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 year ended 31 December 2020. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of Urenco. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

The report is split into three main areas:

- The statement by the Chair 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 Chair 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 year. It has been approved by shareholder representatives at the Remuneration and Appointments Committee on 10 March 2021.

Composition

The Remuneration and Appointments Committee is composed entirely of Non-Executive Directors. The Chair of the Committee is Mel Kroon.

Frank Weigand, Alan Bevan and Richard Nourse are members of the Committee. Frank Weigand and Alan Bevan share one vote.

Justin Manson replaced Richard Nourse on the Committee with effect from 16 February 2021.

In attendance by invitation are the Chairman of the Board, the 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. In accordance with its terms of reference, the key responsibilities of the Remuneration and Appointments Committee include, but are not limited to, the following:

- Advising the Board on the appointment of Non-Executive Directors (if any), to be appointed in accordance with the Company's Articles of Association;
- Making recommendations to the Board on the appointment of the Chair, Chief Executive Officer, Chief Financial Officer and the Company Secretary;
- The setting of remuneration for the Chair, Chief Executive Officer and Chief Financial Officer, including executive remuneration policy and Long Term Incentive Plan (LTIP) arrangements;
- Providing advice to the Board on the fees of Non-Executive Directors of the Company;
- Advising on the remuneration policy for the Executive Directors;
- Keeping under review the leadership needs of the organisation, giving full consideration to succession planning for the Board and Senior Executive Management;
- Reviewing and making recommendations to the Board annually on the remuneration of the Chief Executive Officer, Chief Financial Officer and the Company Secretary; and
- Monitoring, and where appropriate approving, the remuneration of senior management.

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

Membership and attendance during the year

	Number of meetings in 2020	Meetings attended
Alan Bevan	6	6
Mel Kroon	6	6
Richard Nourse	6	5
Frank Weigand	6	6

The committee also met on two additional occasions: the first to discuss a new performance management process to be implemented for senior management in 2021; the second a pre-discussion ahead of the December meeting regarding proposed Group STIP targets for 2021.

Key issues in 2020

During 2020 the Remuneration and Appointments Committee:

- Reviewed the 2020 and 2021 targets set for the Chief Executive Officer and Chief Financial Officer;
- Considered Executive remuneration, as well as Chair and Non-Executive Director fees;
- Considered the proposal for a new performance management process;
- Reviewed the Remuneration and Appointments Committee Terms of Reference;
- Approved the Executive Remuneration Policy;
- Discussed succession planning; and
- Reviewed the long term and short term incentive plans.

Approval

This Statement was approved by the Remuneration and Appointments Committee on 10 March 2021.

Mel Kroon
Chair of the Remuneration and Appointments Committee
10 March 2021

Governance
Remuneration Report continued

Annual report on remuneration

All figures are reported in euros. In the event that payments are made in sterling, the average rate is used for conversion purposes; this was £0.88 to €1 for 2020 (2019: £0.88 to €1).

Single total figure of remuneration for each Director (audited)

The remuneration of the Executive Directors for the years 2020 and 2019 was made up as follows:

2020	Basic salary and fees[1] €	Pensions[2] €	Benefits €	Performance related bonuses[3] €	LTIP[4] €	Total €
Executive Directors						
Boris Schucht[6]	**576,800**	**80,760**	**123,360**	**574,493**	**264,133[8]**	**1,619,546**
Ralf ter Haar	**471,784**	**60,108**	**84,994**	**435,019**	**344,911**	**1,396,816**
Total	**1,048,584**	**140,868**	**208,354**	**1,009,512**	**609,044**	**3,016,362**

2019	Basic salary and fees[1] €	Pensions[2] €	Benefits €	Performance related bonuses[3] €	LTIP[4] €	Total €
Executive Directors						
Thomas Haeberle[5]	239,146	25,640	36,969	176,375	-	478,130
Boris Schucht[6]	374,693	52,457	94,282	318,489	-	839,921
Stephen Billingham[7]	150,203	-	-	-	-	150,203
Ralf ter Haar	441,916	59,408	87,703	362,452	504,569	1,456,048
Total	1,205,958	137,505	218,954	857,316	504,569	2,924,302

1 Base salary and fees for both Thomas Haeberle and Ralf ter Haar include adjustments as part of their remuneration due to the movements in sterling against the euro compared to agreed historical exchange rates of 1.30 and 1.20 respectively. The base salary for Boris Schucht is stated in euros.

2 The amounts for pensions include taxable pension salary supplements.

3 The short term incentive maximum opportunity for both Boris Schucht and Ralf ter Haar was 100% in 2020 (2019: 100%). The Remuneration and Appointments Committee considered the level of payout for 2020 in light of company and personal performance against the backdrop of unprecedented global events. Having considered the challenges presented by the COVID-19 crisis and the outturn performance of the company both in financial performance terms and delivery for customers, it was concluded that payment should be made according to the normal calculations.

4 The amounts for the LTIP include the full cash awards for the scheme maturing at the end of the year, which are paid after the year end. The LTIP amount for Ralf ter Haar will be paid in pounds sterling and has been translated into euro at the relevant year-end foreign exchange rate for each applicable year.

5 In 2019, Thomas Haeberle received his salary and a pro-rated bonus of £155,000 for the period from 1 January 2019 to his departure date of 31 March 2019.

6 The application of IFRS to the calculation of Boris Schucht's remuneration results in a non-material mismatch between the figures reported and his underlying contract.

7 Thomas Haeberle left Urenco on 31 March 2019 and Boris Schucht started on 1 May 2019. Stephen Billingham was appointed Executive Chairman for the month of April, additionally assuming all the duties and responsibilities undertaken by the Chief Executive. Stephen also spent significant additional time on Company business leading up to the departure of Thomas Haeberle and following the arrival of Boris Schucht to facilitate continuity and appropriate handover between Chief Executives. In consideration of the additional executive responsibilities undertaken, the Remuneration Committee agreed to compensate him for the duties and responsibilities taken during this period and determined a fee of £132,000, being an amount comparable to the total remuneration package paid to the Chief Executive. This is in addition to his normal monthly fee as Chairman of the Board disclosed in the Non-Executive table. He did not receive any other additional benefits or incentives.

8 Boris Schucht received a pro-rated entitlement to the LTIP 2018 in accordance with his start date of 1 May 2019 (16 months after the beginning of the LTIP 2018 performance period). This resulted in a pro-rating factor of 20/36.

The remuneration of the Non-Executive Directors for the years 2020 and 2019 was made up as follows:

2020	Fees[2] €	Benefits €	Performance related bonuses €	LTIP €	Total €
Non-Executive Directors					
Stephen Billingham	**250,784**	-	-	-	**250,784**
Alan Bevan	**51,927**	-	-	-	**51,927**
Mel Kroon	**57,393**	-	-	-	**57,393**
Miriam Maes	**59,730**	-	-	-	**59,730**
Justin Manson[1]	**59,101**	-	-	-	**59,101**
Richard Nourse	**51,927**	-	-	-	**51,927**
Frank Weigand	**71,061**	-	-	-	**71,061**
Total	**601,923**	-	-	-	**601,923**

2019	Fees[2] €	Benefits €	Performance related bonuses €	LTIP €	Total €
Non-Executive Directors					
Stephen Billingham	244,831	-	-	-	244,831
Alan Bevan	50,700	-	-	-	50,700
Mel Kroon	57,275	-	-	-	57,275
Miriam Maes	58,320	-	-	-	58,320
Justin Manson[1]	57,365	-	-	-	57,365
Richard Nourse	50,700	-	-	-	50,700
Frank Weigand	69,367	-	-	-	69,367
Total	588,558	-	-	-	588,558

[1] The fee payable in respect of the Non-Executive Directorship held by Justin Manson was paid to his employer, UK Government Investments Limited, up to 12 March 2020. From 13 March 2020 payments were made directly to him through payroll.
[2] Non-Executive Directors' fees are increased in line with the average pay rises paid to Urenco employees.

Additional requirements in respect of the single total figure table

Share holding

No director holds any shares in the Company.

Taxable benefits

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

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:

	Boris Schucht €	**Ralf ter Haar €**	**Scheme maturing at 31 December**
Incentive scheme accrual as at 1 January 2020	**141,493**	**771,318**	
Foreign exchange adjustments	**-**	**(40,601)**	
LTIP 2017 paid during the year	**-**	**(483,397)**	2019
LTIP 2018 accrued during the year[1]	**175,467**	**153,973**	2020
LTIP 2019 accrued during the year[1]	**88,573**	**68,484**	2021
LTIP 2020 accrued during the year	**192,268**	**145,589**	2022
Total LTIP accrual at 31 December 2020	**597,801**	**615,366**	

[1] Boris Schucht was awarded rights in the LTIP 2018 and LTIP 2019 as part of his remuneration package on joining the Company.

The Executive Directors participate in long term incentive plans, which are normally granted on an annual 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 2020, Boris Schucht and Ralf ter Haar were participants to the LTIP 2018, LTIP 2019 and LTIP 2020.

Governance
Remuneration Report continued

LTIP 2018:

The LTIP 2018 has a grant date of 2018 and a performance period of three years running from 1 January 2018. The scheme matures on 31 December 2020 and vests in 2021.

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

(i) Strategic Milestones aligned with Diversity and Inclusion (10%); and

(ii) Value Creation as determined by a quantitative assessment using discounted cash flow analysis of the change in equity value of Urenco during the performance period with movements in equity value being reflected in the level of award received under the Value Creation element (90%).

The maximum Performance Score is therefore 100%.

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 a percentage of salary for Executive Directors are 150% of annual base salary (as at 1 January 2018) multiplied by the Performance Score.

LTIP 2019:

The LTIP 2019 has a grant date of 2019 and a performance period of three years running from 1 January 2019. The scheme matures on 31 December 2021 and vests in 2022.

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

(i) Strategic Milestones aligned with Diversity and Inclusion (10%); and

(ii) Value Creation as determined by a quantitative assessment using discounted cash flow analysis of the change in equity value of Urenco during the performance period with movements in equity value being reflected in the level of award received under the Value Creation element (90%).

The maximum Performance Score is therefore 100%.

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 a percentage of salary for Executive Directors are 150% of annual base salary (as at 1 January 2019) multiplied by the Performance Score.

LTIP 2020:

The LTIP 2020 has a grant date of 2020 and a performance period of three years running from 1 January 2020. The scheme matures on 31 December 2022 and vests in 2023.

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

(i) Strategic Milestones aligned with Diversity and Inclusion (10%) and Culture (10%); and

(ii) Value Creation as determined by a quantitative assessment using discounted cashflow analysis of the change in equity value of Urenco during the performance period with movements in equity value being reflected in the level of award received under the Value Creation element (80%).

The maximum Performance Score is therefore 100%.

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 a percentage of salary for Executive Directors are 150% of annual base salary (as at 1 January 2020) multiplied by the 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 dependents' pensions and lump sums on death in service.

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.

	2020 €m	2019 €m	% increase
Total employee costs	**167.2**	168.4	(0.7)
Retained earnings	**1,367.5**	1,310.0	4.4
Dividend	**450.0**	300.0	50.0

Statement of implementation of remuneration policy in the following financial year

The primary objective of the Urenco remuneration policy is to ensure that competitive reward packages are offered that will attract, retain and motivate talented and experienced senior executives to run the business effectively, and to promote the success of the Company. A significant proportion of Executive remuneration should be related to specific performance targets.

The Policy has evolved over time to align with Urenco's strategy, market practice and shareholders' views. A consistent and competitive structure, which applies across the workforce, is also a core principle. This consistency allows for a culture of shared purpose and performance.

The package offered to Executive Directors consists of base salary, benefits, pension, performance related bonus and a long term incentive plan (LTIP). Salary and benefits are reviewed annually, with benchmarking information provided in 2020 by Kepler. The Chief Executive Officer and Chief Financial Officer both received a 3.0% increase in base salary for the 2020 calendar year, compared to 2019. This increase in base salary was in line with the increase for all employees throughout the Company. Executive Directors receive benefits that principally comprise some living expenses, motor vehicles, private healthcare and other expenses.

The remuneration of the Non-Executive Directors is in line with UK market standards and is reviewed annually.

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.

Governance
Remuneration Report continued

Policy report

Introduction

The information below summarises key aspects of the Company's remuneration policy for Executive and Non-Executive Directors. In order to improve clarity, the format and wording of this report was reviewed and approved by the Remuneration Committee in February 2020. This review did not result in any change to the remuneration or benefits offered to 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 Executive Directors:

Element	Purpose and link to strategy	Maximum Opportunity	Operation and Performance Measurement
Base Salary	To attract and retain high calibre Executives.	N/A	Base salary and pensionable base salary (where different) are reviewed, but not necessarily increased, annually. In making salary determinations, the Remuneration Committee (REMCO) will consider: • the market positioning of the Executive Directors' compensation packages; • comparison with Senior Management salaries; • Planned average salary increase for other employees; • the experience, skills and performance of the Executive Director, or any change in the scope and responsibility of their role; • general economic conditions, Urenco's financial performance, and governance trends; and • the impact of salary increases on pension benefits and other elements of the package.
Benefits	To provide market competitive benefits.	As specified in Urenco's standard policies.	Benefits that Executive Directors typically receive include car allowances, risk benefits (for example ill-health, disability or death-in-service), as well as employer contributions to insurance plans (such as medical). Precise benefits will depend on the Executive Director's specific circumstances, such as family status. Urenco's mobility policies may apply, such as for relocation and tax return preparation support. REMCO may adjust the range and scope of the benefits offered. Personal loans or guarantees are not provided to Executive Directors.
Annual Performance-Related Bonus	Rewards the delivery of short term operational targets in line with Urenco's strategic priorities, as well as individual contribution to Urenco.	Maximum bonus for CEO/CFO (as a percentage of base salary): • 100% On-target levels (as a percentage of base salary): • 66.7%	The REMCO believes it is important for annual variable pay to complement the LTIP's focus on longer term financial outcomes. For the 2020 performance year, the scorecard framework will consist of financial targets (60% weighting), operational excellence (20% weighting) and individual targets (20% weighting). The same annual bonus scorecard approach applies to other senior executives, supporting consistency of remuneration and alignment of objectives. For future years, the specific measures and weightings for the annual bonus scorecard will be reviewed annually by REMCO and adjusted accordingly to evolve with Urenco's strategy and circumstances. The annual review will also consider the scorecard target and outcome history over previous years to ensure that the targets set remain stretching but realistic. • The bonus is determined by reference to performance from January 1 to December 31 each year. • The Committee has the discretion to reduce bonus payouts in the event of material issues in relation to health and safety, security, quality, or regulatory performance.

Element	Purpose and link to strategy	Maximum Opportunity	Operation and Performance Measurement
LTIP	Rewards longer term value creation linked to Urenco's strategy.	Maximum award value for CEO/CFO (as a percentage of base salary): • 150% On-target levels (as a percentage of base salary): • 100%	• Award levels are determined annually by REMCO and are set within the maximum approved in the Policy. • The selection of participants and their maximum award is recommended by the CEO and approved by the REMCO. • Awards may vest between 0% and 100% of the initial award level depending on Urenco's performance. A cash payment is calculated on the basis of each participant's maximum award multiplied by the overall performance score. • For LTIP 2020, performance is assessed over a three-year period and is based on value creation (80%), diversity & inclusion measures (10%) and cultural targets (10%). Each measure can vest independently and the LTIP award is subject to clawback and malus provisions. • The REMCO may vary the conditions, suspend or terminate the LTIP at any time at its discretion.
Pension	To provide market competitive benefits.	Maximum Company contribution is 16.0% of salary for all employees in the defined contribution pension scheme.	Executive Directors' retirement benefits are maintained in line with those of the wider workforce. Only base salary is pensionable. The rules of the relevant plans detail the pension benefits which members can receive on retirement (including on ill-health), death or leaving service.

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

Fees	To compensate Non-Executive Directors for their Board work.	Reviewed annually.	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 base salary and fees, benefits, performance related bonus, LTIP and pension contribution. The ongoing components for Non-Executive Directors will comprise fees.

The initial base 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 10 March 2021.

Mel Kroon
Chair of the Remuneration and Appointments Committee

10 March 2021

Governance
Directors' Report

The Directors present their Annual Report and Accounts for the year ended 31 December 2020.

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 54 to 57 forms part of this report. In accordance with Schedule 7:1A of the Accounting Regulations the Group has detailed in the Strategic Report items that are required to be disclosed in the Directors' Report. Where this has occurred reference has been made in the Directors' Report to the related comment in the Strategic Report.

Results and dividends

Net income for the year attributable to equity holders of the Parent Company amounted to €505.3 million (2019: net profit €7.6 million).

The Directors recommend a final dividend for the year of €150.0 million (2019: €300.0 million). Together with the interim dividend of €150.0 million (2019: nil) paid in December 2020, this means a total dividend of €300.0 million (2019: €300.0 million) for the 2020 financial year. 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 final dividend. The final dividend for 2019 of €300.0 million was paid in March 2020. Details of the dividend are disclosed in note 11 to the consolidated financial statements. The policy and its application are explained in the Strategic Report on page 47.

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 Urenco Nuclear Stewardship Limited, 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 Orano. ETC provides gas centrifuge technology for the Group's enrichment facilities through its subsidiaries in the Netherlands, UK, Germany 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 pages 24 to 27.

Going concern

The Group's business activities, achievements, risks and opportunities are set out in the Chief Executive Officer's review on pages 4 to 7 and the Group Finance Report on pages 42 to 47. 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 (€9.0 billion extending to the first half of the next decade (2019: €10.6 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 and the repayment of the €534.4 million Eurobond (note 29) which was repaid in full on 15 February 2021.

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 47 and in note 28 to the consolidated financial statements.

Capital structure

The capital structure is set out in note 25 of the financial statements and forms part of the Group Finance report on page 45.

Research and development

Research and development within the Group are predominately carried out by the Central Technology Group (CTG) which conducts 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.

Political contributions and other donations

During the year, the Group made no contributions (2019: €nil) to local political parties. As part of the Group's commitment to the communities in which it operates, contributions totalling €677,000 (2019: €504,000) were made during the year to local charities and community projects.

Events after the reporting period

As of 10 March 2021, 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. Urenco adopts an equal opportunities policy for training, development and promotion, in order that our practices are not discriminatory towards any group of employees including those with a disability.

Employee involvement and consultations

During the year, 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 2020 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.

Customer and other business partner relationships

The Group carefully monitors and develops its long established relationships with its worldwide customer base and with policy makers in the nuclear industry. We regularly meet with our customers and enhance relationships by explaining, educating and enhancing their understanding and knowledge of our enrichment processes and operations. Additional information as to how we foster relationships with our business partners can be found in the Strategic Report on pages 28 to 35.

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 2020, the Company had an average of 28 days purchases owed to trade creditors (2019: an average of 29 days purchases owed to trade creditors).

Streamlined Energy and Carbon Reporting

The following disclosures are made pursuant to The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, specifically the requirements for large unquoted companies.[1]

Urenco's greenhouse gas accounting approach is based on operational control. The data in this section relates only to Urenco's UK businesses for January to December 2020. These include Urenco Limited, Urenco ChemPlants Limited, Urenco Enrichment Company Limited, Urenco Nuclear Stewardship Limited and Urenco UK Limited. These businesses are based at two sites, an enrichment and operations facility in Capenhurst and a large office in Stoke Poges. Further energy and carbon disclosures relating to the whole Group can be found within the Strategic Report on pages 30 and 31.

[1] Our energy and carbon data is subject to limited assurance by external provider Corporate Citizenship, in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the relevant subject-matter specific ISAE for greenhouse gas data (ISAE 3410, Assurance Engagements on Greenhouse Gas Statements). Please see www.urenco.com/sustainability/quality-certifications for the most recent annual assurance statement.

Governance

Directors' Report continued

UK energy consumption and greenhouse gas emissions

Approximately 92% of our UK energy use in 2020 related to the consumption of purchased electricity (2019: 92%). The main source of scope 1 emissions is combustion of natural gas for office heating and for deconversion processes in our new Tails Management Facility.

		Year ended 31 December 2020		Year ended 31 December 2019	
		GWh (million kWh)	tonnes CO_2e	GWh (million kWh)	tonnes CO_2e
Scope 1	Natural gas	13.19	2,425	12.65	2,326
	Diesel for generators	0.54	139	0.69	175
	Diesel for fleet	0.12	28	- (1)	- (1)
	Fuel oil	0.87	236	0.88	235
	Biodiesel	0.14	2	-	-
	Total	14.86	2,830	14.22	2,736
Scope 2	Purchased electricity	170.62	39,779 (location-based carbon factor applied(2)) - (market-based carbon factor applied(2))	171.96	43,952 (location-based carbon factor applied(2)) - (market-based carbon factor applied(2))
Scope 3	Fuel used in hire cars and in personal cars on business use	0.05	13	- (3)	- (3)
Total		185.53	42,622 (location-based carbon factor applied(2)) 2,843 (market-based carbon factor applied(2))	186.18	46,688 (location-based carbon factor applied(2)) 2,736 (market-based carbon factor applied(2))

(1) The 2019 data collection did not differentiate between diesel used for generators and diesel used for fleet. All diesel usage is categorised as for stationary generation, applying the higher carbon factor (mineral diesel).

(2) The emissions stated under 'location based' reporting apply the average greenhouse gas emissions intensity for the UK grid to purchased electricity (the intensity factor is sourced from Greenhouse gas reporting: conversion factors 2020, published by Department for Business, Energy & Industrial Strategy). All of the purchased electricity is bought under a 'blue' (nuclear) tariff supplied by eDF, which we consider to be carbon free at the point of generation. Hence the emissions associated with the purchase of electricity calculated by applying the 'market-based' carbon factor, which take into account any contractual arrangements with energy suppliers, are zero.

(3) As this is the first year that Urenco is reporting under SECR regulations 'Fuel used in hire cars and personal cars on business use' for 2019 has not been included.

Emissions intensity

Tonnes CO_2e/tSWU(4) UK output: 9.47 (location based reporting) (0.63 tonnes CO_2e/tSWU if the carbon benefit of purchasing 'blue' (nuclear) electricity is taken into account under market-based reporting). This has been chosen as it is the primary method Urenco uses to measure production output.

(4) SWU: separative work units, as defined on page 171.

Energy efficiency actions undertaken in the UK in 2020 reporting year[1]

By far the largest source of our greenhouse gas emissions relates to the consumption of purchased electricity by the Urenco UK Limited enrichment facility. Most electricity is used in the centrifuges, which are run as a highly efficient continuous process with little scope for variation, so opportunities for savings are mainly focussed on adjustments to auxiliary processes. The use of purchased electricity across our UK operations decreased by 2.1% in 2020 compared to the previous year, partly due to our 2019 programme of initiatives targeting 4,830 MWh (thousand kWh) of annual electricity savings for the lifetime of the projects. Additionally, energy efficiency measures implemented as part of the 2020 programme achieved approximately 1,200 MWh of electricity savings by the end of the year, and are expected to save more than 4,000 MWh of electricity per annum going forwards. Examples include:

- Process pump optimisation and associated reductions in the demand for cooling, saving 216 MWh by the end of 2020, 300 MWh per annum in future years;
- Further rollout of LED lighting across the enrichment plants, saving 750 MWh by the end of 2020, 2,500 MWh per annum in future years; and
- Cooling water pump optimisation, saving 5 MWh by the end of 2020, 25 MWh per annum in future years and is repeatable to over 80 locations.

[1] Please note all "energy saved per annum" figures relate to the lifetime of the equipment.

We have also begun implementation of a major project to increase the efficiency of the cooling water system, which aims to reduce electricity use by around 1,500 MWh per year on full implementation. Work on this project will continue in the coming years.

We conducted an environmental audit of our UK facilities in 2019 in compliance with the Energy Savings Opportunity Scheme (the UK implementation of the EU Energy Efficiency Directive). The audit provided nine recommendations for improving energy efficiency. Most of these changes are underway, and implementation continued through 2020, such as power factor corrections to avoid electricity wastage and reduce strain on utility infrastructure.

Through our energy partnership with the University of Chester, we are exploring the potential for use of a Combined Heat and Power plant, on-site renewable power generation, and the recovery of waste heat from equipment and the enrichment process.

The COVID-19 lockdown reduced energy use in offices, although this is only a small proportion of our total energy use. The lockdown also reduced business travel.

In addition to energy efficiency, we are also looking at other measures to reduce our impact on climate change. In the UK, Urenco sources 100% of its electricity under a 'blue' (nuclear) tariff, and we consider this electricity to be carbon free at the point of generation. We operate 16 fully electric vans at our UK site.

Data methodology

The energy and carbon statements disclosed in this report have been calculated in accordance with the following standards:

- WRI/WBCSD (2004). Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard - Revised Edition
- WRI/WBCSD (2015). Greenhouse Gas Protocol: Scope 2 Guidance for market-based reporting
- Department for Environment, Food & Rural Affairs and Department for Business, Energy & Industrial Strategy (2019): Environmental reporting guidelines: Including Streamlined Energy and Carbon Reporting requirements'

We collated the data and conducted the calculations following the best practice reporting principles of relevance, accuracy, completeness, consistency and transparency. We have sourced our data primarily from meter readings and invoices, but where this has not been possible, such as for scope 3 fuel use, we have used reasonable estimations such as use of expensed mileage data as a proxy.

All factors, for fuel properties, carbon intensities and Global Warming Potentials, are sourced from Greenhouse gas reporting: conversion factors 2020, published by Department for Business, Energy & Industrial Strategy. Please note UK emissions reported as part of the Group emissions presented on page 30 apply the location based carbon factor sourced from the International Energy Agency (2019) to purchased electricity, to maintain consistency with our wider Group greenhouse gas emissions reporting.

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 has expressed its 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 10 March 2021.

The Directors' Report has been approved for issue by the Board of Directors on 10 March 2021.

Ralf ter Haar
Director

10 March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006. The Group financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The Directors have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the 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 or loss of the Group for the year.

In preparing the Group financial statements, International Accounting Standard 1 requires that 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 adequate 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.

The Directors' Responsibilities Statement has been approved for issue by the Board of Directors on 10 March 2021.

By order of the Board.

Ralf ter Haar
Director

10 March 2021

Financial statements
Independent Auditor's Report

Report on the audit of the financial statements

In our opinion:

- **the financial statements of Urenco Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);**
- **the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

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

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

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

Materiality

The materiality that we used for the Group financial statements was €25 million (2019: €25 million) which was determined on the basis of approximately 3.5% of annual profit before tax ("PBT") excluding exceptional items (2019: approximately 3% of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities).

Scoping

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

Significant changes in our approach

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

Conclusions relating to going concern

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

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

- assessment of current financing facilities including nature of facilities, repayment terms and covenants;
- assessment of the consistency of the forecasts with the business model and medium-term risks;
- challenged he assumptions used in the forecasts; and
- sensitivity analysis on management's forecast cash flows.

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

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

Key audit matters

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

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

Carrying value of the US enrichment business

Key audit matter description

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

There is an ongoing requirement for management to assess each CGU for indicators of impairment or impairment reversal at each reporting period end. The 2020 year end impairment risk is focused on the US enrichment business CGU given the significant carrying value of the more recently constructed assets (carrying value as at 31 December 2020: €1,353.4 million, 31 December 2019: €1,573.0 million) and the €500.0 million pre-tax impairment charge recognised at the 2019 year end. The 2019 impairment charge was primarily driven by the further deterioration in the long term forecast market price for SWU, as a result of a number of political and geopolitical uncertainties, together with the increased potential for duties / tariffs being imposed that could impact the US enrichment business.

There is a significant level of management judgement inherent in determining whether an impairment indicator or impairment reversal indicator exists as at the 2020 year end. Management's assessment of whether there has been any observable change during 2020 to the future enrichment market dynamics, the associated SWU market pricing projections and forecast sales volume demand estimations, compared to those previously adopted in the 2019 impairment valuation is critical to this analysis.

Management has re-assessed forecast SWU market prices during 2020 and determined that these prices are in line with those used in the valuation model to determine the recoverable amount as at 31 December 2019. On this basis, and following an assessment of the other key assumptions detailed below, management has concluded that there are no indicators for a further impairment charge or an impairment reversal and hence no requirement to perform a full impairment assessment.

The other key assumptions in management's assessment include the 8.0% pre–tax nominal discount rate adopted; the risk adjusted contracted and agreed future order book including any amendments during 2020; the extension of the US operating licence beyond 2040 which management continues to expect to receive in the ordinary course of business; ongoing capital expenditure requirements to maintain and operate the business; together with levels of associated operating costs, the US disposal cost of tails produced from enrichment and US government policy.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 60, and is a critical accounting judgement within note 2 to the financial statements on page 92. Note 2 to the financial statements on page 101 also provides further details on the Urenco significant accounting policy for the impairment of enrichment assets.

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

We obtained an understanding of the relevant controls over management's impairment indicator review processes.

We evaluated management's assessment of CGUs by obtaining a sample of underlying sales agreements to assess whether the cash inflows for the US and European enrichment businesses are separately identifiable and independent.

We have challenged management's review of the relevant internal updates and external market information, including reviewing for any contradictory evidence, when scrutinising the 2020 impairment indicator or impairment reversal analysis.

We have assessed the new sales contracts and contract extensions signed during 2020 and those currently under discussion with customers. We have validated that the pricing included over the contract lives and current market spot and forward prices are materially consistent with those included in the 2019 US valuation model.

We have assessed and benchmarked the reasonableness of the pre-tax nominal discount rate adopted to external market data.

We have assessed the impact of climate change on future enrichment market dynamics and challenged whether this had been appropriately considered in management's analysis.

We have reviewed and challenged management's overall conclusion, including their assumptions on nuclear energy demand by jurisdiction, and other key assumptions in the 2019 impairment valuation. This included involvement of our nuclear industry specialists, benchmarking to third party evidence where available and challenge of operational and commercial management.

Key observations

We concluded that the key impairment indicator and reversal indicator assessment inputs had been appropriately determined by management; there were no impairment indicator or reversal indicators identified from the work performed.

European enrichment business tails disposal provisioning

Key audit matter description

During 2020, management continued to base the European enrichment sites' tails provisions using the estimated future de-conversion cost of processing tails through the Tails Management Facility ('TMF') currently being commissioned. The TMF deconversion cost estimate is reviewed by management at each reporting period end, as this TMF cost estimate is required to measure the future tails de-conversion provision. As at 31 December 2020, Urenco recognised a €1,128 million (31 December 2019: €1,056 million) provision in respect of tails currently held at the three European enrichment sites, reflecting an increase in the volume of tails held and the expected de-conversion rate.

Significant management judgement is required in estimating the TMF de- conversion forecast cost assumptions, most notably the eventual operating cost of the TMF facility, as well as the capital costs of commissioning the facility. The latest TMF project review undertaken by management indicated a marginally increased capital construction and commissioning cost. The forecast commissioning date of the TMF facility is now during 2021 (2019: 2020), reflecting the impact of Covid-19. The results of the project review were included in the 2020 tails de-conversion cost forecast used to estimate the European tails provision. Until commissioning is complete and operations commence, the total capital cost and estimated operating costs remain a key estimate within the European tails provision valuation, similarly any increase in the TMF operating cost would increase the current and future European tails provision.

The other key management estimates in valuing this long term European tails provision are macroeconomic assumptions (inflation and discount rate) to recognise the provision at a present value cost; and the determination of the final tails disposal and transport costs. During 2020, the European tails provisions continued to reflect changes in tails disposal routes related to an optimisation of tails management operations across the Group and the impact of the reduction in higher assay tails associated with the enrichment services contracts.

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

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 60, and is a key source of estimation uncertainty within note 2 to the consolidated financial statements.

Further details on the tails provision are also provided in note 30 to the consolidated financial statements.

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

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

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

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

We have understood the rationale for, and reviewed the calculation of the relevant updates made to the TMF de-conversion cost model in 2020; we have agreed the underlying information to third party support where relevant.

We corroborated the volume of tails to be de-converted to operational and financial reports. For the high assay tails disposal contract, we assessed 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.

We reviewed and challenged the disclosures of the key source of estimation uncertainty within note 2 to the consolidated financial statements and the further details on the tails provision also provided in note 30 to the consolidated financial statements.

Key observations

We concluded that the key cost and operational assumptions applied by management as well as related disclosures were appropriate.

Revenue and feed profit recognition

Key audit matter description

The Group has recognised total revenue of €1,700 million in the year ended 31 December 2020 (31 December 2019: €1,805 million). Given the complex nature of the Group's sales contracts and contractual delivery terms, management judgement is required in applying the Group's revenue recognition policies to enrichment services, and uranium feed and natural uranium sale transactions.

The key management judgements include:

- as each individual delivery is considered a separate performance obligation, the assessment of the amount of the overall value of a long term enrichment contract that should be allocated to each of the individual deliveries based on management's assessment of the standalone selling prices of those deliverables;
- for enrichment sales, management's conclusion that when Urenco performs enrichment activity, this is not enhancing an asset that is controlled by any specific customer, and therefore revenues should be recognised at a point in time – not over a period of time;
- the assessment of the amount and timing of revenue to be recognised in respect of variable consideration and options in Urenco's sales contracts; and
- the assessment of modifications to enrichment contracts and whether treatment as a separate contract is required.

Given the degree of judgement involved in revenue recognition, we also determined that there was a potential for fraud through possible manipulation of this balance.

This key audit matter is included as a significant issue related to the consolidated financial statements within the Audit Committee report on page 61, and is a critical accounting judgement within note 2 to the consolidated financial statements. The Group's policy on revenue recognition is set out in note 2 of the consolidated financial statements and further details are included within the Revenue note 3 of the consolidated financial statements.

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

We obtained an understanding of relevant controls over management's revenue recognition processes.

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

We have reviewed and challenged the standalone selling price range determined by management at the start of the year, through review of management's forecasting process and comparison to recently signed contracts.

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

We challenged the timing and value of revenue recognised through analytical procedures, agreement to executed contracts, signed delivery documentation and consideration received. We have recalculated the extent of any revenue accruals or deferrals.

For revenue recognised in the period shortly before and after 31 December 2020, 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.

Key observations

We concluded that the Group's revenue recognition policy was appropriately applied in line with IFRS 15.

Enrichment site decommissioning provisioning

Key audit matter description

Decommissioning activity involves the deconstruction, decontamination and disposal of the centrifuges and related pipework. As at 31 December 2020, the provision was €840 million (31 December 2019: €713 million).

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

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

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

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 61, and is a key source of estimation uncertainty within note 2 to the consolidated financial statements on page 93. Further details on the site decommissioning provision are also provided in note 30 to the consolidated financial statements on page 146. The cost and timing of Urenco's long term nuclear activities are subject to external factors that Urenco can influence but not control, for example, government policy for long term disposal costs.

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

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

In assessing the decommissioning provision, we:

- understood the rationale for the key updates made in the 2020 provision;
- performed a risk assessment to determine the principal underlying cost and strategic drivers;
- reviewed and challenged the key assumptions and critical estimates made in determining the timing of cash flows with senior operational and technical staff and determined the consistency of these assumptions with those used in forecasts and the wider Group strategy;
- where cost estimates are internally generated we have assessed the competence, capability and objectivity of management's experts;
- challenged the cost assumptions made, comparing them against underlying support; and
- assessed and benchmarked the reasonableness of discount and inflation macro- economic assumption rates adopted to external market data and relevant industry peers.

Key observations

We concluded that the key cost and operational assumptions applied by management as well as related disclosures were appropriate.

Our application of materiality

Materiality

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

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

	Group financial statements	Parent Company financial statements
Materiality	€25.0 million (2019: €25.0 million)	€19.5 million (2019: €15.6 million)
Basis for determining materiality	Approximately 3.5% of forecast annual profit before tax ("PBT") excluding exceptional items (2019: approximately 3% of profit before tax excluding exceptional items and foreign exchange gains and losses on financing activities).	Approximately 5% of profit before tax (2019: approximately 5% of profit before tax) for the Parent Company.
Rationale for the benchmark applied	We have determined that profit before tax excluding exceptional items provides us with a consistent year on year basis for determining materiality and is the most relevant key performance measure to the stakeholders of the Group. Profit before tax is adjusted to exclude exceptional items which would, if included, distort materiality for the year. We considered this measure to be suitable having also compared to another benchmark; our materiality is below 2% of equity (2019: below 2%) for both the Group and the Parent Company.	

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2019: 70%) of Group materiality	70% (2019: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. The quality of the control environment and that we were able to take controls reliance on the revenue cycle and on general IT controls as planned; b. The higher risk nature of the industry; and c. Changes in the internal control environment related to remote working for management.	

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €1,250,000 (2019: €1,250,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

We also agreed with the Audit Committee that we would report to the Committee the aggregate of audit differences in excess of €600,000 which arose from factual misstatement.

An overview of the scope of our audit

Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The component materiality was €9.6 million (2019: €10.15 million).

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

Additionally, we performed full scope audits on the entity constructing the TMF (Urenco ChemPlants Limited), the UK uranium handling services entity (Urenco Nuclear Stewardship Limited) and the UK head office entities, which are significant to the Group. Our full scope audit procedures cover net assets (2020: 98%, (2019: 99%) of Group total), revenue (2020: 99%, (2019: 99%) of Group total) and profit before tax (2020: 98%, (2019: 98%) of Group total).

Our consideration of the control environment

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

We planned and were able to place controls reliance on the relevant controls in relation to the accuracy, cut- off and occurrence of revenue, before any revenue accruals or deferrals as required under IFRS 15 which were reviewed and challenged as part of the audit procedures outlined in the Revenue and feed profit recognition key audit matter.

Working with other auditors

Component auditors were directed and supervised via clear group team instructions, regular email communication and calls, remote file reviews and meetings at key stages of the audit. Due to Covid-19 related travel restrictions and health considerations, no site visits were performed in the current year. Instead, additional remote file reviews were performed earlier in the audit process and the UK group team engaged in calls with local management and component auditors, in addition to the usual component audit close meetings.

Other information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Identifying and assessing potential risks related to irregularities

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

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

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

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

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

Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

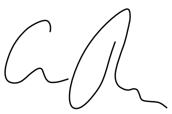
Directors' remuneration

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

We have nothing to report in respect of this matter.

Use of our report

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



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

10 March 2021

Financial statements

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	**2020 Result for the year €m**	2019 Result for the year €m
Revenue	3	**1,700.1**	1,804.5
Changes to inventories of work in progress, finished goods and SWU assets		**(38.7)**	(5.5)
Raw costs of materials and consumables used		**(17.8)**	(13.0)
Net costs of nuclear provisions(i)	5,6	**(163.8)**	(297.7)
Employee costs	7	**(167.2)**	(168.4)
Depreciation and amortisation	5	**(328.6)**	(356.2)
Impairment of USA operations – exceptional item	6	**-**	(500.0)
Restructuring provision release	6	**0.9**	2.9
Other expenses	5	**(249.9)**	(264.8)
Share of results of joint venture	16	**13.8**	5.4
Income from operating activities	5	**748.8**	207.2
Finance income	8	**85.5**	74.3
Finance costs	9	**(167.9)**	(181.4)
Income/(loss) before tax		**666.4**	100.1
Income tax expense	10	**(161.1)**	(92.5)
Net income for the year attributable to the owners of the Company		**505.3**	7.6
Earnings per share		**€**	€
Basic earnings per share	12	**3.0**	0.1

(i) Net costs of nuclear provisions includes €25.6 million and €143.0 million for the years ended 31 December 2020 and 31 December 2019 respectively classified as exceptional items. Refer to note 6.

Financial statements
Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 €m	2019 Restated[i] €m
Net income for the year attributable to the owners of the Company		**505.3**	7.6
Other comprehensive income/(loss):			
Items that have been or may be reclassified subsequently to the income statement			
Cash flow hedges – transfers to revenue	26	**38.9**	40.2
Cash flow hedges – mark to market gains/(losses)	26	**47.1**	(23.6)
Movements on cost of hedging reserve[i]	26	**(6.7)**	(15.6)
Deferred tax expense on financial instruments[ii]	10	**(18.8)**	(2.9)
Current tax (expense)/income on financial instruments[ii]	10	**(7.7)**	5.6
Exchange differences on hedging reserves	26	**8.2**	(12.2)
Total movements to hedging reserves[ii]		**61.0**	(8.5)
Exchange differences on foreign currency translation of foreign operations		**(111.0)**	48.3
Net investment hedge – mark to market (losses)/gains		**(12.8)**	39.7
Deferred tax income on financial instruments[ii]		**3.8**	2.6
Current tax expense on financial instruments[ii]		**(3.3)**	(6.2)
Share of joint venture exchange differences on foreign currency translation of foreign operations		**(0.1)**	0.1
Total movements to foreign currency translation reserve[ii]		**(123.4)**	84.5
Items that will not be reclassified subsequently to the income statement			
Actuarial gains/(losses) on defined benefit pension schemes	31	**1.6**	(16.9)
Deferred tax income on actuarial losses	10	**-**	1.8
Current tax income on actuarial losses	10	**-**	1.3
Share of joint venture actuarial losses on defined benefit pension schemes		**(1.9)**	(3.8
Share of joint venture deferred tax income on actuarial losses on defined benefit pension schemes		**2.5**	-
Total movements to retained earnings		**2.2**	(17.6)
Other comprehensive (loss)/income		**(60.2)**	58.4
Total comprehensive income for the year attributable to the owners of the Company		**445.1**	66.0

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

(ii) To appropriately present the deferred tax and current tax on the accumulation of gains/losses of hedging instruments in net investment hedges in the foreign currency translation reserve under IFRS 9 Financial Instruments, deferred tax and current tax of €33.6 million as at 31 December 2019 has been removed from the hedging reserve and recognised in the foreign currency translation reserve. Further details are shown in note 26.

Financial statements

Consolidated Statement of Financial Position

For the year ended 31 December 2020

	Notes	**31 December 2020 €m**	31 December 2019 Restated(i) €m	1 January 2019 Restated(i) €m
Assets				
Non-current assets				
Property, plant and equipment, including right-of-use assets	13	**4,308.2**	4,570.8	4,961.9
Investment property	14	**5.9**	6.5	6.1
Intangible assets	15	**20.7**	24.5	34.6
Investments including joint venture	16	**30.8**	21.2	18.9
Restricted cash	18	**1.5**	3.5	4.3
Derivative financial instruments	29	**110.0**	145.3	197.9
Deferred tax assets	10	**114.2**	183.1	166.1
Contract assets	21	**12.1**	5.2	-
		4,603.4	4,960.1	5,389.8
Current assets				
Inventories	19	**122.4**	128.8	135.0
SWU assets	20	**313.4**	289.5	241.9
Contract assets	21	**16.3**	11.1	-
Trade and other receivables	22	**236.6**	263.2	218.8
Derivative financial instruments	29	**126.0**	7.1	14.3
Income tax recoverable		**45.0**	89.0	44.6
Short term bank deposits	23	**528.8**	464.1	-
Cash and cash equivalents	24	**630.0**	323.2	531.2
		2,018.5	1,576.0	1,185.8
Total assets		**6,621.9**	6,536.1	6,575.6
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	25	**237.3**	237.3	237.3
Additional paid in capital	25	**16.3**	16.3	16.3
Retained earnings		**1,367.5**	1,310.0	1,620.0
Hedging reserves - restated(i)	26	**46.1**	(14.9)	(6.4)
Foreign currency translation - restated(i)	26	**213.7**	337.1	252.6
Total equity		**1,880.9**	1,885.8	2,119.8
Non-current liabilities				
Trade and other payables	32	**32.5**	-	41.4
Interest bearing loans and borrowings	29	**1,060.4**	1,693.4	1,902.1
Lease liabilities	28	**18.2**	19.6	-
Provisions	30	**2,350.5**	2,177.8	1,769.0
Contract liabilities	27	**74.4**	53.5	50.1
Derivative financial instruments	29	**64.6**	142.7	158.1
Deferred tax liabilities	10	**159.1**	99.4	97.7
Retirement benefit obligations	31	**56.8**	65.2	46.0
		3,816.5	4,251.6	4,064.4
Current liabilities				
Trade and other payables	32	**242.8**	250.6	255.4
Interest bearing loans and borrowings	29	**534.3**	-	-
Lease liabilities	28	**1.6**	2.4	-
Provisions	30	**5.2**	9.2	7.5
Contract liabilities	27	**61.4**	59.6	62.1
Derivative financial instruments	29	**51.9**	36.1	33.8
Income tax payable		**27.3**	40.8	32.6
		924.5	398.7	391.4
Total liabilities		**4,741.0**	4,650.3	4,455.8
Total equity and liabilities		**6,621.9**	6,536.1	6,575.6

(i) Amounts in the hedging reserve in respect of current and deferred tax on net investment hedges of €33.6 million as at 31 December 2020 and of €44.9 million as at 1 January 2019 have been removed from the hedging reserve and recognised in the foreign currency translation reserve. Total equity as at 1 January 2019 and 31 December 2019 remains unchanged. Further details of both are shown in note 26.

The financial statements were approved by the Board of Directors and authorised for issue on 10 March 2021.

They were signed on its behalf by:

Registered Number 01022786

Boris Schucht
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer

Financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 31 December 2019	**237.3**	**16.3**	**1,310.0**	**18.7**	**303.5**	**1,885.8**
Restatement[i]	**-**	**-**	**-**	**(33.6)**	**33.6**	**-**
Revised as at 1 January 2020	**237.3**	**16.3**	**1,310.0**	**(14.9)**	**337.1**	**1,885.8**
Income for the year	**-**	**-**	**505.3**	**-**	**-**	**505.3**
Other comprehensive income/(loss)	**-**	**-**	**2.2**	**61.0**	**(123.4)**	**(60.2)**
Total comprehensive income/(loss)	**-**	**-**	**507.5**	**61.0**	**(123.4)**	**445.1**
Equity dividends paid (see note 11)	**-**	**-**	**(450.0)**	**-**	**-**	**(450.0)**
As at 31 December 2020	**237.3**	**16.3**	**1,367.5**	**46.1**	**213.7**	**1,880.9**

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves Restated[i] €m	Foreign currency translation reserve Restated[i] €m	Attributable to the owners of the Company €m
As at 31 December 2018	237.3	16.3	1,620.0	38.5	207.7	2,119.8
Restatement[i]	-	-	-	(44.9)	44.9	
Revised as at 1 January 2019	237.3	16.3	1,620.0	(6.4)	252.6	2,119.8
Income for the year	-	-	7.6	-	-	7.6
Other comprehensive income/(loss) [i]	-	-	(17.6)	(8.5)	84.5	58.4
Total comprehensive income/(loss)	-	-	(10.0)	(8.5)	84.5	66.0
Equity dividends paid (see note 11)	-	-	(300.0)	-	-	(300.0)
As at 31 December 2019	237.3	16.3	1,310.0	(14.9)	337.1	1,885.8

(i) The hedging reserve and foreign currency translation reserve as at 1 January 2019 and 1 January 2020 have been restated to reclassify current and deferred tax associated with gains/losses on hedging instruments in net investment hedges under IFRS 9. Other comprehensive income for the year ended 31 December 2019 has also been restated. Further details of both are shown in note 26.

Financial statements
Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Notes	2020 €m	2019 Re-presented(i)(ii)(iii) €m
Income before tax		**666.4**	100.1
Adjustments to reconcile Group income before tax to net cash flows from operating activities:			
Share of joint venture results	16	**(13.8)**	(5.4)
Depreciation and amortisation	5	**328.6**	356.2
Impairment of US operations – exceptional item(i)	6	**-**	500.0
Finance income	8	**(85.5)**	(74.3)
Finance costs	9	**167.9**	181.4
Loss on disposal/write offs of property, plant and equipment		**3.4**	1.2
Increase in provisions(i)	6	**94.1**	229.1
Operating cash flows before movements in working capital		**1,161.1**	1,288.3
Increase in inventories		**(10.4)**	(6.4)
Increase in SWU assets(ii)		**(26.5)**	(47.0)
Decrease/(increase) in receivables and other debtors(ii)		**1.9**	(56.2)
Increase/(decrease) in payables and other creditors		**45.3**	(84.4)
Cash generated from operating activities		**1,171.4**	1,094.3
Income taxes paid		**(36.1)**	(141.5)
Net cash flow from operating activities		**1,135.3**	952.8
Investing activities			
Interest received		**49.7**	47.9
Purchases of property, plant and equipment		**(150.8)**	(142.1)
Purchases of intangible assets		**(1.0)**	(3.1)
Decrease/(increase) of investments including joint venture		**5.0**	(0.1)
Net cash flow from investing activities		**(97.1)**	(97.4)
Financing activities			
Interest paid		**(112.8)**	(124.9)
Proceeds in respect of settlement of debt hedges		**-**	4.6
Dividends paid to equity holders	11	**(450.0)**	(300.0)
Repayment of borrowings		**(95.0)**	(215.6)
Termination of short term deposits(iii)		**835.0**	16.0
Placement of short term deposits(iii)		**(899.7)**	(480.1)
Repayment of lease liabilities		**(2.5)**	(1.8)
Net cash flow from financing activities		**(725.0)**	(1,101.8)
Net increase/(decrease) in cash and cash equivalents		**313.2**	(246.4)
Cash and cash equivalents at 1 January		**323.2**	531.2
Effect of foreign exchange rate changes		**(6.4)**	38.4
Cash and cash equivalents at 31 December	24	**630.0**	323.2

(i) The Group has re-presented the cash flow statement for the year ended 31 December 2019 by splitting out the amount for Exceptional items of €643.0 million on two lines. An amount of €500.0 million has been presented as Impairment of USA operations – exceptional items and an amount of €143.0 million has been presented within Increase in provisions.

(ii) During 2020 the increase in contract assets of €12.1 million (2019: increase of €16.3 million) is presented within decrease/(increase) in receivables and other debtors. Previously this was presented within increase in SWU assets. The presentation of the comparative financial information for the year ended 31 December 2019 has been re-presented to be on a consistent basis.

(iii) The Termination of short term deposits and Placement of short term deposits were disclosed as a net balance of €464.1 million in the year ended 31 December 2019 accounts.

Financial statements
Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. General information

Urenco Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England, the United Kingdom under the Companies Act 2006. Urenco Limited is the ultimate parent and controlling party of the Group. The address of the Company's registered office is given on page 52. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 4 and in the Strategic Report on pages 2 to 51.

2. Significant accounting policies

Basis of preparation and presentation

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

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

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

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

Going concern

The Directors have assessed the latest forecast future cash flows, including appropriate sensitivities, which indicate that available cash and committed financing facilities in place are sufficient to cover the Group's cash needs for at least twelve months after the date of approval of these financial statements. They are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing these financial statements. The Directors have considered the impact of COVID-19 and have concluded that there is no substantial impact on the going concern assumption. For further details please see pages 2 and 41.

Adoption of new and revised accounting standards

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

The accounting policies adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2020 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except as follows:

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

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

* applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021

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

For the year ended 31 December 2020

2. Significant accounting policies continued

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

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

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	UK-endorsed Effective Date – periods commencing on or after
Standards		
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	1 January 2023	Not yet endorsed
Amendments		
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (issued on 27 August 2020)	1 January 2021	1 January 2021
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and Deferral of Effective Date Amendment (issued on 23 January 2020 and on 15 July 2020 respectively)	1 January 2023	Not yet endorsed
Annual Improvements to IFRS 2018–2020 • Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37) • Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) • Reference to the Conceptual Framework (Amendments to IFRS 3) (All issued 14 May 2020)	1 January 2022	Not yet endorsed
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) (issued on 25 June 2020)	1 January 2023[i]	Not yet endorsed
Definition of Accounting Estimates (Amendments to IAS 8) (issued on 12 February 2021)	1 January 2023	Not yet endorsed
Disclosure of Accounting policies (Amendments to IAS 1 and IRFS Practice Statement 2) (issued on 12 February 2021)	1 January 2023	Not yet endorsed

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

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

Basis of consolidation

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

For the year ended 31 December 2020

2. Significant accounting policies continued

Critical accounting judgements

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

- **Enrichment cash generating unit carrying values – determination of cash generating units (CGUs)**
  Enrichment CGUs are reviewed for impairment at period ends whenever events or circumstances indicate that the carrying value may not be fully recoverable.

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

  For 2020, the Directors concluded that there was no significant indicator of impairment for either the US or the European CGU and accordingly no impairment tests have been carried out.

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

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

  Certain SWU and feed contracts have deliveries on a 'requirements basis', where the quantities are dependent on the operation and reload patterns of nuclear power stations. Therefore these contracts have variable quantities that are considered to be a series of individual options rather than performance obligations.

  The overall transaction price under an enrichment contract is allocated to each discrete performance obligation in accordance with the relative standalone selling price at inception. The transaction price for options are accounted for when enacted and therefore become committed. Any amount invoiced to the customer in excess of the revenue recognised is recorded as a contract liability and any amount invoiced to the customer below the revenue recognised is recorded as a contract asset. Over the life of an enrichment contract the total revenue recognised will equal the overall transaction price, it is only the timing of revenue recognition that may be deferred or accrued.

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

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

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

For the year ended 31 December 2020

2. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

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

Key sources of estimation uncertainty

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

- **Enrichment cash generating unit carrying values – indicators of impairment or reversal of impairment**
  Where impairment indicators have been identified, management has assessed the recoverable amount of assets based on value in use, using discounted cash flow models.

  Determination of the value in use requires management to make an estimation of value for the CGUs involved and changes in estimates could impact the recoverable values of these assets. The key accounting assumptions inherent within the value in use calculations are reviewed regularly and include: estimations of future market dynamics (including forecast global nuclear generating capacity over time and the resulting demand for EUP) and associated market pricing projections and the pre-tax nominal discount rate used. Other assumptions include the enrichment capacity of the US and European operations, the extension of the USA operating licence beyond 2040 which management expect to receive in the ordinary course of business, ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating and nuclear tails waste disposal costs and US Government policy.

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

  As mentioned before in this note, the impairment valuation model has not been updated because no indicators for impairment or reversal of impairment have been identified. Therefore no current year sensitivity analysis has been performed on the key estimates. The sensitivity to the key estimates is illustrated through the disclosures included in the 2019 financial statements. These showed that an increase or decrease of the pre-tax discount rate by 1% would increase the impairment charge by €89.0 million or decrease the impairment charge by €103.0 million respectively. An increase or decrease of the SWU price by 15% would decrease the impairment charge by €194.0 million or increase the impairment charge by €325.0 million respectively.

- **Deferred tax asset valuations**
  Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that suitable taxable income will be available against which the deductible temporary differences can be utilised. Significant management judgements are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future suitable taxable profits. For 2020 these included estimates of the impact that the underlying assumptions used in the latest Business Planning Model will have on future suitable profits and resulting deferred tax assets. Further details of deferred tax assets and the relevant sensitivity are given in note 10.

- **Tails provisions and decommissioning provisions**
  Provisions for tails disposal and for decommissioning of plant and machinery are made on a discounted basis to meet long term liabilities. The discounting is unwound annually to recognise progression towards the full escalated cost estimate for eventual safe disposal or decommissioning. The final amounts of these provisions are uncertain but are evaluated based upon the planned operational activity and final capital investment costs involved in successfully achieving safe disposal or decommissioning as well as third party pricing assumptions where available/applicable and the internal cost of deconversion services using TMF. The timing of significant capital projects can change by a number of years, which can significantly change the quantum of the related decommissioning provisions. The availability and cost of a repository suitable for the final disposal of depleted U_3O_8 are also key judgements and the level of uncertainty varies widely across the four countries in which Urenco operates. The Group closely monitors potential regulatory developments and no changes are envisaged, although this remains a long term risk as set out on page 40. The key estimates are the TMF deconversion rate, the US tails rate, the discount rate, inflation rate and timing of cash flows, for which sensitivity analysis is provided in note 30.

For the year ended 31 December 2020

2. Significant accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

- **Tails provisions and decommissioning provisions** continued
  The provision for tails is calculated as a rate applicable to the quantity of tails held at the statement of financial position date. Consequently, a movement in the rate or quantity of tails held would result in a movement in the provision, excluding any changes due to translation of non-euro denominated provisions to the reporting currency of euros. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to 'greenfield' or 'brownfield' status. Adjustments to the decommissioning provisions associated with property, plant and equipment result in adjustments to the value of the related asset. Where the related asset is fully written down to residual value and the provision has decreased, a gain will be taken directly to the income statement.

  The cash flows have been inflated at rates varying from 1.50% to 2.10% (2019: 1.50% to 2.00%) per annum and discounted at rates varying from 2.25% to 3.35% (2019: 3.00% to 4.00%), to take account of the time value of money. The difference in the inflation and discount rates is associated with the country in which the cash flows are expected to be paid or received. In light of continued downward pressure on interest rates, management has concluded that the previous real discount rates are no longer appropriate and the real discount rate in each country has been reduced. Management has given consideration to the impact of COVID-19 on discount rates and have concluded that the impact is not significant. The change in the US discount rate in the current year has been treated as an exceptional item as discussed further in note 6. The fundamental assumptions underlying these provisions are reviewed on an annual basis. In addition, decommissioning provisions are subject to a detailed triennial review. The last triennial review was carried out in 2018 and the next one is planned for 2021. Details of the provisions and sensitivities, in relation to the quantum and timing of cash flows, as well as the net discount rate, are given in note 30.
- **Actuarial assumptions for defined benefit pensions**
  The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about life expectancies, discount rates, expected rates of return on assets, future salary increases, and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The key assumptions are considered to be the discount rate and the inflation rate. Details of all these assumptions, relevant sensitivity analysis for the key assumptions and the Group pension liability are given in note 31.
- **Assessment of fair value**
  The assessment of fair value is principally used in accounting for impairment testing and the valuation of certain financial assets and liabilities (as discussed further in note 29). The fair value of an asset or liability is the price that would be received to sell the asset, or paid to transfer a liability, in an orderly transaction between market participants. Fair value is determined based on observable market data, discounted cash flow models and other valuation techniques, contractual agreements and other assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The estimation of the fair value of the Group's Forward Foreign Exchange Contracts and Cross Currency Interest Rate Swaps utilised in hedging relationships is subjective and the use of different valuation assumptions could have a significant impact on financial results and position. These estimates use assumptions of market forward rates for the fair value of Forward Foreign Exchange Contracts and of IBOR discount curves for the fair value of Cross Currency Exchange Contracts. The key assumption is considered to be the market forward rate. Details about fair values of financial assets and financial liabilities are provided in note 29. An assessment of the sensitivities of Urenco's forward foreign exchange contracts to changes in foreign exchange rates are provided in note 28.

Revenue recognition

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

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

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

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

Contracts will typically comprise elements of fixed and variable consideration, the latter of which may include, but not be limited to, indexation and price formulae referencing customer volume uptakes. Contracts may include volume flexibilities for the customer to take off additional quantities of enrichment services or uranium over and above contractual minimums, which are treated as options. Contracts may also include, within the transaction price, a significant financing component. Where this is present, the interest calculated on the significant financing component is recognised in note 8 as "Interest on contract assets".

For the year ended 31 December 2020

2. Significant accounting policies continued

Revenue recognition continued

Sale of services

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

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

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

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

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

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

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

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

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

2. Significant accounting policies continued

Revenue recognition continued

Sale of goods

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

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

Application of the Group's revenue recognition policy

Judgement is required in determining the amount and timing of recognition of revenue for enrichment services and uranium related sales due to the complex nature of certain enrichment contracts and contractual delivery terms. See also this note under Critical accounting judgements. This is particularly relevant at period ends where a large volume of sales are made to customers, often for individually high values. This judgement includes an assessment of whether revenues are recognised in accordance with the Group's revenue recognition policy and updating of this policy for any new types of transactions. Details of revenues are given in notes 3 and 4.

Interest income

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

Uranium commodity contracts

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

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

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

Work performed by the entity and capitalised

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

Leasing and hire purchase commitments

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease or, where this cannot be readily determined, the Group's incremental borrowing rate. The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment. Subsequently the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

For the year ended 31 December 2020

2. Significant accounting policies continued

Leasing and hire purchase commitments continued

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

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

Foreign currencies

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

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

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

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

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

Retirement benefit costs

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

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

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

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

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

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

For the year ended 31 December 2020

2. Significant accounting policies continued

Interests in joint ventures

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

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

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

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

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

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

Taxation

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

Current tax

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

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

Deferred tax

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

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

For the year ended 31 December 2020

2. Significant accounting policies continued

Taxation continued

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

For the year ended 31 December 2020

2. Significant accounting policies continued

Investment property

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

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

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

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

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

Intangible assets

Research and development expenditure (internally generated intangible assets)

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

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

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

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

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

Licence costs

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

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

Other software assets

Software and development costs are held at cost.

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

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

Waiver payment

The waiver payment comprises the right for Urenco UK Limited to not have to make future royalty cash payments associated with certain plant and equipment at the Capenhurst site. The consideration for this waiver payment will be settled by contracted storage services to be provided in future years by Urenco Nuclear Stewardship Limited. Initial recognition was measured at valuation based on estimated cash flow savings for the royalty payments. Amortisation on this waiver payment takes place on a straight line basis over the estimated useful life of 10 years.

For the year ended 31 December 2020

2. Significant accounting policies continued

Impairment of property, plant and equipment and intangible assets

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

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

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

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

Inventories

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

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

SWU assets

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

Contract assets

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

Inventory borrowings from third parties

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

Short term bank deposits

Short term bank deposits comprise deposits which are not readily convertible to a known amount of cash or are subject to a more than insignificant risk of changes in value. Generally these are deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

Cash and cash equivalents

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

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

For the year ended 31 December 2020

2. Significant accounting policies continued

Financial instruments

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

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

Financial assets

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

Classification of financial assets

(i) Amortised cost and effective interest method

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

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

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

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

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

(ii) Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated income statement to the extent they are not part of a designated hedging relationship (see hedge accounting policy under "Derivative financial instruments and hedging").

Foreign exchange gains and losses

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

Impairment of financial assets

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

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

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

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

For the year ended 31 December 2020

2. Significant accounting policies continued

Measurement and recognition of expected credit losses (ECLs)

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

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

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

Derecognition of financial assets

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

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

Trade receivables

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

Financial liabilities

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

Borrowing costs

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

Interest bearing loans and borrowings

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

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

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

Trade payables

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

2. Significant accounting policies continued

Derivative financial instruments and hedging

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

Derivative financial instruments are initially recognised and subsequently remeasured at fair value. The initial cost of a derivative, if any, is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors. The fair value of derivative financial instruments is subsequently calculated using discounted cash flow techniques or other appropriate pricing models. The chosen method is used consistently for similar types of instruments. All valuation techniques take into account assumptions based upon market data. The fair value of forward contracts is the present value of the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional foreign currency amount. Fair value of cross currency interest rate swaps is the net present value of all expected future cash flows based on current market rates taking due account of counterparty credit risk and own credit risk.

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

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

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

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

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

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

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

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

For the year ended 31 December 2020

2. Significant accounting policies continued

Cash flow hedges

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

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

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

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

Fair value hedges

For an effective hedge of changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged and the gains and losses are taken to income or loss; the derivative is remeasured at fair value and gains and losses are taken to income or loss. Both the change in fair value of the hedged item and the value movement of the derivative are recorded in finance costs in the income statement. These amounts are recorded in the same line of the consolidated income statement as the hedged item. This accounting policy on fair value hedges is provided for comparative reasons because Urenco ceased using fair value hedges during 2019.

Hedges of a net investment

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

Cost of hedging reserve

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

The Group designates only the spot rate of forward foreign exchange contracts in relation to hedged forecast transactions, i.e. excluding the forward points of the contracts. An exception to this relates to residual foreign exchange contracts that were entered into before the Group transitioned to IFRS 9 on 1 January 2018. These transactions were designated at the forward rate and have no cost of hedge component. The currency basis spread element of cross currency swaps is likewise excluded from the hedging relationship. The initial fair value of the calculated forward points and currency basis is retained in the cost of hedge reserve. The changes in the fair value of the aligned forward points and currency basis are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the initial fair value is reclassified to the consolidated income statement when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to the consolidated income statement on a rational basis, by applying straight line amortisation. Those reclassified amounts are recognised in the consolidated income statement in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in the cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to the consolidated income statement.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

2. Significant accounting policies continued

Provisions

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

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

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

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

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

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

Contract liabilities

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

Government grants

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

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

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

Exceptional items

Exceptional items are those items of financial performance that due to their size, nature and incidence, the Group believes should be separately disclosed to assist in understanding the underlying financial performance achieved by the Group. The appropriate classification of exceptional items involves subjective judgement by management including whether the item is truly exceptional and non-recurring. Items that are exceptional due to their nature and incidence should only be reported as exceptional per the Group's exceptional item policy when they exceed an absolute amount of at least €25.0 million on a pre-tax basis.

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

For the year ended 31 December 2020

3. Revenue

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

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Sales of goods and services	**1,699.4**	1,804.9
Net fair value gain / (loss) on commodity contracts	**0.7**	(0.4)
Total revenue	**1,700.1**	1,804.5

The Group hedges a portion of future cash flows arising from its net contracted US dollar and sterling exposures. The amounts disclosed above for revenue from the sale of goods and services include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a net loss of €38.9 million (2019: net loss €40.2 million) (see note 29). The Group is a party to various commodity contracts to sell or buy uranium, which are within the scope for IFRS 9 and are therefore held at fair value. The net fair value result on these contracts is recognised within revenue. The inventories arising from these commodity contracts, where applicable, and the fair value of these contracts are disclosed in note 29.

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

The amount of revenue recognised during the year that was previously recorded as a contract liability was €53.4 million (2019: €54.7 million).

4. Segment information

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

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

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

- for the enrichment business: the provision of enrichment, associated services, uranium sales and commodity contracts for the nuclear power industry and the construction of the Tails Management Facility at the UK site for deconversion of depleted UF_6 into U_3O_8.
- for construction of centrifuges (being ETC): the research, development, manufacture and installation of plant and equipment for the provision of enrichment services.
- others relate to Head Office based holding and finance companies, Group accounting consolidation adjustments and other entities not forming part of the enrichment business, including Urenco Nuclear Stewardship Limited, which provides uranium handling services at the Capenhurst facility.

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

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

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

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

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

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4. Segment information continued

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

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

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

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4. Segment information continued

Geographical information

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

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

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

* predominantly Asia

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

* predominantly Asia

5. Income from operating activities

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

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Net costs of nuclear provisions movements (note 30)	**163.8**	297.7
Depreciation of property, plant and equipment (note 13)	**321.7**	346.3
Depreciation of investment property (note 14)(ii)	**0.4**	(0.1)
Amortisation of intangible assets (note 15)	**6.5**	10.0
Depreciation and amortisation	**328.6**	356.2
Employee costs (note 7)	**167.2**	168.4
Energy, utilities, maintenance and ETC costs	**126.7**	134.6
Operating costs(i) (iii)	**86.3**	108.4
Administrative and other costs	**26.3**	31.7
Expense relating to short term leases	**0.3**	0.4
Research and development costs(i)	**1.0**	1.2
Operating foreign exchange gains(iv)	**(0.7)**	(13.0)
Operating foreign exchange losses(iv)	**9.3**	1.5
Expected credit losses	**0.7**	-
Other expenses	**249.9**	264.8

(i) In 2019 an amount of €5.0 million was incorrectly presented as Research and development costs rather than Other operating costs. This has been represented within the analysis of Other expenses in 2019 by increasing Other operating costs from €103.4 million to €108.4 million and by decreasing Research and development costs from €6.2 million to €1.2 million.

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

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

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

Notes to the Consolidated Financial Statements continued

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5. Income from operating activities continued

Auditor's remuneration

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

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Audit of the financial statements	**0.8**	0.6
Audit of subsidiaries	**0.8**	0.7
Total audit fees	**1.6**	1.3
Non-audit services	**0.2**	0.2
Total fees	**1.8**	1.5

The total audit fees in 2020 include an amount of €0.4 million for work carried out in 2019, of which €0.2 million related to the audit of the financial statements and €0.2 million to the audit of subsidiaries.

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

6. Exceptional items

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

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Income from operating activities – pre-exceptional items	**774.4**	850.2
Exceptional items – impairment of US operations	**-**	(500.0)
Exceptional items – net costs of nuclear provisions	**(25.6)**	(143.0)
Income from operating activities	**748.8**	207.2
Income tax expense – pre-exceptional items	**(161.1)**	(178.3)
Exceptional items	**-**	85.8
Income tax expense	**(161.1)**	(92.5)
Net income for the year attributable to the owners of the Company – pre-exceptional items	**530.9**	564.8
Exceptional items	**(25.6)**	(557.2)
Net income for the year attributable to the owners of the Company	**505.3**	7.6
Basic earnings per share – pre-exceptional items	**€3.2**	€3.4
Exceptional items	**€(0.2)**	€(3.3)
Basic earnings per share	**€3.0**	€0.1

Net costs of nuclear provisions

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

In light of continued downward pressure on interest rates, management has concluded that the previous real discount rates for the US and the European sites are no longer appropriate, and reductions are required.

Urenco reviews its discount rate and inflation assumptions at each reporting period. Given the substantially long term nature of the Group's decommissioning cash flows, the associated forecasting uncertainty and the disconnect from short term observable rate movements, the Group calculates a reasonable assumption range for each jurisdiction. Historically, the Group's assumptions had remained unchanged for many years. Accordingly, the material adjustments to the European discount and inflation rates at 31 December 2019 were considered exceptional in nature, but only the current material adjustment to the US real discount rate from 1.96% to 1.22% (and not the European rates as these were updated at the 2019 year end) is considered exceptional in nature.

For the year ended 31 December 2020

6. Exceptional items continued

Net costs of nuclear provisions continued

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

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

The Group recognised an exceptional charge of €143.0 million in 2019 in the consolidated income statement following management's conclusion, in conjunction with an investment bank, that the real discount rate of 1.96% in the European jurisdictions was no longer suitable, and a material reduction was appropriate. Management also concluded that the applicable inflation and discount rates should be calculated on a jurisdiction specific basis, resulting in real discount rates varying from 1.23% to 1.48% in the three European jurisdictions. The real discount rate for the US continued to be appropriate and remained unchanged at 1.96%.

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

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

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

Impairment charge

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

Following an assessment of the key assumptions management has concluded that there are no indicators for a reversal of previous impairment charges or a further impairment charge in 2020. Therefore this year, contrary to 2019, there is no exceptional item regarding impairment charges.

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

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

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

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

Restructuring provision

In 2020 an amount of €0.9 million (2019: €2.9 million) has been released from the restructuring provision. This has been recognised as a gain within restructuring provision release. This item has not been presented as an exceptional item because the amount is below the pre-tax materiality threshold of €25.0 million.

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7. Employee costs

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

	Year ended 31/12/20 Number	Year ended 31/12/19 Number
Technical	**1,112**	1,084
Commercial	**40**	39
Administration	**401**	377
	1,553	1,500

Their aggregate remuneration comprised:

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Wages and salaries	**152.7**	148.5
Work performed by the Group and capitalised	**(19.2)**	(18.3)
Social security costs	**17.2**	16.9
Pension costs	**16.5**	21.3
	167.2	168.4

Directors' emoluments (page 56):

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Emoluments	**3.0**	3.0
Amounts receivable under long term incentive scheme	**0.6**	0.5
	Number	Number
Members of defined contribution schemes	**2**	3

In respect of the highest paid Director:

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Emoluments including pension	**1.6**	1.5

8. Finance income

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Interest on bank and other deposits	**4.1**	1.2
Interest on contract assets	**0.3**	-
Interest rate/cross currency interest rate swaps	**41.4**	46.6
Gains from non-designated derivatives	**2.0**	-
Amortisation of gains on financial instruments	**0.2**	1.4
Foreign exchange gains on financing activities	**37.5**	25.1
	85.5	74.3

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9. Finance costs

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Interest on bank borrowings and other loans	**45.5**	45.2
Interest rate/cross currency interest rate swaps	**64.4**	73.8
Interest expense on lease liabilities	**1.1**	1.1
Unwinding of discount on provisions	**69.0**	69.2
Net interest expense on defined benefit pension schemes	**0.9**	1.0
Premium paid on bond repurchase	**3.2**	9.9
Surety bond	**3.6**	3.0
Foreign exchange losses on financing activities	**45.3**	40.6
Less: capitalised interest expense	**(65.1)**	(62.4)
	167.9	181.4

10. Income tax

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

Consolidated income statement	**Year ended 31/12/20 €m**	Year ended 31/12/19 €m
Current tax		
UK corporation tax	**0.4**	(4.9)
Foreign income tax	**104.0**	108.6
Adjustments in respect of prior periods(i)	**(53.5)**	6.8
Total current tax expense	**50.9**	110.5
Deferred tax (see Deferred income tax analysis below)		
Origination and reversal of temporary differences	**58.4**	(84.3)
Adjustments in respect of prior periods(i)	**30.4**	(11.6)
Movement in unrecognised deferred tax(ii)	**5.5**	76.7
Impact of change in tax rate for deferred tax	**15.9**	1.2
Total deferred tax expense/(income)	**110.2**	(18.0)
Income tax expense reported in the consolidated income statement	**161.1**	92.5

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

(ii) The movement in unrecognised deferred tax of €5.5 million expense (2019: €76.7 million expense) consists of a €1.1 million income (2019: €nil) in relation to non-exceptional items, offset by a €6.6 million expense (2019: €76.7 million expense) in relation to exceptional items.

Income tax on exceptional items within the income statement

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

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

For the year ended 31 December 2020

10. Income tax continued

During 2019, a €500.0 million pre-tax impairment charge, also detailed in note 6, resulted in a €130.7 million deferred tax income which was included within origination and reversal of temporary differences, but offset by a €76.7 million valuation allowance that was included within the movement in unrecognised deferred tax above.

The carrying value of the net US deferred tax asset increased by €54.0 million through the 2019 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.

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

Income tax related to items charged or credited directly to other comprehensive income	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Current tax		
Arising on financial instruments reported in hedge reserve(i)	**7.7**	(5.6)
Arising on financial instruments reported in currency translation reserve(i)	**3.3**	6.2
Arising on actuarial loss/gain on defined benefit pension schemes	**-**	(1.3)
Total current tax expense/(income)	**11.0**	(0.7)
Deferred tax		
Arising on financial instruments reported in hedge reserve(i)	**18.8**	2.9
Arising on financial instruments reported in currency translation reserve(i)	**(3.8)**	(2.6)
Arising on actuarial loss/(gain) on defined benefit pension schemes	**-**	(1.8)
Total deferred tax expense/(income)	**15.0**	(1.5)
Income tax expense/(income) reported in the consolidated statement of comprehensive	**26.0**	(2.2)

(i) To appropriately present the deferred tax and current tax on the accumulation of gains/losses of hedging instruments in net investment hedges in the foreign currency translation reserve under IFRS 9 Financial Instruments, deferred tax and current tax of €33.6 million as at 31 December 2019 has been removed from the hedging reserve and recognised in the foreign currency translation reserve. Further details are shown in note 26.

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

	Year ended 31/12/20 €m	Year ended 31/12/20 %	Year ended 31/12/19 €m	Year ended 31/12/19 %
Income before tax	**666.4**		100.1	
Weighted at the average UK statutory income tax rate of 19.0% (2019: 19.0%)	**126.6**	**19.0**	19.0	19.0
Adjustments in respect of income tax of previous years	**(23.1)**	**(3.5)**	(4.8)	(4.8)
Tax effect of non-deductible/non-taxable items	**6.2**	**0.9**	7.4	7.4
Movement in unrecognised deferred tax	**5.5**	**0.9**	76.7	76.6
Effect of rate changes on deferred tax	**15.9**	**2.4**	1.2	1.2
Effect of different foreign tax rates	**30.0**	**4.5**	(7.0)	(7.0)
Income tax expense reported in consolidated income statement	**161.1**	**24.2**	92.5	92.4

A reduction in the UK mainstream corporation tax rate from 19.0% to 17.0%, effective from 1 April 2020, was substantively enacted during 2016. On 11 March 2020, the UK government announced in the Budget that it would reverse the previously enacted reduction in the UK corporation tax rate, which was due to take effect from 1 April 2020. This was substantively enacted on 17 March 2020 and the Group's UK deferred tax assets and liabilities have been revalued using the 19.0% tax rate (2019: 17.0%), resulting in a €14.1 million expense (2019: €nil) to the income statement. The annual UK corporation tax rate for the year ended 31 December 2020 remained at 19.0% (2019: 19.0%).

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the mainstream rate of UK corporation tax from 19.0% to 25.0%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19.0%. The Group is in the process of assessing the full impact of this announcement, but if the amended tax rate had been used, it is possible that the UK deferred tax liability would be materially higher.

During 2019, the previously enacted reductions in The Netherlands mainstream corporation tax rate were amended such that a single reduction would arise from 25.0% to 21.7% (effective from 1 January 2021). As a result, in 2019 the Group's Dutch deferred tax assets and liabilities were predominantly valued using a 21.7% tax rate. Due to COVID-19, the Dutch government has decided to cancel all tax rate changes with the rate remaining at 25% for the foreseeable future. Consequently in 2020, the Group's Dutch deferred tax assets and liabilities have been valued using a 25% future tax rate (2019: 21.7%). The impact of the Dutch rate adjustment was a €1.8m (2019: €1.2m) expense to the income statement. The annual Dutch corporation tax rate for the year ended 31 December 2020 remained at 25.0% (2019: 25.0%).

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10. Income tax continued

Deferred income tax

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

	Consolidated statement of financial position		Consolidated income statement	
	2020 €m	2019 €m	**2020 €m**	2019 €m
Deferred tax (liabilities)/assets				
Relating to fair value movements on financial instruments	**(8.8)**	(6.0)	**-**	(0.2)
Relating to fixed assets[i]	**(228.6)**	(205.3)	**(17.3)**	(18.4)
Relating to other temporary differences	**22.1**	31.9	**1.6**	9.7
Relating to prior years	**-**	-	**(30.4)**	10.9
Relating to provisions	**44.4**	35.6	**6.5**	3.6
Relating to retirement benefits	**4.4**	5.9	**(1.0)**	1.5
Relating to tax losses	**7.4**	38.5	**(4.3)**	1.7
Effect of rate changes on deferred tax	**-**	-	**(15.9)**	(1.2)
Total deferred tax liabilities	**(159.1)**	(99.4)		
Deferred tax assets/(liabilities)				
Relating to fair value movements on financial instruments	**(6.3)**	7.0	**(0.7)**	(0.1)
Relating to fixed assets[i]	**(68.1)**	(77.2)	**3.5**	125.6
Relating to other temporary differences	**4.1**	2.8	**(10.6)**	(4.5)
Relating to prior year	**-**	-	**-**	0.7
Relating to provisions	**147.6**	140.7	**16.5**	27.7
Relating to retirement benefits	**6.3**	6.0	**(0.5)**	(0.2)
Relating to start up costs	**21.1**	27.4	**(5.2)**	(5.7)
Relating to tax losses	**172.6**	247.6	**(46.9)**	(56.4)
Valuation allowance	**(163.1)**	(171.2)	**(5.5)**	(76.7)
Total deferred tax assets	**114.2**	183.1		
Deferred tax expense/(income)			**(110.2)**	18.0

[i] Fixed assets consists of (a) property, plant and equipment , (b) investment property, and (c) intangible assets.

The recognition of the deferred tax assets set out above requires management to use judgements in determining the likely timing and level of future suitable taxable profits. In the case of the Group's US enrichment operations, net deferred tax assets of €76.2 million (2019: €128.3 million), relating predominately to unused tax losses and start up costs, have been recognised based on the expectations of future taxable profits within the Urenco business plan. At the 31 December 2020, a 10% increase in future taxable profits in the plan period would lead to an increase of €7.6 million (2019: €12.7 million) in the amount of the net US deferred tax assets recognised, whilst a 10% decrease in future taxable profits would lead to a decrease of €7.6 million (2019: €11.7 million) in the amount of US net assets recognised. At 31 December 2020, as shown in the above table, a valuation allowance totalling €163.1 million (2019: €171.2 million) was provided against gross deferred tax assets.

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

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

For the year ended 31 December 2020

11. Dividends paid and proposed

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2019 of 178.57 cents per share (2018: 178.57 cents per share)	**300.0**	300.0
Interim dividend for the year ended 31 December 2020 of 89.29 cents per share (2019: Nil cents per share)	**150.0**	-
	450.0	300.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2020 of 89.29 cents per share (2019: 178.57 cents per share)	**150.0**	300.0

The Dividend Policy is set out on page 47. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The payment of this dividend will not have any tax consequences for the Group.

12. Earnings per share

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

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

	Year ended 31/12/20	Year ended 31/12/19
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the parent	**505.3**	7.6
In millions of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**168.0**	168.0
In euros		
Basic earnings per share	**3.0**	0.1

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

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

For the year ended 31 December 2020

13. Property, plant and equipment

2020	Land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2020	**2,488.3**	**6.982.8**	**188.9**	**21.5**	**1,384.4**	**11,065.9**
Additions	**60.2**	**100.9**	**10.7**	**0.4**	**131.3**	**303.5**
Transfers (see note 15)	**19.1**	**76.6**	**6.9**	**0.3**	**(105.9)**	**(3.0)**
Disposals	**(3.7)**	**(8.1)**	**(4.0)**	**(0.3)**	**-**	**(16.1)**
Written off	**(1.6)**	**(22.5)**	**-**	**-**	**(0.9)**	**(25.0)**
Exchange adjustments	**(158.9)**	**(306.3)**	**(4.3)**	**(0.1)**	**(71.5)**	**(541.1)**
Cost as at 31 December 2020	**2,403.4**	**6,823.4**	**198.2**	**21.8**	**1,337.4**	**10,784.2**
Depreciation as at 1 January 2020	**1,147.5**	**5,115.7**	**156.9**	**19.8**	**55.2**	**6,495.1**
Charge for the year	**52.6**	**255.3**	**12.8**	**1.0**	**-**	**321.7**
Transfers (see note 15)	**18.8**	**36.4**	**-**	**-**	**(55.2)**	**-**
Disposals	**(1.3)**	**(8.0)**	**(4.0)**	**(0.3)**	**-**	**(13.6)**
Written off	**(1.6)**	**(22.5)**	**-**	**-**	**-**	**(24.1)**
Exchange adjustments	**(75.7)**	**(223.5)**	**(3.7)**	**(0.2)**	**-**	**(303.1)**
Depreciation as at 31 December 2020	**1,140.3**	**5,153.4**	**162.0**	**20.3**	**-**	**6,476.0**
Carrying amount as at 31 December 2019	**1,340.8**	**1,867.1**	**32.0**	**1.7**	**1,329.2**	**4,570.8**
Carrying amount as at 31 December 2020	**1,263.1**	**1,670.0**	**36.2**	**1.5**	**1,337.4**	**4,308.2**

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 2020 relate to transfers from assets under construction to other items of property, plant and equipment and a reclassification of €3.0 million to intangible assets.

2019	Land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 31 December 2018	2,264.6	6,732.6	174.8	20.6	1,311.7	10,504.3
Adjustment for IFRS 16 adoption	20.4	1.1	0.3	0.6	-	22.4
Cost as at 1 January 2019	2,285.0	6,733.7	175.1	21.2	1,311.7	10,526.7
Additions	58.3	58.4	4.1	0.3	141.9	263.0
Transfers (see note 14 and 15)	86.1	49.2	7.9	0.2	(143.5)	(0.1)
Disposals	(0.4)	(1.2)	-	(0.3)	-	(1.9)
Written off	-	-	-	-	(0.6)	(0.6)
Exchange adjustments	59.3	142.7	1.8	0.1	74.9	278.8
Cost as at 31 December 2019	2,488.3	6.982.8	188.9	21.5	1,384.4	11,065.9
Depreciation as at 1 January 2019	845.3	4,484.4	139.8	18.8	54.1	5,542.4
Charge for the year	59.3	271.2	14.7	1.1	-	346.3
Impairment charge (see note 6)	228.7	266.2	0.9	0.1	-	495.9
Disposals	(0.2)	(0.7)	-	(0.3)	-	(1.2)
Exchange adjustments	14.4	94.6	1.5	0.1	1.1	111.7
Depreciation as at 31 December 2019	1,147.5	5,115.7	156.9	19.8	55.2	6,495.1
Carrying amount as at 31 December 2018	1,419.3	2,248.2	35.0	1.8	1,257.6	4,961.9
Carrying amount as at 31 December 2019	1,340.8	1,867.1	32.0	1.7	1,329.2	4,570.8

For the year ended 31 December 2020

13. Property, plant and equipment continued

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

Right-of-Use Assets

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

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

The Group leases several assets including buildings, plant and machinery and motor vehicles. Additions to the right-of-use assets during 2020 were €0.5 million (2019: €1.1 million).

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

At 31 December 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €40.1 million (2019: €39.5 million) principally in relation to cascades, equipment and buildings.

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13. Property, plant and equipment continued

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

	2020 €m	2019 €m
Cost as at 31 December	**525.3**	455.2
Impairment	**(13.9)**	(15.2)
Depreciation as at 31 December	**(285.7)**	(258.0)
Carrying amount as at 31 December	**225.7**	182.0

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

	2020 €m	2019 €m
Cost as at 31 December	**599.1**	567.1
Impairment	**(52.7)**	(57.4)
Depreciation as at 31 December	**(71.0)**	(60.2)
Carrying amount as at 31 December	**475.4**	449.5

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

14. Investment property

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

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

The fair value of the investment property held by Urenco Nederland B.V as at 31 December 2020 was €2.4 million, based on a formal valuation performed at the end of 2019. The valuation was performed by an independent valuer who holds a recognised and relevant professional qualification.

No formal valuation has been conducted on the investment property held by Urenco UK Limited during 2020.

The fair value of the investment property, held by Urenco UK Limited, has been assessed by the Directors using a discounted cash flow valuation method to identify any material changes to the formal valuation conducted previously. The fair value as at 31 December 2020 under this method was €5.6 million (31 December 2019: €7.9 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 €1.1 million (2019: €0.1 million). Associated direct operating expenses amounted to €0.3 million (2019: €0.2 million). Rental income is recognised within revenue.

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

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15. Intangible assets

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

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

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

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

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

	2020 €m	2019 €m
Cost as at 31 December	2.8	2.8
Depreciation as at 31 December	(1.4)	(1.2)
Impairment	(0.1)	(0.2)
Carrying amount as at 31 December	1.3	1.4

The borrowing costs capitalisation rate of assets under construction was 4.57% (2019: 4.80%).

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

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16. Investments

Investments in joint venture

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

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

	2020 €m	2019 €m
Share of the joint venture statement of financial position		
Non-current assets	**30.3**	22.9
Current assets	**80.2**	82.2
Share of gross assets	**110.5**	105.1
Non-current liabilities	**(59.8)**	(59.2)
Current liabilities	**(21.4)**	(26.1)
Share of gross liabilities	**(81.2)**	(85.3)
Group's share of net assets	**29.3**	19.8

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Share of joint venture results		
Total revenue	**52.4**	61.2
Group's share of profit for the year	**14.0**	5.9
Consolidation adjustments	**(0.2)**	(0.5)
Share of results of joint venture	**13.8**	5.4

	2020 €m	2019 €m
Share of net assets of joint venture		
As at 1 January	**19.8**	17.6
Group's share of profit for the year	**14.0**	5.9
Cash received from dividends	**(5.0)**	-
Group's share of other comprehensive income/(loss)	**0.5**	(3.7)
As at 31 December	**29.3**	19.8

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

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16. Investments continued

Other Investments

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

The Group invested in a 9.9% share in Twente Technology Fund (TTF). TTF is an innovative venture capital fund. The fund invests in promising young and starting high tech corporations in the Twente area in the Netherlands. In 2020 Urenco has invested €nil (2019: €0.1 million) in the fund which is held at cost.

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

17. Subsidiaries

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

18. Restricted cash

	31/12/20 €m	31/12/19 €m
Restricted cash	**1.5**	3.5

Restricted cash primarily represents two items:

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

19. Inventories

	31/12/20 €m	31/12/19 €m
Raw materials	**77.1**	73.6
Work-in-progress	**37.0**	53.3
Finished goods	**8.3**	1.9
	122.4	128.8

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

€44.2 million of Inventories was recognised as an expense in 2020 (2019: €42.7 million).

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20. SWU assets

	31/12/20 €m	31/12/19 €m
SWU assets	**313.4**	289.5

SWU assets are the costs incurred to date in enriching UF_6 to fulfil enrichment contracts with customers.

21. Contract assets

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

	2020 €m	2019 €m
As at 1 January	**16.3**	-
Revenue recognised during the year	**22.4**	16.3
Reversal of accrued revenue	**(10.3)**	-
Exchange difference	**-**	-
As at 31 December	**28.4**	16.3
Included in current assets	**16.3**	11.1
Included in non-current assets	**12.1**	5.2
	28.4	16.3

Revenue recognised during the year related substantially to five contracts that had been modified during the year and which resulted in a re-measurement of the revenue to be recognised for the duration of the contract in accordance with the relative standalone price. It is expected that most of this accrual of revenue will reverse in 2021. Revenue reversed during the year related substantially to two contracts that had been modified during the year and which resulted in a re-measurement of the revenue to be recognised for the duration of the contract in accordance with the relative standalone price.

22. Trade and other receivables (current)

	31/12/20 €m	31/12/19 €m
Trade receivables	**177.9**	219.8
Trade receivables due from related parties (see note 36)	**-**	0.2
Other receivables	**22.7**	22.8
Prepayments	**36.0**	20.4
	236.6	263.2

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

The average contractual credit period taken on sales of goods and services is 39 days (2019: 44 days). Trade receivables can carry interest in accordance with contract conditions. Trade receivables are stated at their invoiced value as payments are usually received within the contract terms. The weighted average age of these trade receivables is 22 days (2019: 20 days).

The decrease in trade receivables is mainly due to a lower portion of invoices raised just before the year-end.

For terms and conditions relating to related party receivables, refer to note 36 on page 151.

At the year-end date trade receivables past their due date totalled €7.7 million (2019: €nil million) were past their due date.

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

Trade receivables are stated net of a provision for Expected credit losses of €1.2 million (2019: €0.5 million), wholly relating to receivables arising from revenue contracts.

23. Short term deposits

	31/12/20 €m	31/12/19 €m
Short term deposits	**528.8**	464.1

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

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24. Cash and cash equivalents

	31/12/20 €m	31/12/19 €m
Cash	**95.1**	85.4
Cash equivalents	**534.9**	237.8
Total cash and cash equivalents	**630.0**	323.2

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

The Group has pledged as collateral a current bank account to a bank that has provided a standby letter of credit in favour of the NRC to provide assurance that funds are available when needed to pay for decommissioning and tails liabilities of UUSA. The carrying value of that current bank account at 31 December 2020, which earns interest at a variable rate, was €27.0 million.

25. Share capital

	31/12/20 €m	31/12/19 €m
Authorised:		
240 million ordinary shares of £1 each		
'A' ordinary	**113.0**	113.0
'B' ordinary	**113.0**	113.0
'C' ordinary	**113.0**	113.0
	339.0	339.0
Issued and fully paid:		
168 million ordinary shares of £1 each		
'A' ordinary	**79.1**	79.1
'B' ordinary	**79.1**	79.1
'C' ordinary	**79.1**	79.1
	237.3	237.3

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

Additional paid in capital

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

26. Reserves

The reserves outlined in the consolidated statement of changes in equity on page 88 are as follows:

Additional paid in capital

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

Foreign currency translation reserve

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

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26. Reserves continued

Hedging reserves

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

Hedging reserve - summary

	Year ended 31/12/20 €m	Year ended 31/12/19 Restated[i] €m
Carried forward as at 31 December	**29.5**	35.3
Restatement[i]	**(33.6)**	(44.9)
Revised as at 1 January	**(4.1)**	(9.6)
Other comprehensive income/(loss):		
Cash flow hedges – transfers to revenue	**38.9**	40.2
Cash flow hedges – mark to market gains/(losses)	**47.1**	(23.6)
Deferred tax expense on financial instruments	**(23.1)**	(4.2)
Current tax (expense)/income on financial instruments	**(7.7)**	5.6
Exchange differences	**7.5**	(12.5)
Other comprehensive income/(loss)	**62.7**	5.5
Carried forward as at 31 December	**58.6**	(4.1)

Cost of hedging reserve - summary

	Year ended 31/12/20 €m	Year ended 31/12/19 Restated[i] €m
Carried forward as at 31 December	**(10.8)**	3.2
Other comprehensive income/(loss):		
Movements before tax	**(6.7)**	(15.6)
Deferred tax income	**4.3**	1.3
Exchange differences	**0.7**	0.3
Other comprehensive loss	**(1.7)**	(14.0)
Carried forward as at 31 December	**(12.5)**	(10.8)

Hedging reserves - totals

Carried forward as at 31 December	**46.1**	(14.9)

[i] To appropriately present the deferred tax and current tax on the accumulation of gains/losses of hedging instruments in net investment hedges in the foreign currency translation reserve under IFRS 9 Financial Instruments, deferred tax and current tax of €44.9 million has been removed from the hedging reserve and recognised in the foreign currency translation reserve as at 1 January 2019 and for the year ended 31 December 2019. The reserves prior to and after this restatement are shown below under the headings Hedging reserve – Restatement of 2019 and Foreign currency translation reserve – Restatement of 2019.

Hedging reserve

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

Cost of hedging reserve

The cost of hedging reserve is a separate component of equity used to record changes in the fair value of the currency basis spread as included in the fair value of financial instruments that are in a hedge relationship and the changes in the fair value of the forward points of forward foreign exchange contracts, where the hedged risk is the spot rate, that are hedging future revenue. For forward foreign exchange contracts for which the forward rate is the hedged risk, the changes in the fair value of the currency basis on these financial instruments are included within this reserve.

For the year ended 31 December 2020

26. Reserves continued

The impact of the restatement between hedging and foreign currency translation reserves, described in the footnote (i) above, is set out below.

Hedging reserve - Restatement of 2019

	Year ended 31/12/19		
	Restated €m	Hedging to foreign currency translation reserve Restatement €m	As reported €m
Carried forward as at 31 December 2018	35.3	-	35.3
Restatement	(44.9)	(44.9)	-
Revised as at 1 January 2019	(9.6)	(44.9)	35.3
Other comprehensive income/(loss):			
Cash flow hedges – transfers to revenue	40.2	-	40.2
Cash flow hedges – mark to market losses	(23.6)	-	(23.6)
Deferred tax income on financial instruments	(4.2)	(0.1)	(4.1)
Current tax income on financial instruments	5.6	11.4	(5.8)
Exchange differences	(12.5)	-	(12.5)
Other comprehensive income/(loss)	5.5	11.3	(5.8)
Carried forward as at 31 December 2019	(4.1)	(33.6)	29.5

Foreign currency translation reserve – Restatement of 2019

	Year ended 31/12/18		
	Restated €m	Hedging to foreign currency translation reserve Restatement €m	As reported €m
Carried forward as at 31 December 2018	207.7	-	207.7
Restatement	44.9	44.9	-
Revised as at 1 January 2019	252.6	44.9	207.7
Other comprehensive income/(loss):			
Exchange differences on foreign currency translation of foreign operations	48.3	-	48.3
Net investment hedges – mark to market gains	39.7	-	39.7
Deferred tax income on financial instruments	2.6	0.1	2.5
Current tax (expense)/income on financial instruments	(6.2)	(11.4)	5.2
Share of joint venture exchange difference on foreign currency translation of foreign operations	0.1	-	0.1
Other comprehensive income/(loss)	84.5	(11.3)	95.8
Carried forward as at 31 December 2019	337.1	33.6	303.5

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

27. Contract liabilities

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

	2020 €m	2019 €m
As at 1 January	**113.1**	112.2
Revenue recognised during the year	**(53.4)**	(54.7)
Other movements during the year	**79.4**	51.1
Exchange difference	**(3.3)**	4.5
As at 31 December	**135.8**	113.1
Included in current liabilities	**61.4**	59.6
Included in non-current liabilities	**74.4**	53.5
	135.8	113.1

Revenue recognised during the year mainly related to deliveries made in the year for which the customer made payments in advance in 2019. Other movements during the year were mainly driven by customer payments in the year of €62.8 million in advance of deliveries to be made in 2021, and contracts that had been modified during the year which resulted in a remeasurement of the revenue to be recognised for the duration of the contract in accordance with the relative standalone price. The current contract liabilities balance at year end mainly relates to deferred income for SWU deliveries to be recognised as revenue in 2021. The non-current contract liabilities balance at year end relates to deferred income for SWU deliveries to be recognised as revenue during the period from 2022 to 2030 and contracted storage services to be provided by Urenco Nuclear Stewardship Limited to be recognised during the period from 2022 to 2077 for which the consideration was received in advance.

28. Financial risk management objectives and policies

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

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

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

The Group is exposed to credit risk, interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2. The Group has considered if the events of the year would require a change in the method by which risks are managed or measured. It has been concluded that the current risk management process is still effective.

Credit risk

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

For the year ended 31 December 2020

28. Financial risk management objectives and policies continued

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

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

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

For the year ended 31 December 2020

28. Financial risk management objectives and policies continued

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

Trade and other receivables

The Group trades only with what it considers are creditworthy third parties, who are mainly other participants in the nuclear fuel supply chain. It is the Group's policy that all customers wishing to trade on credit are subject to an internal approval process based on an internally devised system of credit scoring. Customers are assigned credit limits based on this credit score and their credit balances are monitored and managed against these limits on a monthly basis.

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

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

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

Interest rate risk

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

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

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

The Group's policy to manage interest rate risk is to keep a proportion of its borrowings at fixed rates of interest. The Group enters into cross currency interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge the underlying debt obligations. As at 31 December 2020, the Group does not hold any financial derivatives to exchange the difference between fixed and variable interest rates.

The Financial Conduct Authority (FCA) has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR. Both Phase 1 and Phase 2 amendments are not materially relevant for the Group as there are no interest rate benchmark exposures to which hedge accounting has been applied. The Group has assessed the impact of the IBOR reform on its current hedging strategies and does not expect a material impact as a result of the change.

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

Interest rate sensitivity analysis

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

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

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

For the year ended 31 December 2020

28. Financial risk management objectives and policies continued

If market interest rates had been one percent higher/(lower) at 31 December 2020 and all other variables were held constant, interest income would increase/decrease by €11.6 million (31 December 2019: increase/decrease by €7.9 million). This is mainly attributable to the Group's exposure to interest rates on its short term deposits.

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

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

Foreign currency risk

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

Transaction risk

The Group has transactional currency exposures as a result of approximately 68% (2019: 71%) of its revenues being denominated in US dollars, whilst currently only approximately 23% (2019: 23%) of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 37% (2019: 36%) of Group costs being denominated in sterling, whilst revenue is mainly in euros and US dollars.

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

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

Translation risk

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

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

Foreign currency sensitivity analysis

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

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

For the year ended 31 December 2020

28. Financial risk management objectives and policies continued

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

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

		£/US$		€/US$		€/£
	Rate Change	Effect on income/(loss) before tax €m	Effect on equity €m	Effect on income/(loss) before tax €m	Effect on equity €m	Effect on equity €m
2020	**+10%**	**-**	**28.5**	**(2.2)**	**98.0**	**(19.2)**
	-10%	**-**	**(34.8)**	**2.7**	**(119.7)**	**23.5**
2019	+10%	6.2	42.5	2.0	93.8	(24.7)
	-10%	(7.6)	(51.9)	(2.4)	(114.6)	30.2

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

The Group's sensitivity to foreign currency exposure relating to forecast revenue hedging activities has remained largely unchanged as seen in the effect on equity, with the exception of GBP/USD currency hedging exposures. Exposure to GBP/USD currency hedges has decreased due to natural maturity of hedged positions throughout 2020 exceeding the exposures of replacement hedge positions.

The Group's exposures to unhedged positions in 2020 are attributable to short dated foreign exchange contracts managing cash to be received from customers. The positions giving rise to profit and loss exposures in 2019 for GBP/USD contracts matured during 2020. This is reflected in the effect in the income/(loss) heading of the sensitivity analysis.

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

Liquidity risk

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

The Group has €750 million (2019: €750 million) undrawn committed bank facilities. The Group manages liquidity risk by a combination of undrawn credit facilities and by refinancing debt in advance of the maturity date.

The Group seeks to achieve flexibility and continuity of funding through the active use of a range of different instruments, markets and currencies. External debt funding is sought over a range of different tenors in order to avoid a concentration of maturities. At 31 December 2020, 33.1% (2019: nil %) of the Group's interest bearing loans and borrowings will mature in less than one year.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 based on contractual undiscounted payments:

2020	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Non-derivative financial liabilities					
Interest bearing loans and borrowings	**547.8**	**27.5**	**975.9**	**240.1**	**1,791.3**
Trade and other payables	**240.6**	**-**	**32.4**	**-**	**273.0**
Lease liabilities	**0.8**	**2.4**	**9.7**	**166.2**	**179.1**
Other financial liabilities	**-**	**61.8**	**-**	**-**	**61.8**
Derivative financial liabilities					
Cross currency swap (inflows)	**(785.7)**	**(9.4)**	**(461.2)**	**(158.4)**	**(1,414.7)**
Cross currency swap outflows	**742.1**	**11.9**	**454.9**	**202.9**	**1,411.8**
Foreign exchange (receipts)	**(1.8)**	**(5.1)**	**(18.4)**	**-**	**(25.3)**
Foreign exchange payments	**3.8**	**20.0**	**46.4**	**-**	**70.2**
	747.6	**109.1**	**1,039.7**	**450.8**	**2,347.2**

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

For the year ended 31 December 2020

28. Financial risk management objectives and policies continued

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

Capital management

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

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

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

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

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

Following the adoption of IFRS 16 from January 2019, the Group has amended its definition of Net Debt and TAD to include lease liabilities.

	2020 €m	2019 €m
Net debt (page 126)	**455.7**	928.1
Total assets	**6,621.9**	6,536.1
Net debt to total assets	**6.9%**	14.2%

For the year ended 31 December 2020

28. Financial risk management objectives and policies continued

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
EBITDA	**1,088.1**	1,219.6
Less:		
Net interest on bank borrowings and other loans	**(72.9)**	(86.2)
Unwinding of discount on provisions	**(69.0)**	(69.2)
Current tax expenses	**(50.9)**	(110.5)
Add:		
Pension normalisation	**(4.8)**	(3.9)
Funds from operations (FFO)	**890.5**	949.8
Interest bearing loans and borrowings	**1,594.7**	1,693.4
Cash and short term bank deposits	**(1,158.8)**	(787.3)
Lease liabilities	**19.8**	22.0
Pensions deficit	**56.8**	65.2
Deferred tax on pensions deficit	**(10.7)**	(11.9)
Tails and decommissioning provisions	**2,204.8**	1,983.4
Depreciation within tails provisions	**(324.1)**	(380.7)
Deferred tax on provisions	**(192.0)**	(176.3)
Deferred tax on depreciation within tails provisions	**73.2**	80.2
Total adjusted debt (TAD)	**2,263.7**	2,488.0
FFO/TAD	**39.3%**	38.2%

29. Other financial assets and financial liabilities

Interest bearing loans and borrowings

As at 31 December 2019	Effective interest rate %	Maturity	2020 €m	2019 €m
Non-current				
€750 million Eurobond	2.50%	Feb 21	**-**	533.9
€500 million Eurobond	2.25%	Aug 22	**404.1**	498.1
€500 million Eurobond	2.375%	Dec 24	**497.9**	497.4
Yen 20 billion Loan Agreement	6.24%	Apr 38	**158.4**	164.0
			1,060.4	1,693.4
Current				
€534.4 million Eurobond	2.5%	Feb 21	**534.3**	-
			1,594.7	1,693.4

As at 31 December 2020, after taking into account the effect of interest rate swaps, 100% (2019: 100%) of the Group's borrowings are at a fixed rate of interest.

Amounts recognised in the income statement are interest expense of €45.5 million (2019: €45.2 million).

There were no drawings under the €750 million revolving credit facility at the end of the year (2019: none), which expires in June 2023.

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

For the year ended 31 December 2020

29. Other financial assets and financial liabilities continued

Hedging activities and derivatives

Revenue related hedges

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

For the hedges of highly probable forecast revenue, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates. The hedge ratio of the hedging relationships is on a 1:1 basis.

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

No other sources of ineffectiveness emerged from these hedging relationships.

As at 31 December 2020, the net asset of the FFECs was €58.3 million (31 December 2019: liability of €49.4 million), with the movement driven principally by the US dollar forward rates weakening against the euro during the year. The vast majority of FFECs are designated as cash flow hedges, with the gains and losses deferred in equity. There is a small minority of FFECs that have been de-designated from hedge relationships and, therefore, their gains and losses are recognised in the income statement. Also, a small number of FFECs were not formally designated in a hedge and are revalued through the income statement.

During the year, €38.9 million of hedging losses (2019: losses of €40.2 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 CCIRSs helps to manage the foreign exchange volatility which would be recognised through the income statement.

The CCIRSs 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 dollars and is designated as a net investment hedge of the Group's investment in USA subsidiaries (Urenco USA Inc. and Louisiana Energy Services LLC). The total amount of CCIRSs which have been designated as hedges of the net investment of the Group's USA subsidiaries as at 31 December 2020 was $934.8 million (31 December 2019: $1,047.2 million). Gains or losses on the retranslation of these CCIRS are transferred to other comprehensive income to offset any gains or losses on translation of the net investment in subsidiaries.

For borrowing related hedges, as the critical terms (i.e. the notional amount, life and underlying) of the CCIRSs and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the CCIRSs and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates. The hedge ratio of the hedging relationships is on a 1:1 basis.

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

No other sources of ineffectiveness emerged from these hedging relationships.

As at 31 December 2020, the Group's portfolio of CCIRSs was held as an asset of €49.1 million (31 December 2019: asset of €10.0 million). The movement in the year of €39.1 million is mainly attributable to the steepening of the valuation discount curve pricing the derivatives hedging the bonds maturing in February 2021 and euro foreign exchange rates strengthening against the US dollar. A steepening discount curve discounts the amounts to be received per the derivatives contracts closer to their contract values. As the contracts have locked in a fixed amount of US dollars in exchange for a fixed amount of euro, a strengthening of euro vs US dollar increases the value of the derivatives as the same transaction completed as at 31 December 2020 would have required more dollars to be paid.

Included in loans at 31 December 2020 were borrowings of €655.0 million (31 December 2019: €500.0 million), which have been designated as hedges of the net investment in the Group's European sites. Gains or losses on the retranslation of these borrowings are transferred to other comprehensive income to offset any gains or losses on translation of the net investment in subsidiaries.

For the year ended 31 December 2020

29. Other financial assets and financial liabilities continued

Hedging activities and derivatives continued

Borrowing related hedges continued

The information in the table presenting financial instruments of the major foreign currency pairs to hedge its foreign exchange risk has been enhanced to include a column for Fair Value Gains/(losses). This represents the year to date fair value gains or losses of the current instruments utilised for hedging purposes in the consolidated Statement of Financial Position as at the year-end.

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

	Average exchange rate 2020	**Fair value +Gain/ (Loss) 2020**	**Nominal amount 2020**	Average exchange rate 2019	Fair value +Gain/(Loss) 2019	Nominal amount 2019
Forward foreign exchange contracts Cash Flow Hedges			**FC m Buy/(Sell)**			FC m Buy/(Sell)
USD/EUR			**USD**			USD
Within one year	**1.19**	**22.1**	**(474.7)**	1.19	(18.4)	(455.5)
1 to 2 years	**1.20**	**17.5**	**(325.0)**	1.20	(12.0)	(426.7)
2 to 3 years	**1.21**	**19.4**	**(370.0)**	1.27	(6.6)	(170.0)
3 to 4 years	**1.16**	**11.7**	**(160.0)**	1.33	(6.8)	(130.0)
More than 4 years	**-**	**-**	**-**	-	-	-
USD/GBP			**USD**			USD
Within one year	**1.33**	**2.92**	**(172.5)**	1.38	3.7	(230.7)
1 to 2 years	**1.35**	**1.49**	**(110.0)**	1.34	2.3	(150.0)
2 to 3 years	**1.36**	**2.19**	**(94.0)**	1.36	1.3	(100.0)
3 to 4 years	**1.25**	**0.84**	**(10.0)**	1.40	0.56	(55.0)
More than 4 years	**-**	**-**	**-**	-	-	-
EUR/GBP			**USD**			USD
Within one year	**0.93**	**(1.9)**	**(44.0)**	0.89	2.9	(50.0)
1 to 2 years	**0.93**	**(2.4)**	**(68.0)**	0.93	3.6	(44.0)
2 to 3 years	**0.94**	**(1.6)**	**(50.0)**	0.93	4.6	(68.0)
3 to 4 years	**0.95**	**(1.1)**	**(42.0)**	0.94	3.8	(50.0)
More than 4 years	**-**	**-**	**-**	0.95	3.4	(42.0)
Cross currency interest rate swaps						
Cash flow hedges						
EUR/GBP			**USD**			USD
Within one year	**0.72**	**20.1**	**425.0**	-	-	-
1 to 2 years	**0.71**	**7.1**	**250.0**	0.74	(36.0)	525.0
2 to 3 years	**-**	**-**	**-**	0.71	(16.8)	250.0
3 to 4 years	**-**	**-**	**-**	-	-	-
More than 4 years	**-**	**-**	**-**	-	-	-
Net investment hedges						
USD/GBP			**USD**			USD
Within one year	**1.52**	**43.5**	**(463.3)**	-	-	-
1 to 2 years	**1.56**	**3.7**	**(276.5)**	1.48	57.2	(575.7)
2 to 3 years	**-**	**-**	**-**	1.56	0.9	(276.5)
Designated in part as cash flow hedges and in part as net investment hedges						
JPY/USD			**JPY**			**JPY**
More than 4 years	**102.3**	**(11.2)**	**20,000.0**	102.3	(14.7)	20,000.0

For the year ended 31 December 2020

29. Other financial assets and financial liabilities continued

Fair values

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

	Book value 2020 €m	**Fair value 2020 €m**	Book value 2019 Restated[i] €m	Fair value 2019 Restated[i] €m
Financial assets				
Loans and receivables				
Trade and other receivables[i][ii]	**200.6**	**200.6**	242.8	242.8
Derivative financial assets at fair value through profit or loss				
Forward foreign exchange contracts – hedged	**72.4**	**72.4**	23.5	23.5
Forward foreign exchange contracts – non-hedged	**6.6**	**6.6**	0.6	0.6
Cross currency interest rate swaps	**140.5**	**140.5**	111.5	111.5
Commodity contracts at fair value	**16.5**	**16.5**	16.8	16.8
Short term bank deposits[iii]	**528.8**	**528.8**	464.1	464.1
Cash and cash equivalents[iii]	**630.0**	**630.0**	323.2	323.2
Total	**1,595.4**	**1,595.4**	1,182.5	1,182.5
Financial liabilities				
Financial liabilities measured at amortised cost				
Fixed rate borrowings	**1,594.7**	**1,766.2**	1,693.4	1,905.6
Trade and other payables[iv]	**275.3**	**275.3**	250.6	250.6
Derivative financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts – hedged	**19.4**	**19.4**	67.8	67.8
Forward foreign exchange contracts – non-hedged	**1.3**	**1.3**	5.7	5.7
Cross currency interest rate swaps	**91.4**	**91.4**	101.5	101.5
Commodity contracts at fair value	**4.4**	**4.4**	3.8	3.8
Total	**1,986.5**	**2,158.0**	2,122.8	2,335.0

(i) The 31 December 2019 book value and fair value of trade and other receivables has been restated to deduct a balance of €20.4 million relating to prepayments at 31 December 2019.

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

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

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

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

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

For the year ended 31 December 2020

29. Other financial assets and financial liabilities continued

Fair value disclosures

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

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

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

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

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

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

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

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

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

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

	2020 €m	2019 €m
Financial assets at fair value		
Forward foreign exchange contracts – hedged	**72.4**	23.5
Forward foreign exchange contracts – non hedged	**6.6**	0.6
Cross currency interest rate swaps	**140.5**	111.5
Commodity contracts at fair value	**16.5**	16.8
Total assets measured at fair value	**236.0**	152.4
Financial liabilities at fair value		
Forward foreign exchange contracts – hedged	**(19.4)**	(67.8)
Forward foreign exchange contracts – non hedged	**(1.3)**	(5.7)
Cross currency interest rate swaps	**(91.4)**	(101.5)
Commodity contracts at fair value	**(4.4)**	(3.8)
Total liabilities measured at fair value	**(116.5)**	(178.8)
Net FFEC liability	**58.3**	(49.4)
Net CCIRS asset	**49.1**	10.0
Net commodity assets at fair value	**12.1**	13.0
Total net (liability)/asset	**119.5**	(26.4)

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29. Other financial assets and financial liabilities continued

Total liabilities from financing activities

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

	2019	Cash flows		Cash flows				**2020**
	€m	Proceeds debt hedges €m	Cash outflows €m	Foreign exchange movement €m	Fair value changes €m	Additions €m	Interest €m	**€m**
Non-current borrowings	1,693.4	-	(95.0)	(5.6)	1.5	(533.9)	-	**1,060.4**
Current borrowings	-	-	-	-	0.4	533.9	-	**534.3**
Lease liabilities	22.0	-	(2.5)	(1.3)	-	0.5	1.1	**19.8**
Net liabilities/(assets) held to hedge borrowings	(10.0)	1.1	(17.8)	(1.2)	(21.2)	-	-	**(49.1)**
Total liabilities/(assets) from financing activities	1,705.4	1.1	(115.3)	(8.1)	(19.3)	0.5	1.1	**1,565.4**

Net Debt

The Group had a total net debt of €455.7 million as at 31 December 2020 (31 December 2019: €928.1 million).

Debt is split between euro denominated debt of €1,436.3 million (31 December 2019: €1,529.4 million) and yen denominated debt of €158.4 million (31 December 2019: €164.0 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 €833.4 million (31 December 2019: €939.0 million) and euro denominated debt of €761.3 million (31 December 2019: €754.4 million).

The value of net debt has moved from €928.1 million to €455.7 million principally due to cash generated operationally during the year.

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

	2020 €m	2019 €m
Non-current interest bearing loans and borrowings	**1,060.4**	1,693.4
Current interest bearing loans and borrowings	**534.3**	-
Non-current lease liabilities	**18.2**	19.6
Current lease liabilities	**1.6**	2.4
Less: Short term deposits	**(528.8)**	(464.1)
Less: Cash and cash equivalents	**(630.0)**	(323.2)
Net debt	**455.7**	928.1

For the year ended 31 December 2020

29. Other financial assets and financial liabilities continued

Classification of assets and liabilities

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

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

For the year ended 31 December 2020

29. Other financial assets and financial liabilities continued

Classification of assets and liabilities continued

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

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

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

For the year ended 31 December 2020

29. Other financial assets and financial liabilities continued

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

	Fair value asset 2020 €m	**Fair value liability 2020 €m**	Fair value asset 2019 €m	Fair value liability 2019 €m
Forward foreign exchange contracts				
Cash flow hedges				
Within 1 year	**22.4**	**(5.2)**	5.4	(29.9)
1 to 2 years	**16.9**	**(6.2)**	6.8	(14.8)
2 to 3 years	**19.0**	**(8.0)**	5.4	(11.3)
3 to 4 years	**14.1**	**-**	3.3	(11.8)
More than 4 years	**-**	**-**	2.6	-
	72.4	**(19.4)**	23.5	(67.8)
Net investment hedges				
Within 1 year	**2.9**	**(1.3)**	0.6	(5.7)
1 to 2 years		**-**		-
2 to 3 years	**0.7**	**-**	-	-
3 to 4 years	**3.0**	**-**	-	-
More than 4 years	**-**	**-**	-	-
	6.6	**(1.3)**	0.6	(5.7)
Cross currency interest rate swaps				
Cash flow hedges				
Within 1 year	**88.9**	**-**	-	-
1 to 2 years	**50.2**	**-**	70.6	-
2 to 3 years	**-**	**-**	40.9	-
3 to 4 years	**-**	**-**	-	-
More than 4 years	**-**	**-**	-	-
	139.1	**-**	111.5	-

For the year ended 31 December 2020

29. Other financial assets and financial liabilities continued

	Fair value asset 2020 €m	**Fair value liability 2020 €m**	Fair value asset 2019 €m	Fair value liability 2019 €m
Net investment hedges				
Within 1 year	**1.4**	**(41.9)**	-	-
1 to 2 years	**-**	**(31.0)**	-	(54.4)
2 to 3 years	**-**	**-**	-	(37.3)
3 to 4 years	**-**	**-**	-	-
More than 4 years	**-**	**-**	-	-
	1.4	**(72.9)**	-	(91.7)
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	**-**	**(18.5)**	-	(9.8)
	-	**(18.5)**	-	(9.8)
Commodity contracts not designated and charged to income				
Within 1 year	**10.4**	**(3.5)**	1.1	(0.5)
1 to 2 years	**1.5**	**(0.4)**	9.4	(2.6)
2 to 3 years	**1.5**	**(0.5)**	1.6	(0.4)
3 to 4 years	**0.6**	**-**	1.5	(0.3)
More than 4 years	**2.5**	**-**	3.2	-
	16.5	**(4.4)**	16.8	(3.8)
Total	**236.0**	**(116.5)**	152.4	(178.8)
Of which – non-current	**110.0**	**(64.6)**	145.3	(142.7)
Of which – current	**126.0**	**(51.9)**	7.1	(36.1)

A total loss of €4.9 million (2019: €nil) was included within hedge reserves relating to hedges of financial instruments that settled during the year.

Financial statements

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2020

30. Provisions

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

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

The net costs of nuclear provisions of €163.8 million (2019: €297.7 million) recognised in the consolidated income statement are set out below:

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

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

For the year ended 31 December 2020

30. Provisions continued

Discount Rates for tails and decommissioning provisions

Management has considered the applicable inflation rate and the risk free discount rate and concluded in 2019 that these should be calculated on a jurisdiction specific basis as follows:

	Inflation Rate		Nominal Discount Rate		Real Discount Rate	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
USA	2.10%	2.00%	3.35%	4.00%	1.22%	1.96%
UK	2.00%	2.00%	3.25%	3.50%	1.23%	1.47%
Germany	1.50%	1.50%	2.25%	3.00%	0.74%	1.48%
The Netherlands	1.75%	1.75%	2.25%	3.00%	0.49%	1.23%

Provision for tails

The enrichment process generates depleted uranium ('tails'). Provision has been made on a discounted basis for the eventual safe disposal of the tails. The costs take account of conversion to a different chemical state, intermediate storage, transport and safe disposal and include the depreciation of capital cost of the facility that will perform these tasks.

The final amount of the provision is currently uncertain (as detailed in note 2 within the critical accounting judgements and key sources of estimation uncertainty) but is evaluated based upon the planned operational activity involved in successfully achieving safe disposal in accordance with regulatory requirements. The planned costs are based on historic experience, operational assumptions, internal cost forecasts and third party contract prices for the relevant parts of the disposal cycle. A key area of uncertainty remains the unit cost of deconversion in Europe which will remain uncertain until such time that the TMF project has been completed and the deconversion plant has been commissioned. A 10% increase in the forecast TMF deconversion price would increase tails provisions by €54.7 million and a 10% decrease in the forecast TMF deconversion price would decrease tails provisions by €54.7 million. The availability and cost of a repository suitable for the final disposal of depleted U_3O_8 is a key judgement and the level of uncertainty varies widely across the four countries in which Urenco operates. These costs are escalated where appropriate based on current expectations of inflation and discounted to provide a present value cost per unit, or tails rate, which is applied to the quantity of tails held at the statement of financial position date. Further description of the estimates and assumptions applied is given in note 2. Another area of uncertainty in the US remains the rate charged by the US Department of Energy (DOE) for the deconversion, storage and disposal of tails which will remain uncertain until such time that these activities are performed.

A 10% increase in the forecast DOE rate would increase tails provisions by €20.6 million and a 10% decrease in the forecast DOE rate would decrease tails provisions by €20.6 million.

During the year the tails provision increased by €250.8 million (2019: €323.8 million) due to tails generated in that period, an increase in the applied tails rate and a change in discount rates. This addition to the tails provision has been recognised as a cost in the income statement under net costs of nuclear provision movements. Expenditure incurred during the year for the safe deconversion, storage and disposal of tails of €42.0 million (2019: €42.5 million) have been utilised against the provision. A provision release of €105.0 million (2019: €88.8 million) was recorded reflecting the impact of a review of various key underlying assumptions, an optimisation of operations and the impact of the reduction in higher assay tails, associated with enrichment service contracts.

It is expected that €480.0 million of the tails provision will be used within the next 10 years, €592.8 million of the provision will be used within the next 10 to 30 years and €291.9 million will be used within the next 30 to 100 years. The tails provisions held at 31 December 2020 comprised €1,040.6 million (2019: €889.8 million) of discounted future cash flows and €324.1 million (2019: €380.7 million) of discounted future depreciation of assets currently at cost held for the purpose of meeting tails liabilities.

The provision for tails disposal is dependent on certain assumptions and estimates, such as the timing of disposal and the applicable discount and inflation rates. A 0.25% reduction in the real discount rate would lead to an increase of the provision by €98.9 million, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by €84.1 million. A delay of 5 years to all disposal activities would reduce the provision by €69.4 million and an advancement by 5 years of all disposal activities would lead to an increase in the provision of €65.8 million.

For the year ended 31 December 2020

30. Provisions continued

Provision for decommissioning of plant and machinery

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

The final amount of the provision is currently uncertain but is evaluated based upon the planned operational activity involved in successfully achieving full decommissioning of any plant or equipment used in enrichment activities, in accordance with the Directors' intention and regulatory requirements. The planned costs are based on historic experience and price estimates for the relevant activities and processes of the decommissioning cycle, which include deconstruction, decontamination and disposal of all materials involved in the enrichment process. A key area of uncertainty remains the cost for disposal of waste streams arising from the decommissioning process. A 10% increase/decrease in either the volume or cost of waste to be disposed of would increase/decrease decommissioning provisions by €24.5 million. These costs are escalated based on current expectations of inflation and discounted to provide a present value cost based on the expected useful life of the asset in use and timing of subsequent decommissioning activity. Further descriptions of the estimates and assumptions applied are given in note 2.

During the year the decommissioning provision increased by €141.0 million (2019: €83.6 million) due to the installation of additional plant and machinery of €19.6 million (2019: €13.6 million), additional container purchases of €14.0 million (2019: €3.7 million) and €107.4 million due to revised assumptions surrounding the decommissioning of plant and machinery (2019: €66.3 million). Of the €107.4 million (2019: €66.3 million) resulting from revised assumptions, €50.3 million (2019: €31.7 million) has been expensed to the Income Statement and €57.1 million (2019: €34.6 million) has been recognised in decommissioning assets. The impact of the revised assumptions of €107.4 million (2019: €66.3 million) mainly relate to the impact of the change in discount rates of €88.4 million (2019: €64.9 million), of which €35.5 million (2019: €31.7 million) has been expensed to the Income Statement and €52.9 million (2019: €33.2 million) has been recognised in decommissioning assets.

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

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

The provision for decommissioning plant and machinery is dependent on certain assumptions and estimates, such as timing of decommissioning and the applicable discount and inflation rates. A 0.25% reduction in the real discount rate would lead to an increase of the provision by €48.5 million, whilst a 0.25% increase in the real discount rate would lead to a decrease of the provision by €44.6 million. A delay of 5 years to all decommissioning activities would reduce the provision by €40.0 million and an advancement of all decommissioning activities would lead to an increase in the provision of €38.0 million.

Re-enrichment of low assay feed

Provisions for the future re-enrichment of low assay feed are calculated using assumptions on the amount of separative work that will be required in the future and the cost of providing enrichment capacity to perform that work. This cost includes the safe disposal of any resultant tails material. During the year, the provisions relating to the future re-enrichment of low assay feed increased by €71.0 million (2019: €125.7 million) due to the creation of low assay feed and reduced by €91.7 million (2019: €85.0 million) due to expenditure incurred on the re-enrichment of low assay feed. Both the increase and reduction are reported within net nuclear provision movements.

Other provisions

These comprise provisions relating to restructuring provisions and other personnel provisions, and a specific counterparty provision. The other provisions include an amount of €1.2 million (2019: €4.0 million) for restructuring costs, mainly relating to expected severance payments to be made, see also note 6. During the year €1.7 million of the restructuring provisions was utilised for severance payments and an amount of €0.9 million was released. Uncertainties exist around the exact amount and timing of cash outflows as elements of the restructuring programme are subject to employee consultation procedures. Of the total amount it is estimated that €0.6 million will be paid within one year and the remainder of €0.6 million after one year.

It is expected that all other provisions will be used over the next 10 years. These other provisions are not materially sensitive to discount rates.

31. Retirement benefit obligations

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

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

For the year ended 31 December 2020

31. Retirement benefit obligations continued

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

The agreement between UNL and PGB has an end date of 31 December 2023. If the agreement will not be terminated by one of the parties at least six months before the termination date, then it will be automatically extended for another five years. Under this agreement PGB will administer the pension rights of the employees of UNL and pay benefits to pensioners. UNL is required to contribute premiums to PGB, which are set on an annual basis as a percentage of the pensionable salary, currently 30.4%. UNL is solely responsible for contributions for its own employees and can not be held liable for the obligations of other entities' obligations under the terms and conditions of the multi-employer plan. In the event of termination of the agreement with PGB, then this should not result in any deficit or surplus for UNL, assuming that they have paid the appropriate contributions. This risk has been transferred to PGB, in accordance with the nature of this insured arrangement.

Valuations of the schemes are carried out at least every three years. The most recent actuarial assessments for the UK scheme of plan assets and the present value of defined benefit obligations were carried out at 5 April 2018 and subsequently rolled forward to 31 December 2020. Following the triennial valuation of the UK schemes in April 2018, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of £6.6 million annually for five years, until 2022. Urenco closed the UK defined benefit section for further accrual from 5 April 2017 for most Group employees following consultations with employees and their representatives and the pension scheme Trustees.

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

Key financial assumptions used:	**2020 %**	2019 %
Discount rate	**0.6-1.4**	1.0-2.1
Expected rate of salary increases	**3.0-3.9**	2.3-4.2
Future pension increases	**1.5-2.9**	1.5-4.2

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

	UK		**Germany**	
Mortality assumptions:	**2020 years**	2019 years	**2020 years**	2019 years
Life expectancy at age 60 for a male currently aged 60	**28.5**	29.2	**24.9**	24.8
Life expectancy at age 60 for a female currently aged 60	**30.2**	30.6	**28.7**	28.6
Life expectancy at age 60 for a male currently aged 40	**30.6**	31.2	**27.9**	27.8
Life expectancy at age 60 for a female currently aged 40	**32.2**	32.5	**31.0**	30.9

Mortality tables:	**Netherlands**	**UK**	**Germany**
2020	**AG Prognosetafel 2018 with WTW fund specific mortality experience 2016**	**S2PA YOB tables with appropriate age weightings using CMI 2017 projections 1.75% minimum improvements p.a.**	**Heubeck table 2018 G**
2019	AG Prognosetafel 2018 with WTW fund specific mortality experience 2016	S2PA YOB tables with appropriate age weightings using CMI 2017 projections 1.75% minimum improvements p.a.	Heubeck table 2018 G

For the year ended 31 December 2020

31. Retirement benefit obligations continued

Risks

The liabilities of all defined benefit pension plans expose Group to risks of longevity, inflation and discount rate. The related assets of the defined benefit plans in the UK and expose the Group to market price volatility and the default risk regarding the investments held by this pension fund. The German pension plans do not have related pension assets and therefore do not result in an exposure for the Group, aside from the risks related to the liabilities detailed above.

Sensitivity analysis

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefits obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2020 for the Group's retirement benefit schemes would have had the effects shown in the table below. The sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some assumptions may be correlated.

		(Increase)/decrease in retirement benefit obligations €m
Discount rate	Effect of increase in discount rate by +0.25% at 31 December 2020	**21.9**
	Effect of decrease in discount rate by -0.25% at 31 December 2020	**(23.4)**
Inflation rate	Effect of increase in inflation rate by +0.25% at 31 December 2020	**(19.7)**
	Effect of decrease in inflation rate by -0.25% at 31 December 2020	**19.3**

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

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Current service cost	**(2.1)**	(6.6)
Administrative expense paid from scheme assets	**-**	(0.1)
Net interest expense on defined benefit pension scheme	**(1.2)**	(7.8)
Past service cost	**0.4**	1.3
	(2.9)	(13.2)

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

The amount charge to the income in respect of defined contribution pension schemes was €13.5 million (2019: €8.0 million).

The actual return on scheme assets was a gain of €45.3 million (2019: gain €55.4 million).

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

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Actuarial (losses)/gains	**1.6**	(16.9)
Exchange difference	**1.7**	(1.5)
	3.3	(18.4)

For the year ended 31 December 2020

31. Retirement benefit obligations continued

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

Movement in present value of defined benefit obligation			**2020 €m**			2019 €m
	Total	**Funded schemes**	**Unfunded schemes**	Total	Funded schemes	Unfunded schemes
At 1 January	**(481.3)**	**(450.0)**	**(31.3)**	(672.0)	(644.2)	(27.8)
Current service cost	**(2.1)**	**(1.4)**	**(0.7)**	(6.6)	(6.0)	(0.6)
Past service cost	**(1.2)**	**(1.2)**	**-**	(0.9)	(0.9)	-
Interest cost	**(9.1)**	**(8.8)**	**(0.3)**	(12.0)	(11.5)	(0.5)
Actuarial losses	**(35.5)**	**(32.8)**	**(2.7)**	(61.3)	(58.0)	(3.3)
Benefits paid to members	**14.0**	**13.1**	**0.9**	13.1	12.2	0.9
Contributions by members	**-**	**-**	**-**	4.5	4.5	-
Dutch pension curtailments	**-**	**-**	**-**	264.9	264.9	-
Settlements	**1.8**	**1.8**	**-**	14.9	14.9	-
Transfers	**-**	**-**	**-**	-	0.0	-
Foreign exchange	**24.4**	**24.4**	**-**	(25.9)	(25.9)	-
At 31 December	**(489.0)**	**(454.9)**	**(34.1)**	(481.3)	(450.0)	(31.3)

The average duration of the defined benefit obligation at 31 December 2020 is 18.8 years (2019: 19.3 years).

Movements in the fair value of plan assets	**2020 €m**	2019 €m
At 1 January	**416.1**	626.0
Interest income	**8.2**	11.0
Actuarial gains	**37.1**	44.4
Contributions by employer	**8.0**	8.8
Contributions by members	**-**	0.2
Benefits paid to members	**(13.1)**	(13.2)
Dutch pension curtailments	**-**	(271.8)
Settlements	**(1.4)**	(13.6)
Administrative expenses paid from scheme assets	**-**	(0.1)
Foreign exchange	**(22.7)**	24.4
At 31 December	**432.2**	416.1

	2020 €m	2019 €m
Present value of defined benefit obligation	**(489.0)**	(481.3)
Fair value of plan assets	**432.2**	416.1
Recognised liability at 31 December	**(56.8)**	(65.2)

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

	Fair value of assets	
	2020 €m	2019 €m
Equity instruments	**202.7**	196.8
Debt instruments	**229.5**	219.3
	432.2	416.1

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

The estimated amount of contributions expected to be paid to the schemes during the current financial year (2021) is €8.5 million.

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32. Trade and other payables

Current

	31/12/20 €m	31/12/19 €m
Trade payables	**86.2**	47.6
Other payables	**11.5**	59.1
Accruals	**81.5**	80.9
Amounts due to joint venture	**63.6**	63.0
	242.8	250.6

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 28 days (2019: 29 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

Non-current

	31/12/20 €m	31/12/19 €m
Other payables	**32.5**	-

Non-current other payables comprised SWU inventory borrowed from third parties for the purpose of optimising Urenco's production flexibility. The SWU borrowings as at 31 December 2020 have been classified as non-current payables because they are expected to be returned after 2021.

33. Contingent assets

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

Since the 2019 year end, the Group has received two distributions totalling €44.5 million and has recognised this amount as revenue in 2020. The difference between this amount and the expected total distribution of €43.0 million is mainly due to favourable foreign exchange movements.

34. Contingent liabilities

The Group has provided assurance to the NRC in the form of letters of credit and surety bonds that funds are available when needed to pay for nuclear liabilities of UUSA. The total amount of these assurances at 31 December 2020 exceeds the value of the recognised nuclear liabilities of UUSA in the consolidated statement of financial position at the same date by €65.1 million.

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

35. Events after the statement of financial position date

The Group repaid the remaining amount of the €750.0 million Eurobond on the maturity date of 15 February 2021. The total amount paid to the bond holders was €547.8 million, which included accrued interest of €13.4 million. This amount was funded from available cash and cash equivalents.

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the mainstream rate of UK corporation tax from 19.0% to 25.0%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19.0%. The Group is in the process of assessing the full impact of this announcement, but if the amended tax rate had been used, it is possible that the UK deferred tax liability would be materially higher.

As of 10 March 2021, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2020 financial statements.

For the year ended 31 December 2020

36. Related party transactions

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

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

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

	Sales of goods and services		Purchases of assets, goods and services		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/20 €m	Year ended 31/12/19 €m	**Year ended 31/12/20 €m**	Year ended 31/12/19 €m	**31/12/20 €m**	31/12/19 €m	**31/12/20 €m**	31/12/19 €m
BEIS	**29.9**	35.9	**-**	-	**2.5**	3.0	**-**	-
E.ON	**-**	5.0	**15.0**	15.5	**-**	-	**-**	-
RWE	**5.4**	-	**-**	0.3	**-**	-	**-**	-
ETC[i]	**-**	-	**66.7**	72.9	**-**	0.2	**63.6**	63.0

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

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

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

The Enrichment Technology Company Limited pension scheme is administered as part of the Urenco pension scheme. Included in Urenco's share of results of Joint Venture and Investments is 50% of the Enrichment Technology Company Limited Income Statement charges and liabilities arising from retirement benefit obligations. Included in the amounts recognised in the share of results of joint venture in respect of the defined benefit schemes is a charge of €0.4 million relating to the Joint Venture (2019: €4.0 million). Included in the share of net assets of the Joint Venture as a recognised liability is €27.0 million relating to the defined benefit pension obligations of the Joint Venture (2019: €25.9 million).

During the year, Group companies contributed €16.5 million (2019: €14.4 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 65.

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Short term employee benefits	**3.0**	3.1
	3.0	3.1

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for his services as a Director, as detailed in the Remuneration report on page 65.

Registered number
01022786

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Company Financial Statements

For the year ended 31 December 2020

Company Financial statements

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Directors' Responsibilities Statement

For the year ended 31 December 2020

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 (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

By order of the Board.

Ralf ter Haar
Director

10 March 2021

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Company Statement of Financial Position

For the year ended 31 December 2020

	Notes	**2020 €m**	2019 €m
Non-current assets			
Property, plant and equipment	5	**32.0**	18.9
Intangible assets	6	**-**	2.7
Investments in subsidiaries and associate	7	**294.9**	294.9
Amounts due from Group undertakings	8	**2,901.7**	2,755.3
Deferred tax asset	3	**25.4**	37.7
Derivative financial instruments	14	**117.6**	167.7
		3,371.6	3,277.2
Current assets			
Amounts due from Group undertakings	8	**68.2**	719.4
Trade and other receivables	8	**133.1**	188.3
Derivative financial instruments	14	**121.8**	41.6
Short term deposits	9	**528.8**	464.1
Cash and cash equivalents	10	**599.2**	316.9
		1,451.1	1,730.3
Total assets		**4,822.7**	5,007.5
Current liabilities			
Amounts due to Group undertakings	12	**(2,209.4)**	(1,655.9)
Trade and other payables	13	**(94.4)**	(95.3)
Lease liabilities		**-**	(0.7)
Derivative financial instruments	14	**(73.7)**	(41.1)
		(2,377.5)	(1,793.0)
Non-current liabilities			
Interest bearing loans and borrowings	11	**(158.4)**	(164.0)
Amounts due to Group undertakings	12	**(953.3)**	(1,557.6)
Derivative financial instruments	14	**(117.4)**	(157.4)
Other payables		**(2.4)**	(2.1)
Retirement benefit obligations	15	**(3.1)**	(4.2)
		(1,234.6)	(1,885.3)
Total liabilities		**(3,612.1)**	(3,678.3)
Net assets		**1,210.6**	1,329.2
Equity			
Share capital	16	**237.3**	237.3
Retained earnings	17	**975.5**	1,087.7
Hedging reserve	17	**(2.2)**	4.2
Total equity		**1,210.6**	1,329.2

Registered Number 01022786

The net income for the financial year of the Parent Company amounts to €376.2 million (2019: €314.9 million).

The financial statements were approved by the Board of Directors and authorised for issue on 10 March 2021.

They were signed on its behalf by:

Boris Schucht
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer

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Company Statement of Changes in Equity

For the year ended 31 December 2020

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

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

Financial statements
Notes to the Company Financial Statements

For the year ended 31 December 2020

1. Significant accounting policies

General information

Urenco Limited ("the Company") is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. Urenco Limited is the ultimate parent company and controlling party of the Group. The address of its registered office is given on page 52. Its main activity is that of a holding company for the Group's operations.

Basis of preparation and presentation

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

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

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

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

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, standards not yet effective, presentation of financial statements, fair value measurement, revenue recognition, leases, financial instruments and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Urenco Limited. The auditor's remuneration for audit and other services is disclosed in note 5 to the Group's consolidated financial statements.

Adoption of new and revised accounting standards

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

The accounting policies adopted in the preparation of the Company's annual financial statements for the year ended 31 December 2020 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except as follows:

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

The following new standards and interpretations became effective from 1 January 2020:

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

*applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021

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

Financial statements

Notes to the Company Financial Statements continued

For the year ended 31 December 2020

1. Significant accounting policies continued

Going concern

The Directors have assessed the latest forecast future cash flows, including appropriate sensitivities, which indicate that available cash and committed financing facilities in place are sufficient to cover the Company's cash needs for at least 12 months after the date of approval of these financial statements. They are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing these financial statements. The Directors have considered the impact of COVID-19 and have concluded that there is no substantial impact on the going concern assumption. For further details please see pages 2 and 41.

Taxation

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

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

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

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

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

Foreign currencies

The Company's functional currency is sterling because that is the currency of the primary economic environment in which the Company operates. The Company's financial statements are presented in euros as that is the same presentational currency of the Group to which it belongs. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date, with all differences being taken to profit and loss. All other translation differences are taken to total comprehensive income. The average sterling to euro rate for 2020 was £0.88 to €1 (2019: £0.88 to €1) and the year-end rate was £0.90 to €1 (2019: £0.85 to €1).

Property, plant, equipment and depreciation

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

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

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

For the year ended 31 December 2020

1. Significant accounting policies continued

Leases

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate. Subsequently the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the Statement of Financial Position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. Subsequently they are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

Intangible fixed assets

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

Investments

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

Short term bank deposits

Short term bank deposits comprise deposits which are not readily convertible to a known amount of cash or are subject to a more than insignificant risk of changes in value. Generally these are deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

Cash and cash equivalents

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

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

Notes to the Company Financial Statements continued

For the year ended 31 December 2020

1. Significant accounting policies continued

Derivative financial instruments

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

Derivative financial instruments are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gains or losses are recorded as finance income or finance costs unless the derivative financial instrument is designated and effective as a hedging instrument, in which event the timing of recognition in the income statement depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

Retirement benefit obligations

The Company operates a defined benefit pension scheme for the benefit of all employees who started their employment prior to 31 December 2007. For employees joining the Company after this date, the Company operates a defined contribution scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. On 10 August 2009, the Company's defined benefit scheme merged with the Urenco UK pension scheme.

Regarding the defined benefit scheme, in accordance with IAS 19, the Company has recognised the retirement benefit obligations. This scheme is administered independently.

The cost of providing benefits is determined using the projected unit credit method, with actuarial assessments being carried out at each reporting date. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur. They are recognised directly in retained earnings and included as a movement in the present value of the net defined benefit liability.

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

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

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

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recorded on a net basis as net finance income or expense.

Critical accounting judgements and key sources of estimation uncertainty

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

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

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about life expectancies, discount rates, expected rates of return on assets, future salary increases, and future pension increases. Due to the long term nature of these plans, such key estimates are subject to significant uncertainty. Please see note 15.

No critical accounting judgements were identified.

2. Employee benefits expense

The average monthly number of Company employees (including Executive Directors) was:	**2020 Number**	2019 Number
Technical	**34**	32
Administration	**115**	102
	149	134

Notes to the Company Financial Statements continued

For the year ended 31 December 2020

2. Employee benefits expense continued

Their aggregate remuneration comprised:	**Year ended 31/12/20 €m**	Year ended 31/12/19 €m
Wages and salaries	**24.5**	21.4
Social security costs	**2.4**	2.5
Pension costs	**1.3**	1.0
	28.2	24.9

Directors' emoluments (page 66):	**Year ended 31/12/20 €m**	Year ended 31/12/19 €m
Emoluments	**3.0**	3.0
Amounts receivable under long term incentive scheme	**0.6**	0.5
	Number	Number
Members of defined contribution schemes	**2**	3

In respect of the highest paid Director:	**Year ended 31/12/20 €m**	Year ended 31/12/19 €m
Emoluments including pension	**1.6**	1.5

3. Taxation

Deferred tax

Deferred tax balances recognised at 31 December 2020 and 31 December 2019 are as follows:	**2020 €m**	2019 €m
Relating to property, plant and equipment and intangible assets	**(1.2)**	(0.6)
Relating to tax losses	**9.2**	24.0
Relating to short term temporary differences	**11.3**	8.5
Relating to fair value movements on financial instruments	**5.5**	5.1
Relating to retirement benefits	**0.6**	0.7
Total deferred tax asset	**25.4**	37.7

The deferred tax charge recognised in the income statement was €11.5 million (2019: tax credit €28.2 million).

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

4. Dividends paid and proposed

	Year ended 31/12/20 €m	Year ended 31/12/19 €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 2019 of 178.57 cents per share (2018: 178.57 cents per share)	**300.0**	300.0
Interim dividend for the year ended 31 December 2020 of 89.29 cents per share (2019: Nil cents per share)	**150.0**	-
	450.0	300.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2020 of 89.29 cents per share (2019: 178.57 cents per share)	**150.0**	300.0

The 2020 final dividend of €150 million is subject to approval by shareholders at the Annual General Meeting on 10 March 2021 and has not been included as a liability in these financial statements.

Notes to the Company Financial Statements continued

For the year ended 31 December 2020

5. Property, plant and equipment

	Land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Motor vehicles €m	Total €m
Cost as at 1 January 2020	**1.2**	**7.0**	**17.5**	**0.1**	**25.8**
Additions	**-**	**-**	**15.2**	**-**	**15.2**
Disposals	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Exchange adjustments	**(0.1)**	**(0.4)**	**(1.0)**	**-**	**(1.5)**
Cost as at 31 December 2020	**1.1**	**6.5**	**31.7**	**0.1**	**39.4**
Depreciation as at 1 January 2020	**0.6**	**6.3**	**-**	**-**	**6.9**
Charge for the year	**0.5**	**0.5**	**-**	**-**	**1.0**
Disposals	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Exchange adjustments	**-**	**(0.4)**	**-**	**-**	**(0.4)**
Depreciation as at 31 December 2020	**1.1**	**6.3**	**-**	**-**	**7.4**
Carrying amount as at 31 December 2019	**0.6**	**0.7**	**17.5**	**0.1**	**18.9**
Carrying amount as at 31 December 2020	**-**	**0.2**	**31.7**	**0.1**	**32.0**

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

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

	Land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Motor vehicles €m	Total €m
Cost as at 1 January 2020	**1.2**	**-**	**-**	**0.1**	**1.3**
Exchange adjustments	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Cost as at 31 December 2020	**1.1**	**-**	**-**	**0.1**	**1.2**
Depreciation as at 1 January 2020	**0.6**	**-**	**-**	**-**	**0.6**
Charge for the year	**0.5**	**-**	**-**	**0.1**	**0.6**
Exchange adjustments	**-**	**-**	**-**	**-**	**-**
Depreciation as at 31 December 2020	**1.1**	**-**	**-**	**0.1**	**1.2**
Carrying amount as at 31 December 2019	**0.6**	**-**	**-**	**0.1**	**0.7**
Carrying amount as at 31 December 2020	**-**	**-**	**-**	**-**	**-**

6. Intangible assets

	Software assets €m
Cost as at 1 January 2020	**15.8**
Exchange adjustments	**(0.9)**
Cost as at 31 December 2020	**14.9**
Amortisation as at 1 January 2020	**13.1**
Charge for the year	**2.6**
Exchange adjustments	**(0.8)**
Amortisation as at 31 December 2020	**14.9**
Carrying amount as at 31 December 2019	**2.7**
Carrying amount as at 31 December 2020	**-**

For the year ended 31 December 2020

7. Investments in subsidiaries and associate

	Share in subsidiary and associated undertakings €m
Cost as at 1 January 2020 and 31 December 2020	**527.8**
Impairment as at 1 January 2020 and 31 December 2020	**(232.9)**
Carrying amount as at 1 January 2020 and 31 December 2020	**294.9**

Details of the Company's subsidiaries and associate at 31 December 2020 are as follows:

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

Address of registered office of subsidiary or associated companies:

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

Detail of direct and indirect holdings:

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

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Notes to the Company Financial Statements continued

For the year ended 31 December 2020

8. Trade and other receivables

	31/12/20 €m	31/12/19 €m
Amounts due from Group undertakings (<12 months)	**68.2**	719.4
Amounts due from Group undertakings (>12 months)	**2,901.7**	2,755.3
Other receivables	**4.4**	3.8
Corporation tax receivable	**93.0**	128.4
Prepayments and accrued income	**35.7**	56.1
	3,103.0	3,663.0

The amounts due from Group undertakings include intercompany current accounts and intercompany loan balances; the majority of these are subject to interest. The average annual rate prevailing in the year was 0.58% (2019: 0.63%) on current balances and 3.56% (2019: 3.43%) on non-current balances. The maturity dates of the non-current balances vary from 2023 to 2049.

The amounts due from Group undertakings are stated net of a provision for expected credit losses of €0.1 million (2019: €49.3 million) which has been offset against the intercompany current account and €16.4 million (2019: €4.0 million), which has been offset against the intercompany loan balances. The majority of the expected credit losses relate to an intercompany balance due from a UK direct subsidiary company. At 31 December 2019, the expected credit loss for an intercompany balance with a US Group company is no longer held by the Company due to the assignment of the loan to a UK Group subsidiary.

The key estimate in the calculation of a particular ECL is the probability weighting applied to the scenarios used. The weighting was split across the base case, upside and downside scenarios 80%, 5% and 15% respectively. A change of these probabilities to 85%, 5% and 10% respectively would decrease the ECL by €2.6m, whereas using 75%, 5% and 20% respectively would increase the ECL by €2.6m.

Prepayments and accrued income includes interest accrued on intercompany receivables of €nil (2019: €nil).

9. Short term deposits

	31/12/20 €m	31/12/19 €m
Short term deposits	**528.8**	464.1

Short term bank deposits comprise deposits which are not readily convertible to a known amount of cash or are subject to a more than insignificant risk of changes in value. Generally these are deposits with an original maturity of more than three months and with an end date less than 12 months from the date of the statement of financial position.

10. Cash and cash equivalents

	31/12/20 €m	31/12/19 €m
Cash	**64.3**	79.1
Cash equivalents	**534.9**	237.8
Total cash and cash equivalents	**599.2**	316.9

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

11. Interest bearing loans and borrowings

		31/12/20 €m	31/12/19 €m
Bank and other loans repayable:			
Greater than 5 years:			
Yen 20 billion Loan Agreement	6.24%	**158.4**	164.0
Total non-current		**158.4**	164.0

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

Notes to the Company Financial Statements continued

For the year ended 31 December 2020

12. Amounts due to Group undertakings

	31/12/20 €m	31/12/19 €m
Current liabilities	**2,209.4**	1,655.9
Non-current liabilities	**953.3**	1,557.6
	3,162.7	3,213.5

Intercompany accounts included in amounts due to Group undertakings are subject to interest. The average annual rate prevailing in the year was 0.28% (2019: 0.61%) on current balances and 3.34% (2019: 3.03%) on non-current balances. The intercompany payable is not secured on the Company's assets and is payable on demand.

13. Trade and other payables

	31/12/20 €m	31/12/19 €m
Accruals	**32.9**	30.2
Trade payables	**3.1**	8.4
Amounts due to related parties	**57.9**	56.2
Other taxes and social security costs	**0.5**	0.5
	94.4	95.3

Accruals includes interest accrued on intercompany payables of €16.4 million (2019: €17.3 million).

14. Derivative financial instruments

Categories of financial instruments at fair value

	Amounts due within one year		Amounts due after more than one year	
	31/12/20 €m	31/12/19 €m	31/12/20 €m	31/12/19 €m
Financial assets at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	**6.2**	35.6	**13.7**	37.9
Interest rate/cross currency contracts	**90.3**	-	**50.2**	111.6
Forward foreign exchange contracts	**25.3**	6.0	**53.7**	18.2
Total assets measured at fair value	**121.8**	41.6	**117.6**	167.7
Financial liabilities at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	**(25.3)**	(5.5)	**(53.7)**	(18.2)
Interest rate/cross currency contracts	**(41.9)**	-	**(49.5)**	(101.7)
Forward foreign exchange contracts	**(6.5)**	(35.6)	**(14.2)**	(37.5)
Total liabilities measured at fair value	**(73.7)**	(41.1)	**(117.4)**	(157.4)

Notes to the Company Financial Statements continued

For the year ended 31 December 2020

14. Derivative financial instruments continued

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

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

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

15. Retirement benefit obligations

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

The defined benefit plan is administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund. The scheme was closed for further accrual from 5 April 2017 following consultations with employees and their representatives and the pension scheme Trustees.

The valuation used for IAS19R disclosures has been based on the most recent actuarial valuation and updated by the actuaries during 2020 to take account of the requirements of IAS19R in order to assess the liabilities of the scheme at 31 December 2020. Scheme assets are stated at their market values at the reporting dates.

Main assumptions:

Key financial assumptions	2020	2019
Discount rate	**1.4%**	2.1%
Salary increases	**3.9%**	4.2%
Pension increases	**2.9%**	3.2%
Price inflation	**2.9%**	3.2%

Mortality assumptions	2020	2019
Life expectancy at age 60 for a male currently aged 60	**29.4**	29.2
Life expectancy at age 60 for a female currently aged 60	**30.7**	30.6
Life expectancy at age 60 for a male currently aged 40	**31.4**	31.2
Life expectancy at age 60 for a female currently aged 40	**32.6**	32.5

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

	Market value 2020 €m	Market value 2019 €m
Equities	**29.9**	29.1
Bonds	**33.9**	32.4
Total market value of scheme assets	**63.8**	61.5
Present value of scheme liabilities	**(66.9)**	(65.7)
Pension liability	**(3.1)**	(4.2)

Movement in present value of benefit obligation	2020 €m	2019 €m
At 1 January	**(65.7)**	(54.9)
Interest cost	**(1.3)**	(1.5)
Actuarial (losses) / gains	**(5.1)**	(7.1)
Benefits paid to members	**1.6**	1.4
Exchange difference	**3.6**	(3.6)
At 31 December	**(66.9)**	(65.7)

The duration of the defined benefit obligation at 31 December 2020 was 19.7 years (31 December 2019: 19.8 years).

For the year ended 31 December 2020

15. Retirement benefit obligations continued

Movements in the fair value of plan assets	2020 €m	2019 €m
As at 1 January	**61.5**	54.7
Interest income	**1.2**	1.5
Actuarial gains / (losses)	**5.6**	2.7
Contribution by employer	**0.4**	0.4
Benefits paid to members	**(1.6)**	(1.4)
Exchange difference	**(3.3)**	3.6
As at 31 December	**63.8**	61.5

Components of pension cost	2020 €m	2019 €m
Interest on pension scheme liabilities	**(1.3)**	(1.5)
Interest on scheme assets	**1.2**	1.5
Total pension cost recognised in income statement	**(0.1)**	-
Actuarial (losses) / gains	**0.5**	(4.4)
Total pension movement recognised in the Statement of Comprehensive Income	**0.5**	(4.4)

	2020 €m	2019 €m
Present value of defined benefit obligation	**(66.9)**	(65.7)
Fair value of plan assets	**63.8**	61.5
Recognised liability at 31 December	**(3.1)**	(4.2)

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefit obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2020 for the Company's retirement benefit schemes would have had the effects shown in the table below. The sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	(Increase)/decrease in retirement benefit obligations 31/12/20 €m
Discount rate	
Effect of increase in discount rate by +0.25% at 31 December 2020	**3.1**
Effect of decrease in discount rate by -0.25% at 31 December 2020	**(3.4)**
Inflation rate	
Effect of increase in inflation rate by +0.25% at 31 December 2020	**(2.9)**
Effect of decrease in inflation rate by -0.25% at 31 December 2020	**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 the employer for the year beginning 1 January 2021 are expected to be €0.4 million (2020 actual contributions: €0.4 million) reflecting that the scheme was closed to further accruals from 5 April 2017.

A triennial valuation for the pension scheme was completed as at 5 April 2018 and has been updated to 31 December 2020 by a qualified actuary. Urenco closed the UK defined benefit section for further accrual from April 2017 having conducted consultations with employees and their representatives and the pension scheme trustees.

In 2008, the Company also introduced a defined contribution scheme for new employees. The total cost of defined contribution arrangements of €1.1 million (2019: €0.8 million) has been fully expensed against profits in the current year.

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For the year ended 31 December 2020

16. Called up share capital

	31/12/20 €m	31/12/19 €m
Authorised		
Ordinary share capital, 240 million ordinary shares of £1 each:		
'A' Ordinary Shares	**113.0**	113.0
'B' Ordinary Shares	**113.0**	113.0
'C' Ordinary Shares	**113.0**	113.0
	339.0	339.0
Issued		
Allotted, called up and fully paid, 168 million ordinary shares of £1 each:		
'A' ordinary shares	**79.1**	79.1
'B' ordinary shares	**79.1**	79.1
'C' ordinary shares	**79.1**	79.1
	237.3	237.3

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

17. Retained earnings

	€m
As at 31 December 2018 and 1 January 2019	1,011.5
Net profit for the year 2019	314.9
Dividends paid	(300.0)
Actuarial losses on retirement benefit obligation	(4.4)
Current tax on actuarial losses	0.1
Deferred tax on actuarial losses	0.7
Foreign exchange translation differences	64.9
As at 31 December 2019 and 1 January 2020	**1,087.7**
Net profit for the year 2020	**376.2**
Dividends paid	**(450.0)**
Actuarial gains on retirement benefit obligation	**0.5**
Deferred tax on actuarial gains	**(0.1)**
Foreign exchange translation differences	**(38.8)**
As at 31 December 2020	**975.5**

The €6.4 million loss in the Hedging reserve (2019: €9.4 million loss) relates to fair value movements recognised on debt instruments that are designated in a hedge relationship.

As at 31 December 2020, the Company had distributable reserves available of €943.3 million (2019: €1,059.3 million).

Notes to the Company Financial Statements continued

For the year ended 31 December 2020

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 31/12/20 €m	Year ended 31/12/19 €m
ETC(i)	**-**	0.8

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

	Amounts owed to related parties	
	Year ended 31/12/20 €m	Year ended 31/12/19 €m
ETC(i)	**57.9**	56.2

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

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

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

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

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Remuneration report on page 66.

	Year ended 31/12/20 €m	Year ended 31/12/19 €m
Short term employee benefits	**3.0**	3.0
	3.0	3.0

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for his services as a Director, as detailed in the Remuneration report on page 65.

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 €441.9 million (2019: €534.5 million). The Directors do not expect any liability to arise under these guarantees.

20. Events after the reporting period

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the mainstream rate of UK corporation tax from 19.0% to 25.0%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19.0%. The Company is in the process of assessing the full impact of this announcement, but if the amended tax rate had been used, it is possible that the deferred tax asset would be materially higher.

As of 10 March 2021, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2020 financial statements.

Glossary

Capital expenditure

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

Deconversion

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

EBITDA

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 SWU assets and net costs of nuclear provisions.

Enrichment Group

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

ETC

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

Euratom

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

EUP

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

Feed

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

FFO/TAD

FFO/TAD is the ratio of funds from operations (FFO) to total adjusted debt (TAD). FFO is defined as EBITDA adjusted for interest costs, current tax expenses and pension obligations. TAD is interest bearing loans and borrowings adjusted for cash and Short term bank deposits, lease liabilities, retirement benefit obligation deficit, and tails and decommissioning provisions.

IAEA

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

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

Joint Committee

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

Low Assay Feed (LAF)

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

LTI

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

Net assets

Total assets less total liabilities.

Net costs of nuclear provisions

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

Net debt

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

Net finance costs

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

Net interest

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

NRC

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

Orano (previously Areva)

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

Order book

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

Other operating and administrative expenses

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

Parent Company

Urenco Limited.

Revenue

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

SWU

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

Tails (Depleted UF_6)

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

Tails Management Facility (TMF)

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

Treaty of Almelo

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

Treaty of Cardiff

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

Treaty of Washington

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

tSW

Tonnes of Separative Work.

tSW/a

Tonnes of Separative Work per annum.

UEC

Urenco Enrichment Company Limited.

UK GAAP

The Generally Accepted Accounting Practice in the UK.

Uranic material

Natural uranium, enriched uranium and depleted uranium.

Working capital

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

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