

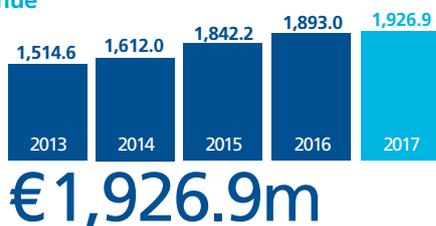


Annual report and accounts 2017

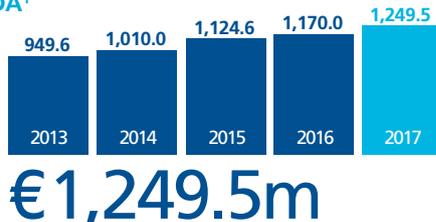
At a glance

## Financial and operational highlights

### Revenue



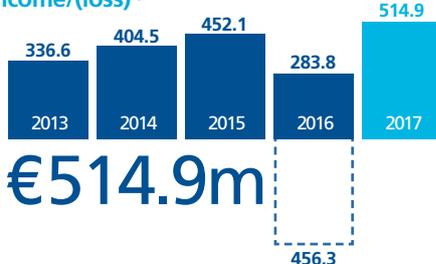
### EBITDA<sup>1</sup>



### Cash generated from operations



### Net income/(loss)<sup>2,3</sup>



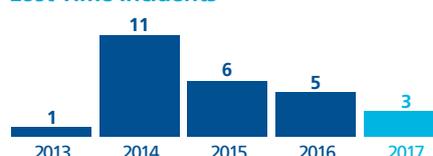
### Capital expenditure



### Operations

We had **three Lost Time Incidents<sup>4</sup>** related to employees and contractors across our enrichment facilities and construction sites in 2017.

### Lost Time Incidents



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

Our **global capacity** was **18,800 tSW/a** at the end of 2017, the same as 2016.

Our **€12.7bn** order book extends to the second half of the next decade and reflects our global customer base.

Our **Tails Management Facility (TMF)** underlines our commitment to responsible uranium stewardship and commissioning is expected in late 2018.

**Reputation review 2017:** 95% of our stakeholders who responded have a very good or good opinion of URENCO and our business operations.<sup>5</sup>

<sup>1</sup> EBITDA is defined as earnings before exceptional items, interest (including other finance costs), taxation, depreciation, amortisation and joint venture results. EBITDA for 2013 to 2016 has been restated to be consistent with this definition. EBITDA is reconciled to income from operating activities on pages 20 and 76.

<sup>2</sup> Net result in 2016 was net income of €283.8 million pre-exceptional items and net loss of €456.3 million post exceptional items.

<sup>3</sup> In 2016 exceptional items pre-tax comprise impairment of the USA operations (€760.0 million) and restructuring provisions (€33.0 million).

<sup>4</sup> A Lost Time Incident is any work related injury or illness which prevents that person from doing any work the day after the accident.

<sup>5</sup> URENCO reputation review 2017 prepared by Igniye. The survey was sent to 213 stakeholders and 86 responded. Further information will be included in URENCO's 2017 Sustainability Report.

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<sup>6</sup> 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', 'estimates', 'plans', 'anticipates', 'targets', 'aims', 'continues', 'expects', 'intends', 'hopes', 'may', 'will', 'would', 'could' or 'should' or in each case, their negative or other various or comparable terminology. These statements are made by the URENCO Limited Directors in good faith based on the information available to them at the date of this report and reflect the URENCO Limited Directors' beliefs and expectations. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those factors set out under 'Principal risks and uncertainties' on pages 12 to 16 of this document.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this document and URENCO and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this document. No statement in the document is intended to be, or intended to be construed as, a profit forecast or profit estimate. As a result, you are cautioned not to place any undue reliance on such forward looking statements.

A routine inspection at one of our enrichment facilities.



## Key facts – URENCO's role

We are an international supplier of enrichment services and fuel cycle products for the civil nuclear industry, serving utility customers worldwide who provide low carbon electricity through nuclear generation.

We are an international supplier of enrichment services to utility customers worldwide who typically supply us with natural uranium<sup>7</sup>, uranium hexafluoride (UF<sub>6</sub>), which we then enrich to international specifications. Through the flexible operation of our centrifuge technology, we are able to provide products and services beyond enrichment, for example, by conserving natural uranium and providing Enriched Uranium Product (EUP).<sup>8</sup> Our role in the nuclear industry and a closer look at the enrichment process can be seen on our website.

We have played an important role in the world's nuclear energy industry for 45 years.

- We have four uranium enrichment facilities: Almelo in the Netherlands; Capenhurst in the UK; Eunice, New Mexico in the USA and Gronau in Germany. URENCO is the only company in the world to operate enrichment facilities in four countries, which offers our customers a diversity of supply.
- Our Head Office is located close to London, UK.
- We supply more than 50 customers in 19 countries.
- We also have subsidiaries dedicated to uranium stewardship:
  - URENCO ChemPlants Limited, which will operate our Tails Management Facility (TMF) in the UK;
  - URENCO Nuclear Stewardship Limited, which provides responsible management of nuclear materials.
- Our Stable Isotopes business in the Netherlands draws on our expertise and capabilities in centrifuge technology to produce a variety of highly important products for medical, industrial and research applications.
- URENCO owns 50% of Enrichment Technology Company Limited (ETC), a joint venture company with Orano (previously Areva). ETC provides enrichment plant design services and gas centrifuge technology for enrichment plants in the UK, Germany, the Netherlands, France and the USA.

### Our vision

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

### Our mission

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

### Our values

Our values of safety, integrity, flexibility, development and profitability guide our work and shape our culture.

### Our duty to the Treaty of Almelo

Our heritage can be traced back to the Treaty of Almelo. Signed in 1970 by the UK, Dutch and German governments, the treaty laid the foundations for international cooperation. At its core was a commitment to promote the peaceful application of nuclear power and collaboration in atomic expertise for the development of centrifuge technology. It put robust safeguards in place to protect this technology from misuse and proliferation. Under the terms and principles of the Treaty, we have become a key provider of enrichment services globally. As URENCO has grown, this international framework has been extended.

<sup>7</sup> Natural uranium – uranium as found in the Earth's crust and is mainly a mixture of two isotopes: U<sub>238</sub> accounting for 99.3%; and uranium<sub>235</sub> about 0.7%.

<sup>8</sup> Enriched uranium product – i.e. UF<sub>6</sub> enriched, typically to between 3% and 5% U<sub>235</sub> content.

Inside a URENCO centrifuge hall.



# Chairman's foreword

URENCO had another year of strong operational performance and financial results with an improved safety record.



## Global outlook

We remain confident in URENCO's ability to be a long term partner to the nuclear industry and serve our customers. In 2017 we once again fulfilled 100% of our delivery commitments to customers.

Our 2017 results are driven by our contract order book. However, the market for our services remains challenging caused by the continued surplus of global inventory.

We are cautiously optimistic that the enrichment market will return to a more balanced supply and demand situation in the mid to long term. There are early signs of this; for example, in Japan five nuclear reactors have now restarted.<sup>9</sup>

A growing global requirement for a continuous secure supply of low carbon energy will support the need for the expansion of nuclear power.<sup>10</sup> Electricity demand is increasing twice as fast as overall energy use<sup>11</sup> and could rise by as much as 60% by 2040.<sup>12</sup> Nuclear power will also play an important role in meeting the Paris Agreement's goal of limiting global temperature rises to 1.5°C by 2050.<sup>13</sup> I am confident that URENCO, as a long term partner to the nuclear industry, is well-placed to serve this future need.

## Safety

Our safety performance in 2017 was one of our best years on record. This is a direct consequence of the continued focus and discipline of our employees and contractors. We are particularly proud that our major construction project, the Tails Management Facility, has to date achieved more than five and a half million hours of safe working.

## UK's withdrawal from the European Union

We continue to work with the UK Government and other key stakeholders to try to ensure that the UK's withdrawal from the European Union and Euratom treaty is handled in a manner that delivers minimum disruption to our business and customers.

We believe our geographic diversity puts us in a strong position. With two sites in mainland Europe, one in the UK and one in the USA, we will be able to continue offering diversity and security of supply to our customers from inside and outside of the EU.

## Germany

The Federal Ministry for the Environment has published a legal assessment of the preconditions under which the continued production of nuclear fuel in Germany could be challenged. We are engaging with all relevant parties and we are confident we can demonstrate that we are a long term, sustainable operation in Germany and will further build on Germany's impressive technological capabilities. We continue to be focussed on our operations and our priority remains to deliver a consistent, high quality service to our customers.

## Our positioning and strategy

Our strategy is focused on optimising the way we do business, ensuring we remain a global leader and leveraging our high-tech capabilities. In 2017 we have made good progress in each area. We have optimised our business, our restructuring is in progress and we have undertaken a programme of cost reductions which have contributed to our current results and enabled the delivery of our strategic goals.

This will serve us well in meeting the evolving needs of our industry and changes in the political landscape to remain a supplier of choice to our global customers and as a long term partner to the nuclear industry.

We have future opportunities in enrichment and uranium sales, we are investigating several possible ventures and we are continuing our investment in non-enrichment activities.

We are aware of the challenges faced by our customers. Through our future strategy we will remain committed to providing a stable, reliable, responsive and high quality service.

## Inspiring future scientists and engineers

We continue to nurture the next generation of scientists and engineers to ensure the long term sustainability of our industry. We offer digital resources as part of our global Richie education programme alongside partnering with the Science Museum in London. We are 'Major Sponsor' of their interactive gallery 'Wonderlab: The Statoil Gallery', which since it opened in 2016 has welcomed more than 500,000 visitors.

## Leadership and employees

I would like to express my thanks to our employees and my Board colleagues whose work and dedication support the continued success of URENCO. We have a first-class team at URENCO and are exceptionally well placed to serve the nuclear industry for the long term.

A handwritten signature in black ink that reads "Stephen Billingham".

**Stephen Billingham**  
Chairman

<sup>9</sup> <http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power.aspx>

<sup>10</sup> <http://www.world-nuclear.org/information-library/current-and-future-generation/world-energy-needs-and-nuclear-power.aspx>

<sup>11</sup> <http://www.world-nuclear.org/information-library/current-and-future-generation/world-energy-needs-and-nuclear-power.aspx>

<sup>12</sup> World Energy Outlook 2017, IEA World Energy Outlook 2017, IEA, p 229: <https://www.iea.org/weo2017/>

<sup>13</sup> <https://www.iaea.org/sites/default/files/16/11/np-parisagreement.pdf>

<sup>14</sup> <http://www.bmub.bund.de/themen/atomenergie-strahlenschutz/nukleare-sicherheit/details-nukleare-sicherheit/artikel/urengo-gutachten/>

# Chief Executive Officer's review

URENCO is committed to optimising and enhancing its business to ensure long term success and sustainability. By operating efficiently, pursuing growth opportunities, and expanding our capabilities, we are aiming to build on our position as a long term partner to the nuclear industry.



## Financial performance

In 2017, URENCO improved safety, delivered a good operational performance and strong financial results, underpinned by our long-established contract order book.

In 2017 revenue rose by 1.8% to €1,926.9 million while EBITDA increased 6.8% to €1,249.5 million reflecting increased sales and lower operating and administrative expenses.

Net income was €514.9 million in 2017, benefiting from lower depreciation charges of €146.1 million, as a result of the impairment of our USA operations in 2016 and an increase in lifetime assumptions for centrifuges, as well as lower other operating expenses, partially offset by higher taxes.

In 2016 we experienced a net loss of €456.3 million from adverse foreign exchange movements and post-tax exceptional items of €740.1 million for the impairment of our USA operations and restructuring charges.

Cash flow generated from operating activities was strong which, together with the lower capital expenditure on the Tails Management Facility, enabled a significant reduction in net debt.

## Market outlook

Our results do not reflect the current pricing pressures in the enrichment market. Our enrichment revenue mainly derives from existing contracts which predate 2011 when the market was stronger.

Our new contracts reflect current market conditions. Our traditional markets have a reduced requirement for enrichment services and areas of the market that have growth are currently challenging to enter.

As the Chairman outlined, there are early signs the enrichment market will improve and the global requirement for nuclear energy will expand. Alongside this, our strategy is designed to address the challenges we face by making best use of our current financial strength to ensure the future sustainability of our business and reliability for our customers.

## Our strategy

In 2017 we made strong progress towards achieving our strategic objectives to ensure the future sustainability of our business. Throughout the year, we undertook several major cost reduction initiatives, including more efficient capital expenditure, optimising operations, and realigning and simplifying our organisation. During this process, we have been consulting with our employees, trade unions and workers' councils.

As a result, we are on track to achieve our target of €300 million in cumulative cash savings across operational costs and capital expenditure by the end of 2019.

We also made good progress in the other areas of our strategy. For highlights, see pages 8 to 9.

## Operational performance

We had a positive year from our operations, with our production facilities performing on target. We continued to adjust and adapt our operations to shifting market conditions and better serve the needs of our customers. This enabled us to provide a wider portfolio of products – including increased volumes of natural uranium and EUP – alongside our traditional supply of enrichment services.

## Health, safety and security

We also maintained our priority and focus on health, safety and security. Safety performance improved with lost time incidents and medical treatment injuries reducing to three of each (five of each in 2016). For the first time, we conducted an organisation wide survey of our staff's perception of safety. There was a high response rate of more than 80%. The majority of employees believe URENCO has strong safety values and understand the link between high levels of safety and good business performance. We will continue to improve our safety training and accountability measures.

We regularly assess the operational robustness of our plants. During this year's tests, we experienced no loss of assets or capacity, confirming the resilience of our facilities and equipment.

## Tails Management Facility

Our investment in the Tails Management Facility (TMF) at our UK site underlines our commitment to responsible uranium stewardship. In 2017 the TMF experienced construction delays and ongoing cost challenges. Commissioning of the TMF is expected in late 2018.

<sup>15</sup> <http://www.bmub.bund.de/themen/atomenergie-strahlenschutz/nukleare-sicherheit/details-nukleare-sicherheit/artikel/urengo-gutachten/>

A view across the storage raft at one of our enrichment facilities.

### Priorities for 2018

In the year ahead, we will remain steadfast in our focus on safety. We will continue the successful implementation of our three key strategic pillars: optimising the way we do business; ensuring we remain a global leader in enrichment services; and expanding URENCO's high-tech capabilities to serve more broadly the nuclear industry.

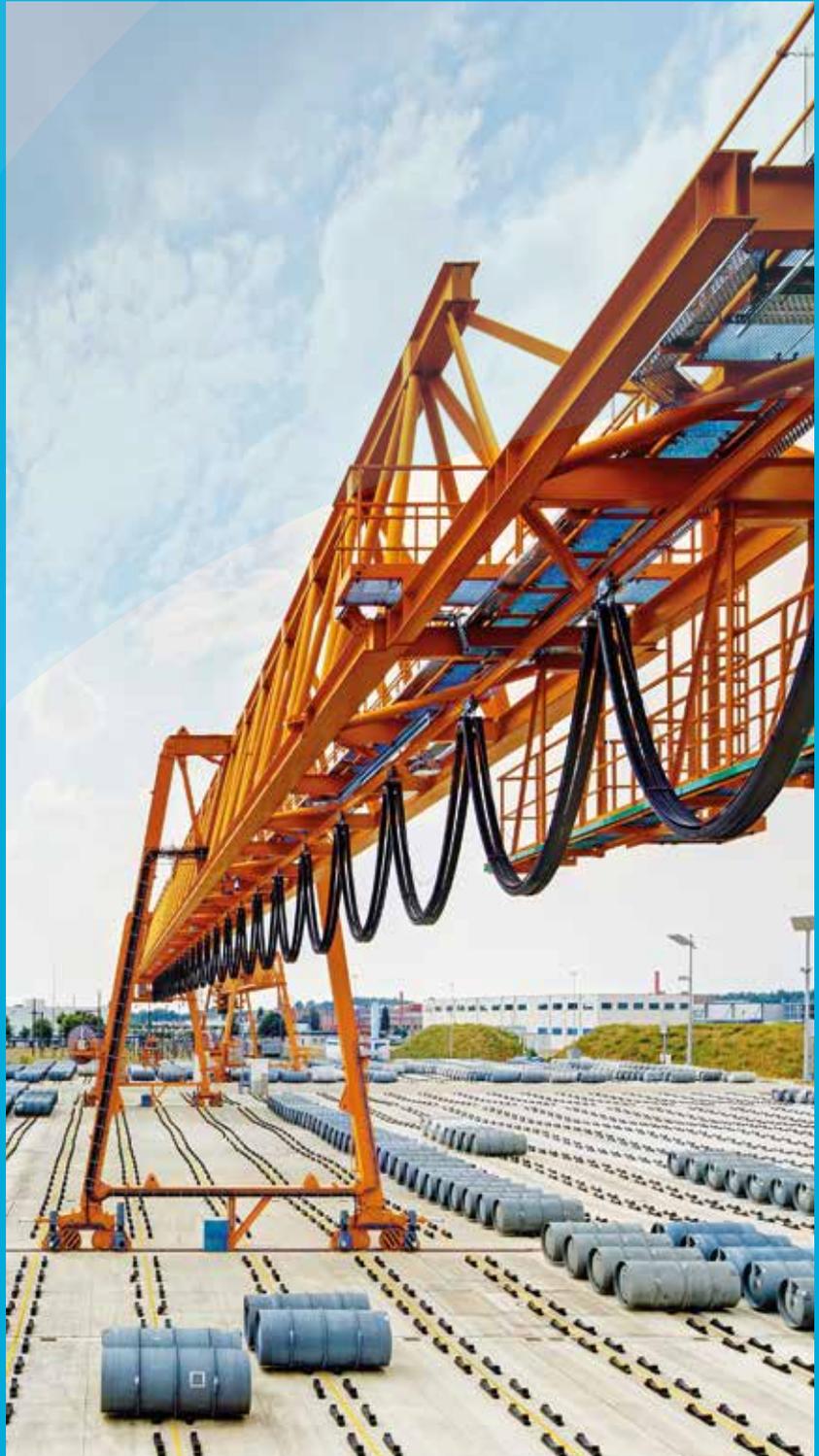
We will also continue to support and develop our committed workforce using feedback from our recent employee survey. We achieved an impressive response rate of more than 80% and the majority of our employees consider their work to be meaningful, feel connected with URENCO and find fulfilment in their work.

My thanks are extended to our employees for their contribution to a very positive set of results.

Looking ahead, the core markets and geopolitical landscape are challenging, but we believe our strategy will ensure long term sustainability so we remain a partner to our customers and the wider nuclear industry.



**Thomas Haerberle**  
Chief Executive Officer



# Our strategy

## Our strategy objectives:

- We are a prosperous, technology-driven nuclear services business
- We return value to our shareholders
- We build robust, long term partnerships supporting our customers to deliver their goals
- We offer an inspiring working environment for our capable and engaged employees

## The main focuses of the strategy:

### Optimise the way we do business

Creating a more efficient, streamlined and productive organisation.

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

### Ensure we remain a global leader in enrichment services

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

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

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

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

We are currently on target to achieve €300 million of cumulative cash savings across operational costs and capital expenditure by the end of 2019.

Formal consultations were completed across all sites.

The restructuring is substantially complete at our sites in the USA, the Netherlands and Germany.

Redundancies of roles continue to be implemented at our Head Office in Stoke Poges, UK. Our UK site in Capenhurst is making good progress on its restructuring plan, which will continue during 2018 and 2019. Restructuring at the Enrichment Technology Company is on target.

We remain committed to our customers and in 2017 we agreed a number of new contracts with them. This new business is at lower prices than our historic contracts and we see future opportunities in enrichment and uranium sales.

We are investigating several possible ventures and continue our investment in non-enrichment activities.

In 2017 we further enhanced our capabilities in responsible uranium stewardship. We rebranded Capenhurst Nuclear Services (CNS) to URENCO Nuclear Stewardship. The new identity positions our subsidiary more closely with the wider organisation. It also enhances URENCO's credentials and highlights our ability to responsibly manage nuclear materials. In November, URENCO Nuclear Stewardship signed a contract with the UK's Ministry of Defence to store the reactor pressure vessels removed from 27 defuelled nuclear submarines once they have left the Royal Navy's service.

## Our strategy

Our Stable Isotopes business provides services of social and environmental value. Each year, more than one million patient treatments are performed using radioactive sources from Stable Isotopes enriched materials. New applications for enriched Stable Isotopes continue to be developed and Stable Isotopes is actively engaged in discussions with customers on how to support this growing demand. It has the ambition to expand its product portfolio in the next few years.

U-Battery is progressing well. It is a conceptual design for a micro modular reactor being developed by a consortium of partners including URENCO. In the summer, we signed a Memorandum of Cooperation in the field of high temperature gas reactor technology with the Japan Atomic Energy Agency. In the autumn, we signed a Memorandum of Understanding, which includes the potential deployment of reactors across Canada and support for U-Battery during licensing.

Pictured below, top to bottom:  
URENCO Nuclear Stewardship, Capenhurst, UK;  
Stable Isotopes, Almelo, the Netherlands;  
U-Battery conceptual modular design;  
Service corridor, Capenhurst, UK.



# Our markets

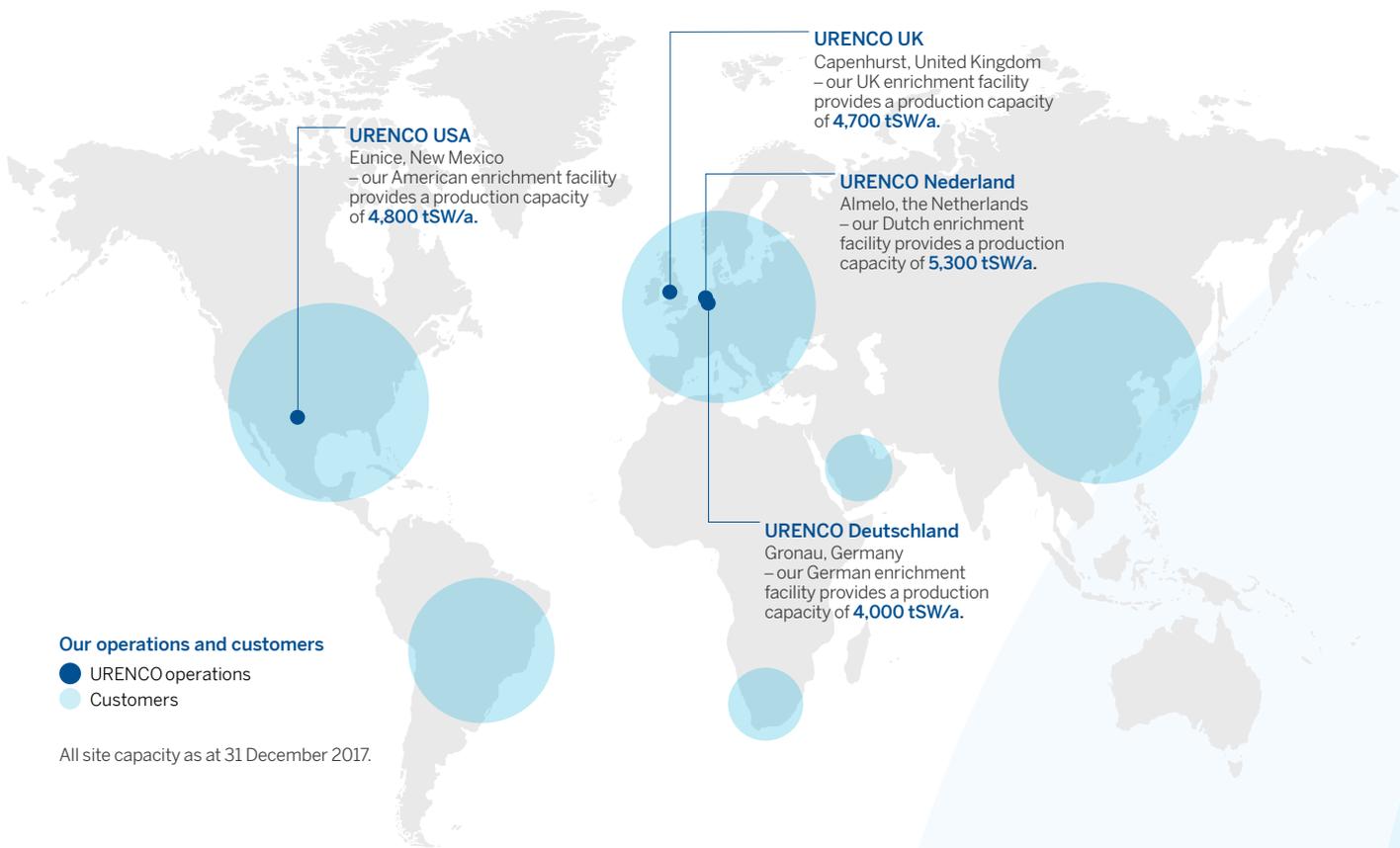
URENCO is a leading supplier of enrichment services and fuel cycle products to the world's nuclear energy industry.

## The global nuclear market

The slowdown in the uranium enrichment market continued in 2017. There are various reasons for this, including the phasing out of nuclear power in Germany, Belgium and Switzerland, economic pressure on nuclear generators from low wholesale electricity prices, and many reactors in Japan being offline since 2011. This has resulted in a surplus of global inventories in the international fuel cycle and therefore pricing pressures. Recently, developments such as the gradual restart of nuclear reactors in Japan and work on new large-scale nuclear projects such as Hinkley Point C in the UK, have provided a welcome sign of the need for nuclear generation for countries to meet the CO<sub>2</sub> emissions commitments. However, the enrichment market is likely to remain challenging for some time to come.

Despite the slowdown in the enrichment market, the demand for nuclear power has a positive outlook. Increased global demand for electricity and the trend towards decarbonisation in energy, heating and transport should result in future growth of nuclear power generation. According to the IAEA, high projections for global installed nuclear power capacity show an increase from 2016 levels by 42% in 2030, by 83% in 2040 and 123% in 2050, principally driven by energy growth in developing countries.<sup>16</sup>

Currently, nuclear power provides about 11.5% of the world's electricity and 21% of electricity in OECD countries.<sup>17</sup> There are 411 commercial nuclear power reactors in operation around the world, with a total generating capacity of 393 Gigawatt-electric (GWe).<sup>18</sup> A further 57 reactors are currently under construction, with a generating capacity of 61.6 GWe.<sup>19</sup>



<sup>16</sup> [https://www.iaea.org/About/Policy/GC/GC61/GC61InfDocuments/English/gc61inf-8\\_en.pdf](https://www.iaea.org/About/Policy/GC/GC61/GC61InfDocuments/English/gc61inf-8_en.pdf), International Status and Prospects for Nuclear Power 2017, July 2017

<sup>17</sup> <http://www.world-nuclear.org/information-library/current-and-future-generation/world-energy-needs-and-nuclear-power.aspx>

<sup>18</sup> <http://www.world-nuclear.org/information-library/facts-and-figures/world-nuclear-power-reactors-and-uranium-requireme.aspx>

<sup>19</sup> <http://www.world-nuclear.org/information-library/facts-and-figures/world-nuclear-power-reactors-and-uranium-requireme.aspx>

# Global markets

## Europe

A varied and evolving market:

- Currently, 128 nuclear power reactors (119 GWe) operate in 14 of the 28 EU member states, accounting for more than one-quarter of the electricity generated in the whole of the EU.<sup>20</sup>
- In addition there are 53 units operating in three non-EU countries (Russia, Ukraine and Switzerland).<sup>21</sup>
- There are currently 13 new reactors being built in Europe, including two in Slovakia, one in France, one in Finland, two in Belarus<sup>22</sup> and six in Russia, with a number of reactors being planned, including 11 in the UK, two in the Czech Republic, two in Hungary and six in Poland.<sup>23</sup>
- Germany<sup>24</sup>, Belgium<sup>25</sup> and Switzerland<sup>26</sup> are due to phase out nuclear between 2022 and 2035.

## North America

The world's largest producer of nuclear power:

- The USA accounts for more than 30% of worldwide nuclear generation of electricity.<sup>27</sup>
- In 2017, the country's 99 nuclear reactors produced 805 TWh, almost 20% of total electrical output.<sup>28</sup>
- However, low gas prices and liberalised wholesale electricity markets in certain states continue to challenge the economic viability of some reactors and future projects.<sup>29</sup>
- 89 USA power reactors have renewed their licences and the Nuclear Regulatory Commission is considering licence renewal applications for a further five units. Almost all of the USA power reactors are likely to have 60 year operating lifetimes.<sup>30</sup>

## Middle East and Asia

Emerging nuclear market with strong growth potential:

- The United Arab Emirates (UAE) is embarking upon a nuclear power programme in close consultation with the IAEA. Four commercial nuclear power reactors, with a total capacity of 5.6 GWe, are under construction and due for completion by 2020. The first is more than 85% complete and is expected to come online in 2018.<sup>31</sup>
- Mainland China has 37 nuclear power reactors in operation, 20 under construction and more about to start construction. Additional reactors are planned, and a 70% increase in nuclear capacity to 58 GWe is expected by 2020/21, with plans for up to 150 GWe by 2030.<sup>32</sup>
- India expects to have 14.6 GWe of nuclear capacity online by 2024, and 63 GWe by 2032. The country aims to derive 25% of its electricity from nuclear power by 2050.<sup>33</sup>
- Nuclear power in Japan has been confirmed as a national strategic priority, although with reduced dependence.<sup>34</sup> Five reactors have restarted to date and several others have been approved or are in the process of restart approval.<sup>35</sup>

## South Africa

Growing nuclear market with business opportunities:

- South Africa has two nuclear reactors generating 5% of the country's electricity.<sup>36</sup>
- The South African government has indicated its commitment to nuclear, with plans to build an additional 1.3 GWe. However, financial constraints could result in changes to the national strategy.<sup>37</sup>

<sup>20</sup><http://www.world-nuclear.org/information-library/facts-and-figures/world-nuclear-power-reactors-and-uranium-requireme.aspx>

<sup>21</sup><http://www.world-nuclear.org/information-library/country-profiles/others/european-union.aspx>

<sup>22</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-a-f/belarus.aspx>

<sup>23</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-o-s/poland.aspx>

<sup>24</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/germany.aspx>

<sup>25</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-a-f/belgium.aspx>

<sup>26</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-o-s/switzerland.aspx>

<sup>27</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/usa-nuclear-power.aspx>

<sup>28</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/usa-nuclear-power.aspx>

<sup>29</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/usa-nuclear-power.aspx>

<sup>30</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/usa-nuclear-power.aspx>

<sup>31</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-t-z/United-arab-emirates.aspx>

<sup>32</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-a-f/china-nuclear-power.aspx>

<sup>33</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/india.aspx>

<sup>34</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power.aspx>

<sup>35</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power.aspx>

<sup>36</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-o-s/south-africa.aspx>

<sup>37</sup><http://www.world-nuclear.org/information-library/country-profiles/countries-o-s/south-africa.aspx>

# Principal risks and uncertainties

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

## Our approach

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

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

**Our risk management framework is based on a 'three lines of defence' approach:**



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

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

## Principal risks and uncertainties continued

Risk	Mitigation
<b>2. Markets</b>	
<p>Ongoing challenging market conditions and overcapacity are likely to impact opportunities for growth in our existing markets.</p>	<p>In an increasingly complex trading environment we remain committed to ensuring that our business is as resilient as possible to meet these challenges. We have initiated a new strategy to ensure that we are able to maximise our global reach, technical capabilities and flexible plant structure to support our ability to respond to changing market conditions, customer demands and opportunities.</p> <p>We continue to model a broad range of market scenarios and stress test the effectiveness of our commercial strategies, mitigations and responses to new and emerging market threats and opportunities.</p>
<b>3. Safeguards</b>	
<p>There is a potential risk for uranic material to be misappropriated from our enrichment facilities.</p>	<p>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.</p> <p>Our safeguard programmes are also supported by a rigorous accounting and audit approach to the uranic materials we keep on site to ensure that we consistently meet the stringent inspection criteria set by IAEA and Euratom.</p>
<b>4. Security &amp; cybercrime</b>	
<p>We need to ensure the security of fissile material and our own technology and assets, particularly with regards to the increasing threat of cybercrime to the energy sector.</p>	<p>We continue to work closely with the relevant government bodies, across the jurisdictions in which we operate (for example GCHQ in the UK and the Department of Homeland Security in the USA) to ensure that we comply with all applicable national and international security requirements and understand the nature of new and emerging physical and cyber security threats.</p> <p>Each of our sites is also supported by dedicated security resources to control access to sites, actively screen all personnel, and ensure appropriate security policies and procedures are implemented. The effectiveness of security policies and arrangements are monitored and risk assessed on an ongoing basis by the URENCO CISO Cyber team.</p>

## Principal risks and uncertainties continued

Risk	Mitigation
<b>5. Transport</b>	
<p>The availability and willingness of third party logistics providers, regulators or port authorities to transport or accept uranic materials may impact our ability to optimise the benefits of a global infrastructure.</p>	<p>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 place contracts only with approved companies and ensure we perform regular contract and performance monitoring audits. We adhere to IAEA guidelines and all other national and international regulations regarding the transportation of fissile material, and we go beyond regulatory requirements in aspects of our own logistics procedures.</p>
<b>6. Political and regulatory landscape</b>	
<p><b>Policy</b> 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.</p> <p><b>Regulation</b> 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.</p>	<p>URENCO continually monitors nuclear policy around the world and on a regular basis, engages with policy makers and stakeholders to ensure that the benefits of nuclear as a sustainable, long term and low carbon source of energy are understood and considered as part of both the energy debate and future government policy.</p> <p>URENCO maintains compliance activities across the business. Our strong relationships with government regulators are managed locally by our Heads of Compliance at our production sites, while our 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 through internal workshops and communications. Our focus on innovation and performance enables us to act as an effective partner across the nuclear supply chain and guide and share best practice across the industry as a whole.</p>
<b>7. Pricing</b>	
<p>Short to medium term energy market pressures to sell excess inventory could drive prices below the level needed to sustain the ongoing investment in enrichment capability and threaten future centrifuge innovation and development.</p>	<p>Our long term contracts with customers incorporate agreed forward pricing, to mitigate short term price risk. While our responses to new market opportunities are competitive and offer a clear value proposition to our customers, ongoing market and price pressure has the potential to affect our long term ability to support and finance re-investment in our enrichment plants.</p>

## Principal risks and uncertainties continued

Risk	Mitigation
<p><b>8. Geo-political risk</b></p> <p>New and emerging geo-political risk creates significant uncertainty and volatility across Western economies and financial markets. Movements away from political centrism, increased nationalist and populist sentiments, growing economic protectionism allied to worsening diplomatic relations all contribute to an increasingly volatile world which all have the risk of impacting URENCO's strategic assumptions and objectives.</p>	<p>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 geo-political risks. We regularly assess and evaluate potential responses to a range of business and geo-political scenarios that may arise and ensure that appropriate continuity and mitigation plans are in place.</p> <p>We also seek to mitigate any financial impacts of potential risks, arising from increased political or geo-political uncertainty, through a combination of hedging against exchange rate risk, adjusting fixed and floating rate borrowings through interest rate swaps, and ensuring that adequate medium-term committed funding is always available.</p>
<p><b>9. Counterparty risk</b></p> <p>We could be exposed to credit risk predominantly through transactions with other participants in the nuclear supply chain.</p>	<p>URENCO actively monitors the creditworthiness of commercial counterparties and has a set of limits with different levels of authority for sign-off. We also incorporate appropriate credit protection clauses in customer contracts to ensure payment protection. Our exposures to financial counterparties are managed through a counterparty credit exposure policy which sets credit limits based on counterparties' credit ratings.</p>
<p><b>10. Project management</b></p> <p>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.</p>	<p>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.</p> <p>Change programmes and projects are also subject to management, commercial and internal audit assurance reviews to monitor project performance and to ensure that adequate project controls and contractual arrangements are in place to support early identification and resolution of risks and issues.</p>
<p><b>11. Long term liabilities</b></p> <p>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.</p>	<p>URENCO continues to work with its regulators and government agencies, in partnership with other nuclear operators and stakeholders, to ensure that a sustainable and economically viable solution for the long term storage of fissile material is developed.</p>

Risk	Mitigation
<b>12. Colleague retention and continuity</b>	
<p>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.</p>	<p>Focused development and succession planning programmes are in place across the organisation to ensure that our colleagues' development plans are aligned with the organisation's needs and support the development of a pipeline of talent.</p>
<b>13. Change and transformation</b>	
<p>As detailed in our Strategic Report, URENCO is currently engaged in a major change programme to ensure that we take advantage of opportunities to optimise the way we do business, to maximise our sales potential and our ability to serve the nuclear supply chain.</p> <p>While we are confident that URENCO has the appropriate capabilities and resources to execute the change programme, there is a risk that the organisation does not deliver the full scope of the strategy and the desired benefits in the prescribed time.</p>	<p>To support the delivery of these strategic objectives, the existing company structure has been realigned and a simplified organisational structure implemented, supported by a new Leadership Team. Members of the Leadership Team are responsible for monitoring the programme and benefits realised on a regular basis, ensuring sufficient resources are available to deliver the required changes against the agreed deadlines.</p> <p>A Transformation Management Office has also been created to coordinate, monitor and report progress. We will continue to ensure that changes are only implemented once we have completed an appropriate level of planning and due diligence, relative to the risks.</p>
<b>14. Brexit</b>	
<p>URENCO, as with other major corporate bodies, is likely to be affected by the complexity and interdependencies of potential risk outcomes presented by the UK's decision to leave the EU. Of particular significance for URENCO is the uncertainty created by the UK government's decision to leave the Euratom Treaty, as URENCO will no longer benefit from Euratom's various international agreements which establish the legal framework for civil nuclear cooperation between governments.</p> <p>While the UK government is committed to implementing an appropriate regulatory and safeguards regime, there is a risk that any delays in its implementation or any gaps or inconsistencies in its scope or application have the potential to delay or interrupt both the movement or delivery of materials or the sharing of uranic technical data and information.</p>	<p>URENCO has established a Working Group to ensure that we have a suitable level of preparedness to mitigate risks that emerge from the Brexit process. Pre-planning arrangements are also in progress to support continuous operations and delivery from our sites throughout the Brexit process.</p>

An apprentice at our Dutch enrichment facility.



# Sustainability

Sustainability is integral to everything we do at URENCO; from the valuable contribution we make to the low carbon economy, to the socially responsible way we conduct our business. It shapes our customer partnerships, informs our efforts to meet demand and guides our decision-making at all levels. It also helps us balance long term commercial success with good corporate citizenship. As part of this strategy, we have developed six sustainability focus areas.



## **Focus area 1:** Health and safety, safeguards and security

Health and safety, safeguards and security are critical to the long term wellbeing of our people, our wider stakeholders and our business as a whole. To ensure we deliver on our commitments, we aim for continuous improvement in our policies, processes and performance in this focus area.



## **Focus area 2:** Environmental impact

As a business, we are committed to minimising our environmental impact. We continue to achieve greater efficiencies in areas of our operations and day-to-day activities. To help reduce our impact on the environment, we undertake a broad range of measures focused on energy efficiency, emissions, waste and water usage.

Our European enrichment facilities are certified to ISO 14001. In 2017, we took encouraging steps forward, improving specific water and electricity usage to deliver the best performance in these areas since URENCO started benchmarking in 2014.



## **Focus area 3:** Supplier of choice

We have always prided ourselves on the strength of our customer relationships and the quality, flexibility and reliability of our enrichment services. Our global reach and diversity of supply means we are well placed to meet the needs of our customers around the world.

As part of our commitment to continuous improvement, we upgraded our quality management system to ISO 9001:2015, with all of our enrichment facilities audited and fully accredited six months ahead of schedule. To minimise the impact to URENCO by the UK's exit from the EU and the Euratom treaty, we are changing our logistics and production plans to ensure we maintain our record of reliable supply to our customers.



## **Focus area 4:** Employee engagement

Having a capable and engaged workforce is a vital part of our sustainability programme. Our aim is to recruit and retain talented people who can help us deliver outstanding customer service and achieve long term commercial success.

This year, much of our employee engagement work centred on creating a 'one company' ethos in support of our strategy. As part of these efforts, we created an internal news app that employees can download to their mobile phones to support the breaking down of organisational silos. Despite the significant changes taking place within the business, our 2017 employee survey showed a committed and engaged workforce: at 78%, which is above the industry benchmark.



## **Focus area 5:** Community engagement

Ensuring local communities are supported and engaged is a core part of our sustainability approach. As a good corporate citizen, URENCO provides regular transparent communications and dialogue with community stakeholders.

In 2017, we prioritised targeted practical support through engagement and volunteering.

There was a strong response rate and positive results for our 2017 organisation-wide reputation review, particularly regarding our science education programmes. During the year we reached 16,877 students with the UK-wide CREST Star resource and 18,210 students with the CREST Discovery resource; these programmes enable children to solve STEM problems through practical investigation.

During 2017, our sponsored interactive gallery at the Science Museum in London, 'Wonderlab: The Statoil Gallery', welcomed more than 500,000 visitors. On average, each visitor spends 100 minutes in the gallery, which is more than six times the average time spent in other galleries. This suggests that people are very much engaging with the demonstrations and exhibits. Over a quarter of all visitors this year entered the gallery for free as part of an educational group.



**Focus area 6:**  
Asset integrity

Asset integrity is about protecting our investments. To ensure that our plant systems continue to function reliably and effectively, they need to be closely monitored and rigorously maintained. Through ongoing commitment to asset integrity, we aim to have the right tools and processes in place to safeguard our investments. Asset integrity is a vital consideration in the design phase of all our enrichment facilities, and is an area in which we continue to drive improvements through new systems and standards. In particular, URENCO has focused on enhancing collaboration and information sharing in asset management.

**Our approach to sustainability**

Each quarter we collect, interrogate and share sustainability data. Our Board level Sustainability Committee meets at least three times a year. This approach ensures that sustainability is incorporated into all operational and strategic decision-making and embedded across the organisation.

This year, URENCO transitioned to the Global Reporting Initiative (GRI) Standards – one of the leading sustainability reporting frameworks worldwide – having previously reported to the GRI G4 Guidelines. This year's sustainability report is being prepared in accordance with the GRI Standards at a core level.

The new structure involves an increased focus on the management approach for each of our sustainability focus areas.

As a mark of our commitment to transparency and engagement with stakeholders, we now have a dedicated sustainability section on our website where we summarise key areas of interest for each reporting year.

Please visit [www.urenco.com/sustainability](http://www.urenco.com/sustainability).

Top to bottom:

A cylinder being moved at our USA facility;  
A still from our URENCO corporate video;  
Wonderlab, Science Museum, London;  
Control room at our German enrichment facility.



# Group Finance Report

Increase in Revenue and EBITDA supported by our established order book with net income benefiting from lower depreciation charges and lower finance costs.

## Results for 2017

### Revenue

Revenue for the year ended 31 December 2017 was €1,926.9 million, an increase of 1.8% on the €1,893.0 million in 2016. SWU revenues after currency hedges were down by €1.5 million and uranium related sales were lower by €16.7 million. For both SWU revenues and uranium related sales, the benefits from higher volumes were more than offset by the impact of lower average unit revenues. Other net movements in revenue increased by €52.1 million compared to 2016, primarily as a result of net fair value gains associated with uranium related commodity contracts and higher sales at URENCO Nuclear Stewardship.

### EBITDA

EBITDA for 2017 was €1,249.5 million, an increase of 6.8% over €1,170.0 million in 2016. This resulted from increased revenue, slightly higher net costs for tails provisions and lower other operating and administrative expenses.

The net costs for tails provisions were €2.6 million higher in 2017 than in 2016. This was due to €59.6 million higher costs of new tails provisions created, offset by €57.0 million higher releases from the tails provision. The costs of new tails provisions created in 2017 of €199.2 million were higher than the costs of €139.6 million in 2016, largely driven by new tails generated during the year and an increase in tails deconversion costs. There was a €85.3 million release from the tails provision (2016: €28.3 million), following a review of underlying assumptions, optimisation of operations and the impact of the reduction in higher assay tails associated with enrichment services contracts.

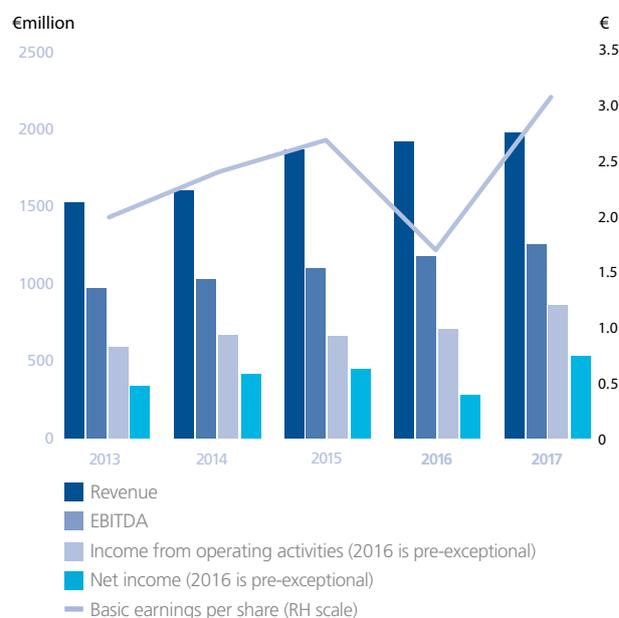
Other operating and administrative expenses were €48.2 million lower in 2017 compared to 2016, reflecting improved operations from the implementation of our strategy and a credit of €15.6 million on the closure of the UK defined benefit pension scheme to further accrual.

The EBITDA margin for 2017 was 64.8% (2016: 61.8%) reflecting the benefits of net fair value gains on commodity contracts and lower operating costs, which more than offset the adverse impact of the increased net tails provisions and the higher proportion of lower margin uranium related sales in 2017.

### EBITDA performance

	2017 €m	2016 €m	% increase/ (decrease)
Income from operating activities (pre-exceptional items)	871.8	693.2	26%
Adjustment for depreciation <sup>(1)</sup>	42.0	(13.0)	
Add: depreciation and amortisation	343.3	489.4	
Adjustment for share of results of joint venture	(7.6)	0.4	
<b>EBITDA</b>	<b>1,249.5</b>	<b>1,170.0</b>	<b>7%</b>

### Financial performance



### Exceptional items

In 2017 there were no exceptional items compared to the €793.0 million pre-tax loss reported in 2016. The exceptional items in 2016 comprised an impairment of the carrying value of the USA operations of €760.0 million due to downward pressure on long term price forecasts for uncontracted SWU volumes (compared with those assumed at the time of the construction of the USA operations). In addition there was a restructuring provision of €33.0 million, mainly related to expected severance payments as part of the restructuring programme.

The Group's policy on exceptional items requires separate disclosure in the income statement for certain items of financial performance, due to their size, nature and incidence, so as to assist in understanding the underlying financial performance achieved by the Group.

In 2017, €4.7 million of this restructuring provision was released to the income statement following a re-forecast of the costs to complete the restructuring programme. The release of provision has not been classified as an exceptional item for 2017 as it is below the Group's materiality threshold.

Given that there are no exceptional items in 2017, there is no associated income tax impact (2016: €52.9 million income tax credit).

<sup>1</sup> The Adjustment for depreciation removes the elements of depreciation and amortisation which have already been included in Changes to inventories and Other expenses.

### Net income

In 2017 net income was €514.9 million, an increase of €231.1 million compared to the 2016 net income before exceptional items of €283.8 million (2016 net loss post exceptional items: €456.3 million). The net income margin for 2017 was 26.7% compared to the 2016 net income margin before exceptional items of 15.0%. This increase in net income, in addition to the impact of the increased EBITDA, was also due to lower depreciation costs and lower net finance costs which more than offset a higher income tax expense.

Depreciation and amortisation for 2017 was €343.3 million, a decrease of €146.1 million on the €489.4 million for 2016. This was the result of two key factors: lower depreciation on the USA operations as a result of the €760.0 million pre-tax impairment charge taken in 2016; and an increase in the estimated useful life of centrifuges and associated equipment across all enrichment sites.

Net finance costs for 2017 were €140.1 million, compared to €272.0 million for 2016. Where practicable, relevant loan balances are swapped using cross currency swaps and these swaps are placed in accounting hedge relationships. 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 2017 the impact of this was a loss of €10.3 million (2016: €110.2 million loss) reflecting increased hedging and lower foreign exchange volatility. In addition, a gain associated with ineffective cash flow hedges was incurred of €5.5 million (2016: €16.6 million loss).

The net finance costs on borrowings (including the impact of interest rate/cross currency interest rate swaps) were lower at €127.7 million (2016: €134.8 million) reflecting lower levels of net debt in 2017. The other key elements of net finance costs were broadly in line with the costs incurred in the prior year, notably capitalised interest of €54.8 million (2016: €45.2 million) and the unwinding of discounting on provisions of €55.5 million (2016: €50.6 million).

In 2017 the tax expense was €216.8 million (an effective tax rate (ETR) of 29.6%), an increase of €79.4 million over the pre-exceptional tax expense of €137.4 million for 2016 (ETR: 32.6%).

The tax expense for 2017 includes a credit of €74.0 million related to previously unrecognised US deferred tax assets resulting from the impact that the increased centrifuge and associated equipment lifetimes will have on future depreciation.

There is also a deferred tax charge of €85.1 million from the write down of previously recognised US deferred tax assets which has been revalued to reflect a reduction in average US Federal and New Mexico state corporate tax rates from 38.84% to 25.66%, effective from 1 January 2018.

Excluding the impacts of deferred tax items the tax charge would have been €205.7 million (ETR: 28.1%) compared to the pre-exceptional tax expense of €137.4 million for 2016 (ETR: 32.6%).

The decrease in the ETR is being driven by three factors: i), changes in the relative proportions of profits and losses generated across the four jurisdictions in which URENCO operates; ii), the impact of non-taxable and non-deductible amounts, including foreign exchange financing gains and losses that are excluded from tax under the UK Disregard Regulations; and iii), the impact of adjustments in respect of previous years.

### Impact of exceptional items

	2017 €m	2016 €m
Income from operating activities – before exceptional items	871.8	693.2
Exceptional items – before tax	-	(793.0)
<b>Income/(loss) from operating activities – after exceptional items</b>	<b>871.8</b>	<b>(99.8)</b>
Net income – before exceptional items	514.9	283.8
Exceptional items – after tax	-	(740.1)
<b>Net income/(loss) – after exceptional items</b>	<b>514.9</b>	<b>(456.3)</b>

### 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<sub>6</sub> to U<sub>3</sub>O<sub>8</sub>), long term storage and eventual disposal. During the year the Group reviewed the costs associated with tails deconversion, storage and disposal.

Additional tails provisions in the year were €199.2 million (2016: €139.6 million), due to tails generated in that period and an increase in the applied tails deconversion rate.

Provisions utilised during 2017 were €111.8 million (2016: €94.4 million) and a provision release of €85.3 million (2016: €28.3 million) was recorded as a credit in Other expenses following a review of various key underlying assumptions, an optimisation of operations and the impact of the reduction in higher assay tails associated with enrichment services contracts.

Further information on nuclear provisions can be found on pages 103 and 104.

### 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. During 2015 the Group carried out a periodic review of the costs associated with plant and machinery decommissioning and the next periodic review will take place in 2018.

During the year URENCO has been preparing for the potential establishment of segregated funds to finance its future decommissioning activities.

As at 31 December 2017 the decommissioning provision increased by €50.2 million (2016 increase: €29.0 million) due to revised assumptions relating to the decommissioning of plant and machinery of €40.5 million (2016: €nil), additional container purchases of €8.8 million (2016: €15.6 million) and the installation of additional plant and machinery of €0.9 million (2016: €13.4 million).

Of the €40.5 million resulting from revised assumptions, €18.4 million has been expensed to the income statement and €22.1 million has been recognised in decommissioning assets.

### Group pension funds

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

The net liability for the Group's defined benefit pension schemes at 31 December 2017 was €97.3 million (2016: €142.8 million). This decrease was due to a €12.6 million decrease in the present value of the defined benefit obligations (including the benefit of foreign exchange gains of €19.1 million) together with an increase in the fair value of the plan assets of €32.9 million.

Following the triennial valuation of the UK scheme in 2015, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of £6.5 million annually for seven years from 2016 until 2022.

On 5 April 2017, URENCO closed the UK defined benefit section to further accrual following the conclusion of a comprehensive consultation with employees and their representatives and the pension scheme trustees. The financial impact of the changes to the UK defined benefit scheme resulted in a net credit of €15.6 million to employee costs in the income statement for the year ended 31 December 2017.

### Cash flow

Operating cash flows before movements in working capital was €1,188.3 million (2016: €1,242.2 million) and cash generated from operating activities was €1,314.1 million (2016: €1,226.0 million). This was a result of higher revenues, lower operating costs and a favourable net working capital movement offset by increased spending on the deconversion, storage and disposal of tails during 2017.

Tax paid in the period was €122.9 million (2016: €117.1 million). Net cash flows from operating activities were €1,191.2 million (2016: €1,108.9 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

The Group invested a total of €299.3 million in 2017 (2016: €407.6 million), reflecting a lower level of expenditure on core enrichment assets following completion of the US plant and the ongoing investment in TMF of €184.4 million (2016: €229.0 million).

As reported in the 2017 interim results, the TMF has experienced construction delays and continues to face risks in terms of schedule and final cost. As a result, commissioning of the facility is forecast for late 2018.

The comprehensive project review undertaken during 2017 indicated higher forecast costs to complete. The results of this review are management's best estimate of the TMF construction cost.

These higher cost estimates were included in the 2017 tails deconversion rate as detailed in the EBITDA explanation section above.

Capital expenditure is expected to fall further in future years following the completion of the TMF and lower investment required in new enrichment capacity.

### 2017 Capital expenditure

(€299.3 million)



### 2016 Capital expenditure

(€407.6 million)



### Capital structure

The Group's equity increased to €1,824.3 million during the year (2016: €1,543.4 million) due to an increase in retained earnings of €233.6 million (reflecting €514.9 million of net income and €18.7 million of other comprehensive income for the year offset by €300.0 million of dividends paid), a decrease in foreign currency translation reserve of €291.7 million, primarily due to foreign exchange losses on property, plant and equipment held in US dollars and sterling as a result of the weakening of these currencies against the euro, and an increase in hedging reserve of €339.0 million. The movement in the hedging reserve is primarily associated with mark to market gains on cash flow and net investment hedges, which protect the Group's future revenues and overseas net assets held in foreign currencies respectively.

Net debt decreased to €2,104.7 million (2016: €2,618.3 million). In May 2017, €362.3 million of euro bonds were repaid at maturity and a term loan of €112.4 million was repaid in December 2017.

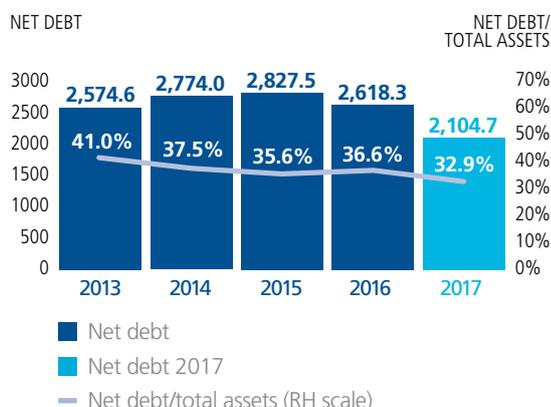
## Group Finance Report continued

URENCO also prepaid €319.6 million of its EIB debt in December 2017 with the remaining €100 million loan maturing in March 2018. New one year bilateral loans have been arranged, each of €90 million, with four of URENCO's relationship banks. The maturity of the five year €750 million revolving credit facility signed in 2016 has been extended to 2022.

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

Net debt to total asset ratio remained strong at 32.9% (2016: 36.6%), well within the Group's target ratio of less than 60%.

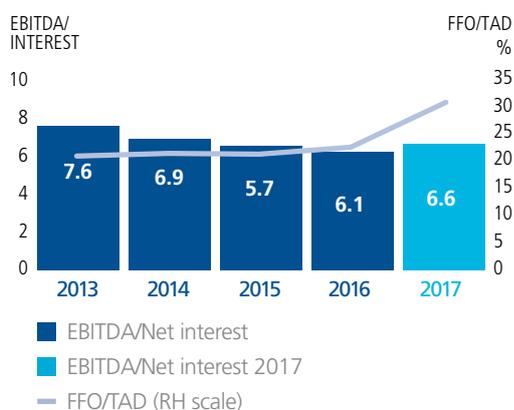
### Net debt and Net debt/total assets



The Group targets an FFO/TAD ratio that results in a strong investment grade credit rating. The FFO/TAD ratio was 30.5% (2016: 22.0%) as EBITDA, the main component of FFO, has increased, and net debt has decreased.

The Group's interest cover also remains strong at 6.6x (2016: 6.1x).

### Five-year summary funding ratios



### Funding position

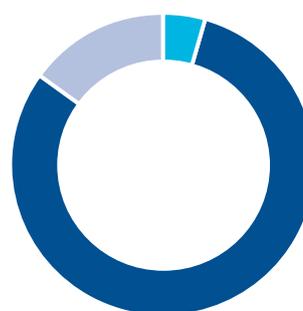
Liquidity continues to remain strong as a result of cash flow generation. As at 31 December 2017 the Group has €750 million of committed undrawn revolving credit facilities and four new one-year bilateral loans each of €90 million (which were drawn to a total of €175 million, leaving €185 million undrawn), as well as cash and short term deposits of €59.1 million (2016: €253.3 million).

Our funding position remains robust and continues to be underpinned by our long established order book, which gives high levels of revenue visibility and robust EBITDA margins, resulting in good cash flow generation.

The Group's debt is rated by Moody's (Baa1/Stable) and Standard & Poor's (BBB+/Stable); these external ratings were unchanged during 2017.

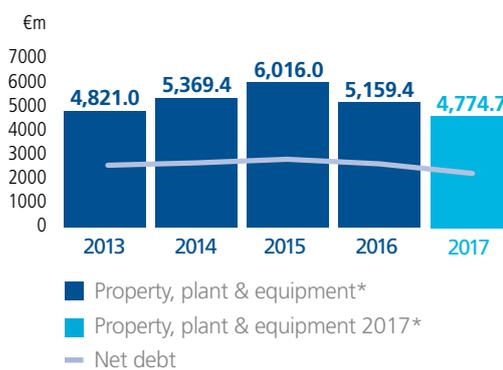
### Interest bearing loans and borrowings

(€2,163.8 million)



- EIB (€100.0m)
- Other loans (€322.8m)
- Eurobonds (€1,741.0m)

### Property, plant & equipment vs net debt



\* Excludes decommissioning assets

### Funding programme

The Group's funding strategy is to:

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

The average time to maturity of the Group's debt at 31 December 2017 was 4.0 years (at 31 December 2016: 5.5 years).

### Managing foreign currency risk

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

The Group receives most of its customer revenues in US dollars and euros. 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 USA 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 six years ahead. This medium-term hedging period strikes a balance between the objective of maximising cash flow certainty (which suggests a long hedging period) and the objective of maintaining a hedge portfolio that largely qualifies for hedge accounting under IFRS. URENCO has a stable future revenue stream that is managed using a portfolio of financial hedges. There is always an element of uncertainty due to changes in quantities and timing of deliveries based on market movements and customers' requirements, which makes it difficult to achieve effective hedge accounting over the longer term.

The Group has a total of €1,212 million (2016: €1,562 million) cross currency swaps to convert the economic exposure of part of the Group's debt from euros to US dollars. This better aligns the currency of the debt with the asset base and cash flows of the Group.

### 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 2017, €300.0 million in dividends for the year ended 31 December 2016 were paid to shareholders (2016: €350.0 million). The Board has approved that dividends of €300.0 million be paid on 26 March 2018.

As at 31 December 2017, the Company had distributable reserves available of €820.3 million (31 December 2016: €732.0 million).

### Order book

URENCO has a strong order book which extends into the second half of the next decade with an approximate value at 31 December 2017 of €12.7 billion based on €/ \$ of 1 : 1.20 (2016: €15.5 billion based on €/ \$ of 1 : 1.05).

### Outlook

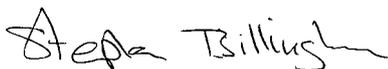
URENCO's long term strategy is to broaden the range of services it offers while remaining a reliable and sustainable partner to the global nuclear industry, providing customers with the highest level of service, quality and expertise.

URENCO's established contract order book continues to provide long term visibility and financial stability of future revenues. This provides protection in the short to medium term against the prevailing pricing pressures and market conditions. However, the ongoing presence of excess inventories of enriched uranium product is contributing to pricing pressures. If sustained into the middle and long term, the Group could experience lower profit margins and reduced cash flow. URENCO is confident that through the implementation of its strategy it will deliver sustained commercial success. URENCO also remains confident that the global nuclear industry will grow and that the Group is well-positioned to support it for years to come.

The principal risks and uncertainties to which URENCO is exposed are disclosed on pages 12 to 16 and these are broadly the same as those disclosed in 2016.

The UK's exit from the European Union and Euratom presents significant uncertainty for URENCO's business and we continue to work with the UK government to ensure an orderly transition. The Group's geographical diversity – with enrichment facilities in Germany, the Netherlands, the UK and the USA – means the business is well placed to continue to deliver on its commitments to its customers.

**The Strategic Report was approved by the Board of Directors on 6 March 2018 and signed on behalf of the Board by:**



**Stephen Billingham**  
Chairman

Our global sites, top to bottom:

Gronau, Germany;

Almelo, the Netherlands;

Capenhurst, UK;

Eunice, New Mexico, USA.



# The Board of Directors

The Board manages overall control of the organisation's affairs and is responsible to the shareholders for company policies and strategic direction. It meets on a regular basis 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; significant regulatory issues and important policies around environmental, health and safety issues. During 2017, the Board met five times. Biographies can be read on the URENCO website.



**Stephen Billingham<sup>1</sup>**  
Chairman of the Board



**Thomas Haeberle<sup>2</sup>**  
Chief Executive Officer



**Ralf ter Haar<sup>3</sup>**  
Chief Financial Officer



**George Verberg<sup>4</sup>**  
Deputy Chairman, Chairman of the Remuneration and Appointments Committee and Non-Executive Director



**Frank Weigand<sup>5</sup>**  
Deputy Chairman, Chairman of the Audit Committee and Non-Executive Director



**Miriam Maes<sup>6</sup>**  
Chair of the Sustainability Committee and Non-Executive Director



**Richard Nourse<sup>7</sup>**  
Non-Executive Director



**Alan Bevan<sup>8</sup>**  
Non-Executive Director



**Justin Manson<sup>9</sup>**  
Non-Executive Director

<sup>1</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#stephen-billingham>

<sup>2</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#thomas-haeberle>

<sup>3</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#ralf-ter-haar>

<sup>4</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#george-verberg>

<sup>5</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#dr-frank-weigand>

<sup>6</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#miriam-maes>

<sup>7</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#richard-nourse>

<sup>8</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#alan-bevan>

<sup>9</sup> <https://urencocom/investors/corporate-governance/board-of-directors/#justin-manson>



**Company Secretary**

Sarah Newby

**Registered number**

01022786

**Registered office**

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

**Auditors**

Deloitte LLP  
2 New Street  
London EC4A 3BZ

Financial statements

# Consolidated Group Financial Statements

*For the year ended 31 December 2017*

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# 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, consider in further detail issues of particular complexity through regular meetings of the Audit Committee, Sustainability Committee, Remuneration and Appointments Committee and, where required, special working groups. Our commitment to strong corporate governance ensures the Group has clear strategic direction and enables us to assess, control and manage risk effectively.

The 2016 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. As a non-listed company, URENCO is not subject to the Code; however, we recognise the value of applying the principles of the Code where appropriate.

### The Board and its committees

#### Board composition

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

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

The Directors of the Company in office during the 2017 financial year were:

#### Non-Executive Directors

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

#### Executive Directors

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

The Directors of the Company in office as at the date of the Annual Report are on page 26 and their biographies can be found on the URENCO website at [www.urencocom](http://www.urencocom).

#### 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, health and safety issues, and senior management appointments.

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

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

In 2017, the Board conducted an internal performance review of its effectiveness during 2016. All Board members were requested to complete a questionnaire, which included questions on the operation and effectiveness of the Board and its Committees, and the performance of the Chairman and individual Directors. The responses were reviewed and summarised by the Company Secretary and the Chairman, and used as a basis for discussions between the Chairman and the Board. No material shortcomings in relation to the operation of the Board and its Committees were highlighted by the review. The Board's internal performance review of its effectiveness for 2017 is currently underway and will follow a similar process.

#### Board meetings

URENCO's Board meets regularly throughout the year in order to effectively discharge its duties. During 2017, the Board met five times.

Each year, the Board holds one of its meetings at an enrichment facility. In 2017, that meeting was held at URENCO UK.

### Board meetings attendance

	Number of meetings in 2017	Meetings attended
Stephen Billingham	5	5
Frank Weigand	5	5
George Verberg	5	5
Miriam Maes	5	5
Alan Bevan	5	5
Justin Manson	5	5
Richard Nourse	5	5
Thomas Haeberle	5	5
Ralf ter Haar	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 2017 review included strategic, material operational and compliance risks and are detailed on pages 12 to 16.

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 the 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 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, 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

# Governance

## Audit Committee Report

### Chair's statement

**Frank Weigand**  
Chairman, Audit Committee

I am pleased to present the report of the Audit Committee for 2017.

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 2017, 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, 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, on the Board's behalf, the half year financial statements;
- Making recommendations to the Board concerning adoption of the Annual Report and Accounts and advising the Board as to whether they are fair, balanced and understandable;
- Reviewing regular reports from management regarding new and emerging risks and uncertainties of the Group (see details of these on pages 12 to 16);
- 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 and recommending to the Board external audit fees for approval and the appointment of auditors each year;
- Monitoring and reviewing the effectiveness of the internal audit function and reviewing the internal audit plan, internal audit reports and management's responses to findings and recommendations; and
- Reviewing any material investigations instigated in response to allegations of suspected or actual fraud, impropriety or any behaviours that are contrary to URENCO's Code of Conduct and values, as committed by either URENCO employees, any associated persons or third parties operating on behalf of URENCO.

A copy of the Committee's Terms of Reference is available on URENCO's website at [www.urencolimited.com](http://www.urencolimited.com).

An annual review of the Terms of Reference was conducted at the Committee meeting of 21 February 2018 and the Terms of Reference were updated on 6 March 2018 following Board approval.

### Composition of the Audit Committee

The Committee comprises three members:

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

Biographies for Committee members can be found on URENCO's website at [www.urencolimited.com](http://www.urencolimited.com).

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

<sup>1</sup> As a non-listed company, URENCO is not subject to the Code but recognises the principles of following it where appropriate to do so.

## Meetings

The Committee is required, under its Terms of Reference, to meet at least three times a year. During 2017 the Committee met four times.<sup>2</sup> The membership and attendance record of the Committee members during the year is set out below.

	Member since	Meetings attended during 2017
Frank Weigand	03/12/2014	4 of 4
Miriam Maes	08/10/2015	4 of 4
Justin Manson	01/06/2016	4 of 4

## Corporate governance

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

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

At the invitation of the Committee, the Chairman of the Board, the Chief Executive Officer, Chief Financial Officer, 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 his/her 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 was not present. In addition, the Chairman of the Committee held meetings with the audit engagement partner during the year.

The Committee has followed up on the findings from the internal effectiveness review performed in January 2017 to have more frequent ongoing training. During the year they attended training sessions provided by the external auditor. The key topics covered related to new EU audit legislation applicable from 2017 to URENCO, cyber risk and data protection and the two major new accounting standards (IFRS 15 and IFRS 9) effective from 1 January 2018.

No external assessment of Committee performance has been undertaken in the year although the Committee Chairman and Company Secretary conducted an effectiveness review in January 2018, based on a framework provided by the external auditors, and reported the results in the February 2018 Committee meeting. There were no significant findings arising from the review although some areas for future focus were identified, including enhancements to the training programme introduced last year for Committee members.

Given their status as nominees of shareholders, members of the Committee are not submitted for re-election at the Group's Annual General Meeting. In the context of URENCO's shareholding structure, the Committee was comfortable with these points and the overall conclusion of the 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 2017 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 2016 Annual Report and the 2017 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;
- The independence, objectivity and fees of the external auditors and scope of audit and non-audit services;
- Work completed by the Internal Audit function in reviewing and auditing the adequacy and effectiveness of the Group's internal controls, including for capital expenditure projects, including the TMF;
- Internal Audit's annual report on compliance with the Group's anti-bribery and corruption policy;
- 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;
- An update of the Group's Code of Conduct;
- Review of URENCO's alignment to the UK Corporate Governance Code<sup>3</sup>; and
- External auditor reporting on the design and implementation of key financial controls; the independence, objectivity and fees of the external auditors and scope of audit and non-audit services.

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

<sup>2</sup> 21 February, 28 June, 30 August and 12 December.

<sup>3</sup> 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.

### 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 and the input and reports received from the external auditors. The most significant matters that the Committee considered were the following:

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

**Issue background**

During 2016 the Group recognised a €760 million pre-tax impairment charge against its US cash generating unit asset carrying value. This was driven by a further deterioration in the long term forecast market price for SWU, based on continued nuclear market uncertainty, the build-up of inventories across the supply chain and oversupply of enriched uranium.

- There is continued inherent risk, given the significant level of management judgement required in determining the estimations of future market dynamics, that the associated URENCO SWU market pricing forecasts could have further decreased, or alternatively could have improved since 2016. Any significant change would result in a new impairment indicator or reversal indicator for 2017, potentially leading to a further impairment charge or a reversal of the prior year impairment charge respectively.
- The other key assumptions within the 2017 impairment indicator analysis are the discount rate; extension of the US operating licence beyond 2040, which management expect to receive in the ordinary course of business; ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating expenditure and the costs of deconverting future tails produced.

**Committee response:** Management has re-assessed forecast SWU market prices during 2017, including an assessment of the SWU prices for new URENCO sales contracts signed during the year. These prices are substantially the same as those used in the valuation model to determine the recoverable amount as at 31 December 2016. On this basis, and following an assessment of the other key assumptions detailed above, management has concluded that there are no indicators for a further impairment charge or a reversal of the 2016 impairment charge and hence no requirement to update the 2016 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 inherent to that analysis, and concluded that no further impairment charge or impairment reversal is required in 2017. Further details about the impairment indicator assessment and the assumptions used in determining the recoverable amount are given in note 2 on page 72.

The external auditors appropriately challenged management on its assessment that the forecast SWU prices and other key impairment indicator judgements have not substantially changed during 2017 and provided their view orally and in their written

reports provided to the Committee on 12 December 2017 and 21 February 2018. The Committee reviewed and challenged management's judgements and estimates on this matter, ultimately concluding that they 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 TMF which is currently under construction. The TMF capital cost and future operating costs are reviewed by management on an ongoing basis and at each reporting period date.

- Significant management judgement is required in estimating the TMF deconversion cost assumptions, most notably the TMF final capital cost. TMF construction is forecast by management to be completed in late 2018. Until complete, the total capital cost remains a key estimate within the European tails provision valuation.
- Further descriptions on the nature of tails, deconversion and other items noted above are provided on pages 103 to 104.

**Committee response:** The Group reviews its overall tails provision strategy in depth on a triennial basis, using a steering group of senior technical and operational personnel. This was last performed in 2015 and will next be performed in 2018. During 2017, European tails provisions were updated to reflect the latest management estimate of the total TMF capital cost referred to above as well as changes in cost assumptions related to an optimisation of tails management operations across the Group and for the impact of the reduction in higher assay tails associated with enrichment services contracts.

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

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

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

The Committee was satisfied that the provision recognised in respect of the European tails deconversion, storage and disposal is appropriate.

- **Uranic inventory valuation and ownership**

**Issue background**

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

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

In conjunction with the above, the reporting period end feed "headroom test" prepared by management is reviewed by the Committee, which is discussed and challenged with management. This "headroom test" compares the volumes of URENCO's feed to the outstanding borrowings and the volumes of feed not immediately accessible as it is contained within LAF (which is lower uranium content material created during the URENCO enrichment process). Any feed deficit would be revalued to the current market value, to reflect the underlying fact that URENCO had sold feed that was either borrowed or contained within LAF.

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

- **Revenue and feed profit recognition**

**Issue background**

Key management judgements include URENCO's assessment of the period in which revenue and profit should be recognised, the fair value of consideration received, ownership and legal title over 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, uranium feed and natural uranium each year.

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

**Committee response:** Each year, the Committee considers and assesses the Group's revenue recognition policy for all sale types, through the annual review of finance policies prepared by finance management. The revenue accounting policy 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 to the Committee within their oral and written report presented on 21 February 2018. For the year ended 31 December 2017, this included the observation that a high volume of sales occurred in the final month of the year, where the Committee satisfied itself that this was due to the requested timing of deliveries from customers.

As detailed in the Uranic inventory valuation and ownership section above, the feed "headroom test" assesses the level of feed inventory to which URENCO holds legal title and the Committee was satisfied that it was calculated appropriately.

Finally, in respect of 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 were satisfied that the revenue recognition is appropriate and that the profit recognition for feed sales has been accounted for appropriately.

**Financial and business reporting**

At the meeting of 21 February 2018, 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 meeting of the Committee was held in February 2018 to review and approve the draft 2017 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 in the Group's consolidated financial statements on pages 65 to 66;
- The Committee considered the conclusions of the external auditor over the key audit risks that contributed to their audit opinion; and
- Final sign off is provided by the Board.

### 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 for any key audit partner, seven years. The current audit engagement partner was appointed during URENCO's 2016 financial year and will rotate off at the conclusion of the 2020 audit in accordance with this requirement.

URENCO notes the European Commission rules on mandatory audit firm rotation and the Order by the Competition and Markets Authority regarding the mandatory use of competitive tender processes and auditor responsibilities including the associated transition rules. Deloitte LLP was appointed as the Group's external auditors in 2011 when the last competitive tender process was conducted. According to those rules URENCO will be required to formally tender the external audit at the latest following completion of the 2020 audit, noting that Deloitte LLP can be reappointed until the conclusion of the 2030 audit. Currently URENCO does not have any contractual obligations that would restrict its choice of external auditors.

The Committee reviewed the effectiveness of the external auditor during 2017. This process incorporated feedback from management and key individuals across the Group, as well as the Committee's own experience. The assessment considered the robustness of the audit process, the quality of the delivery of the audit plan, the quality of reporting on findings and recommendations to the Committee and management, and the quality of the audit team and service provided.

In considering the independence of the external auditor, the Committee received a transparency report from the auditor, which describes their arrangements to identify, report and manage any conflicts of interest, and reviewed the extent of non-audit services provided to the Group. Since 2014 the Committee has had an Auditor Independence Policy, which was reviewed by the Committee on 21 February 2018. URENCO's Auditor Independence Policy includes the definition of prohibited non-audit services, which corresponds with the European Commission's rules on auditor independence and with the Ethical Standards issued by the Audit Practices Board in the UK.

The engagement of the Group's external auditors to provide audit related assurance services and non-audit services which are not prohibited is subject to rigorous internal control and 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 between Deloitte LLP's fees between audit services and non-audit services is provided in note 5 on page 79.

Having reviewed Deloitte LLP's performance during the year and satisfied itself of their continuing independence and objectivity within the context of applicable regulatory requirements and professional standards, the Committee has invited the Board to recommend the reappointment of Deloitte LLP as auditor at the forthcoming Annual General Meeting (AGM) and a resolution to that effect appears in the notice of the AGM. Deloitte LLP has accumulated significant knowledge and experience that allow it to carry out effective and efficient audits during this period and provide insightful and informed 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 and confirming compliance with Group policies and procedures. Any weaknesses are highlighted, are reviewed by senior management, 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 2017, 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 12 to 16.

The Terms of Reference also require that the Committee review and approve the statements to be included in the Annual Report (and if interim statements are produced, to do likewise) concerning internal controls and risk management prior to endorsement by the Board. In 2017, as in previous years, the Committee conducted such review and approval.

Much of the Committee's work in this area was driven by the Group Head of 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 Chairman of the Committee and provided updates regarding internal audit activities, progress of the Group internal audit plan, the results of any unsatisfactory audits, the action plans to address these areas and any resource requirements required to meet the Committees' assurance requirements.

During the year, the Committee also reviewed and approved the proposed internal audit programme for 2018 and the performance of the Group Head of Risk and Internal Audit. No significant issues or concerns were highlighted.

### Approval

On behalf of the Audit Committee

#### **Frank Weigand**

Chairman of the Audit Committee

6 March 2018

# Governance

## Sustainability Committee Report

### Chair's statement

#### Miriam Maes

Chair, Sustainability Committee

I am pleased to present the report of the Sustainability Committee for 2017.

During 2017, my fellow Committee members and I have continued in our commitment to oversee and help drive forward key sustainability policies across the URENCO Group.

The Sustainability Committee is one of the three committees of the Board of Directors of URENCO Limited. The Committee's main areas of focus are the monitoring of key performance indicators ("KPIs") in health, safety, environment, asset integrity, security and non-proliferation, safeguards, ethical conduct, social performance and employee engagement (including diversity and inclusion). The Committee also maintains an overview of the Group's governance policies and the achievement of key objectives in these areas.

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

### Duties

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

- 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 such targets;
- Considering and approving the Group's Sustainability Report; and
- Compiling a report on the Group's sustainability activities to be included in the Group's Annual Report.

A copy of the Sustainability Committee's Terms of Reference is available on URENCO's website at [www.urenco.com](http://www.urenco.com).

### Committee compositions and attendance

The Sustainability Committee comprises four members:

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

The Committee met four times in 2017. One of the meetings took place at URENCO UK where Committee members participated in a tour of the enrichment facility and reviewed developments in the implementation of the Group's sustainability programme and the restructuring associated with URENCO's strategy.

The membership and attendance record of the Sustainability Committee members during 2017 is set out below.

	Number of meetings	Meetings attended
Miriam Maes	4	4
Frank Weigand	4	4
Justin Manson	4	3
Thomas Haerberle	4	4

### Activities of the Sustainability Committee during the year

In 2017, the Committee:

- Considered and approved the 2016 Sustainability Report to meet the Core standards outlined by the Global Reporting Initiative's (GRI) G4 reporting requirements;
- Monitored the implementation of the sustainability programme;
- Reviewed performance against non-financial KPIs for 2016 in each of our six sustainability focus areas, and considered and approved KPIs for 2017 and 2018;
- Oversaw the development of the sustainability culture across the Group to integrate sustainability into the business;
- Reviewed safety performance during 2016 and monitored the implementation of safety initiatives during 2017;
- Monitored progress on the asset integrity programme and peer review process; and
- Reviewed the Committee's terms of reference and approved the work programme for 2018.

### Approval

On behalf of the Sustainability Committee

#### Miriam Maes

Chair of the Sustainability Committee

6 March 2018

# Governance

## Remuneration Report

### Chairman of the Remuneration and Appointments Committee Statement

#### George Verberg

#### Chairman, Remuneration and Appointments Committee

The role of URENCO's Remuneration and Appointments Committee remains to ensure that the Chair of the Board and Executive positions are occupied by high calibre individuals who are fully able to meet the requirements of the role. Furthermore the Committee is responsible for the remuneration arrangements for the 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 to 31 December 2017. 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 Chairman of the Remuneration and Appointments Committee;
- The annual report on remuneration; and
- The policy report.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in that report. The statement by the 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 5 March 2018.

#### Composition

The Remuneration and Appointments Committee is composed entirely of Non-Executive Directors. The Chairman of the Committee in 2017 was George Verberg. Frank Weigand, Alan Bevan and Richard Nourse were members of the Committee. Frank Weigand and Alan Bevan share one voting right. In attendance by invitation are the URENCO Limited Board Chairman, 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;
- Approving LTIP rules, award letters for the Chief Executive Officer and Chief Financial Officer, and termination payments made to the Chief Executive Officer and Chief Financial Officer;
- 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;
- 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.urengo.com](http://www.urengo.com).

#### Membership and attendance during the year

	Number of meetings	Meetings attended
George Verberg	6	6
Richard Nourse	6	5
Frank Weigand	6	6
Alan Bevan	6	5

#### Key issues in 2017

During 2017 the Remuneration and Appointments Committee:

- Reviewed the 2017 targets set for the Chief Executive Officer and Chief Financial Officer;
- Set 2018 targets for the Chief Executive Officer and Chief Financial Officer;
- Considered Executive remuneration, Chair and Non-Executive Director fees, including a market review of the remuneration of the Chief Executive Officer and Chief Financial Officer;
- Considered a revised organisational grading structure, with an initial focus on senior management roles;
- Discussed succession planning; and
- Reviewed the long term incentive plan.

#### Approval

On behalf of the Remuneration and Appointments Committee

#### George Verberg

Chairman of the Remuneration and Appointments Committee  
6 March 2018

## Annual report on remuneration

All figures are reported in euros. In the event that payments are made in sterling, the average rate is adopted for conversion purposes; this was at £0.87 for €1 for 2017 (2016: £0.85 to €1).

### Single total figure of remuneration for each Director (audited)

The remuneration of the Executive Directors for the years 2017 and 2016 was made up as follows:

	Basic salary and fees <sup>1,3</sup> €	Pensions <sup>3</sup> €	Benefits <sup>3</sup> €	Performance related bonuses <sup>4</sup> €	LTIP <sup>6</sup> €	Total 2017 €
<b>Executive Directors</b>						
Thomas Haeberle	789,385 <sup>2</sup>	102,842	100,504	656,255	69,649 <sup>7</sup>	1,718,635
Ralf ter Haar	421,398	56,073	83,719	619,412 <sup>5</sup>	519,710 <sup>7</sup>	1,700,312
<b>Total</b>	<b>1,210,783</b>	<b>158,915</b>	<b>184,223</b>	<b>1,275,667</b>	<b>589,359</b>	<b>3,418,947</b>
	Basic salary and fees <sup>3</sup> €	Pensions <sup>3</sup> (restated <sup>9</sup> ) €	Benefits <sup>3</sup> €	Performance related bonuses <sup>4</sup> €	LTIP <sup>6</sup> €	Total 2016 (restated <sup>9</sup> ) €
<b>Executive Directors</b>						
Thomas Haeberle	673,574	110,512	95,363	375,548	-	1,254,997
Ralf ter Haar	426,615	56,498	163,506 <sup>8</sup>	415,569 <sup>5</sup>	-	1,062,188
<b>Total</b>	<b>1,100,189</b>	<b>167,010</b>	<b>258,869</b>	<b>791,117</b>	<b>-</b>	<b>2,317,185</b>

<sup>1</sup> Basic salary and fees for both Thomas Haeberle and Ralf ter Haar include compensation for part of their remuneration due to the weakening of sterling against the euro compared to agreed historical exchange rates of 1.30 and 1.20 respectively.

<sup>2</sup> Basic salary and fees for Thomas Haeberle increased in 2017 mainly due to a 14.5% increase in his basic salary, which followed a market review conducted by an external consultancy.

<sup>3</sup> In 2016 the Basic salary and fees included a taxable pension salary supplement for Ralf ter Haar and car allowances for both Executive Directors. In 2017 these amounts are presented under Pensions and Benefits respectively. The 2016 amounts for these remuneration elements have been re-presented to aid comparison.

<sup>4</sup> The short term incentive maximum opportunity for both Thomas Haeberle and Ralf ter Haar was increased from 50% to 100% in January 2017, following the market review conducted by an external consultancy.

<sup>5</sup> The amount for Ralf ter Haar is based on performance criteria which include elements related to retention and ongoing service with the Company. The contractual entitlement to this retention element expired on 31 December 2017.

<sup>6</sup> The amounts for the LTIP represent the cash awards relating to the scheme maturing at the end of the year (the LTIP 2014 in 2017 and the LTIP 2013 in 2016). The amounts recognised for LTIP in 2016 were nil because neither of the Executive Directors were eligible to join the scheme that matured in 2016 as their date of joining was after the date of grant. Historically the LTIP amount has represented accruals for a part of the performance period. From 2016 the figures represent the full cash awards for the scheme maturing at the end of the year, which are paid after the year end.

<sup>7</sup> The 2017 LTIP amount for Thomas Haeberle relates to a 1/12 entitlement to the 2014 scheme. Ralf ter Haar has full entitlement to the same scheme, reflective of his commencement date.

<sup>8</sup> 2016 benefits for Ralf ter Haar include a contractual relocation package, which expired in August 2016.

<sup>9</sup> The 2016 pension figure for Thomas Haeberle has been restated to include a taxable pension salary supplement of €110,512 that was paid to him in 2016.

The remuneration of the Non-Executive Directors for the year 2017 was made up as follows:

	Basic salary or fees €	Benefits €	Performance related bonuses €	LTIP €	Total 2017 €
<b>Non-Executive Directors</b>					
Stephen Billingham	234,151	-	-	-	234,151
Alan Bevan	48,484	-	-	-	48,484
Miriam Maes	54,863	-	-	-	54,863
Justin Manson <sup>10</sup>	52,657	-	-	-	52,657
Richard Nourse	48,484	-	-	-	48,484
George Verberg	53,587	-	-	-	53,587
Frank Weigand	69,485	-	-	-	69,485
<b>Total</b>	<b>561,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,711</b>

<sup>10</sup> The fee payable in respect of the Non-Executive Directorship held by Justin Manson is paid to his employer, UK Government Investments Limited.

## Governance

### Remuneration Report continued

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

	Basic salary or fees €	Benefits €	Performance related bonuses €	LTIP €	Total 2016 €
<b>Non-Executive Directors</b>					
Stephen Billingham	244,936	-	-	-	244,936
Alan Bevan	50,717	-	-	-	50,717
Miriam Maes	57,390	-	-	-	57,390
Justin Manson <sup>11</sup>	55,082	-	-	-	55,082
Richard Nourse	50,717	-	-	-	50,717
George Verberg	56,055	-	-	-	56,055
Frank Weigand	67,094	-	-	-	67,094
<b>Total</b>	<b>581,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>581,991</b>

<sup>11</sup> The fee payable in respect of the Non-Executive Directorship held by Justin Manson is paid to his employer, UK Government Investments Limited.

### Additional requirements in respect of the single total figure table

#### Share holding

The Executive Directors hold no shares in the Company.

#### Taxable benefits

Taxable benefits provided for Executive Directors include provision of motor vehicles, medical insurance and 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:

	Thomas Haeberle €	Ralf ter Haar €	Scheme maturing at 31 December
Incentive scheme accrual as at 1 January 2017	48,932	56,172	
Foreign exchange adjustments	(12,040)	(16,282)	
LTIP 2013 paid during the year	-	-	2016
LTIP 2014 accrued during the year	23,102	474,053	2017
LTIP 2016 accrued during the year	315,027	195,890	2018
LTIP 2017 accrued during the year	240,566	135,935	2019
<b>Total LTIP accrual at 31 December 2017</b>	<b>615,587</b>	<b>845,768</b>	

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 2017, both Executive Directors were participants in the LTIP 2014, LTIP 2016 and LTIP 2017. They were not eligible for the LTIP 2013 due to their date of joining being later than the grant date.

The Executive Directors were eligible to participate in the LTIP 2015, which would have matured on 31 December 2018 and vested in 2019. The grant date of the LTIP 2015 was delayed to December 2016 and so the plan has been renamed LTIP 2016, with a shortened performance period of two years to maintain vesting in 2019.

#### 2014 LTIP:

The LTIP 2014 has a grant date in 2015 and a performance period of four years running from 1 January 2014. The scheme matures on 31 December 2017 and vests in 2018. Performance is measured on three metrics: increase in EPS, EBITDA Margin and Missed Deliveries. The three metrics are weighted as follows: EPS 70%; EBITDA Margin 20%; Missed Deliveries 10%.

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

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

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

Award sizes as percentage of salary for Executive Directors:

Metric	Growth in EPS achieved over 4 year period 2014-2017				Average EBITDA Margin over 4 year period 2014-2017				Missed Deliveries over 3 year period 2015-2017			
<b>Metric weighting</b>	70%				20%				10%			
<b>Performance target</b>	0%	15%	32%	≥40%	<60%	60-62.99%	63-64.99%	≥65%	≥3	2	1	0
<b>% of metric achieved</b>	0%	40%	85%	100%	0%	20%	50%	100%	0%	40%	50%	100%
<b>Gross Cash Award as % of salary<sup>1</sup></b>	0%	42%	90%	105%	0%	6%	15%	30%	0%	6%	8%	15%
<b>Actual performance at maturity</b>	55.0%				64.1%				0			
<b>Actual cash award</b>	105.0%				15.0%				15.0%			

<sup>1</sup> Gross cash award as percentage of salary is calculated as Metric Weighting multiplied by cash award for percentage of metric achieved.

As a result of the performance measures achieved at maturity the Gross Cash Award as a % of salary (assuming full year entitlement) is 135%.

#### 2016 LTIP:

The LTIP 2016 is the renamed LTIP 2015, with a shortened performance period of two years to maintain vesting in 2019. The scheme has a grant date of 2016 and matures on 31 December 2018. The award is structured to vest in accordance with the achieved 'Performance Score' as determined by reference to:

- Strategic Milestones aligned with cost saving targets (50%), growth opportunities (25%) and business portfolio (25%); and
- 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.

In the event of 'on target' performance, the award is weighted 50.0% attributable to Strategic Milestones and 50.0% attributable to Value Creation. The Value Creation element has the ability to increase to 100% in the event of Value Creation over performance. Therefore, the maximum Performance Score is 150%.

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

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

### 2017 LTIP:

The LTIP 2017 has a grant date of 2017 and a performance period of three years running from 1 January 2017. The scheme matures on 31 December 2019 and vests in 2020.

The award is structured in the same way as the LTIP 2016, with two key differences:

- The performance period is three years, maturing on 31 December 2019 and vesting in 2020.
- In the event of 'on target' performance, the award is weighted 50.0% attributable to Strategic Milestones and 50.0% attributable to Value Creation. There is no increase in award for over performance and therefore the maximum Performance Score is 100%.

### Total pension entitlements

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

### 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.

	2017 €m	2016 €m	% (decrease)/ increase
Total employee pay	<b>149.7</b>	169.6	(11.7)%
Retained earnings	<b>1,356.8</b>	1,123.2	20.8%
Dividends paid	<b>300.0</b>	350.0	(14.3)%

### Statement of implementation of remuneration policy in the following financial year

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

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

Remuneration of the Chairman is set at the beginning of the term of office and has increased in line with the remuneration of the other Non-Executive Directors. The remuneration of the Non-Executive Directors, where there is an increase, is broadly in line with pay raises awarded to URENCO's UK employees. Periodically, Non-Executives' remuneration is assessed in the context of roles and responsibilities and of other UK companies; this comparison is done with the assistance of an external remuneration consultancy. The remuneration of each Non-Executive Director is subject to the approval of the shareholders at the AGM.

The salary and benefits for Executives are reviewed annually. Following a market review conducted by an external consultancy and approved by the Remuneration Committee, the Chief Executive Officer received a 14.5% increase in basic salary for the 2017 calendar year, compared to 2016. The Chief Financial Officer received a 2.2% increase in basic salary for the 2017 calendar year, compared to 2016.

This increase in basic salary was in line with the increase for all employees throughout the Company. The short term incentive maximum opportunity for both Thomas Haeberle and Ralf ter Haar was increased from 50% to 100% in January 2017, following the same market review. Executive Directors receive benefits that principally comprise living expenses, motor vehicles and private healthcare.

### Consideration of matters relating to Directors' remuneration

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

### Policy report

#### Introduction

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

#### Future policy

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

## Basic salary

### **Purpose**

To recruit and retain high calibre executives.

### **Operation**

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

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

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

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

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

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

### **Opportunity**

Standard annual salary increase in line with the increase for all employees throughout the company, subject to periodic market reviews conducted by an external consultancy.

## All taxable benefits

### **Purpose**

To provide market competitive benefits.

### **Operation**

The Company provides the following ongoing benefits:

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

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

The Company reimburses all reasonable and necessary business expenses.

### **Opportunity**

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

## Performance related bonuses

### **Purpose**

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

### **Operation**

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

### **Opportunity**

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

## Long term incentive plan

### **Purpose**

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

### **Operation**

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

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

### **Opportunity**

Award size as a percentage of salary for Executive Directors is set out in the table on page 42.

## Pensions

### **Purpose**

To offer market competitive levels of benefit.

### **Operation**

The Executive Directors are eligible for membership to the Group defined contribution pension scheme. The scheme also provides for dependants' pensions and lump sums on death in service. In certain cases a taxable pension salary supplement may be paid.

### **Opportunity**

The company makes regular contributions for pension payments. The maximum contribution is 16.0% of salary for the defined contribution scheme.

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

## Fees

### **Purpose**

In respect of services provided by Non-Executive Directors.

### **Operation**

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

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

## Approach to recruitment remuneration

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

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

## Approval

This report was approved by the Board of Directors on 6 March 2018 and signed on its behalf by:



**Sarah Newby**

Company Secretary

**6 March 2018**

# Governance

## Directors' Report

The Directors present their Annual Report and Accounts for the year ended 31 December 2017.

### 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 30 to 31 forms part of this report.

### Results and dividends

Net income for the year attributable to equity holders of the Parent Company amounted to €514.9 million (2016: net loss €456.3 million).

The Directors recommend a final dividend for the year of €300.0 million. The Directors have assessed the level of distributable reserves and cash resources at the Parent Company and are satisfied they are sufficient to support the proposed dividend. No interim dividend was paid during 2017 (2016: final dividend of €300.0 million paid in 2017, with no interim dividend declared or paid in 2016).

### 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 UNS, 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 3 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 8 to 9.

### Going concern

The Group's business activities, achievements, risks and opportunities are set out in the Chief Executive Officer's review on pages 6 to 7 and the Group Finance Report on pages 20 to 25. 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 (€12.7 billion extending to the second half of the next decade (2016: €15.5 billion)) provides a strong foundation for the future. The Group has adequate financial resources and its cash flow forecasts indicate that financing facilities committed and in place are sufficient to cover the Group's cash needs to at least a year after the approval date of these financial statements, including all committed capital expenditure.

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

### Risk management: the use of financial instruments

The Group's policies with respect to financial instrument risk management are covered on page 24 and in note 25 to the consolidated financial statements.

### Capital structure

The capital structure is set out in note 23 and forms part of the Group Finance Report on page 22.

### 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 (2016: €nil) to local political parties. As part of the Group's commitment to the communities in which it operates, contributions totalling €411,000 (2016: €1,014,200) were made during the year to local charities and community projects.

### Events after the reporting period

As of 6 March 2018, no material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the Annual Report and Accounts.

### Disabled employees

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

### Employee involvement and consultations

During the 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 2017 or at any other time during the year. The Directors have declared that they have no material interest during the year in any contract which is significant in relation to the Company's business.

### Supplier payment policy and practice

The Group values its relationships with suppliers of goods and services. The Group negotiates terms and conditions of supply prior to delivery and, as a matter of policy, honours these terms once delivery has been made. At 31 December 2017, the Company had an average of 25 days' purchases owed to trade creditors (2016: an average of 26 days' purchases owed to trade creditors).

### Auditor

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

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint Deloitte LLP for the coming year will be put to the Annual General Meeting on 6 March 2018.

By order of the Board.



**Sarah Newby**

Company Secretary

**6 March 2018**

## Governance

# Directors' Responsibilities Statement

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 6 March 2018 and is signed on its behalf by:

By order of the Board.



**Sarah Newby**

Company Secretary

**6 March 2018**

# Financial statements

## Independent Auditor's Report

### Opinion on financial statements of URENCO Limited

In our opinion:

- **the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);**
- **the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements of URENCO Limited (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement,
- the Consolidated Statement of Comprehensive Income,
- the Consolidated and Parent Company Statements of Financial Position,
- the Consolidated and Parent Company Statement of Changes in Equity,
- the Consolidated Cash Flow Statement,
- the related Consolidated notes 1 to 33, and
- the related Parent Company notes 1 to 19.

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

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

### Basis for opinion

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

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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 deconversion, storage and disposal provisioning;
- Uranic inventory valuation and ownership; and
- Revenue and feed profit recognition.

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

### Materiality

The materiality that we used in the current year was €25 million, which was determined on the basis of approximately 4% of profit before tax excluding foreign exchange gains and losses on financing activities for the year.

### Scoping

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

### Significant changes in our approach

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

## Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

## Key audit matters

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

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

Our key audit matter descriptions below include references to specific URENCO and nuclear market concepts and terms, which are defined and described further in the Glossary of terms to this Annual report and accounts on pages 127 to 128.

## Carrying value of the US enrichment business

### Key audit matter description

Management exercises judgement in assessing that the enrichment business is comprised of two cash-generating units ("CGUs"); being the US (carrying value as at 31 December 2017: €2,191.8 million, 31 December 2016: €2,651.9 million) and European operations.

There is an ongoing requirement for management to assess each CGU for indicators of impairment or impairment reversal at each reporting period end. The 2017 year end impairment risk is focused on the US enrichment business CGU given the significant carrying value of the recently constructed assets and the €760 million pre-tax impairment charge recognised at 2016 year end. The 2016 impairment charge was primarily driven by the further deterioration in the long term forecast market price for SWU, as a result of continued nuclear market uncertainty, the build-up of global inventories and the oversupply of enriched uranium.

## Financial statements

### Independent Auditor's Report continued

There is a significant level of management judgement inherent in determining whether an impairment indicator or impairment reversal indicator exists as at 2017 year end. Management's assessment of whether there has been any observable change during 2017 to the future enrichment market dynamics, the associated SWU market pricing projections and forecast sales volume demand estimations adopted in the 2016 impairment test is critical to this analysis.

Management has re-assessed forecast SWU market prices during 2017, including an assessment of the SWU prices for new URENCO sales contracts signed during the year. These prices are in line with those used in the valuation model to determine the recoverable amount as at 31 December 2016. 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 update the 2016 valuation model.

The other key assumptions that management has re-assessed in detail for any changes since the 2016 impairment test was performed are the 8.4% pre-tax nominal discount rate adopted; the present value of the risk adjusted contracted and agreed future order book including any amendments during 2017; 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 and the US disposal cost of tails produced from enrichment.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 34, and is a critical accounting judgement within note 2 (Significant accounting policies) to the financial statements on page 66. Note 2 to the financial statements on page 72 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 evaluated the design and implementation of the key controls over management's impairment review processes.

We verified the determination of the US and European CGUs to underlying sale agreements to confirm that 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 2017 impairment indicator or impairment reversal analysis.

We have reviewed the new sales contracts signed and agreed during 2017 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 in and prevailing at the time of the 2016 US valuation model.

We have reviewed and challenged management's overall conclusion that there are no material developments and no observable adverse or favourable changes to the external SWU market that were not already included within management's 2016 pricing outlook.

We challenged management's SWU pricing and other key assumptions in the impairment indicator or reversal indicator analysis detailed in the risk description section above, by obtaining third party evidence where available, through consultation with operational management and evaluation and challenge of the Board approved forecasts against recent performance.

#### 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 deconversion, storage and disposal provisioning

### Key audit matter description

During 2015, management rebased the European enrichment sites' tails provisions using the estimated future deconversion cost of processing tails through the TMF under construction. The TMF deconversion cost estimate is reviewed by management at each reporting period end, as this TMF cost estimate is required to measure the future tails deconversion provision. As at 31 December 2017, management recognised a €882.0 million (31 December 2016: €895.8 million) provision to deconvert, store and dispose of URENCO tails currently held across the Group.

Significant management judgement is required in estimating the TMF deconversion forecast cost assumptions, most notably the final capital cost of the TMF construction. The latest TMF comprehensive project review undertaken by management during 2017 indicated higher forecast costs to complete construction. Commissioning completion of the TMF facility is now forecast to be late 2018 (2016: late 2017/early 2018). The results of the 2017 review, including the higher capital cost estimate, were included in the 2017 tails deconversion cost forecast used to estimate the European tails provision. Until complete, the total capital cost remains a key estimate within the European tails provision valuation, as any further increase in the TMF construction cost would increase the current and future European tails provision.

The other key management estimates in valuing this long term European tails provision are the determination of the future TMF operational assumptions and costs; final tails disposal and transport costs; cash flow timings and macroeconomic assumptions (inflation and discount rate) to recognise the provision at a present value cost. During 2017 the European tails provisions were also updated 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 34, and is a key source of estimation uncertainty within note 2 to the financial statements on page 67. Further details on the tails provision are also provided in note 27 to the financial statements on page 103.

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

We evaluated the design and implementation of the key controls over the tails disposal provisioning processes.

We challenged Senior Group (the URENCO Limited Executive Directors and Executive management team) and operational management to understand the status of the TMF project, the residual risks and estimated contingency levels. The Senior Statutory Auditor conducted a TMF site visit in January 2018 and the audit team performed the key audit procedures detailed below to assess management's key assumptions in relation to the forecast capital cost and timing of completion.

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

We have understood the rationale for, and re-calculated, the relevant updates made to the TMF deconversion cost model in 2017; we have agreed the underlying information to third party support where relevant.

The volume of tails to be deconverted was verified to operational and financial reports. For the enrichment services contracts relating to a limited quantity of higher assay tails, we reviewed the underlying contractual terms and challenged the accounting adopted by management against the relevant accounting standards.

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

#### **Key observations**

Whilst noting the remaining key risks and uncertainties in completing the TMF construction and starting commercial operations, we concluded that the key cost and operational assumptions were appropriately risk adjusted and were within our acceptable range.

### **Uranic inventory valuation and ownership**

#### **Key audit matter description**

URENCO handles uranic material in a variety of forms. Its principal raw material is feed, which may be owned by URENCO, owned by customers, or borrowed. As at 31 December 2017 the Group recognised €506.9 million (2016: €550.2 million) of inventories held at cost, split predominantly between €110.2 million (2016: €103.1 million) of raw materials (mainly feed) and €394.8 million (2016: €445.1 million) of SWU work in progress.

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

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

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

## Financial statements

### Independent Auditor's Report continued

Management compares the URENCO owned SWU and feed inventory weighted average cost carrying values against the relevant net realisable values at each reporting period end to assess whether the cost valuations recognised are recoverable.

The Group historically entered into feed borrowing transactions under which it recognised inventory assets and associated borrowing liabilities at cost.

Management performs a complex calculation known as the "owned feed headroom test" at each period end, which compares the volumes of URENCO's feed to the outstanding borrowings and the volumes of feed not immediately accessible as it is contained within LAF. The headroom test determines whether there is any deficit in URENCO's feed inventory compared to these borrowing and re-enrichment obligations. Any feed deficit would be revalued to the current market value, to reflect that any required material would have to be purchased externally from the market. Due to the complexity of the underlying calculations, we have included the accuracy of this calculation as a key audit matter.

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 35, and is a critical accounting judgement within note 2 to the financial statements on page 66. Further details on the inventories are also provided in note 19 to the financial statements on page 90.

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

We evaluated the design and implementation of the key controls over the uranic inventory management cycles.

SWU and feed uranic inventories held at URENCO's four enrichment sites are controlled by perpetual inventory systems that we independently assessed. We reviewed the International Atomic Energy Agency ("IAEA") regulatory documents relating to the inspection of URENCO inventory controls for uranic materials, and attended IAEA and Euratom independent stock counts of physical feed during 2017. We received and verified confirmations from third parties in respect of URENCO inventory held at third party nuclear sites.

We reviewed management's owned feed and SWU inventory tracking system and operational reports, and validated the arithmetic accuracy and underlying data inputs. We scrutinised management's allocation of inventory cost between feed and SWU based on the 'accounting assay' (which is the average mean contractual tails assay detailed further in note 2 on page 66), verifying the inputs of the calculation to source documentation. We reviewed the annual movements in inventory types, through recalculation and by reconciling items to supporting evidence where appropriate.

We recalculated management's SWU and feed cost valuation assessment compared to the relevant net realisable values for inventories based on observable external selling prices.

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

#### Key observations

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

## Revenue and feed profit recognition

#### Key audit matter description

The Group has recognised total revenue of €1,926.9 million in the year ended 2017 (2016: €1,893.0 million). Given the complex nature of the Group's sales contracts and delivery contractual 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 URENCO's assessment of the period in which revenue should be recognised, 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. Given the degree of judgement involved, we also determined that there was a potential for fraud through possible manipulation of this balance.

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

This key audit matter is included as a significant issue related to the financial statements within the Audit Committee report on page 35. The Group's policy on revenue recognition is set out in note 2 on page 68 of the financial statements and further details are included within the Revenue note 3 on page 75.

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

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

We evaluated the design and implementation of key controls over the revenue and commodity contract business cycles.

For revenue recognised in the period shortly before and after 31 December 2017, we agreed sales to physical delivery notifications confirming transfer of uranic material to the customer, and traced payments to bank statements.

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

In respect of the feed sales profit recognition, as detailed in the uranic inventory cost allocation and ownership audit risk on page 52, we recalculated the amount of feed URENCO held ownership of, taking into account borrowed feed material and own feed inherent in material to be re-enriched, noting that all sales were made out of URENCO's own stock.

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

### **Key observations**

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

### **Our application of materiality**

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

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

#### **Group materiality**

€25 million (2016: €25 million).

#### **Basis for determining materiality**

Approximately 4% (2016: approximately 5%) of profit before tax excluding foreign exchange gains and losses on financing activities for the year, and below 2% (2016: below 2%) of equity.

#### **Rationale for the benchmark applied**

We have determined that profit before tax excluding foreign exchange gains and losses on financing activities 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 foreign exchange gains and losses which would, if included, distort materially for the year. We considered this measure to be suitable having also compared to another benchmark; our materiality is below 2% of equity (2016: below 2%).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €1,250,000 (2016: €1,250,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### **An overview of the scope of our audit**

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

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

We performed full scope audits on the entity constructing the TMF (URENCO ChemPlants Limited), the UK uranium handling services entity (URENCO Nuclear Stewardship Limited) and the UK head office entities, which are significant to the Group. Our full scope audit procedures cover net assets (2017: 99%, (2016: 99%) of Group total), revenue (2017: 99%, (2016: 98%) of Group total) and profit before tax (2017: 98%, (2016: 97% of profit before tax) of Group total).

## Financial statements

### Independent Auditor's Report continued

Our audit work at each entity was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality, ranging from €1.8 million to €15.7 million (2016: €0.5 million to €16.3 million). The URENCO Limited (the Group's Parent Company) company only materiality was €15.7 million (2016: €14.4 million).

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

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

Our overall audit scope was consistent with the prior year.

### Other information

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

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

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

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

We have nothing to report in respect of these matters.

### Responsibilities of Directors

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

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

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

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

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

### 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.

## Report on other legal and regulatory requirements

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

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

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

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

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

#### **Adequacy of explanations received and accounting records**

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

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

### Other matters

#### **Auditor tenure**

Following the recommendation of the Audit Committee, we were appointed by the URENCO Limited Board on 11 April 2011 to audit the financial statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 31 December 2011 to 31 December 2017.

#### **Consistency of the audit report with the additional report to the Audit Committee**

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

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

**6 March 2018**

# Financial statements

## Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 Result for the year <sup>(i)</sup> €m	2016 Result for the year (pre exceptional items) (re-presented <sup>(ii)</sup> ) €m	2016 Exceptional items in year (re-presented <sup>(ii)</sup> ) €m	2016 Result for the year (post exceptional items) (re-presented <sup>(ii)</sup> ) €m
Revenue from sales of goods and services	3	1,926.9	1,893.0	-	1,893.0
Changes to inventories of work in progress and finished goods		(124.6)	(38.0)	-	(38.0)
Raw materials and consumables used		(12.0)	(13.0)	-	(13.0)
Tails provision created	27	(199.2)	(139.6)	-	(139.6)
Employee costs (ii)	7	(149.7)	(169.6)	-	(169.6)
Depreciation and amortisation	5	(343.3)	(489.4)	-	(489.4)
Impairment of US operations	6	-	-	(760.0)	(760.0)
Restructuring charges	6	4.7	-	(33.0)	(33.0)
Other expenses	5	(238.6)	(349.8)	-	(349.8)
Share of results of joint venture	16	7.6	(0.4)	-	(0.4)
<b>Income/(loss) from operating activities</b>	5	<b>871.8</b>	693.2	(793.0)	(99.8)
Finance income	8	107.8	112.7	-	112.7
Finance costs	9	(247.9)	(384.7)	-	(384.7)
<b>Income/(loss) before tax</b>		<b>731.7</b>	421.2	(793.0)	(371.8)
Income tax (expense)/income	10	(216.8)	(137.4)	52.9	(84.5)
<b>Net Income/(loss) for the year attributable to the owners of the Company</b>		<b>514.9</b>	283.8	(740.1)	(456.3)
<b>Earnings/(loss) per share</b>		<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Basic earnings/(loss) per share	12	3.1	1.7	(4.4)	(2.7)

(i) In 2017 there were no exceptional items. See note 6 for further details.

(ii) Employee costs that are capital in nature were previously presented as a charge within the "Employee costs" line with an equal and opposite credit recognised within the "Work performed by the Group and capitalised" line for amounts capitalised (year ended 31 December 2017: €14.7 million, year ended 31 December 2016: €14.7 million) presented as a separate line item to "Employee costs". In the year ended 31 December 2017 both the charge and capitalised credit were presented net within the "Employee costs" line. The presentation of the comparative financial information for the year ended 31 December 2016 has been re-presented to be on a consistent basis with no change to reported profit.

## Financial statements

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 €m	2016 €m
<b>Net income/(loss) for the year attributable to the owners of the Company</b>		<b>514.9</b>	(456.3)
<b>Other comprehensive income/(loss):</b>			
<b>Items that have been or may be reclassified subsequently to the income statement</b>			
Cash flow hedges – transfers to revenue	26	<b>82.1</b>	105.1
Cash flow hedges – mark to market gains/(losses)		<b>152.1</b>	(206.4)
Net investment hedge – mark to market gains/(losses)		<b>146.2</b>	(343.1)
Deferred tax (charge)/income on financial instruments	10	<b>(42.5)</b>	10.2
Current tax (charge)/income on financial instruments	10	<b>(11.7)</b>	6.8
Exchange differences on hedge reserve		<b>12.8</b>	53.6
Total movements to hedging reserve		<b>339.0</b>	(373.8)
Exchange differences on foreign currency translation of foreign operations		<b>(291.6)</b>	371.5
Share of joint venture exchange differences on foreign currency translation of foreign operations		<b>(0.1)</b>	1.1
Total movements to foreign currency translation reserve		<b>(291.7)</b>	372.6
<b>Items that will not be reclassified subsequently to the income statement</b>			
Actuarial gains/(losses) on defined benefit pension schemes	28	<b>26.0</b>	(87.4)
Deferred tax (expense)/income on actuarial gains/(losses)	10	<b>(5.1)</b>	14.7
Current tax income on actuarial losses	10	-	0.5
Share of joint venture actuarial losses on defined benefit pension schemes		<b>(2.1)</b>	(7.0)
Utility partner payments		<b>(0.1)</b>	(0.3)
Deferred tax income on utility partner payments	10	-	0.1
Total movements to retained earnings		<b>18.7</b>	(79.4)
<b>Other comprehensive income/(loss)</b>		<b>66.0</b>	(80.6)
<b>Total comprehensive income/(loss) for the year attributable to the owners of the Company</b>		<b>580.9</b>	(536.9)

# Financial statements

## Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 €m	2016 €m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	4,900.5	5,282.8
Investment property	14	6.8	7.4
Intangible assets	15	44.4	40.9
Investments including joint venture	16	7.5	1.1
Financial assets	18	7.6	9.0
Derivative financial instruments	26	284.7	153.2
Deferred tax assets	10	207.2	373.3
		<b>5,458.7</b>	<b>5,867.7</b>
<b>Current assets</b>			
Inventories	19	545.9	550.2
Trade and other receivables	20	234.3	409.7
Derivative financial instruments	26	22.0	56.7
Income tax receivable		77.8	12.0
Short term bank deposits	21	-	1.6
Cash and cash equivalents	22	59.1	251.7
		<b>939.1</b>	<b>1,281.9</b>
<b>Total assets</b>		<b>6,397.8</b>	<b>7,149.6</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	23	237.3	237.3
Additional paid in capital	23	16.3	16.3
Retained earnings		1,356.8	1,123.2
Hedging reserve		(322.5)	(661.5)
Foreign currency translation reserve		536.4	828.1
<b>Total equity</b>		<b>1,824.3</b>	<b>1,543.4</b>
<b>Non-current liabilities</b>			
Trade and other payables	29	-	40.8
Interest bearing loans and borrowings	26	1,888.8	2,350.7
Provisions	27	1,499.3	1,491.9
Retirement benefit obligations	28	97.3	142.8
Deferred income	24	28.2	38.5
Derivative financial instruments	26	120.1	319.7
Deferred tax liabilities	10	94.7	39.0
		<b>3,728.4</b>	<b>4,423.4</b>
<b>Current liabilities</b>			
Trade and other payables	29	436.6	442.5
Interest bearing loans and borrowings	26	275.0	520.9
Provisions	27	15.3	18.8
Derivative financial instruments	26	52.6	175.4
Income tax payable		64.0	23.6
Deferred income	24	1.6	1.6
		<b>845.1</b>	<b>1,182.8</b>
<b>Total liabilities</b>		<b>4,573.5</b>	<b>5,606.2</b>
<b>Total equity and liabilities</b>		<b>6,397.8</b>	<b>7,149.6</b>

Registered Number 01022786

The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2018.

They were signed on its behalf by:

**Dr Thomas Haerberle**  
Chief Executive Officer



**Ralf ter Haar**  
Chief Financial Officer



## Financial statements

# Consolidated Statement of Changes in Equity

As at 31 December 2017

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 1 January 2017	237.3	16.3	1,123.2	(661.5)	828.1	1,543.4
Income for the year	-	-	514.9	-	-	514.9
Other comprehensive income/ (loss)	-	-	18.7	339.0	(291.7)	66.0
Total comprehensive income/(loss)	-	-	533.6	339.0	(291.7)	580.9
Equity dividends paid (see note 11)	-	-	(300.0)	-	-	(300.0)
As at 31 December 2017	237.3	16.3	1,356.8	(322.5)	536.4	1,824.3

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

# Financial statements

## Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	2017 €m	2016 €m
<b>Income/(loss) before tax</b>		<b>731.7</b>	(371.8)
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:			
Share of joint venture results	16	(7.6)	0.4
Depreciation and amortisation	5	343.3	489.4
Impairment of US operations	6	-	760.0
Restructuring costs	6	-	33.0
Finance income	8	(107.8)	(112.7)
Finance costs	9	247.9	384.7
Loss on disposal/write offs of property, plant and equipment		12.0	1.6
Increase in provisions		(31.2)	57.6
<b>Operating cash flows before movements in working capital</b>		<b>1,188.3</b>	1,242.2
Increase in inventories		(41.5)	(92.2)
Decrease/(increase) in receivables and other debtors		159.0	(24.4)
Increase in payables and other creditors		8.3	100.4
<b>Cash generated from operating activities</b>		<b>1,314.1</b>	1,226.0
Income taxes paid		(122.9)	(117.1)
<b>Net cash flow from operating activities</b>		<b>1,191.2</b>	1,108.9
<b>Investing activities</b>			
Interest received		81.6	70.3
Proceeds from sale of property, plant and equipment		0.1	0.4
Purchases of property, plant and equipment		(299.3)	(407.6)
Increase in investment		(0.2)	(0.2)
<b>Net cash flow from investing activities</b>		<b>(217.8)</b>	(337.1)
<b>Financing activities</b>			
Interest paid		(209.9)	(212.6)
Payments in respect of settlement of debt hedges		(6.8)	-
Dividends paid to equity holders	11	(300.0)	(350.0)
Proceeds from new borrowings		378.8	366.4
Maturity/(placement) of short term deposits		1.6	(1.6)
Repayment of borrowings		(1,027.7)	(728.7)
<b>Net cash flow from financing activities</b>		<b>(1,164.0)</b>	(926.5)
<b>Net decrease in cash and cash equivalents</b>		<b>(190.6)</b>	(154.7)
<b>Cash and cash equivalents at 1 January</b>		<b>251.7</b>	391.3
<b>Effect of foreign exchange rate changes</b>		<b>(2.0)</b>	15.1
<b>Cash and cash equivalents at 31 December</b>	22	<b>59.1</b>	251.7

# Financial statements

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

### 1. General information

URENCO Limited ("the Company") is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is given on page 129. 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 page 3.

### 2. Significant accounting policies

#### Basis of preparation and presentation

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

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

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

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

#### Going concern

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

#### Adoption of new and revised accounting standards

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

The Group has adopted the following new and amended IFRS and IAS during the year. Adoption of these revised standards did not have any effect on the financial performance or position of the Group as at 31 December 2017.

<b>International Accounting Standards (IFRS/IAS)</b>	<b>IASB Effective Date – periods commencing on or after</b>	<b>EU-endorsed effective Date – periods commencing on or after</b>
Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)	1 January 2017	1 January 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)	1 January 2017	1 January 2017
Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IFRS 12 Disclosure of Interests in Other Entities	1 January 2017	1 January 2017

The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings (note 26) and certain derivatives (note 26). A reconciliation between the opening and closing balances of these items is provided in note 26. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 26, the application of these amendments has had no impact on the Group's consolidated financial statements.

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these clarifications.

The Group has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014–2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

## For the year ended 31 December 2017

## 2. Significant accounting policies continued

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

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

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	EU-endorsed effective Date – periods commencing on or after
<b>New standards</b>		
IFRS 15 Revenue from Contracts with Customers (and the related clarifications)	1 January 2018	1 January 2018
IFRS 9 Financial Instruments	1 January 2018	1 January 2018
IFRS 16 Leases	1 January 2019	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021	Endorsement outstanding
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Endorsement outstanding
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	Endorsement outstanding
<b>Amended standards</b>		
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Endorsement outstanding
Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IFRS 1 First Time Adoption of IFRS	1 January 2018	Endorsement outstanding
Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IAS 28 Investments in Associates and Joint Ventures	1 January 2018	Endorsement outstanding
Amendments to IAS 40: Transfers of Investment Property	1 January 2018	Endorsement outstanding
Amendments to IFRS 9: Prepayment features with Negative Compensation	1 January 2019	Endorsement outstanding
Amendments to IFRS 10 and IAS 28: Long term Interests in Associates and Joint Ventures	1 January 2019	Endorsement outstanding
Annual Improvements to IFRS standards 2015–2017 Cycle	1 January 2019	Endorsement outstanding

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted on the next page:

## For the year ended 31 December 2017

## 2. Significant accounting policies continued

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use when accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2018. The Group will adopt the full retrospective approach in 2018 with the restatement of 2017 comparatives.

The core principle of IFRS 15 is that an entity should recognise revenue in a manner that depicts the pattern of when contractually agreed performance obligations are completed for customers. Performance obligations are defined as “distinct” goods or services. The revenue amount recognised should reflect the consideration amount to which the entity expects to be entitled in exchange for those contractual performance obligations. The new standard requires entities to apportion revenue earned from contracts to individual performance obligations on a relative standalone selling price basis, based on a five-step model. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

During 2017 the Group has undertaken a detailed accounting impact analysis based on a review of the existing and future contractual terms of its SWU services and uranium goods revenue portfolio streams and internal accounting policies have been developed under IFRS 15.

Under IFRS 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. As the transfer of risks and rewards under IAS 18 coincides with the transfer of control at a point in time under IFRS 15 per the sales contractual terms for both SWU services and uranium goods, the timing and amount of revenue recognised for URENCO will not be materially affected. The key judgement in reaching this conclusion is that control of all goods and services (transferred to the customer under a SWU enrichment services contract) is satisfied at the point in time when the EUP delivery is made to the customer and there are no distinct performance obligations.

The URENCO costs incurred related to fulfilling the SWU enrichment contractual performance obligation were previously recognised as SWU inventories as at 31 December 2017. Under IFRS 15 the previously recognised SWU inventories of €331.0 million will be reclassified as Contract Assets in the statement of financial position under the same measurement basis of historical cost. This is based on the conclusion that as SWU and feed are unable to be separated into their physical component parts, these costs are more accurately represented as costs incurred to fulfil a contractual performance obligation under IFRS 15. This will have no impact on the Group’s net income, net assets or financial Key Performance Indicators for 2018.

**IFRS 9 Financial Instruments**

The Group will apply IFRS 9 from 1 January 2018 and has elected not to restate 2017 comparatives on initial application of IFRS 9. The new standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model.

During 2017 the Group has undertaken a detailed accounting impact analysis of the new standard based on the nature of the financial instruments it holds and the way in which they are used. The changes for the Group following the adoption of IFRS 9 are as follows:

- **Classification and measurement:** IFRS 9 establishes a principles based approach to determining whether a financial asset should be measured at amortised cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Group concludes that the classification and measurement basis for its existing financial assets and liabilities will be unchanged under the new IFRS 9 model.
- **Impairment:** Based on the Group’s assessment, the introduction of an ‘expected credit model’ for the assessment of impairment for financial assets held at amortised cost will not have a material impact on the Group’s statement of financial position or results, given the relatively low exposure to counterparty default risk as a result of the credit risk management processes that are in place for financial assets. The financial impact on initial adoption will be to recognise a pre-tax impairment of €0.2 million on the Group’s consolidated receivables (principally trade receivables) and a pre-tax impairment of €1.9 million on the URENCO Limited company only intra-group current loan receivables plus other receivables. The difference between the previous carrying amount and the impaired carrying amount at 1 January 2018 will be recognised through opening retained earnings for the Group and URENCO Limited company only respectively. Subsequently no significant impact on net income is expected from applying the new impairment model.
- **Hedge accounting:** On initial application of IFRS 9 an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has elected to apply the new IFRS 9 hedge accounting requirements for all existing and new instruments because they align more closely with the Group’s risk management policies. All existing hedge relationships under IAS 39 will continue following the transition to the new IFRS 9 model that was completed pre 1 January 2018 and are expected to be highly effective in future periods. The Group has amended its IAS 39 existing hedging documentation as required prior to 1 January 2018 for the new IFRS 9 hedging framework and hedge effectiveness testing criteria. The adoption of the new standard will not materially change the amounts recognised in relation to existing hedging arrangements but could provide scope to apply hedge accounting to a broader range of transactions in the future.

**For the year ended 31 December 2017**

**2. Significant accounting policies continued**

**IFRS 16 Leases**

IFRS 16 was published in January 2016 and will be effective for the Group from 1 January 2019, replacing IAS 17 Leases.

The principal impact of IFRS 16 will be to change accounting by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in the income statement in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwind of the discount on the lease liability. Certain exemptions from recognising leases on the statement of financial position are available for leases with terms of 12 months or less or where the underlying asset is of low value.

The Group has begun its impact assessment on the new standard and is also evaluating whether any additional arrangements will fall within the scope of the standard. The most significant impact on the Group financial statements is expected to be on the statement of financial position, as a consequence of the recognition of right-of-use assets and lease liabilities in relation to arrangements currently accounted for as operating leases.

**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 in 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 2017

## 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 impairment or reversal indicators**

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

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 assumptions utilised within the value in use calculations are reviewed regularly and include: estimations of future market dynamics and associated market pricing and sales volume demand projections; estimates of levels of long term growth for the nuclear enrichment market; extension of the US operating licence beyond 2040; ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating and tails deconversion, storage and disposal costs; and discount rates.

The value in use calculations for CGUs utilise the Group's 10 year business plan and relevant sensitivity analyses for key assumptions and variables are also assessed. Pricing assumptions are based on market analysis of future market conditions, with reference to external forecast data where available.

URENCO has two key CGUs, its European operations and its US operations. For 2017 URENCO concluded that there were no indicators of impairment for either of these CGUs and accordingly no impairment test has been carried out.

In 2016 a €760.0 million pre-tax impairment charge was recognised on the enrichment assets of the US cash generating unit due to a deterioration in the long term forecast market prices for uncontracted SWU sales. As at the end of 2017 there has been no observable change to the forecast market SWU price curve or any other relevant assumptions detailed above. Therefore, management has concluded that there are no new impairment or impairment reversal indicators for the €2,191.8 million carrying value of the US assets as at 31 December 2017 and has, therefore, not updated the valuation model.

There is continued inherent risk, given the significant level of management judgement required in determining the estimations of future market dynamics, that the associated URENCO SWU market pricing forecasts could further decrease or alternatively could increase since 2016. Any significant change could result in a new impairment indicator or reversal indicator, potentially leading to a change in the recoverable amount of the US operations and an impairment charge or reversal respectively. Details of the carrying value of enrichment assets are given in notes 13 and 15.

- **Accounting assay to determine the allocation of inventory costs between SWU and feed**

In order to account for constituent parts of enriched uranium product or low assay feed, where the resultant fungible material is part owned by third parties and part owned by URENCO, certain assumptions and judgements are required in order to attribute inventory value across the categories of raw materials, work-in-progress and finished goods. These judgements involve consideration of anticipated customer behaviour and forecasts surrounding market price developments. These judgements result in the calculation of an average mean contractual customer tails assay or 'accounting assay' that is used to derive the SWU and Feed component of EUP and low assay feed. Details about inventories are given in note 19.

- **Owned feed and feed headroom test**

In certain circumstances, sales of goods and services are deemed to have been met from inventory borrowed under agreement from third parties. Calculating the exact amount of third party inventory utilised requires assumptions around forecast future customer activity and plant operations. In such circumstances where revenue is generated from the sale of borrowed inventory, the profit that results from the sale of those inventories is deferred until future periods. Details about components of inventories borrowed from third parties are given in note 19.

- **Effectiveness of hedge accounting relationships**

The Group holds derivative instruments, many of which are designated as accounting hedges. Judgement is applied in management's assessment of the effectiveness of these hedges in particular where the probability and timing of the cash revenues or expenditures (the hedged items) is concerned to which the hedging instruments are related. Details about hedging activities are given in note 26.

- **Classification of commodity contracts**

Commodity contracts measured at mark to market fair value are agreements to buy and sell uranium or conversion services which are in the scope at IAS 39. These agreements are designated as commodity contracts at inception where the Group has identified a potential intent to net settle these arrangements. The vast majority of the Group's agreements are classified as "own use" as they are entered into in accordance with the Group's expected purchase sale or usage requirements, and are not marked to market. Details about commodity contracts are provided in notes 3, 19 and 26.

For the year ended 31 December 2017

## 2. Significant accounting policies continued

### Key sources of estimation uncertainty

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

- **Tails provisions and decommissioning provisions**

Provisions for tails deconversion, storage and disposal and for decommissioning of plant and machinery is made on a discounted basis to meet long term liabilities. The discounting is unwound annually to recognise progression towards the full escalated cost estimate for eventual safe disposal or decommissioning. The final amounts of these provisions are uncertain but are evaluated based upon the planned operational activity and final capital investment costs involved in successfully achieving safe disposal or decommissioning as well as third party pricing assumption and the internal cost of deconversion services using TMF. The availability and cost of a repository suitable for the final disposal of depleted  $U_3O_8$  are also key judgements and the level of uncertainty varies widely across the four countries in which URENCO operates.

The provision for tails is calculated as a rate applicable to the quantity of tails held at the statement of financial position date. Consequently, a movement in the rate or quantity of tails held would result in a movement in the provision, excluding any changes due to translation of non-euro denominated provisions to the reporting currency of euros. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to '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 Directors intend to decommission plant used in the enrichment process as soon as practicably possible after it is shut down.

The cash flows have been inflated at a rate of 2% (2016: 2%) per annum and discounted at a rate of 4% (2016: 4%), to take account of the time value of money. The fundamental assumptions underlying these provisions are reviewed on a periodic basis. The last review was carried out in 2015 and the next one is planned for 2018. Details of the provisions and relevant sensitivity analysis are given in note 27.

- **Useful life of centrifuges**

Depreciation of centrifuges is calculated based on their expected operational life and is charged so as to write off the cost of assets over their estimated useful lives down to their residual value. From 1 January 2017 the estimated useful life of centrifuges and associated equipment has been increased by three or five years, depending on the type of centrifuge. This extension of the useful life is supported by operational data demonstrating a longer life than previously assumed. Information about the financial impact of the change in useful lives in 2017 and relevant sensitivity analysis is given in notes 4 and 10.

- **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. Details of these assumptions, relevant sensitivity analysis and the Group pension liability are given in note 28.

- **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 26). The fair value of an asset or liability is the price that would be received to sell the asset, or paid to transfer a liability, in an orderly transaction between market participants. Fair value is determined based on observable market data, discounted cash flow models and other valuation techniques, contractual agreements and other assumptions considered to be reasonable and consistent with those that would be applied by a market participant. The estimation of the fair value of identified assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results and position. Details about fair values of financial assets and financial liabilities and relevant sensitivity analysis are provided in note 26.

- **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 estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details of deferred tax assets, the estimations and relevant sensitivity analysis are given in note 10.

**For the year ended 31 December 2017****2. Significant accounting policies continued****Revenue recognition**

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

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

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

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

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

**Sale of services**

Revenue is derived from the sales of the SWU component of EUP arising from the enrichment service provided. Revenue is recognised at the time the service is provided under the terms of the contract and is accepted by the customer. This is the earlier of allocation of the enrichment activity (SWU) to the customer's book account (either held at a third party or with URENCO) or physical delivery by URENCO of the SWU component of EUP.

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

**Sale of goods**

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably. This may be at physical delivery or transfer to a customer's book account held by a third party or with URENCO both of which represent delivery such that these contracts are outside the scope of IAS 39.

**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. 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 note 3.

**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 IAS 39, are initially recognised at fair value on the statement of financial position when the Group becomes party to the contractual provisions of the instrument and are subsequently re-measured to fair value (marked to market) at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotations or by using models and other valuation techniques. The key inputs for which include forward market prices and contractual prices for the underlying instrument, time to expiry and the relevant credit, counterparty and performance risks.

**For the year ended 31 December 2017****2. Significant accounting policies continued**

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 IAS 39 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 in 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 within employee costs in the income statement.

**Leasing and hire purchase commitments**

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

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

**Foreign currencies**

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

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

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

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

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

**Retirement benefit costs**

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

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

**For the year ended 31 December 2017**

**2. Significant accounting policies continued**

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

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

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

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

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

**Interests in joint ventures**

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

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

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

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

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

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

**Taxation**

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

**Current tax**

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

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

**Deferred tax**

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

## For the year ended 31 December 2017

## 2. Significant accounting policies continued

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

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

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

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

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

## Property, plant and equipment

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

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

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

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

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

Buildings	12 - 40 years
Plant and machinery	2 – 20 years
Office fixtures and fittings	12 years
Motor vehicles	4 years
Computer equipment	3 – 5 years

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

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

## Investment property

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

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

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

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

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

For the year ended 31 December 2017

## 2. Significant accounting policies continued

### 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 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 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 UNS. Initial recognition was measured at valuation based on estimated cash flow savings for the royalty payments. Amortisation on this waiver payment takes place on a straight-line basis over the estimated useful life.

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

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

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

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

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

For the year ended 31 December 2017

## 2. Significant accounting policies continued

### 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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Spares and other equipment are valued on a FIFO basis.

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

### Inventory borrowings from third parties

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

### Short term bank deposits

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

### Cash and cash equivalents

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

### Financial instruments

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

### Trade receivables

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

### Financial liabilities

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

### Borrowing costs

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

### Interest bearing loans and borrowings

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

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

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

For the year ended 31 December 2017

## 2. Significant accounting policies continued

### Trade payables

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

### Derivative financial instruments and hedging

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

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

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

Financial assets and financial liabilities are disclosed on a gross basis. URENCO has ISDA, the International Swaps and Derivatives Association, agreements 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 treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship as follows:

#### Cash flow hedges

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

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

#### Fair value hedges

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

#### Hedges of a net investment

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

### Provisions

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

The enrichment process generates depleted uranium ("tails"). Provisions are made for all estimated costs for the 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.

## For the year ended 31 December 2017

## 2. Significant accounting policies continued

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

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

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.

## 3. Revenue

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

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
Sales of goods and services	1,877.9	1,893.0
Net fair value gain on commodity contracts	49.0	-
Total revenue	1,926.9	1,893.0

A portion of the Group's revenue which is denominated in foreign currencies is cash flow hedged. The amounts disclosed above for revenue from the sale of goods and services include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a net loss of €82.1 million (2016: net loss €105.1 million) (see note 26). During the year, the Group entered into commodity contracts to sell or buy uranium, which are within the scope for IAS 39, and are therefore fair valued from inception. The net fair value gain on these contracts is recognised within revenue.

The inventories arising from these commodity contracts and the fair value of these contracts are disclosed in notes 19 and 26 respectively.

## 4. Segment information

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

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

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

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

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

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

## For the year ended 31 December 2017

## 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 2017	Enrichment business €m	ETC €m	Other <sup>(i)</sup> €m	Consolidated €m
<b>Revenue</b>				
External sales	1,870.4	-	56.5	1,926.9
<b>Total external revenue</b>	<b>1,870.4</b>	<b>-</b>	<b>56.5</b>	<b>1,926.9</b>
<b>Result</b>				
Income/(loss) from operating activities <sup>(iii)</sup>	871.2	8.8	(8.2)	871.8
Finance income	8.7	-	99.1	107.8
Finance costs	(51.3)	-	(196.6)	(247.9)
Income/(loss) before tax <sup>(iii)</sup>	828.6	8.8	(105.7)	731.7
Income tax <sup>(iii)</sup>	(231.7)	-	14.9	(216.8)
<b>Net income/(loss) for the year<sup>(iii)</sup></b>	<b>596.9</b>	<b>8.8</b>	<b>(90.8)</b>	<b>514.9</b>
<b>Other information</b>				
Total depreciation and amortisation <sup>(iii)</sup>	347.6	-	(4.3)	343.3
Add depreciation recognised in decreased inventories	34.0	-	-	34.0
Add depreciation expenses within other expenses	8.0	-	-	8.0
Depreciation and amortisation for EBITDA calculation	389.6	-	(4.3)	385.3
Income/(loss) from operating activities	871.2	8.8	(8.2)	871.8
Depreciation and amortisation for EBITDA calculation	389.6	-	(4.3)	385.3
Joint venture result	-	(8.8)	1.2	(7.6)
<b>EBITDA<sup>(ii)</sup></b>	<b>1,260.8</b>	<b>-</b>	<b>(11.3)</b>	<b>1,249.5</b>
<b>Capital additions:</b>				
Property, plant and equipment	383.4	-	2.5	385.9
Intangible assets	0.2	-	-	0.2
<b>Segment assets</b>	<b>6,011.4</b>	<b>6.3</b>	<b>380.1</b>	<b>6,397.8</b>
<b>Segment liabilities</b>	<b>2,940.3</b>	<b>-</b>	<b>1,633.2</b>	<b>4,573.5</b>

<sup>(i)</sup> Other comprises the corporate Head Office, UNS and Group accounting consolidation adjustments.

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

<sup>(iii)</sup> The extension of the estimated useful life of centrifuges and associated equipment from 1 January 2017 had a positive impact of €108.4 million on net income. The following line items in the above table were impacted:

	Enrichment business €m	Other €m	Consolidated €m
Income from operating activities	86.8	(5.1)	81.7
Income before tax	86.8	(5.1)	81.7
Income tax before change in US tax rate	50.2	1.3	51.5
Income tax effect of change in US tax rate	(24.7)	(0.1)	(24.8)
Net income for the year	112.3	(3.9)	108.4
Depreciation and amortisation	110.2	(5.1)	105.1

## For the year ended 31 December 2017

## 4. Segment information continued

The extension of the useful life of centrifuges and associated equipment is forecast to increase income from operating activities by approximately €380.0 million cumulatively over the next six years. This is a timing difference which is expected to reverse during the 13 years thereafter. This assumes that there are no further changes in the useful lives of centrifuges and associated equipment. Any further increase in the useful life would have had a positive impact on income from operating activities for 2017 and any reduction in the useful life would have reduced income from operating activities for 2017.

Income tax before change in US tax rate of €51.5 million credit consists of a €74.0 million credit for previously unrecognised deferred tax assets partially offset by a €22.5 million charge on increased profits for the year.

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

<sup>(i)</sup> Other comprises the corporate Head Office, UNS and Group accounting consolidation adjustments.

<sup>(ii)</sup> 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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**For the year ended 31 December 2017**

4. Segment information continued

Geographical information

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

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

Year ended 31 December 2017	UK €m	Rest of Europe €m	US €m	Rest of the world* €m	Consolidated €m
<b>Total external revenue</b>	<b>76.5</b>	<b>710.0</b>	<b>942.7</b>	<b>197.7</b>	<b>1,926.9</b>
<b>Location of non-current assets</b>					
Property, plant and equipment	1,670.9	1,055.7	2,173.9	-	4,900.5
Investment property	5.2	1.6	-	-	6.8
Intangible assets	14.9	11.6	17.9	-	44.4

\* predominantly Asia

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

\* predominantly Asia

5. Income/(loss) from operating activities

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

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
Depreciation of property, plant and equipment (note 13)	336.8	481.0
Depreciation of investment property (note 14)	0.4	0.4
Amortisation of intangible assets (note 15)	6.1	8.0
Depreciation and amortisation	343.3	489.4
Exceptional items (note 6)	-	793.0
Employee costs (note 7)	149.7	169.6
Operating costs	174.7	278.2
Administrative and other costs	36.3	33.0
Minimum lease payments under operating leases recognised as an expense for the year	3.3	3.9
Research and development costs	20.4	44.5
Operating foreign exchange gains <sup>(i)</sup>	(6.5)	(9.9)
Operating foreign exchange losses <sup>(i)</sup>	10.4	0.1
Other expenses	238.6	349.8

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

## For the year ended 31 December 2017

## 5. Income/(loss) from operating activities continued

## Auditor's remuneration

An analysis of auditor's remuneration is provided below:

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
Audit of Company	0.3	0.3
Audit of subsidiaries	0.6	0.5
<b>Total audit fees</b>	<b>0.9</b>	0.8
Non-audit services	0.2	0.3
<b>Total fees</b>	<b>1.1</b>	1.1

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

Details of the Company's policy on the use of auditor's for non-audit services, the reason why the auditor was used and how the auditors independence and objectivity was safeguarded are set out in the Audit Committee Report on page 36. No services were provided pursuant to contingent fee arrangements.

## 6. Exceptional items

Exceptional items are those items of financial performance, that due to their size, nature and incidence the Group believes should be separately disclosed in the income statement to assist in understanding the underlying financial performance achieved by the Group. The appropriate classification of exceptional items involves subjective judgment by management including whether the item is truly exceptional and non-recurring. 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.

In 2017 there were no exceptional items (2016: pre-tax exceptional loss of €793.0 million and related tax income of €52.9 million).

The 2016 pre-tax exceptional loss was composed of a pre-tax impairment charge on the US operations (€760.0 million) and a restructuring charge (€33.0 million), with the related tax impacts detailed in note 10. The impairment loss in 2016 was driven by a deterioration in the long term forecast market prices for uncontracted SWU sales. As at 31 December 2017 these forecast market prices have not substantially changed. Therefore management has concluded that there are no new impairment indicators and hence has not updated the valuation model in 2017.

In 2017 an amount of €4.7 million has been released from the restructuring provision. This has been recognised as a gain within Restructuring costs. This item has not been presented as an exceptional item because the amount is below the pre-tax materiality threshold of €25.0 million.

**For the year ended 31 December 2017****7. Employee benefits expense**

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

	Year ended 31/12/17 Number	Year ended 31/12/16 Number
Technical	1,154	1,178
Commercial	38	37
Administration	352	338
	<b>1,544</b>	<b>1,553</b>

Their aggregate remuneration comprised:

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
Wages and salaries	145.2	149.5
Work performed by the Group and capitalised	(14.7)	(14.7)
Social security costs	14.5	15.8
Pension costs	4.7	19.0
	<b>149.7</b>	<b>169.6</b>

Directors' emoluments (see page 40):

	Year ended 31/12/17 €m	Year ended 31/12/16 (restated <sup>(i)</sup> ) €m
Emoluments	3.4	2.9
Amounts receivable under long term incentive scheme	0.6	-
Company contributions paid to a defined contribution pension scheme	-	-
	<b>Number</b>	<b>Number</b>
Members of defined contribution schemes	<b>1</b>	<b>1</b>

<sup>(i)</sup> The amount for 2016 has been restated; for further details see page 40.

In respect of the highest paid Director:

	Year ended 31/12/17 €m	Year ended 31/12/16 (restated <sup>(i)</sup> ) €m
Emoluments including pension	1.7	1.3
Accrued pension at the end of the year	-	-

<sup>(i)</sup> The amount for 2016 has been restated; for further details see page 40.

**8. Finance income**

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
Interest on bank and other deposits	0.4	1.5
Gain from non-designated derivatives	16.2	13.5
Interest rate/cross currency interest rate swaps	70.9	83.1
Foreign exchange gains on financing activities	20.3	14.6
	<b>107.8</b>	<b>112.7</b>

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**9. Finance costs**

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
Interest on bank borrowings and other loans	97.6	108.6
Interest rate/cross currency interest rate swaps	101.4	110.8
Unwinding of discount on provisions	55.5	50.6
Net interest expense on defined benefit pension schemes	3.3	1.9
Surety bond	3.6	3.1
Charge to the income statement from non-designated derivatives	10.7	30.1
Foreign exchange losses on financing activities	30.6	124.8
Less: capitalised interest expense	(54.8)	(45.2)
	<b>247.9</b>	<b>384.7</b>

**10. Income tax**

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
<b>Consolidated income statement</b>		
<b>Current tax</b>		
UK corporation tax	-	11.3
Foreign income tax	127.6	120.0
Adjustments in respect of prior periods <sup>(i)</sup>	(52.4)	14.4
Total current tax expense/(income)	75.2	145.7
<b>Deferred tax (see Deferred income tax analysis below)</b>		
Origination and reversal of temporary differences	90.6	(310.9)
Adjustments in respect of prior periods <sup>(i)</sup>	39.9	2.3
Write-off of expired tax losses <sup>(ii)</sup>	7.4	9.0
Movement in unrecognised deferred tax <sup>(iii)</sup>	(81.4)	239.5
Impact of change in tax rate for deferred tax	85.1	(1.1)
Total deferred tax expense/(income)	141.6	(61.2)
Income tax expense reported in the consolidated income statement	<b>216.8</b>	<b>84.5</b>

<sup>(i)</sup> Due to the unique nature of the capital expenditure incurred on the tails management facility, the availability of tax relief is not certain. Following a number of years of discussion, at the end of 2017 the tax treatment of a large portion of the expenditure was agreed between HMRC and URENCO and this led to prior year adjustments to both current tax and deferred tax of €48.0 million income and €37.2 million expense respectively. The tax treatment of a significant portion of the capital expenditure remains in dispute and will be escalated to a Tax Tribunal. No tax benefit will be recognised for this disputed expenditure until the outcome of the litigation is determined.

<sup>(ii)</sup> New Mexico state tax losses with a tax value of €7.4 million (2016: €9.0 million) have expired during the year and have been written off. A full valuation allowance was held against these tax losses.

<sup>(iii)</sup> The movement in unrecognised deferred tax of €81.4 million income (2016: €239.5 million expense) consists of a €74.0 million income (2016: €nil) as a result of the extension to the useful economic life of centrifuges and associated equipment, a €3.1 million expense (2016: €2.7 million expense) as a result of changes to future expected deferred tax recoverability, a €nil (2016: €245.8 million expense) on exceptional items, and a €10.5 million income (2016: €9.0 million income) as a result of the expiry and utilisation of New Mexico state tax losses.

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

There were no exceptional items during the year, and consequently no tax was recorded on exceptional items. In 2016, the €760.0 million pre-tax impairment charge detailed in note 6, resulted in a €291.1 million deferred tax income which is included within origination and reversal of temporary differences above, offset by a €245.8 million valuation allowance that has been included within the movement in unrecognised deferred tax above. The carrying value of the deferred tax asset therefore increased by €45.3 million through the 2016 income statement tax line. This increase reflected both the reduced accounting carrying value of the impaired US enrichment assets compared to the tax base, and the effect of not having sufficient future probable profits to support full recognition of all deferred tax assets. Further details are available in note 6.

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

For the year ended 31 December 2017

10. Income tax continued

Income tax related to items charged or credited directly to other comprehensive income	Year ended 31/12/17 €m	Year ended 31/12/16 €m
<b>Current tax</b>		
Arising on financial instruments reported in equity	11.7	(6.8)
Arising on actuarial losses on defined benefit pension schemes	-	(0.5)
Total current tax expense/(income)	11.7	(7.3)
<b>Deferred tax</b>		
Arising on financial instruments reported in equity	42.5	(10.2)
Arising on actuarial (losses)/gains on defined benefit pension schemes	5.1	(14.7)
Arising on utility partner payments	-	(0.1)
Total deferred tax expense/(income)	47.6	(25.0)
Income tax expense/(income) reported in the consolidated statement of comprehensive income	59.3	(32.3)

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

	€m	Year ended 31/12/17 %	€m	Year ended 31/12/16 %
Profit/(loss) before tax	731.7		(371.8)	
Weighted at the average UK statutory income tax rate of 19.25% (2016: 20.00%)	(140.8)	19.2	(74.4)	20.0
Adjustments in respect of income tax of previous years	(12.5)	(1.7)	16.7	(4.5)
Tax effect of non-deductible/non-taxable items	12.4	1.7	56.2	(15.1)
Movement in unrecognised deferred tax	(81.4)	(11.1)	239.5	(64.4)
Effect of rate changes on deferred tax	85.1	11.6	(1.1)	0.3
Effect of different foreign tax rates	72.4	9.9	(152.4)	41.0
Income tax expense/(income) reported in consolidated income statement	216.8	29.6	84.5	(22.7)

The enactment of the Tax Cuts and Jobs Act (US Tax Reform) was signed into US law on 22 December 2017, reducing the US Federal corporate income tax rate to 21.00%, effective from 1 January 2018. URENCO's expected average US corporate income tax rate, combining both New Mexico state and Federal taxes, will be 25.66% (2016: 38.84%). As a result, the tax value of the Group's gross US deferred tax assets has reduced by €145.2 million (2016: €nil), which has been partially offset by a reduction of €60.1 million (2016: €nil) in the valuation allowance provided for unrecognised deferred tax. Consequently, the impact of the US Tax Reform tax rate reduction has been to reduce the value of the Group's recognised US deferred tax asset by €85.1 million (2016: €nil), which has been expensed through the consolidated income statement.

A reduction in the UK mainstream corporation tax rate from 20% to 19% became effective on 1 April 2017. A further reduction to 17%, effective from 1 April 2020, was substantively enacted on 15 September 2016. The Group's UK deferred tax assets and liabilities have been valued using a 17% tax rate (2016: 17%). Consequently, the average annual UK corporation tax rate for the year ended 31 December 2017 is 19.25% (2016: 20.00%).

For the year ended 31 December 2017

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	
	31/12/17 €m	31/12/16 €m	Year ended 31/12/17 €m	Year ended 31/12/16 €m
<b>Deferred tax (liabilities)/assets</b>				
Relating to fair value movements on financial instruments	(3.1)	-	20.8	13.7
Relating to fixed assets	(166.6)	(52.5)	(76.5)	63.0
Relating to other temporary differences	4.5	0.8	17.5	(11.0)
Relating to prior years	-	-	(42.0)	-
Relating to provisions	45.7	8.6	35.0	(35.9)
Relating to retirement benefits	12.0	4.1	17.7	(6.6)
Relating to tax losses	12.8	-	0.8	-
<b>Total deferred tax liabilities</b>	<b>(94.7)</b>	<b>(39.0)</b>		
<b>Deferred tax assets</b>				
Relating to amounts allowed when paid	-	-	-	(61.0)
Relating to fair value movements on financial instruments	(7.2)	29.7	(17.9)	(16.2)
Relating to fixed assets	(159.6)	(272.1)	(8.5)	161.5
Relating to other temporary differences	1.7	10.3	(2.1)	26.8
Relating to prior year	-	-	2.1	(2.3)
Relating to provisions	98.8	147.0	(6.9)	70.1
Relating to retirement benefits	6.2	27.8	(20.4)	7.6
Relating to start up costs	36.4	69.6	(10.9)	(9.0)
Relating to tax losses	321.2	619.9	(46.6)	98.9
Effect of rate changes on deferred tax	-	-	(85.1)	1.1
Valuation allowance	(90.3)	(258.9)	81.4	(239.5)
<b>Total deferred tax assets</b>	<b>207.2</b>	<b>373.3</b>		
<b>Deferred tax expense/(income)</b>			<b>(141.6)</b>	61.2

The recognition of the deferred tax assets set out above requires management to use estimates 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 €153.5 million (2016: €287.8 million), relating predominately to unused tax losses and start up costs, have been recognised based on the expectations of future taxable profits in the period 2018 to 2027. At 31 December 2017, a 10% increase in future taxable profits in each year of the period 2018 to 2027 would lead to an increase of €12.5 million in the amount of net US deferred tax assets recognised, whilst a 10% decrease in future taxable profits in each year would lead to a decrease of €12.5 million in the amount of net US deferred tax assets recognised. At 31 December 2017, as shown in the above table, a valuation allowance totalling €90.3 million (2016: €258.9 million) was provided against gross deferred tax assets.

The US Tax Reform signed into law on 22 December 2017 represents a material change in how US tax will be calculated. The Tax Cuts and Jobs Act will be supplemented by a variety of Notices and Regulations over the next few years that may clarify how certain items should be treated. URENCO has sought to calculate the suitable US taxable profits for deferred tax asset recognition testing using reasonable estimates of how the law will apply. These estimates may change as more detail is made available.

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

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

## For the year ended 31 December 2017

## 11. Dividends paid and proposed

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
<b>Declared and paid during the year</b>		
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2016 of 178.57 cents per share (2015: 208.33 cents per share)	<b>300.0</b>	350.0
	<b>300.0</b>	350.0
<b>Proposed for approval at the Annual General Meeting</b>		
Proposed final dividend for the year ended 31 December 2017 of 178.57 cents per share (2016: 178.57 cents per share)	<b>300.0</b>	300.0

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

## 12. Earnings/(loss) per share

Earnings/(loss) per share amounts are calculated by dividing net earnings/(loss) 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/(loss) per share is based on the following data:

	Year ended 31/12/17	Year ended 31/12/16
<b>In millions of euros</b>		
Earnings/(loss) for the purposes of basic earnings/(loss) per share being net income/(loss) attributable to equity holders of the parent	<b>514.9</b>	(456.3)
<b>In millions of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	<b>168.0</b>	168.0
<b>In euros</b>		
Basic earnings/(loss) per share	<b>3.1</b>	(2.7)

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

No information for diluted earnings/(loss) 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 2017

13. Property, plant and equipment

2017	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2017	2,208.3	6,731.5	154.8	20.0	1,257.7	10,372.3
Additions	48.6	40.1	6.7	0.2	290.3	385.9
Transfers (see note 15)	(27.6)	47.4	4.6	0.5	(58.7)	(33.8)
Disposals	-	(0.1)	-	(0.1)	-	(0.2)
Written off	(0.7)	(0.9)	(0.9)	(0.1)	(10.9)	(13.5)
Exchange adjustments	(205.9)	(389.2)	(4.8)	(0.3)	(61.4)	(661.6)
Cost as at 31 December 2017	2,022.7	6,428.8	160.4	20.2	1,417.0	10,049.1
Depreciation as at 1 January 2017	779.1	4,123.5	111.4	16.5	59.0	5,089.5
Charge for the year	56.9	262.6	15.6	1.7	-	336.8
Disposals	-	(0.1)	-	(0.1)	-	(0.2)
Written off	(0.2)	(0.4)	(0.7)	(0.1)	-	(1.4)
Exchange adjustments	(66.9)	(197.6)	(4.0)	(0.2)	(7.4)	(276.1)
Depreciation as at 31 December 2017	768.9	4,188.0	122.3	17.8	51.6	5,148.6
Carrying amount as at 1 January 2017	1,429.2	2,608.0	43.4	3.5	1,198.7	5,282.8
Carrying amount as at 31 December 2017	1,253.8	2,240.8	38.1	2.4	1,365.4	4,900.5

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 2017 relate to a reclassification from property, plant and equipment to other software assets with a net book value of €12.3 million. The remaining €21.5 million of the transfer relates to a by-product asset generated during the tails deconversion process that was previously capitalised to Property, plant and equipment which has been expensed to the income statement during 2017 within the €199.2 million additional tails provision in the year, see note 27.

At 31 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €46.1 million (2016: €83.9 million) principally in relation to cascades, equipment and buildings.

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

	2017 €m	2016 €m
Cost at 31 December	343.0	320.3
Impairment	(6.1)	(7.0)
Depreciation at 31 December	(211.1)	(190.0)
Carrying amount at 31 December	125.8	123.3

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

	2017 €m	2016 €m
Cost at 31 December	422.5	349.8
Impairment	(24.5)	(28.0)
Depreciation at 31 December	(66.1)	(85.8)
Carrying amount at 31 December	331.9	236.0

The borrowing costs capitalisation rate of assets under construction was 5.08% (2016: 4.43%).

## For the year ended 31 December 2017

## 13. Property, plant and equipment continued

2016	Freehold land and buildings €m	Plant and machinery €m	Fixtures and fittings €m	Motor vehicles €m	Assets under construction €m	Total €m
Cost as at 1 January 2015	2,091.9	6,745.4	142.6	18.7	1,161.9	10,160.5
Additions	42.3	35.8	9.0	0.7	388.8	476.6
Transfers (see note 14 and 15)	52.3	87.0	5.1	0.8	(149.6)	(4.4)
Disposals	(3.6)	(12.0)	(0.9)	(0.1)	-	(16.6)
Exchange adjustments	25.4	(124.7)	(1.0)	(0.1)	(143.4)	(243.8)
Cost as at 31 December 2016	2,208.3	6,731.5	154.8	20.0	1,257.7	10,372.3
Depreciation as at 1 January 2016	418.7	3,483.6	92.9	14.8	-	4,010.0
Charge for the year	66.4	394.1	18.5	2.0	-	481.0
Impairment charge (see note 6)	298.2	394.9	1.5	-	59.0	753.6
Disposals	(3.6)	(10.2)	(0.9)	(0.1)	-	(14.8)
Exchange adjustments	(0.6)	(138.9)	(0.6)	(0.2)	-	(140.3)
Depreciation as at 31 December 2016	779.1	4,123.5	111.4	16.5	59.0	5,089.5
Carrying amount as at 1 January 2016	1,673.2	3,261.8	49.7	3.9	1,161.9	6,150.5
Carrying amount as at 31 December 2016	1,429.2	2,608.0	43.4	3.5	1,198.7	5,282.8

## 14. Investment property

2017	Total €m
Cost as at 1 January 2017	9.0
Exchange adjustments	(0.3)
Cost as at 31 December 2017	8.7
Depreciation as at 1 January 2017	1.6
Charge for the year	0.4
Exchange adjustments	(0.1)
Depreciation as at 31 December 2017	1.9
Carrying amount as at 1 January 2017	7.4
Carrying amount as at 31 December 2017	6.8

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

No formal valuation was conducted on the investment properties during 2017 as investments are carried at cost. The fair value of the investment properties has been assessed by the Directors using a discounted cash flow valuation method to identify any material changes to the formal valuations conducted previously. The fair value as at 31 December 2017 under this method was €8.8 million (31 December 2016: €8.8 million). There has been no change to the valuation technique used during the year.

The rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €1.0 million (2016: €1.0 million). Associated direct operating expenses amounted to €0.3 million (2016: €0.3 million). Rental income is recognised within revenue.

**For the year ended 31 December 2017**

**14. Investment property** continued

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

**15. Intangible assets**

	Licence costs €m	Other software assets €m	Waiver payments €m	Total €m
<b>2017</b>				
Cost as at 1 January 2017	70.7	89.4	6.7	166.8
Additions	-	0.2	-	0.2
Transfers (see note 13)	-	12.3	-	12.3
Exchange adjustments	(4.6)	(5.6)	(0.3)	(10.5)
Cost as at 31 December 2017	66.1	96.3	6.4	168.8
Amortisation as at 1 January 2017	36.7	85.4	3.8	125.9
Charge for the year	3.0	2.3	0.8	6.1
Exchange adjustments	(2.1)	(5.3)	(0.2)	(7.6)
Amortisation as at 31 December 2017	37.6	82.4	4.4	124.4
Carrying amount as at 1 January 2017	34.0	4.0	2.9	40.9
Carrying amount as at 31 December 2017	28.5	13.9	2.0	44.4

The licence costs mainly relate to the costs of obtaining an operating licence in the USA. This licence was granted to LES in 2006 and ends in 2040, 30 years after the start of the 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:

	2017 €m	2016 €m
Cost at 31 December	1.8	1.4
Depreciation at 31 December	(1.1)	(1.1)
Carrying amount at 31 December	0.7	0.3

The borrowing costs capitalisation rate of assets under construction was 5.08% (2016: 4.43%).

For the year ended 31 December 2017

15. Intangible assets continued

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

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 results of the joint arrangement at 31 December were:

	2017 €m	2016 €m
<b>Share of the joint venture statement of financial position</b>		
Non-current assets	18.1	6.1
Current assets	71.8	27.0
Share of gross assets	89.9	33.1
Non-current liabilities	(49.4)	(25.8)
Current liabilities	(32.2)	(11.4)
Share of gross liabilities	(83.6)	(37.2)
	6.3	(4.1)
Unrecognised share of net liabilities of joint venture	-	4.1
Group's share of net assets	6.3	-

	For the year to 31/12/17 €m	For the year to 31/12/16 €m
<b>Share of joint venture results</b>		
Total revenue	74.3	76.7
Group's share of profit/(loss) for the year	8.8	(0.7)
Group's share of loss for the year not recognised	-	0.3
Reversal of previously unrecognised Group's share of loss	(0.3)	-
Consolidation adjustments	(0.9)	-
Share of results of joint venture	7.6	(0.4)

At 31 December 2017, the Group has recorded the investment in ETC at €6.3 million because ETC had returned to a positive equity position. At 31 December 2016, the Group recorded an investment of €nil million reflecting that ETC had negative equity of €4.1 million and the Group does not recognise its share of the net liabilities of the joint venture once the value of the investment has reduced to nil because the Group is not liable for ETC's net liabilities.

## For the year ended 31 December 2017

## 16. Investments continued

	2017 €m	2016 €m
<b>Share of (net liabilities)/net assets of joint venture</b>		
As at 1 January	-	6.3
Group's share of profit/(loss) for the year	8.8	(0.7)
Reversal of previously unrecognised Group's share of loss	(0.3)	-
Group's share of other comprehensive income	1.6	(9.7)
Reversal of previously unrecognised Group's share of other comprehensive income	(3.8)	-
Share of net assets/(net liabilities) of joint venture	6.3	(4.1)
Group's share of loss not recognised	-	0.3
Group's share of other comprehensive income not recognised	-	3.8
As at 31 December	<b>6.3</b>	-

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

## Other Investments

	€m
Cost as at 1 January 2017	1.1
Additions	0.1
Cost as at 31 December 2017	1.2
Carrying value as at 1 January 2017	1.1
Carrying value as at 31 December 2017	1.2

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. URENCO has invested €0.1 million in the fund which is held at cost.

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

## 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. Financial assets

	31/12/17 €m	31/12/16 €m
Restricted cash	<b>7.6</b>	9.0

Restricted cash primarily represents two items:

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

## For the year ended 31 December 2017

## 19. Inventories

	31/12/17 €m	31/12/16 €m
Raw materials	110.2	103.1
Work-in-progress	394.8	445.1
Finished goods	1.9	2.0
Finished goods held at fair value	39.0	-
	<b>545.9</b>	550.2

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

Finished goods held at fair value relate to uranium commodity contract inventories within the scope of IAS 39 which arise due to timing differences between the commodity purchase and sale transactions.

## 20. Trade and other receivables (current)

	31/12/17 €m	31/12/16 €m
Trade receivables	177.9	342.8
Trade receivables due from related parties (see note 33)	0.3	0.5
Other receivables	35.2	40.9
Prepayments	20.9	25.5
	<b>234.3</b>	409.7

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

The average contractual credit period taken on sales of goods and services is 29 days (2016: 36 days). Trade receivables can carry interest in accordance with contract conditions. Trade receivables are stated at their invoiced value as payments are usually received within the contract terms. No provisions for doubtful debt is deemed necessary. The average age of these trade receivables is 16 days (2016: 13 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 33 on page 109.

At the year end one of the trade receivables was past its due date. The full amount has been collected and all other trade receivables are considered to be recoverable.

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

## 21. Short term bank deposits

	31/12/17 €m	31/12/16 €m
Short term bank deposits	-	1.6

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

## 22. Cash and cash equivalents

	31/12/17 €m	31/12/16 €m
Cash and cash equivalents	59.1	251.7

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

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

**For the year ended 31 December 2017**

**23. Share capital and reserves**

	31/12/17 €m	31/12/16 €m
<b>Authorised:</b>		
240 million ordinary shares of £1 each		
'A' ordinary	<b>113.0</b>	113.0
'B' ordinary	<b>113.0</b>	113.0
'C' ordinary	<b>113.0</b>	113.0
	<b>339.0</b>	339.0
<b>Issued and fully paid:</b>		
168 million ordinary shares of £1 each		
'A' ordinary	<b>79.1</b>	79.1
'B' ordinary	<b>79.1</b>	79.1
'C' ordinary	<b>79.1</b>	79.1
	<b>237.3</b>	237.3

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

The reserves outlined in the consolidated statement of changes in equity on page 60 are as follows:

**Additional paid in capital**

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

**Hedging reserve**

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

**Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of certain foreign subsidiaries and the parent entity.

**24. Deferred income**

Deferred income relates to payments received in advance for contracted enrichment or storage services, which will be supplied in future periods.

	2017 €m	2016 €m
As at 1 January	<b>40.1</b>	44.2
Movement during the year	<b>(8.9)</b>	1.1
Exchange difference	<b>(1.4)</b>	(5.2)
As at 31 December	<b>29.8</b>	40.1
Included in current liabilities	<b>1.6</b>	1.6
Included in non-current liabilities	<b>28.2</b>	38.5
	<b>29.8</b>	40.1

The movement during the year was due mainly to the deliveries made under a contract which had been prepaid by the customer at the end of 2016. The balance at the year end substantially relates to deferred income for contracted storage services to be provided by UNS in future years for which the consideration was received in advance, predominantly in the form of land and a waiver of royalty payments. This deferred income was initially determined as the present value of estimated future storage fees for a fixed volume of uranic material. Revenue recognition takes place during the years these storage services will be provided. The unwinding of the discount on the deferred income is recorded as finance costs.

## For the year ended 31 December 2017

## 25. Financial risk management objectives and policies

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

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

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

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

## Credit risk

The Group's principal financial assets are cash and cash equivalents, short term bank deposits, trade and other receivables and derivative financial instruments, which represent the Group's maximum exposure totalling €579.2 million (2016: €847.4 million).

The Group trades only with what it considers are creditworthy third parties, who are mainly other participants in the nuclear fuel supply chain. It is the Group's policy that all customers wishing to trade on credit are subject to an internal approval process based on an internally devised system of credit scoring. Customers are assigned credit limits based on this credit score and their credit balances are monitored and managed against these limits on a monthly basis. Historically, there has been no payment default by any customer trading with the Group under this procedure.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The following table provides an analysis of the percentage of debtors at the year end with an external or internal credit rating.

Credit Rating	External Credit Rating			Internal Credit Rating	
	Number of Customers	% of value	Rating Agency	Number of Customers	% of value
AA	1	8	S&P		
A-	4	46	S&P		
A-	1	5	Moody's		
BBB+	2	13	S&P		
BBB	1	12	S&P	2	6
BB				1	10
B-				1	-
	9	84		4	16

With respect to credit risk arising from other financial assets of the Group, comprising cash and cash equivalents, short term deposits, and certain financial derivative instruments, the Group's credit risk is the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Counterparties for these assets are banks with investment-grade credit ratings assigned by international credit-rating agencies.

The Group has not pledged and does not hold collateral over any balances.

**For the year ended 31 December 2017**

## 25. Financial risk management objectives and policies continued

## Interest rate risk

Some of the Group's borrowings are exposed to the risk of changes in market interest rates, which relates primarily to the Group's short term debt obligations with floating interest rates.

In order to manage its interest costs, the Group's policy is to maintain a proportion of its borrowings at fixed rates of interest. Given the current low level of interest rates the Group has in previous years issued medium term fixed rate bonds, the Board having approved the Group to exceed the previous 60% fixed rate limit. At 31 December 2017, after taking into account the effect of fixed rate interest rate swaps, 92% (2016: 93%) of the Group's borrowings are at a fixed rate of interest.

## Interest rate sensitivity analysis

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

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

The following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

If market interest rates had been 100 basis points higher/(lower) at 31 December 2017, interest expense before tax would have been €1.7 million higher/(lower) (31 December 2016: €2.0 million higher/(lower)).

## Foreign currency risk

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

The Group has transactional currency exposures as a result of approximately 57% (2016: 69%) of its revenues being denominated in US dollars, whilst currently only approximately 24% (2016: 26%) of its costs are US dollar-based.

The Group also has transactional currency exposures as a result of approximately 45% (2016: 33%) of Group costs being denominated in sterling, whilst revenue is mainly in euro and US dollar.

In order to mitigate these exposures, the Group's policy is to hedge its net contracted US dollar and sterling exposures in its UK and rest of European businesses (i.e. cash revenues less cash costs) using forward currency contracts and related derivative financial instruments. The Group's policy is to hedge forward its net contracted US dollar and sterling exposures to a minimum of 80% in years 1 and 2, 60% in year 3, 40% in year 4 and a minimum of 20% in year 5.

## Foreign currency sensitivity analysis

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

- A number of external and inter-company loans which are denominated in US dollars and euro are designated as, and are effective hedges, of the Group's investments in US dollars and euro denominated assets. Any gains/losses arising on the retranslation of these US dollar or euro loans are recorded directly to other comprehensive income and would be offset in equity by a corresponding loss/gain arising on the retranslation of the related hedged foreign currency net asset.
- The Group enters into currency forward contracts to mitigate currency risk, the majority of which are against the US dollar. These are currency derivatives that are part of an effective cash flow hedge for currency fluctuations resulting from exchange rate movements in accordance with IAS 39. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Any ineffectiveness or ineffective hedges affect the income statement.

For the year ended 31 December 2017

25. Financial risk management objectives and policies continued

The following table demonstrates the sensitivity to changes in sterling and euro against the US dollar:

	Change in £ / US\$ rate	Effect on income/(loss) before tax €m	Effect on equity €m	Change in € / US\$ rate	Effect on income/(loss) before tax €m	Effect on equity €m
<b>2017</b>	<b>+10%</b>	<b>29.0</b>	<b>62.5</b>	<b>+10%</b>	<b>-</b>	<b>97.2</b>
	<b>-10%</b>	<b>(35.5)</b>	<b>(76.4)</b>	<b>-10%</b>	<b>-</b>	<b>(118.8)</b>
2016	+10%	13.5	75.8	+10%	4.4	107.1
	-10%	(16.5)	(92.7)	-10%	(5.3)	(130.9)

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 €935 million (2016: €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 2017, 13% (2016: 18%) of the Group's interest bearing loans and borrowings will mature in less than one year.

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

	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
<b>2017</b>					
Interest bearing loans and borrowings	296.1	26.5	1,425.4	817.0	2,565.0
Trade and other payables	436.6	-	-	-	436.6
Interest rate/cross currency swaps – net payment/(receipt)	2.5	18.1	(32.5)	69.3	57.4
Foreign exchange contracts – net payment/(receipt)	(9.1)	(19.1)	(15.6)	(4.1)	(47.9)
Other financial liabilities	-	4.6	35.6	82.2	122.4
	<b>726.1</b>	<b>30.1</b>	<b>1,412.9</b>	<b>964.4</b>	<b>3,133.5</b>
<b>2016</b>					
Interest bearing loans and borrowings	36.5	560.9	1,269.1	1,387.0	3,253.5
Trade and other payables	442.5	-	40.8	-	483.3
Interest rate/cross currency swaps – net payment/(receipt)	4.5	44.3	155.0	236.7	440.5
Foreign exchange contracts	39.4	70.9	194.0	3.9	308.2
Other financial liabilities	-	5.2	47.4	86.8	139.4
	<b>522.9</b>	<b>681.3</b>	<b>1,706.3</b>	<b>1,714.4</b>	<b>4,624.9</b>

## For the year ended 31 December 2017

## 25. Financial risk management objectives and policies continued

## Capital management

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

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

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

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

	2017 €m	2016 €m
Net debt (see page 99)	2,104.7	2,618.3
Total assets	6,397.8	7,149.6
Net debt to total assets	32.9%	36.6%

	2017 €m	2016 €m
<b>EBITDA<sup>(i)</sup></b>	<b>1,249.5</b>	1,170.0
Less:		
Net interest on bank borrowings and other loans	(134.7)	(139.8)
Unwinding of discount on provisions	(55.5)	(50.6)
Current tax expenses	(75.2)	(145.7)
Plus:		
Operating lease depreciation	3.6	3.8
Pension normalisation	(2.8)	(4.7)
<b>Funds from operations (FFO)</b>	<b>984.9</b>	833.0
Interest bearing loans and borrowings	2,163.8	2,871.6
Cash and short term bank deposits	(59.1)	(253.3)
Operating lease adjustment	48.6	56.8
Pensions deficit	97.3	142.8
Deferred tax on pensions deficit	(18.2)	(31.9)
Tails and decommissioning provisions	1,366.5	1,333.6
Depreciation within tails provisions	(283.1)	(229.7)
Deferred tax on provisions	(144.5)	(155.6)
Deferred tax on depreciation within tails provisions	62.0	49.2
<b>Total adjusted debt (TAD)</b>	<b>3,233.3</b>	3,783.5
<b>FFO/TAD</b>	<b>30.5%</b>	22.0%

<sup>(i)</sup> The EBITDA of €1,170.0 million in 2016 was before exceptional losses of €793.0 million.

## For the year ended 31 December 2017

## 26. Other financial assets and financial liabilities

## Interest bearing loans and borrowings

At 31 December	Effective interest rate %	Maturity	2017 €m	2016 €m
<b>Current</b>				
€500 million Eurobond	4.0%	May 17	-	362.3
€100 million Term facility agreement (inflation linked)	2.88% + inflation	Dec17	-	112.4
€100 million European Investment Bank financing facility	4.439%	Mar 18	<b>100.0</b>	-
€360m Bilateral facilities	USLibor/Euribor + margin	Nov 18	<b>175.0</b>	-
\$132.2 million European Investment Bank financing facility	3.30%	Mar 23	-	14.0
\$99 million European Investment Bank financing facility	3.15%	May 23	-	10.6
€100 million European Investment Bank financing facility	4.772%	Oct 24	-	7.1
€100 million European Investment Bank financing facility	3.34%	Oct 27	-	7.1
\$108.6 million European Investment Bank financing facility	Floating	Jun 28	-	7.4
			<b>275.0</b>	520.9
<b>Non-current</b>				
€100 million European Investment Bank financing facility	4.439%	Mar 18	-	100.0
€750 million Eurobond	2.50%	Feb 21	<b>747.9</b>	747.3
€500 million Eurobond	2.25%	Aug 22	<b>496.7</b>	495.8
\$132.2 million European Investment Bank financing facility	3.30%	Mar 23	-	83.8
\$99 million European Investment Bank financing facility	3.15%	May 23	-	62.8
€100 million European Investment Bank financing facility	4.772%	Oct 24	-	50.0
€500 million Eurobond	2.375%	Dec 24	<b>496.4</b>	495.8
€100 million European Investment Bank financing facility	3.34%	Oct 27	-	71.4
\$108.6 million European Investment Bank financing facility	Floating	Jun 28	-	81.2
Yen 20 billion Loan Agreement	6.24%	Apr 38	<b>147.8</b>	162.6
			<b>1,888.8</b>	2,350.7
			<b>2,163.8</b>	2,871.6

As at 31 December 2017, after taking into account the effect of interest rate swaps, 92% (2016: 93%) of the Group's borrowings are at a fixed rate of interest.

Amounts recognised in the income statement are interest expense of €97.7 million (2016: €108.6 million) and interest income of €0.4 million (2016: €1.5 million).

The remaining €362.3m of the original €500 million Eurobonds and €100 million inflation linked bonds matured in 2017. With the exception of the €100m debt maturing March 2018 all EIB debt was repaid in advance of the maturity dates.

During the year the Group signed four new bilateral facilities of €90 million each with four banks. These were drawn to a value of €175 million (2016: €nil million), partly to fund the early redemption of the EIB debt. There were no drawings under the €750 million revolving credit facility at the end of the year (2016: none).

**For the year ended 31 December 2017**

## 26. Other financial assets and financial liabilities continued

## Hedging activities and derivatives

**Revenue related hedges**

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

As at 31 December 2017, the net asset of the FFECs was €24.2 million (31 December 2016: liability of €232.5 million), with the movement driven principally by the US dollar forward rates weakening against sterling and the euro in the year. The vast majority of FFECs are designated as cash flow hedges, with the gains and losses deferred in equity. There is a small minority of FFECs that have been dedesignated from hedge relationships and, therefore, their gains and losses are recognised in the income statement. Also, a small number of FFECs were not formally designated in a hedge and are revalued through the income statement.

During the year, €82.1 million of hedging losses (2016: losses of €105.1 million) were recycled to revenues due to the maturing of contracts in effective hedging relationships.

**Borrowing related hedges**

The Group uses Cross Currency Interest Rate Swaps ('CCIRs') to hedge its US dollar, euro and yen debt instruments into sterling as they are held by URENCO Limited, a sterling functional currency entity. The Group's portfolio of CCIRs, hedging a principal of €1,212.4 million (31 December 2016: €1,562.6 million), help to manage the foreign exchange volatility which would be recognised through the income statement.

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

As at 31 December 2017, the Group's portfolio of CCIRs was held as an asset of €101.8 million (31 December 2016: liability of €52.7 million). The movement in the year of €154.5m is due to the maturity in the year of CCIRs held at a liability of €12.7m at 31 December 2016, together with a €141.8m gain on the remaining CCIRs due to the weakening of US dollar forward rates in the year against euro.

Included in loans at 31 December 2017 were \$90 million (31 December 2016: \$488.5 million) of borrowings in US dollars which have been designated as a net investment hedge. These borrowings, when added to the currency swaps in a net investment hedge detailed above, total \$1.4 billion and hedge the Group's investment in USA subsidiaries (URENCO USA Inc. and Louisiana Energy Services LLC). Also included in loans at 31 December 2017 were borrowings of €700.0 million (31 December 2016: €750.7 million), which have been designated as hedges of the net investment in the Group's European sites. Gains or losses on the retranslation of these borrowings are transferred to other comprehensive income to offset any gains or losses on translation of the net investment in subsidiaries.

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**Notes to the Consolidated Financial Statements** continued

For the year ended 31 December 2017

26. Other financial assets and financial liabilities continued

**Fair values**

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

	Book value 2017 €m	Fair value 2017 €m	Book value 2016 €m	Fair value 2016 €m
<b>Financial assets</b>				
Loans and receivables				
Trade and other receivables	234.3	234.3	409.7	409.7
Derivative financial assets at fair value through profit or loss				
Forward foreign exchange contracts – hedged	92.8	92.8	2.7	2.7
Forward foreign exchange contracts – non-hedged	3.1	3.1	2.3	2.3
Interest rate/cross currency swaps	193.9	193.9	204.9	204.9
Commodity contracts at fair value	16.9	16.9	-	-
Short term deposits	-	-	1.6	1.6
Cash and cash equivalents	59.1	59.1	251.7	251.7
<b>Total</b>	<b>600.1</b>	<b>600.1</b>	<b>872.9</b>	<b>872.9</b>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
Floating rate borrowings	175.0	175.0	201.0	209.2
Fixed rate borrowings	1,988.8	2,118.2	2,670.6	2,841.3
Trade and other payables	436.6	436.6	483.4	483.4
Derivative financial liabilities at fair value through profit or loss				
Derivatives in designated hedges	71.7	71.7	227.1	227.1
Forward foreign exchange contracts	-	-	10.4	10.4
Interest rate/cross currency swaps	92.1	92.1	257.6	257.6
Commodity contracts at fair value	8.9	8.9	-	-
<b>Total</b>	<b>2,773.1</b>	<b>2,902.5</b>	<b>3,850.1</b>	<b>4,029.0</b>

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.

The Group does not have any available for sale assets.

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

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

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.

Financial statements  
**Notes to the Consolidated Financial Statements** continued

**For the year ended 31 December 2017**

**26. Other financial assets and financial liabilities continued**

As at 31 December 2017, the Group held the following financial instruments, measured at fair value, all at a Level 2 hierarchy:

	2017 €m	2016 €m
<b>Financial assets at fair value</b>		
Forward foreign exchange contracts – hedged	92.8	2.7
Forward foreign exchange contracts – non hedged	3.1	2.3
Cross currency interest rate swaps	193.9	204.9
Commodity contracts at fair value	16.9	-
Total assets measured at fair value	306.7	209.9
<b>Financial liabilities at fair value</b>		
Forward foreign exchange contracts – hedged	(71.7)	(227.1)
Forward foreign exchange contracts – non hedged	-	(10.4)
Cross currency interest rate swaps	(92.1)	(257.6)
Commodity contracts at fair value	(8.9)	-
Total liabilities measured at fair value	(172.7)	(495.1)
Net FFEC asset/(liability)	24.2	(232.5)
Net CCIRS asset/(liability)	101.8	(52.7)
Net commodity assets at fair value	8.0	-
Total net liability	134.0	(285.2)

**Total liabilities from financing activities**

As at 31 December 2017, the Group held the following liabilities from financing activities, measured at book value:

	2016 €m	Cash flows €m	Non-cash changes Foreign exchange movement €m	Fair value changes €m	Transfers €m	2017 €m
Non-current borrowings	2,350.7	(323.4)	(15.8)	(22.7)	(100.0)	1,888.8
Current borrowings	520.9	(325.5)	(21.2)	0.8	100.0	275.0
Net liabilities/(assets) held to hedge borrowings	52.7	-	2.9	(157.4)	-	(101.8)
Total liabilities from financing activities	2,924.3	(648.9)	(34.1)	(179.3)	-	2,062.0

**Net Debt**

The Group had a total net debt of €2,104.7 million as at 31 December 2017 (31 December 2016: €2,618.3 million).

Debt is split between US dollar denominated debt of €75.0 million (31 December 2016: €259.5 million), euro denominated debt of €1,941.0 million (31 December 2016: €2,449.5 million) and yen denominated debt of €147.8 million (31 December 2016: €162.6 million).

After the impact of the CCIRSs, which swap either euro or yen debt into US dollar debt, the Group has an effective split of US dollar denominated debt of €1,272.8 million (31 December 2016: €1,822.1 million) and euro denominated debt of €891.0 million (31 December 2016: €1,049.5 million).

The value of net debt has moved from €2,618.3 million to €2,104.7 million principally due to a repayment of debt from cash generated operationally during the year.

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

	2017 €m	2016 €m
Non-current interest bearing loans and borrowings	1,888.8	2,350.7
Current interest bearing loans and borrowings	275.0	520.9
Less: Short term deposits	-	(1.6)
Less: Cash and cash equivalents	(59.1)	(251.7)
Net debt	2,104.7	2,618.3

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**Notes to the Consolidated Financial Statements** continued

For the year ended 31 December 2017

26. Other financial assets and financial liabilities continued

Classification of assets and liabilities

2017	Cash and receivables €m	Derivatives €m	Non-financial assets €m	Total €m
<b>Assets</b>				
Property, plant and equipment	-	-	4,900.5	4,900.5
Investment property	-	-	6.8	6.8
Intangible assets	-	-	44.4	44.4
Investments	-	-	7.5	7.5
Financial assets	7.6	-	-	7.6
Derivative financial instruments	-	306.7	-	306.7
Deferred tax assets	-	-	207.2	207.2
Trade and other receivables	213.4	-	20.9	234.3
Income tax receivable	-	-	77.8	77.8
Inventories	-	-	545.9	545.9
Cash and cash equivalents	59.1	-	-	59.1
<b>Total</b>	<b>280.1</b>	<b>306.7</b>	<b>5,811.0</b>	<b>6,397.8</b>

2017	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
<b>Liabilities</b>					
Trade and other payables	436.6	-	-	-	436.6
Deferred income	-	-	29.8	-	29.8
Interest bearing loans and borrowings	2,163.8	-	-	-	2,163.8
Derivative financial instruments	-	172.7	-	-	172.7
Deferred tax liabilities	-	-	-	94.7	94.7
Provisions	-	-	-	1,514.6	1,514.6
Retirement benefit obligations	-	-	-	97.3	97.3
Income tax payable	-	-	-	64.0	64.0
<b>Total</b>	<b>2,600.4</b>	<b>172.7</b>	<b>29.8</b>	<b>1,770.6</b>	<b>4,573.5</b>

## For the year ended 31 December 2017

## 26. Other financial assets and financial liabilities continued

## Classification of assets and liabilities continued

2016	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
<b>Assets</b>				
Property, plant and equipment	-	-	5,282.8	5,282.8
Investment property	-	-	7.4	7.4
Intangible assets	-	-	40.9	40.9
Investments	-	-	1.1	1.1
Financial assets	9.0	-	-	9.0
Derivative financial instruments	-	209.9	-	209.9
Deferred tax assets	-	-	373.3	373.3
Trade and other receivables	384.2	-	25.5	409.7
Income tax receivable	-	-	12.0	12.0
Inventories	-	-	550.2	550.2
Short term deposits	1.6	-	-	1.6
Cash and cash equivalents	251.7	-	-	251.7
<b>Total</b>	<b>646.5</b>	<b>209.9</b>	<b>6,293.2</b>	<b>7,149.6</b>

2016	Loans and payables €m	Derivatives used for hedging €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
<b>Liabilities</b>					
Trade and other payables	483.3	-	-	-	483.3
Deferred income	-	-	40.1	-	40.1
Interest bearing loans and borrowings	2,871.6	-	-	-	2,871.6
Derivative financial instruments	-	495.1	-	-	495.1
Deferred tax liabilities	-	-	-	39.0	39.0
Provisions	-	-	-	1,510.7	1,510.7
Retirement benefit obligations	-	-	-	142.8	142.8
Income tax payable	-	-	-	23.6	23.6
<b>Total</b>	<b>3,354.9</b>	<b>495.1</b>	<b>40.1</b>	<b>1,716.1</b>	<b>5,606.2</b>

## For the year ended 31 December 2017

## 26. Other financial assets and financial liabilities continued

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

	Fair value asset 2017 €m	Fair value liability 2017 €m	Fair value asset 2016 €m	Fair value liability 2016 €m
<b>Cash flow hedges</b>				
Within one year	18.9	(45.1)	54.4	(106.9)
1 to 2 years	24.3	(17.7)	0.4	(72.3)
2 to 3 years	22.0	(7.4)	0.4	(34.3)
3 to 4 years	144.7	(1.5)	0.1	(17.5)
More than 4 years	68.2	-	152.3	(4.0)
	278.1	(71.7)	207.6	(235.0)
<b>Net investment hedges</b>				
Within one year	-	-	-	(65.9)
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	8.6	(50.4)	-	-
More than 4 years	-	(29.6)	-	(177.6)
	8.6	(80.0)	-	(243.5)
<b>Derivative instruments designated in part as cash flow hedges and in part as net investment hedges</b>				
Within one year	-	-	-	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
More than 4 years	-	(12.1)	-	(14.0)
	-	(12.1)	-	(14.0)
<b>Currency derivatives not designated as cash flow hedges and charged to income</b>				
Within one year	3.1	-	2.3	(2.6)
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
	3.1	-	2.3	(2.6)
<b>Commodity contracts at fair value</b>				
Within one year	-	(7.5)	-	-
1 to 2 years	-	-	-	-
2 to 3 years	1.5	(0.3)	-	-
3 to 4 years	2.8	(0.3)	-	-
More than 4 years	12.6	(0.8)	-	-
	16.9	(8.9)	-	-
<b>Total</b>	<b>306.7</b>	<b>(172.7)</b>	<b>209.9</b>	<b>(495.1)</b>
Of which – non-current	284.7	(120.1)	153.2	(319.7)
Of which – current	22.0	(52.6)	56.7	(175.4)

For the year ended 31 December 2017

27. Provisions

	Tails €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2017	895.8	437.8	177.1	1,510.7
Additional provision in the year	199.2	50.2	128.2	377.6
Unwinding of discount	35.4	18.2	1.9	55.5
Utilisation of provision	(111.8)	(9.0)	(143.5)	(264.3)
Release of provision	(85.3)	(3.9)	(4.8)	(94.0)
Transfers	(21.5)	-	-	(21.5)
Exchange difference	(29.8)	(8.8)	(10.8)	(49.4)
At 31 December 2017	882.0	484.5	148.1	1,514.6
Included in current liabilities				15.3
Included in non-current liabilities				1,499.3
				1,514.6

	Tails €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2016	909.2	418.1	93.7	1,421.0
Additional provision in the year	139.6	29.0	241.7	410.3
Unwinding of discount	33.3	16.3	1.0	50.6
Utilisation of provision	(94.4)	(8.2)	(152.9)	(255.5)
Release of provision	(28.3)	(2.9)	(0.3)	(31.5)
Transfers	(0.9)	-	-	(0.9)
Exchange difference	(62.7)	(14.5)	(6.1)	(83.3)
At 31 December 2016	895.8	437.8	177.1	1,510.7
Included in current liabilities				18.8
Included in non-current liabilities				1,491.9
				1,510.7

**Provision for tails deconversion, storage and disposal**

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.

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 project costs would increase tails provisions by €14.4 million and a 10% decrease in the forecast TMF project costs would decrease tails provisions by €14.4 million. The availability and cost of a repository suitable for the final disposal of depleted U<sub>3</sub>O<sub>8</sub> is a key judgement and the level of uncertainty varies widely across the four countries in which URENCO operates. These costs are escalated where appropriate based on current expectations of inflation and discounted to provide a present value cost per unit, or tails rate, which is applied to the quantity of tails held at the statement of financial position date. Further description of the estimates and assumptions applied are given in note 2.

Management has considered the applicable inflation rate of 2% per annum (2016: 2% per annum) and the risk free discount rate of 4% per annum (2016: 4% per annum) and concluded they are unchanged from those applied at year end 2016. The real discount rate is 1.96% (2016: 1.96%).

During the year the tails provision increased by €199.2 million (2016: €139.6 million) due to tails generated in that period and an increase in the applied tails rate. This addition to the tails provision has been recognised as a cost in the income statement under tails provision created. Expenditure incurred during the year for the safe deconversion, storage and disposal of tails of €111.8 million (2016: €94.4 million) has been utilised against the provision. A provision release of €85.3 million (2016: €28.3 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 services contracts.

It is expected that €333.9 million of the tails provision will be used within the next 10 years, €368.6 million of the provision will be used within the next 10 to 30 years and €179.5 million will be used within the next 30 to 100 years.

**For the year ended 31 December 2017****27. Provisions continued**

The tails provisions held at 31 December 2017 comprised €598.9 million (2016: €666.1 million) of discounted future cash flows and €283.1 million (2016: €229.7 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 timing of disposal and the applicable discount rate. A 10% reduction of the discount rate would lead to an increase of the provision by €77.4 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €62.5 million.

**Provision for decommissioning of plant and machinery**

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

The final amount of the provision is currently uncertain but is evaluated based upon the planned operational activity involved in successfully achieving full decommissioning of any plant or equipment used in enrichment activities, in accordance with the Directors' intention and regulatory requirements. The planned costs are based on historic experience and price estimates for the relevant activities and processes of the decommissioning cycle, which include deconstruction, decontamination and disposal of all materials involved in the enrichment process. These costs are escalated based on current expectations of inflation and discounted to provide a present value cost based on the expected useful life of the asset in use and timing of subsequent decommissioning activity. Further description of the estimates and assumptions applied are given in note 2.

Management has considered the applicable inflation rate of 2% per annum (2016: 2% per annum) and the risk free discount rate of 4% per annum (2016: 4% per annum) and concluded they are unchanged from those applied at year end 2016. The real discount rate is 1.96% (2016: 1.96%).

During the year the decommissioning provision increased by €50.2 million (2016: €29.0 million) due to the installation of additional plant and machinery of €0.9 million (2016: €13.4 million), additional container purchases of €8.8 million (2016: €15.6 million) and €40.5 million due to revised assumptions surrounding the decommissioning of plant and machinery (2016: €nil million). Of the €40.5 million resulting from revised assumptions, €18.4 million has been expensed to the Income Statement and €22.1 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 rate. A 10% reduction of the discount rate would lead to an increase of the provision by €31.7 million, whilst a 10% increase in the discount rate would lead to a decrease of the provision by €35.7 million.

**Other provisions**

These comprise provisions relating to the future re-enrichment of low assay feed, restructuring provisions and other personnel provisions. Provisions for the future re-enrichment of low assay feed are calculated using assumptions on the amount of separative work that will be required in the future and the cost of providing enrichment capacity to perform that work. This cost includes the safe disposal of any resultant tails material. During the year, the provisions relating to the future re-enrichment of low assay feed increased by €117.4 million due to the creation of low assay feed and reduced by €124.4 million due to expenditure incurred on re-enrichment of low assay feed. Both the increase and reduction are reported with Other expenses.

The other provisions include an amount of €19.1 million (2016: €33.0 million) for restructuring costs, mainly relating to expected severance payments to be made, see also note 6. During the year €8.2 million of the restructuring provisions was utilised for severance payments and an amount of €4.7 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 €10.6 million will be paid within one year and the remainder of €8.5 million after one year.

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

These other provisions are not materially sensitive to discount rates.

## For the year ended 31 December 2017

## 28. Retirement benefit obligations

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. Some are defined benefit schemes (three in total); others are defined contribution schemes and are funded externally. The defined benefit schemes comprise both funded and unfunded schemes. No other post-retirement benefits are currently provided by the Group. ETC forms part of URENCO's defined benefit pension schemes. Assets and liabilities are allocated on a notional basis by employee to enable correct accounting across the subsidiaries.

Valuations of the schemes are carried out at least every three years. The most recent actuarial assessments for the UK scheme of plan assets and the present value of the defined benefit obligations were carried out at 5 April 2015 and subsequently rolled forward to 31 December 2017. Following the triennial valuation of the UK schemes, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of £6.5 million annually for seven 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. The financial impact of the changes to the UK defined benefit scheme was a gain of €15.6 million, which is recognised in the income statement under Employee costs.

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:	2017 %	2016 %
Discount rate	1.6-2.6	1.8-2.7
Expected rate of salary increases	2.3-4.4	2.3-4.5
Future pension increases	1.4-3.4	1.0-3.5

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

	Netherlands		UK		Germany	
	2017 years	2016 years	2017 years	2016 years	2017 years	2016 years
<b>Mortality assumptions:</b>						
Life expectancy at age 60 for a male currently aged 60	26.5	26.4	28.4	28.2	23.9	23.7
Life expectancy at age 60 for a female currently aged 60	28.7	28.6	31.2	31.0	28.4	28.2
Life expectancy at age 60 for a male currently aged 40	28.9	28.8	30.7	30.6	26.6	26.5
Life expectancy at age 60 for a female currently aged 40	31.2	31.1	33.3	33.2	31.0	30.8

Mortality tables:	Netherlands		UK		Germany	
	2017	AG Prognosetafel 2016 with WTW fund specific mortality experience 2016	2016	S2PA YOB tables with appropriate age weightings using CMI 2014 projections 1.5% minimum improvements p.a.	2017	Heubeck table 2005 G
2016		AG Prognosetafel 2016 with WTW fund specific mortality experience 2016		S2PA YOB tables with appropriate age weightings using CMI 2014 projections 1.5% minimum improvements p.a.		Heubeck table 2005 G

## Risks

The liabilities of all defined benefit pension plans expose the Group to risks of longevity, inflation and the discount rate. The related assets of the defined benefit plans in the UK and the Netherlands expose the Group to market price volatility and default risk regarding the investments held by these pension funds. 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 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 2017 for the Group's retirement benefit schemes would have had the effects shown in the table below.

		(Increase)/decrease in retirement benefit obligations €m
Discount rate	Effect of increase in discount rate by +0.25% at 31 December 2017	36.3
	Effect of decrease in discount rate by -0.25% at 31 December 2017	(39.1)
Inflation rate	Effect of increase in inflation rate by +0.25% at 31 December 2017	(22.7)
	Effect of decrease in inflation rate by -0.25% at 31 December 2017	21.3

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**For the year ended 31 December 2017**

**28. Retirement benefit obligations** continued

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

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
Current service cost	(8.5)	(11.4)
Pension gain due to closure UK defined benefit pension scheme	15.6	-
Administrative expense paid from scheme assets	(0.5)	(1.2)
Net interest expense on defined benefit pension scheme	(3.3)	(1.9)
Past service cost	(2.9)	(1.4)
	<b>(0.4)</b>	<b>(15.9)</b>

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

The amount charged to income in respect of defined contribution pension schemes was €8.4 million (2016: €5.0 million).

The actual return on scheme assets was €49.2 million (2016: €91.8 million).

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

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
Actuarial gains/(losses)	26.0	(87.4)
Exchange difference	3.9	11.5
	<b>29.9</b>	<b>(75.9)</b>

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	2017 €m			2016 €m		
	Total	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes
At 1 January	(752.7)	(725.1)	(27.6)	(651.3)	(622.7)	(28.6)
Current service cost	(8.5)	(7.8)	(0.7)	(11.4)	(10.3)	(1.1)
Past service cost	(2.9)	(2.9)	-	(1.4)	(0.4)	(1.0)
Interest cost	(17.4)	(16.9)	(0.5)	(19.7)	(19.1)	(0.6)
Actuarial losses	(9.1)	(8.6)	(0.5)	(158.5)	(156.4)	(2.1)
Benefits paid to members	23.1	22.1	1.0	29.9	28.9	1.0
Contributions by members	(1.0)	(1.0)	-	(1.3)	(1.3)	-
UK pension curtailments	9.3	9.3	-	-	-	-
Settlements	-	-	-	0.5	-	0.5
Transfers	-	-	-	-	(4.3)	4.3
Foreign exchange	19.1	19.1	-	60.5	60.5	-
<b>At 31 December</b>	<b>(740.1)</b>	<b>(711.8)</b>	<b>(28.3)</b>	<b>(752.7)</b>	<b>(725.1)</b>	<b>(27.6)</b>

Movements in the fair value of plan assets	2017 €m	2016 €m
At 1 January	609.9	580.4
Interest income	14.1	17.9
Actuarial gains	35.1	71.2
Contributions by employer	14.1	18.2
Contributions by members	1.1	1.3
Benefits paid to members	(22.1)	(28.9)
UK pension curtailments	6.3	-
Administrative expenses paid from scheme assets	(0.5)	(1.2)
Foreign exchange	(15.2)	(49.0)
<b>At 31 December</b>	<b>642.8</b>	<b>609.9</b>

## For the year ended 31 December 2017

## 28. Retirement benefit obligations continued

	2017 €m	2016 €m
Present value of defined benefit obligation	<b>(740.1)</b>	(752.7)
Fair value of plan assets	<b>642.8</b>	609.9
Recognised (liability) at 31 December	<b>(97.3)</b>	(142.8)

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

	Fair value of assets	
	2017 €m	2016 €m
Equity instruments	<b>293.3</b>	268.4
Debt instruments	<b>283.2</b>	268.5
Other assets	<b>66.3</b>	73.0
	<b>642.8</b>	609.9

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

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

The estimated amounts of contributions expected to be paid to the schemes during the current financial year (2018) is €17.6 million.

## 29. Trade and other payables

## Current

	31/12/17 €m	31/12/16 €m
Trade payables	<b>60.5</b>	104.6
Other payables	<b>107.1</b>	85.3
Accruals	<b>208.4</b>	204.3
Amounts due to joint venture	<b>60.5</b>	48.3
	<b>436.5</b>	442.5

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2016: 26 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

	31/12/17 €m	31/12/16 €m
Other payables	<b>-</b>	40.8

Non-current other payables comprised SWU and feed inventory borrowed from third parties for the purpose of optimising URENCO's production flexibility. The SWU and feed borrowings as at 31 December 2017 are expected to be returned in 2018 and are recorded within Current other payables.

## For the year ended 31 December 2017

## 30. Operating lease arrangements

## The Group as lessee

The Group has entered into operating leases on certain land, property, motor vehicles and items of machinery. These leases have an unweighted average life of four years based on the number of contracts and a weighted average life of 32 years based on the value of the contracts. The remaining terms of the leases vary from one to 94 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2017 €m	2016 €m
Within one year	3.0	3.6
In the second to fifth years inclusive	7.4	8.9
After five years	82.2	86.8
	<b>92.6</b>	99.3
	2017 €m	2016 €m
Minimum lease payments under operating leases recognised as an expense for the year	3.3	3.9

The Group does not act as a lessor.

## 31. Contingent liabilities

There are no material contingent liabilities as at 31 December 2017 (2016: nil).

## 32. Events after the statement of financial position date

As of 6 March 2018, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2017 financial statements.

## 33. Related party transactions

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

Transactions with the URENCO pension scheme are detailed in note 28.

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 31/12/17 €m	Year ended 31/12/16 €m	Year ended 31/12/17 €m	Year ended 31/12/16 €m	31/12/17 €m	31/12/16 €m	31/12/17 €m	31/12/16 €m
UKGI	56.1	51.6	0.8	0.2	6.9	3.2	-	-
E.ON	58.8	5.3	-	-	7.6	2.6	-	-
RWE	9.9	14.0	18.5	19.6	-	6.9	-	-
ETC <sup>①</sup>	-	1.6	91.5	95.6	-	-	60.2	47.8

<sup>①</sup> These amounts are 100% of the sales/purchases and amounts due to Enrichment Technology Company Limited.

## For the year ended 31 December 2017

## 33. Related party transactions continued

The Department for UK Government Investments (UKGI), E.ON SE (E.ON) and RWE AG (RWE) are all related parties of the Group because of their indirect shareholdings in URENCO Limited. The amounts reported under UKGI 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 €0.3 million relating to the Joint Venture (2016: €2.7 million). Included in the share of net assets of the Joint Venture as a recognised liability is €27.9 million relating to the Joint Venture (2016: €32.6 million).

During the year, Group companies contributed €20.3 million (2016: €19.0 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 40.

	Year ended 31/12/17 €m	Year ended 31/12/16 (restated <sup>(i)</sup> ) €m
Short term employee benefits	3.4	2.9
Post employment defined contribution scheme benefits	-	-
	<b>3.4</b>	<b>2.9</b>

<sup>(i)</sup> The amount for 2016 has been restated, for further details see page 40.

## 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 40.



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## **Company Financial Statements**

*For the year ended 31 December 2017*

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## Financial statements

# Directors' Responsibilities Statement

### In respect of the Parent Company financial statements

#### Statement of Directors' responsibilities in respect of the accounts

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

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

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

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

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

By order of the Board.



**Sarah Newby**

Company Secretary

**6 March 2018**

# Financial statements

## Company Statement of Financial Position

As at 31 December 2017

	Notes	2017 €m	2016 €m
<b>Non-current assets</b>			
Property, plant and equipment	5	3.8	9.5
Intangible assets	6	8.1	1.6
Investments in subsidiaries and associate	7	2,540.4	2,993.2
Deferred tax asset	3	0.9	-
Derivative financial instruments	12	294.4	290.2
		<b>2,847.6</b>	3,294.5
<b>Current assets</b>			
Amounts due from Group undertakings	8	1,265.8	1,009.3
Trade and other receivables	8	151.8	132.7
Derivative financial instruments	12	67.1	166.3
Short term deposits		-	1.6
Cash and cash equivalents		56.0	247.9
		<b>1,540.7</b>	1,557.8
<b>Total assets</b>		<b>4,388.3</b>	4,852.3
<b>Current liabilities</b>			
Interest bearing loans and borrowings	9	(275.0)	(46.2)
Amounts due to Group undertakings	10	(1,026.7)	(747.5)
Trade and other payables	11	(93.2)	(84.7)
Derivative financial instruments	12	(64.0)	(179.2)
		<b>(1,458.9)</b>	(1,057.6)
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	9	(147.8)	(611.8)
Amounts due to Group undertakings	10	(1,272.6)	(1,752.5)
Derivative financial instruments	12	(192.8)	(329.7)
Other payables		(2.5)	(2.1)
Retirement benefit obligations	13	(10.2)	(15.6)
		<b>(1,625.9)</b>	(2,711.7)
<b>Total liabilities</b>		<b>(3,084.8)</b>	(3,769.3)
<b>Net assets</b>		<b>1,303.5</b>	1,083.0
<b>Equity</b>			
Share capital	14	237.3	237.3
Retained earnings	15	1,064.0	841.0
Hedging reserve	15	2.2	4.7
<b>Total equity</b>		<b>1,303.5</b>	1,083.0

Registered Number 01022786

The profit after tax for the financial year of the Parent Company amounts to €425.9 million (2016: €244.4 million).

The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2018.

They were signed on its behalf by:

**Dr Thomas Haerberle**  
Chief Executive Officer



**Ralf ter Haar**  
Chief Financial Officer



## Financial statements

# Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 1 January 2017	237.3	841.0	4.7	1,083.0
Income for the period	-	425.9	-	425.9
Other comprehensive income (note 15)	-	97.1	(2.5)	94.6
Total comprehensive income	-	523.0	(2.5)	520.5
Equity dividends paid	-	(300.0)	-	(300.0)
As at 31 December 2017	237.3	1,064.0	2.2	1,303.5

	Share capital €m	Retained earnings €m	Hedging reserve €m	Attributable to the owners of the Company €m
As at 1 January 2016	237.3	670.1	(8.0)	899.4
Income for the period	-	244.4	-	244.4
Other comprehensive income (note 15)	-	276.5	12.7	289.2
Total comprehensive income	-	520.9	12.7	533.6
Equity dividends paid	-	(350.0)	-	(350.0)
As at 31 December 2016	237.3	841.0	4.7	1,083.0

## Financial statements

# Notes to the Company Financial Statements

For the year ended 31 December 2017

### 1. Significant accounting policies

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

#### Basis of preparation and presentation

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

The URENCO Limited financial statements are presented in euros. This is consistent with the presentation of the Group consolidated financial statements. 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, financial instruments and related party transactions. Where required, equivalent disclosures are given in the Group accounts of URENCO Limited. The auditor's remuneration for audit and other services is disclosed in note 5 to the Group consolidated financial statements.

#### Going concern

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

#### Taxation

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

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

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

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

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

#### Operating leases

Rentals paid under operating leases are recognised on a straight-line basis over the term of the lease.

#### Foreign currencies

The Company's functional currency is sterling and the financial statements are presented in euros. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date, with all differences being taken to profit and loss. All other translation differences are taken to total comprehensive income. The average sterling to euro rate for 2017 was £0.87 to €1 (2016: £0.82 to €1) and the year-end rate was £0.89 to €1 (2016: £0.85 to €1).

**For the year ended 31 December 2017**

**1. Significant accounting policies** continued

**Property, plant, equipment and depreciation**

Property, plant and equipment are included at cost less depreciation. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Office fixtures and fittings	12 years
Computer equipment	3 – 5 years

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

**Intangible fixed assets**

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

**Investments**

Investments in subsidiary undertakings are held at cost, 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.

**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 13.

Derivative financial instruments are initially recognised at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gains or losses are recorded as finance income or finance costs unless the derivative financial instrument is designated and effective as a hedging instrument, in which event the timing of recognition in the income statement depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

**For the year ended 31 December 2017**

**1. Significant accounting policies** continued

**Retirement benefit obligations**

The Company operates a defined benefit pension scheme for the benefit of all employees who started their employment prior to 31 December 2007. For employees joining the Company after this date, the Company operates a defined contribution scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. On 10 August 2009, the Company's defined benefit scheme merged with the URENCO UK pension scheme.

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

The cost of providing benefits is determined using the projected unit credit method, with actuarial assessments being carried out at each reporting date. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur. They are recognised directly in retained earnings and included as a movement in the present value of the net defined benefit liability.

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

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

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

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset and is recorded on a net basis as net finance income or expense.

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

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

Management has identified a significant estimate in the preparation of the Company financial statements, being the determination of the recoverable value of investments in subsidiaries. Please see note 7.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations 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 14.

**2. Employee benefits expense**

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

	<b>2017 Number</b>	2016 Number
Technical	<b>39</b>	38
Administration	<b>109</b>	115
	<b>148</b>	153

Their aggregate remuneration comprised:

	<b>Year ended 31/12/17 €m</b>	Year ended 31/12/16 €m
Wages and salaries	<b>25.2</b>	22.4
Social security costs	<b>2.3</b>	2.4
Pension costs	<b>0.4</b>	4.3
	<b>27.9</b>	29.1

Financial statements  
**Notes to the Company Financial Statements** continued

**For the year ended 31 December 2017**

**2. Employee benefits expense** continued

Directors' emoluments (see page 40):

	Year ended 31/12/17 €m	Year ended 31/12/16 (restated <sup>(i)</sup> ) €m
Emoluments	3.4	2.9
Amounts receivable under long term incentive scheme	0.6	-
Company contributions paid to a defined contribution pension scheme	-	-
	<b>Number</b>	Number
Members of defined contribution schemes	1	1

<sup>(i)</sup> The amount for 2016 has been restated; for further details see page 40.

In respect of the highest paid Director:

	Year ended 31/12/17 €m	Year ended 31/12/16 (restated <sup>(i)</sup> ) €m
Emoluments	1.7	1.3
Accrued pension at the end of the year	-	-

<sup>(i)</sup> The amount for 2016 has been restated; for further details see page 40.

**3. Taxation**

**Deferred tax**

	2017 €m	2016 €m
Deferred tax balances recognised at 31 December are as follows:		
Relating to fixed assets	(0.3)	0.4
Relating to short term temporary differences	3.8	0.6
Relating to fair value movements on financial instruments	(4.6)	(5.1)
Retirement benefit obligations	2.0	3.6
Total deferred tax asset/(liability)	0.9	(0.5)

The deferred tax credit recognised in the income statement was €1.7 million (2016: tax charge €5.1m).

The deferred tax liability at 31 December 2016 had been recognised within Other payables, within Non-current liabilities.

**4. Dividends paid and proposed**

	Year ended 31/12/17 €m	Year ended 31/12/16 €m
<b>Declared and paid during the year</b>		
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2016 of 178.57 cents per share (2015: 208.33 cents per share)	300.0	350.0
	<b>300.0</b>	<b>350.0</b>
<b>Proposed for approval at the Annual General Meeting</b>		
Proposed final dividend for the year ended 31 December 2017 of 178.57 cents per share (2016: 178.57 cents per share)	300.0	300.0

The 2017 final dividend of €300 million is subject to approval by shareholders at the Annual General Meeting on 6th March 2018 and has not been included as a liability in these financial statements.

**For the year ended 31 December 2017**

**5. Property, plant and equipment**

	Fixtures and fittings €m
Cost as at 1 January 2017	14.2
Additions	3.4
Transfers to Intangible assets (note 6)	(7.6)
Transfers to Group companies	(0.1)
Written off	(1.0)
Exchange adjustments	(0.6)
Cost as at 31 December 2017	8.3
Depreciation as at 1 January 2017	4.7
Charge for the year	0.8
Written off	(0.7)
Exchange adjustments	(0.3)
Depreciation as at 31 December 2017	4.5
Net book value as at 1 January 2017	9.5
Net book value as at 31 December 2017	3.8

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

The transfers in 2017 relate to software assets with a net book value of €7.6 million.

**6. Intangible assets**

	Software assets €m
Cost as at 1 January 2017	7.7
Transfers from Property, plant and equipment (note 5)	7.6
Exchange adjustments	(0.4)
Cost as at 31 December 2017	14.9
Amortisation as at 1 January 2017	6.1
Charge for the year	1.0
Exchange adjustments	(0.3)
Amortisation as at 31 December 2017	6.8
Net book value as at 1 January 2017	1.6
Net book value as at 31 December 2017	8.1

The transfers in 2017 relate to software assets with a net book value of €7.6 million.

**7. Investments in subsidiaries and associate**

	Shares in subsidiary and associated undertakings €m
Cost as at 1 January 2017	3,743.9
Return of capital URENCO USA Inc.	(452.8)
Cost as at 31 December 2017	3,291.1
Impairment as at 1 January 2017 and at 31 December 2017	(750.7)
Carrying amount as at 1 January 2017	2,993.2
Carrying amount as at 31 December 2017	2,540.4

During the year, subsidiary undertaking URENCO USA Inc. reduced its share capital by \$530 million (€452.8 million).

During the prior year the Company recognised an impairment of its investment in URENCO USA Inc. (UUI) down to the recoverable net asset value of UUI and its subsidiaries, as assessed on a value in use basis. The value in use was calculated based on a pre-tax nominal discount rate of 8.4%.

Financial statements  
**Notes to the Company Financial Statements** continued

For the year ended 31 December 2017

7. Investments in subsidiaries and associate continued

Details of the Company's subsidiaries and associate at 31 December 2017 are as follows:

Name of subsidiary	Nature of business	Registered office	Note	Proportion of ownership interest and voting power held %
URENCO Enrichment Company Limited	Holding / central services	(1)		100
URENCO UK Limited	Enrichment services	(2)	(i)	100
URENCO ChemPlants Limited	Deconversion	(2)		100
URENCO Deutschland GmbH	Enrichment services	(3)	(i)	100
URENCO Nederland BV	Enrichment services	(4)	(i)	100
URENCO Deelnemingen BV	Holding	(4)	(i)	100
URENCO Finance NV	Financing	(4)		100
URENCO USA Inc.	Holding	(5)		100
URENCO Inc.	Sales / marketing	(6)	(i)	100
URENCO Finance UK Limited	Holding	(1)	(i)	100
URENCO Finance US LLC	Financing	(7)	(i)	100
Louisiana Energy Services, LLC	Enrichment services	(7)	(i)	100
URENCO Nuclear Stewardship Limited <sup>(i)</sup>	Uranium handling services	(2)		100
URENCO USA Energy Services LLC	Consultancy services	(5)	(i)	100
U-Battery Ltd <sup>(ii)</sup>	Dormant	(1)		100
U-Battery Developments Ltd <sup>(iii)</sup>	Dormant	(1)	(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
<b>Name of associate</b>				
Enrichment Technology Company Limited	Manufacturing	(8)	(i)(ii)	50

<sup>(i)</sup> Capenhurst Nuclear Services Limited changed its name to URENCO Nuclear Stewardship Limited on 30 October 2017.

<sup>(ii)</sup> URENCO Consultancy Services Limited changed its name to U-Battery Limited on 12 January 2018.

<sup>(iii)</sup> Latin American Contract Services Limited changed its name to U-Battery Developments Limited on 12 January 2018.

**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, Cheshire, CH1 6EH, England

**Detail of direct and indirect holdings:-**

<sup>(i)</sup> Denotes companies/partnership whose shares are indirectly held by URENCO Limited.

<sup>(ii)</sup> 21.7% is held directly by URENCO Limited, with the remaining 28.3% held by URENCO Deutschland GmbH.

8. Trade and other receivables

	31/12/17 €m	31/12/16 €m
Amounts due from Group undertakings	1,265.8	1,009.3
Other receivables	1.0	2.0
Corporation tax receivable	145.1	124.0
Prepayments and accrued income	5.7	6.7
	<b>1,417.6</b>	<b>1,142.0</b>

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 0.59% (2016: 0.32%). The intercompany receivables are not secured on the Company's assets and are payable on demand.

Prepayments and accrued income includes interest accrued on intercompany receivables of €nil (2016: €nil).

Financial statements  
**Notes to the Company Financial Statements** continued

For the year ended 31 December 2017

9. Interest bearing loans and borrowings

		31/12/17 €m	31/12/16 €m
<b>Bank and other loans repayable:</b>			
<b>Current:</b>			
€360 million of bilateral facilities	Floating	175.0	-
€100 million European Investment Bank financing facility	4.439%	100.0	-
\$132.2 million European Investment Bank financing facility	3.30%	-	14.0
\$99 million European Investment Bank financing facility	3.15%	-	10.6
€100 million European Investment Bank financing facility	4.772%	-	7.1
€100 million European Investment Bank financing facility	3.34%	-	7.1
\$108.6 million European Investment Bank financing facility	Floating	-	7.4
<b>Total current</b>		<b>275.0</b>	<b>46.2</b>
<b>Between 1 and 5 years:</b>			
€100 million European Investment Bank financing facility	4.439%	-	100.0
<b>Greater than 5 years:</b>			
\$132.2 million European Investment Bank financing facility	3.30%	-	83.8
\$99 million European Investment Bank financing facility	3.15%	-	62.8
€100 million European Investment Bank financing facility	4.77%	-	50.0
€100 million European Investment Bank financing facility	3.34%	-	71.4
\$108.6 million European Investment Bank financing facility	Floating	-	81.2
Yen 20 billion Loan Agreement	6.24%	147.8	162.6
<b>Total non-current</b>		<b>147.8</b>	<b>611.8</b>

10. Amounts due to Group undertakings

	31/12/17 €m	31/12/16 €m
Current liabilities	1,026.7	747.5
Non-current liabilities	1,272.6	1,752.5
	<b>2,299.3</b>	<b>2,500.0</b>

Intercompany current accounts included in amounts due to Group undertakings are subject to interest. The average annual rate prevailing in the year was 0.59% (2016: 0.32%). The intercompany payable is not secured on the Company's assets and is payable on demand.

11. Trade and other payables

	31/12/17 €m	31/12/16 €m
Accruals	38.1	40.7
Trade payables	2.2	2.0
Amounts due to related parties	52.5	42.0
Other taxes and social security costs	0.4	-
	<b>93.2</b>	<b>84.7</b>

Accruals includes interest accrued on intercompany payables of €22.0 million (2016: €22.0 million).

For the year ended 31 December 2017

## 12. Derivative financial instruments

### Categories of financial instruments at fair value

	Amounts due within one year		Amounts due after more than one year	
	31/12/17 €m	31/12/16 €m	31/12/17 €m	31/12/16 €m
<b>Financial assets at fair value through profit and loss</b>				
Intercompany balances – relating to forward foreign exchange contracts	45.1	109.6	26.6	137.0
Interest rate/cross currency contracts	-	53.4	193.9	151.6
Forward foreign exchange contracts	22.0	3.3	73.9	1.6
<b>Total assets measured at fair value</b>	<b>67.1</b>	<b>166.3</b>	<b>294.4</b>	<b>290.2</b>
<b>Financial liabilities at fair value through profit and loss</b>				
Intercompany balances – relating to forward foreign exchange contracts	(18.9)	(3.9)	(74.1)	(10.0)
Interest rate/cross currency contracts	-	(65.9)	(92.1)	(191.6)
Forward foreign exchange contracts	(45.1)	(109.4)	(26.6)	(128.1)
<b>Total liabilities measured at fair value</b>	<b>(64.0)</b>	<b>(179.2)</b>	<b>(192.8)</b>	<b>(329.7)</b>

The Company is subject to currency exposures arising from transactions made by other members of the URENCO Group, in US dollars and euros. 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 six 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.

## 13. Retirement benefit obligations

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

The valuation used for IAS19 disclosures has been based on the most recent actuarial valuation and updated by the actuaries during 2017 to take account of the requirements of IAS19 in order to assess the liabilities of the scheme at 31 December 2017. Scheme assets are stated at their market values at the reporting dates.

### Main assumptions:

Key financial assumptions	2017	2016
Discount rate	2.6%	2.7%
Salary increases	4.4%	4.5%
Pension increases	3.4%	3.5%
Price inflation	3.4%	3.5%
<b>Mortality assumptions</b>	<b>2017</b>	<b>2016</b>
Life expectancy at age 60 for a male currently aged 60	28.4	29.4
Life expectancy at age 60 for a female currently aged 60	31.2	31.9
Life expectancy at age 60 for a male currently aged 40	30.7	32.2
Life expectancy at age 60 for a female currently aged 40	33.3	34.3

Financial statements  
**Notes to the Company Financial Statements** continued

**For the year ended 31 December 2017**

**13. Retirement benefit obligations** continued

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

	Market value 2017 €m	Market value 2016 €m
Equities	28.6	23.6
Bonds	29.1	25.2
Total market value of scheme assets	57.7	48.8
Present value of scheme liabilities	(67.9)	(64.4)
Pension liability	(10.2)	(15.6)

	2017 €m	2016 €m
<b>Movement in present value of benefit obligation</b>		
At 1 January	(64.4)	(63.0)
Current service costs	(0.1)	(0.8)
Past service costs	-	(3.3)
Interest cost	(1.7)	(2.0)
Actuarial losses	(0.4)	(17.6)
Benefits paid to members	1.1	10.8
Contribution by members	0.1	(0.1)
Curtailments	(5.2)	-
Settlements	-	(0.2)
Exchange difference	2.7	11.8
At 31 December	(67.9)	(64.4)

	2017 €m	2016 €m
<b>Movements in the fair value of plan assets</b>		
At 1 January	48.8	53.6
Interest income	1.3	1.8
Actuarial gains	3.8	7.2
Contribution by employer	0.9	4.3
Contribution by members	-	0.1
Benefits paid to members	(1.1)	(10.8)
Curtailments	6.3	-
Administrative expenses	-	(0.1)
Exchange difference	(2.3)	(7.3)
At 31 December	57.7	48.8

	2017 €m	2016 €m
<b>Components of pension cost</b>		
Current service cost	(0.1)	(0.8)
Pension gain due to closure of defined benefit scheme	1.2	-
Interest on pension scheme liabilities	(1.7)	(2.0)
Interest on scheme assets	1.3	1.8
Past service costs	-	(3.3)
Settlements	-	(0.2)
Administrative expenses and taxes	-	(0.1)
<b>Total pension cost recognised in income statement</b>	0.7	(4.6)

Actuarial gains/(losses)	3.4	(10.4)
<b>Total pension movement recognised in the Statement Of Comprehensive Income</b>	3.4	(10.4)

	2017 €m	2016 €m
Present value of defined benefit obligation	(67.9)	(64.4)
Fair value of plan assets	57.7	48.8
Recognised liability at 31 December	(10.2)	(15.6)

**For the year ended 31 December 2017**

**13. Retirement benefit obligations** continued

The discount rate and the inflation rate have a significant effect on the amounts reported as retirement benefit obligations. The effect of a 0.25% change in isolation in certain assumptions as at 31 December 2017 for the Company's retirement benefit schemes would have had the effects shown in the table below.

	(Increase)/decrease in retirement benefit obligations 31 December 2017 €m
<b>Discount rate</b>	
Effect of increase in discount rate by +0.25% at 31 December 2017	<b>3.4</b>
Effect of decrease in discount rate by -0.25% at 31 December 2017	<b>(3.7)</b>
<b>Inflation rate</b>	
Effect of increase in inflation rate by +0.25% at 31 December 2017	<b>(3.2)</b>
Effect of decrease in inflation rate by -0.25% at 31 December 2017	<b>3.0</b>

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

Regular contributions to the scheme from both the members and employer for the year beginning 1 January 2018 are expected to be €0.8 million (2017 actual contributions: €0.9m) 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 2015 and has been updated to 31 December 2017 by a qualified actuary. The latest valuation preliminary results show a continuing deficit and increased future costs for providing the final salary benefits. 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. The financial impact of the changes to the defined benefit pension scheme was recognised in the income statement on the date the proposed changes became effective in April 2017.

In 2008, the Company also introduced a defined contribution scheme for new employees. The total cost of defined contribution arrangements of €1.2 million (2016: €1.2 million) has been fully expensed against profits in the current year.

**14. Called up share capital**

	31/12/17 €m	31/12/16 €m
<b>Authorised</b>		
Ordinary share capital, 240 million ordinary shares of £1 each:		
'A' Ordinary Shares	<b>113.0</b>	113.0
'B' Ordinary Shares	<b>113.0</b>	113.0
'C' Ordinary Shares	<b>113.0</b>	113.0
	<b>339.0</b>	339.0
<b>Issued</b>		
Allotted, called up and fully paid, 168 million ordinary shares of £1 each:		
'A' ordinary shares	<b>79.1</b>	79.1
'B' ordinary shares	<b>79.1</b>	79.1
'C' ordinary shares	<b>79.1</b>	79.1
	<b>237.3</b>	237.3

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

**For the year ended 31 December 2017**

15. Retained earnings

	€m
At 1 January 2016	670.1
Net profit for the year 2016	244.4
Dividends paid	(350.0)
Actuarial losses on retirement benefit obligation	(10.4)
Deferred tax on actuarial losses	1.7
Foreign exchange translation differences	285.2
<b>At 31 December 2016</b>	<b>841.0</b>
<b>Net profit for the year 2017</b>	<b>425.9</b>
<b>Dividends paid</b>	<b>(300.0)</b>
<b>Actuarial gains on retirement benefit obligation</b>	<b>3.4</b>
<b>Deferred tax on actuarial gains</b>	<b>(0.6)</b>
<b>Foreign exchange translation differences</b>	<b>94.3</b>
<b>At 31 December 2017</b>	<b>1,064.0</b>

The €2.5 million loss in the Hedging reserve (2016: €12.7 million gain) relates to fair value movements recognised on debt instruments that are designated in a hedge relationship.

As at 31 December 2017, the Company had distributable reserves available of €820.3 million (€732.0 million).

16. Operating lease arrangements

**The Company as lessee**

The Company has entered into operating leases on certain land, property, motor vehicles and items of machinery.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	31/12/17 €m	31/12/16 €m
Within one year	0.9	1.0
In the second to fifth years inclusive	1.8	2.4
After five years	-	-
	<b>2.7</b>	<b>3.4</b>

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**For the year ended 31 December 2017**

**17. 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 31/12/17 €m	Year ended 31/12/16 €m
ETC <sup>①</sup>	1.0	0.3

<sup>①</sup> 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 31/12/17 €m	Year ended 31/12/16 €m
ETC <sup>①</sup>	52.5	42.0

<sup>①</sup> These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

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

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

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

**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 40.

	Year ended 31/12/17 €m	Year ended 31/12/16 (restated <sup>①</sup> ) €m
Short term employee benefits	3.4	2.9
Post employment benefits	-	-
	3.4	2.9

<sup>①</sup> The amount for 2016 has been restated, for further details see page 40.

**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 40.

**18. Contingent liabilities**

The Company is party to a number of composite guarantees of borrowings by certain of its subsidiaries which at the reporting date amounted to €2,126 million (2016: €2,767 million). The Directors do not expect any liability to arise under these guarantees.

**19. Events after the reporting period**

As of 6 March 2018, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2017 financial statements.

# Glossary of terms

## Capital expenditure

Purchases of property, plant and equipment including prepayments relating to payments to ETC in advance of contracted cascade deliveries, which will be supplied in future periods.

## Deconversion

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

## EBITDA

Earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results (or income from operating activities plus depreciation and amortisation, plus joint venture results). Depreciation and amortisation are adjusted to remove elements of such changes already included in changes to inventories and other expenses.

## Enrichment Group

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

## ETC

Enrichment Technology Company Limited.

## Euratom

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

## EUP

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

## Feed

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

## FFO/TAD

FFO/TAD is the ratio of funds from operations (FFO) to total adjusted debt (TAD). FFO is defined as EBITDA adjusted for interest costs, current tax expenses and operating lease and pension obligations. TAD is interest bearing loans and borrowings adjusted for cash and Short term bank deposits, operating leases, retirement benefit obligation deficit, and tails and decommissioning provisions.

## 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 debt

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

## Net finance costs

Finance costs less finance income, net of capitalised borrowing costs and including gains and losses of non-designated hedges.

## Net interest

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

## Orano (previously Areva)

The French energy group.

## Order book

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

## Parent Company or company

URENCO Limited.

## Revenue

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

## Glossary of terms continued

### SWU

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

### Tails (Depleted $UF_6$ )

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

### Tails Management Facility (TMF)

The facility constructed and operated by URENCO ChemPlants Limited that will manage the deconversion of tails to stable uranium oxide ( $U_3O_8$ ). Currently under construction at URENCO's site in Capenhurst, UK, it will consist of a number of associated storage, maintenance and residue processing facilities to support URENCO's long term strategy for the management of tails.

### Treaty of Almelo

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

### Treaty of Cardiff

In July 2005 the German, Dutch, British and French governments signed the Treaty of Cardiff, an agreement between the four governments to supervise the collaboration between URENCO and 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.

# Contact Listing

Registered office and Group headquarters address:

## **URENCO Limited**

URENCO Court  
Sefton Park  
Bells Hill  
Stoke Poges  
Buckinghamshire  
SL2 4JS  
United Kingdom

## **General enquiries and Investor relations**

Tel: +44 (0) 1753 660 660  
E-mail: [enquiries@urengo.com](mailto:enquiries@urengo.com)  
Media enquiries: [mediaenquiries@urengo.com](mailto:mediaenquiries@urengo.com)  
Contact: Jayne Hallett – Director of Corporate Communications

## **URENCO Enrichment Company Limited**

URENCO Court  
Sefton Park  
Bells Hill  
Stoke Poges  
Buckinghamshire  
SL2 4JS  
United Kingdom

Tel: +44 (0) 1753 660 660  
E-mail: [enquiries@urengo.com](mailto:enquiries@urengo.com)  
Contact: Jayne Hallett – Director of Corporate Communications

## **URENCO Deutschland GmbH**

Postfach 19 20  
D – 48580 Gronau  
Germany

Tel: +49 (0) 2562 711 0  
E-mail: [info@urengo.com](mailto:info@urengo.com)  
Contact: Joachim Ohnemus – Managing Director

## **URENCO Nederland B.V.**

Postbus 158  
7600 AD Almelo  
The Netherlands

Tel: +31 (0) 5 46 54 54 54  
E-mail: [almelo@urengo.com](mailto:almelo@urengo.com)  
Contact: Ad Louter – Managing Director

## **URENCO UK Limited**

Capenhurst  
Cheshire  
CH1 6ER  
United Kingdom

Tel: +44 (0) 151 473 4000  
E-mail: [enquiries2@urengo.com](mailto:enquiries2@urengo.com)  
Contact: Martin Pearson – Managing Director

## **URENCO, Inc. and URENCO USA, Inc.**

1560 Wilson Boulevard, Suite 300  
Arlington  
Virginia 22209-2463  
USA

Tel: +1 (703) 682-5203  
E-mail: [enquiries@urengo.com](mailto:enquiries@urengo.com)  
Contact: Kirk Schnoebelen – President and CEO

## **URENCO ChemPlants Limited**

Capenhurst  
Cheshire  
CH1 6ER  
United Kingdom

Tel: +44 (0) 151 473 7400  
E-mail: [enquiries@urengo.com](mailto:enquiries@urengo.com)  
Contact: Doug Annan – Managing/Executive Project Director

## **URENCO Nuclear Stewardship Limited**

Capenhurst  
Cheshire  
CH1 6ER  
United Kingdom

Tel: +44 (0) 151 473 3635  
E-mail: [urenconuclearstewardship@urengo.com](mailto:urenconuclearstewardship@urengo.com)  
Contact: David Slater – Managing Director

## **Louisiana Energy Services, LLC**

PO Box 1789  
Eunice  
New Mexico 88231  
USA

Tel: +1 (505) 394 4646  
Email: [communicationsuusa@urengo.com](mailto:communicationsuusa@urengo.com)  
Contact: David Sexton – President and CEO

## **Enrichment Technology Company Limited**

Unit 6  
South Capenhurst Technology Park  
Capenhurst  
Cheshire  
CH1 6EH  
United Kingdom

Tel: +44 (0) 151 363 3800  
E-mail: [info@enritec.com](mailto:info@enritec.com)  
Contact: Michael Smith – Company Secretary

**URENCO Limited**

URENCO Court  
Sefton Park  
Bells Hill  
Stoke Poges  
Buckinghamshire  
SL2 4JS, UK

[URENCO.com](http://URENCO.com)