urenco

Annual report and accounts 2018

Independent Auditor's Report

Report on the audit of the financial statements

In our opinion:

- **the financial statements of Urenco Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 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.**

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and Parent Company statement of financial position;
- the Consolidated and Parent Company statements 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 r esponsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

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

Summary of our audit approach

Key audit matters

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

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

Site decommissioning provisioning is a new key audit matter for 2018, in reflection of the Group's performance of a detailed triennial review in the current year. Uranic inventory valuation and ownership is no longer considered a key audit matter given the continued 'feed headroom'. The other matters are consistent with those identified in the prior year.

Materiality

The materiality that we used for the Group financial statements was €25 million (2017: €25 million) which was determined on the basis of approximately 4% (2017:4%) of profit before tax, excluding foreign exchange gains and losses on financing activities.

Scoping

Our Group audit scope focused on the four Urenco enrichment site operating entities (Urenco UK Limited, Urenco Deutschland GmbH, Urenco Nederland B.V. and Louisiana Energy Services, LLC), the entity constructing the 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

With the exception of the site decommissioning provision, which is a key audit matter for the current year audit, and uranic inventory evaluation which is no longer a key audit matter, there were no other 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.

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 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 2018 year end impairment risk is focused on the US enrichment business CGU given the significant carrying value of the recently constructed assets (carrying value as at 31 December 2018: €2,178.9 million, 31 December 2017: €2,191.8 million) 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.

There is a significant level of management judgement inherent in determining whether an impairment indicator and/or impairment reversal indicator exists as at 2018 year end. Management's assessment of whether there has been any observable change during 2018 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 2018, and determined that the long term market price for SWU remains in line with the assessment made in 2016. Management has compared the latest board approved 10 year business plan to the 2016 forecasts. 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 2018;
- 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.

Management has concluded that there are no indicators for a further impairment charge or an impairment reversal.

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. Note 2 to the consolidated financial statements 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 assess whether the cash inflows for the US and European enrichment businesses are separately identifiable and independent. We have challenged management's review of the relevant internal updates and external market information, including reviewing for any contradictory evidence, when scrutinising the 2018 impairment indicator or impairment reversal analysis.

We have challenged whether management's board approved business plan (2019–2028) was consistent with the new sales contracts signed during 2018 and the actual operational and capital cost performance in 2018, and management's conclusion that it did not provide an indicator for impairment or reversal.

We challenged management's SWU pricing and other key assumptions in the impairment indicator and/or reversal indicator analysis detailed in the key audit matter description section above, by obtaining third party evidence where available and through discussions with operational and commercial management.

Key observations

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

European enrichment business tails disposal provisioning

Key audit matter description

During 2018, management continued to base the European enrichment sites' tails provisions using the estimated future de-conversion cost of processing tails through the Tails Management Facility ('TMF') currently being commissioned. The TMF de-conversion cost estimate is reviewed by management at each reporting period end, as this TMF cost estimate is required to measure the future tails de-conversion provision. As at 31 December 2018, management recognised a €1,001.7 million (31 December 2017: €882.0 million) provision to dispose of Urenco tails currently held across the Group.

Significant management judgement is required in estimating the TMF de-conversion forecast cost assumptions, most notably the eventual operating cost of the TMF facility, as well as the capital costs of commissioning the facility. The latest TMF project review undertaken by management during 2018 indicated a substantially unchanged capital construction and commissioning cost. The complete commissioning date of the TMF facility is now forecast to be early 2020 (2017: late 2018). The results of the 2018 review were included in the 2018 tails de-conversion cost forecast used to estimate the European tails provision. Until commissioning is complete and operations commence, the total capital cost remains a key estimate within the European tails provision valuation, similarly any further increase in the TMF operating cost would increase the current and future European tails provision.

The other key management estimates in valuing this long term European tails provision are the determination of the final tails disposal and transport costs; and macroeconomic assumptions (inflation and discount rate) to recognise the provision at a present value cost. During 2018, 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 consolidated financial statements. Further details on the tails provision are also provided in note 27 to the consolidated financial statements.

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 the 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 visited the TMF site in January 2019 and the audit team performed the key audit procedures detailed below to assess management's key assumptions in relation to the forecast capital cost, timing of completion and forecast operating cost.

We compared future cost and timing estimates, including TMF de-conversion costs, against internal project data and, where possible, external support. We tested the key assumptions through 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 de-conversion cost model in 2018, we have agreed the underlying information to third party support where relevant.

The volume of tails to be de-converted was corroborated by operational and financial reports. For the high assay tails disposal contract, we reviewed the underlying contractual terms and challenged the accounting adopted by management against the relevant accounting standards.

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

Key observations

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

Revenue and feed profit recognition

Key audit matter description

The Group has recognised total revenue of €1,957.7 million in the year ended 2018 (2017: €1,925.4 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. Those policies have been updated to reflect the Group's adoption of IFRS 15 'Revenue from contracts with customers' with effect from 1 January 2018.

The key management judgement on application of IFRS 15 included:

- the assessment of the point in time at which control of the service or good transfers to the customer and, hence, revenue and profit should be recognised. For enrichment sales, management judgment was required in concluding that when Urenco performs enrichment activity, this is not enhancing an asset that is controlled by any specific customer, and therefore revenues should be recognised at a point in time – not over a period of time; and
- the assessment of the amount of the overall value of a long term enrichment contract that should be allocated to each of the individual deliveries based on management's assessment of the standalone selling prices of those deliveries.

Other judgements and estimates, which are consistent with prior years when the Group accounted under IAS 18 Revenue, included 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 in revenue recognition, 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 consolidated financial statements within the Audit Committee report on page 35, and is a critical accounting judgement within note 2 to the consolidated financial statements. The Group's policy on revenue recognition is set out in note 2 of the consolidated financial statements and further details are included within the Revenue note 3 of the consolidated financial statements.

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

We 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 both the revenue and commodity contract business cycles. We further performed operating effectiveness testing on the key revenue controls.

For revenue recognised in the period shortly before and after 31 December 2018, 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, 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.

Site and equipment decommissioning provision

Key audit matter description

During 2018, management performed its detailed triennial review of the Group's future decommissioning strategy and cost estimates across the four operating sites.

As at 31 December 2018, the provision increased to €475.5 million (31 December 2017: €359.3 million).

Decommissioning activity involves the deconstruction, cleaning and disposal of the centrifuges and related pipework. Third party disposal costs are a key estimate and are predominantly a function of the contamination level, with there being a significant difference in cost between material which can be scrapped and contaminated material requiring specialist final disposal. Other key estimates include the number of manhours required and the average hourly rates.

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, although the Group has certain historical benchmarks from previous decommissioning studies and activity, with ongoing analysis continuing to be performed.

The other key management estimate is the macroeconomic assumptions (inflation and discount rates) used to record the provision at its present value. 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 key source of estimation uncertainty within note 2 to the consolidated financial statements on page 66. Further details on the site decommissioning provision are also provided in note 27 to the consolidated financial statements on page 105. As set out in the Group's principal risk disclosure on page 17, the cost and timing of Urenco's long term nuclear activities are subject to external factors that Urenco can influence but not control, for example, government policy for long term disposal costs.

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

We evaluated the design and implementation of the key controls over the site decommissioning provisioning processes at each component as well as the Group-wide controls.

In assessing the decommissioning provision we:

- have understood the rationale for the key updates made in the 2018 provision;
- performed a risk assessment to determine the principal underlying cost and strategic drivers;
- reviewed and challenged the key assumptions and critical estimates of the triennial review with senior operational and technical staff;
- assessed the competence, capability and objectivity of management's internal experts;
- considered the outputs from the review, comparing them against underlying support; and
- assessed and benchmarked the reasonableness of discount and inflation macroeconomic assumption rates adopted to external market data and relevant industry peers.

Key observations

Whilst noting the inherent key risks and uncertainties in estimating the cost of future nuclear decommissioning activities, we concluded that the key cost and operational assumptions were appropriately risk adjusted and were within our acceptable range.

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 and Parent Company materiality

Group materiality was determined to be €25.0 million (2017: €25.0 million). Materiality for the Parent Company financial statements was determined to be €16.3 million (2017: 15.8 million).

Basis for determining materiality

Approximately 4% (2017: approximately 4%) of profit before tax excluding foreign exchange gains and losses on financing activities, for both the Group and Parent company.

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 on financing activities which would, if included, distort materiality for the year. We considered this measure to be suitable having also compared to another benchmark; our materiality is below 2% of equity (2017: below 2%).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €1,250,000 (2017: €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.

2018 was the first year which we also agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €250,000 which arose from factual misstatement.

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. The component materiality range was from €10.0 million to €16.3 million

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

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 (2018: 99%, (2017: 99%) of Group total), revenue (2018: 99%, (2017: 98%) of Group total) and profit before tax (2018: 98%, (2017: 97%) of Group total).

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 FRC's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

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 agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors’ remuneration

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

We have nothing to report in respect of this matter.

Use of our report

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

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

14 March 2019

Financial statements

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 Result for the year €m	2017 Result for the year re-presented [i] €m
Revenue	3	**1,957.7**	1,926.9
Changes to inventories of work in progress and finished goods		**(146.5)**	(124.6)
Raw costs of materials and consumables used		**(14.5)**	(12.0)
Net costs of nuclear provisions[i]	5	**(174.1)**	(120.5)
Employee costs	7	**(160.3)**	(149.7)
Depreciation and amortisation	5	**(329.2)**	(343.3)
Restructuring charges	6	**2.3**	4.7
Other expenses[i]	5	**(311.7)**	(317.3)
Share of results of joint venture	16	**2.8**	7.6
Income from operating activities	5	**826.5**	871.8
Finance income	8	**68.7**	107.8
Finance costs	9	**(174.7)**	(247.9)
Income before tax		**720.5**	731.7
Income tax expense	10	**(209.2)**	(216.8)
Net Income for the year attributable to the owners of the Company		**511.3**	514.9
Earnings per share		**€**	€
Basic earnings per share	12	**3.0**	3.1

(i) To increase the clarity of the income statement the Group has combined into a new line item titled 'Net costs of nuclear provisions' six different line items that were previously presented separately or within 'Other expenses'. These were Tails provisions created of €144.7 million in 2018 (2017: €199.2 million) and release of tails provisions, creating and release of decommissioning provisions and creating and release of provisions for re-enrichment of low assay feed for a total net cost of €29.4 million in 2018 (2017: net credit €78.7 million). See note 27 for further details.

Financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018 €m**	2017 €m
Net income for the year attributable to the owners of the Company		**511.3**	514.9
Other comprehensive income/(loss):			
Items that have been or may be reclassified subsequently to the income statement			
Cash flow hedges – transfers to revenue	26	**44.9**	82.1
Cash flow hedges – mark to market (losses)/gains		**(98.1)**	152.1
Net investment hedge – mark to market (losses)/gains		**(75.7)**	146.2
Deferred tax income/(expense) on financial instruments	10	**16.0**	(42.5)
Current tax income/(expense) on financial instruments	10	**26.6**	(11.7)
Exchange differences on hedge reserve		**3.7**	12.8
Total movements to hedging reserve		**(82.6)**	339.0
Movements in cost of hedging reserve		**(14.0)**	-
Deferred tax income on cost of hedging reserve		**2.7**	-
Exchange differences on cost of hedging reserve		**(0.1)**	-
Total movements on cost of hedging reserve[(i)]		**(11.4)**	-
Exchange differences on foreign currency translation of foreign operations		**126.7**	(291.6)
Share of joint venture exchange differences on foreign currency translation of foreign operations		**(0.4)**	(0.1)
Total movements to foreign currency translation reserve		**126.3**	(291.7)
Items that will not be reclassified subsequently to the income statement			
Actuarial gains on defined benefit pension schemes	28	**51.1**	26.0
Deferred tax expense on actuarial gains	10	**(8.9)**	(5.1)
Share of joint venture actuarial gains/(losses) on defined benefit pension schemes		**8.2**	(2.1)
Exchange differences		**0.9**	-
Utility partner payments		**-**	(0.1)
Total movements to retained earnings		**51.3**	18.7
Other comprehensive income		**83.6**	66.0
Total comprehensive income for the year attributable to the owners of the Company		**594.9**	580.9

(i) The cost of hedging reserve is a new separate component of equity set up following the adoption of IFRS 9 from 1 January 2018. See note 2.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	**2018 €m**	2017 re-presented[i] €m
Assets			
Non-current assets			
Property, plant and equipment	13	**4,961.9**	4,900.5
Investment property	14	**6.1**	6.8
Intangible assets	15	**34.6**	44.4
Investments including joint venture	16	**18.9**	7.5
Financial assets	18	**4.3**	7.6
Derivative financial instruments	26	**197.9**	284.7
Deferred tax assets	10	**166.1**	207.2
		5,389.8	5,458.7
Current assets			
Inventories	19	**135.0**	213.5
SWU assets	20	**241.9**	332.4
Trade and other receivables	21	**218.8**	234.3
Derivative financial instruments	26	**14.3**	22.0
Income tax recoverable		**44.6**	77.8
Cash and cash equivalents	22	**531.2**	59.1
		1,185.8	939.1
Total assets		**6,575.6**	6,397.8
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	23	**237.3**	237.3
Additional paid in capital	23	**16.3**	16.3
Retained earnings		**1,620.0**	1,356.8
Hedging reserve		**(419.7)**	(322.5)
Cost of hedging reserve		**3.2**	-
Foreign currency translation reserve		**662.7**	536.4
Total equity		**2,119.8**	1,824.3
Non-current liabilities			
Trade and other payables	29	**41.4**	-
Interest bearing loans and borrowings	26	**1,902.1**	1,888.8
Provisions	27	**1,769.0**	1,499.3
Retirement benefit obligations	28	**46.0**	97.3
Contract liabilities	24	**50.1**	28.2
Derivative financial instruments	26	**158.1**	120.1
Deferred tax liabilities	10	**97.7**	94.7
		4,064.4	3,728.4
Current liabilities			
Trade and other payables	29	**255.4**	436.6
Interest bearing loans and borrowings	26	**-**	275.0
Provisions	27	**7.5**	15.3
Derivative financial instruments	26	**33.8**	52.6
Income tax payable		**32.6**	64.0
Contract liabilities	24	**62.1**	1.6
		391.4	845.1
Total liabilities		**4,455.8**	4,573.5
Total equity and liabilities		**6,575.6**	6,397.8

(i) From 1 January 2018 SWU inventories are classified under a separate line of SWU assets following the adoption of IFRS 15. Previously these were included under Inventories. In addition, deferred income has been renamed as contract liabilities. The presentation of the comparative financial information for the year ended 31 December 2017 has been restated to be on a consistent basis. See note 2.

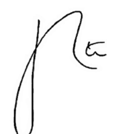
Registered Number 01022786

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2019.

They were signed on its behalf by:

Dr Thomas Haeberle
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer



Consolidated Statement of Changes in Equity

As at 31 December 2018

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Cost of hedging reserve €m	Foreign currency translation reserve €m	Attributable to the owners of the Company €m
As at 31 December 2017	**237.3**	**16.3**	**1,356.8**	**(322.5)**	**-**	**536.4**	**1,824.3**
Adjustment for IFRS 9 transition	**-**	**-**	**0.6**	**(14.6)**	**14.6**	**-**	**0.6**
Revised as at 1 January 2018	**237.3**	**16.3**	**1,357.4**	**(337.1)**	**14.6**	**536.4**	**1,824.9**
Income for the year	**-**	**-**	**511.3**	**-**	**-**	**-**	**511.3**
Other comprehensive income/(loss)	**-**	**-**	**51.3**	**(82.6)**	**(11.4)**	**126.3**	**83.6**
Total comprehensive income/(loss)	**-**	**-**	**562.6**	**(82.6)**	**(11.4)**	**126.3**	**594.9**
Equity dividends paid (see note 11)	**-**	**-**	**(300.0)**	**-**	**-**	**-**	**(300.0)**
As at 31 December 2018	**237.3**	**16.3**	**1,620.0**	**(419.7)**	**3.2**	**662.7**	**2,119.8**

	Share capital €m	Additional paid in capital €m	Retained earnings €m	Hedging reserves €m	Cost of hedging reserve €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

Financial statements

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Notes	2018 €m	2017 re-presented[(i)] €m
Income before tax		**720.5**	731.7
Adjustments to reconcile Group income before tax to net cash inflows from operating activities:			
Share of joint venture results	16	**(2.8)**	(7.6)
Depreciation and amortisation	5	**329.2**	343.3
Finance income	8	**(68.7)**	(107.8)
Finance costs	9	**174.7**	247.9
Loss on disposal/write offs of property, plant and equipment		**0.4**	12.0
Increase/(decrease) in provisions		**140.5**	(31.2)
Operating cash flows before movements in working capital		**1,293.8**	1,188.3
Decrease/(increase) in inventories		**64.0**	(59.2)
Decrease in SWU assets		**93.4**	17.7
Decrease in receivables and other debtors		**11.7**	159.0
(Decrease)/increase in payables and other creditors		**(61.9)**	8.3
Cash generated from operating activities		**1,401.0**	1,314.1
Income taxes paid		**(119.3)**	(122.9)
Net cash flow from operating activities		**1,281.7**	1,191.2
Investing activities			
Interest received		**59.8**	81.6
Proceeds from sale of property, plant and equipment		**-**	0.1
Purchases of property, plant and equipment		**(183.0)**	(299.3)
Purchase of intangible assets		**-**	-
Increase in investment		**(0.1)**	(0.2)
Net cash flow from investing activities		**(123.3)**	(217.8)
Financing activities			
Interest paid		**(130.3)**	(209.9)
Proceeds/(payments) in respect of settlement of debt hedges		**26.1**	(6.8)
Dividends paid to equity holders	11	**(300.0)**	(300.0)
Proceeds from new borrowings		**455.2**	378.8
Maturity of short term deposits		**-**	1.6
Repayment of borrowings		**(732.8)**	(1,027.7)
Net cash flow from financing activities		**(681.8)**	(1,164.0)
Net increase/(decrease) in cash and cash equivalents		**476.6**	(190.6)
Cash and cash equivalents at 1 January		**59.1**	251.7
Effect of foreign exchange rate changes		**(4.5)**	(2.0)
Cash and cash equivalents at 31 December	22	**531.2**	59.1

(i) During 2018 the movements in Inventories of €64.0 million (2017: €(59.2) million) and in SWU assets of €93.4 million (2017: €17.7 million) are presented on two line items within Cash generated from operating activities. In 2017 this was presented under Increase in inventories for a total amount of €(41.5) million. The presentation of the comparative financial information for the year ended 31 December 2017 has been re-presented to be on a consistent basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. General information

Urenco Limited ('the Company') is a company domiciled and incorporated in the United Kingdom under the Companies Act 2006. Urenco Limited is the ultimate parent company of the Group. The address of the Company's registered office is given on page 133. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 4 and in the Strategic Report on pages 8 to 13.

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 within this note.

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

Going concern

The Directors have, 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 accounting policies adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2018 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except as follows:

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	EU-endorsed effective Date – periods commencing on or after
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	1 January 2018	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	1 January 2018	1 January 2018
IFRS 9 Financial Instruments (issued on 24 July 2014)	1 January 2018	1 January 2018
IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015)	1 January 2018	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	1 January 2018	1 January 2018
Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016)	1 January 2018	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	1 January 2018	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	1 January 2018	1 January 2018

For the year ended 31 December 2018

2. Significant accounting policies continued

IFRS 15: Revenue from Contracts with Customers

The Group has adopted the requirements of IFRS 15 for the first time in the current year. IFRS 15 establishes a single comprehensive model for entities to use when accounting for revenue arising from contracts with customers. The Group has adopted a fully retrospective approach in 2018 with the cumulative effect of initially applying the standard recognised at the beginning of the earliest period permitted. Under this transition method, the Group has only applied the standard retrospectively to contracts that are not completed at the beginning of the earliest period presented. The principal effect on the Group has been the change in presentation of the costs of SWU being performed or performed but not delivered as SWU assets as opposed to within inventories as was previously the case. The comparatives of SWU inventories have been restated as SWU assets to be on a consistent basis, with no change to the measurement basis.

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 reflects 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.

Under IFRS 15 the revenue recognition model has changed from one based on the transfer of risk and reward of ownership to the transfer of control. 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 has not been affected. Management has assessed 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 control of SWU transfers to the customer, which is usually at the point of deliveries of EUP.

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 €332.4 million have been reclassified as SWU 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 has not impacted on the Group's net income, net assets or financial Key Performance Indicators for 2018. The balance of SWU assets at 31 December 2018 was €241.9 million.

IFRS 9 Financial Instruments

The Group has applied IFRS 9 from 1 January 2018 and has elected not to restate 2017 comparatives on initial application. Any resulting changes from initial adoption have been made on 1 January 2018 by adjusting the closing balance at 31 December 2017 of the impacted items, with the net cumulative impact recognised in retained earnings. 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.

The changes for the Group following the adoption of IFRS 9 were 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 classification and measurement basis for the Group's existing financial assets and liabilities is unchanged under IFRS 9.
- Impairment: The introduction of an 'expected credit loss model' for the assessment of impairment for financial assets held at amortised cost has had an immaterial impact on the Group's statement of financial position and 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 percentage of loss allowance for financial assets has been measured at an amount equal to lifetime expected credit losses for these financial assets. The financial impact on adoption was to recognise a pre-tax impairment loss of €0.8 million on the Group's financial assets with a net adjustment to the opening balance of retained earnings of €0.6 million. The difference between the previous carrying amount and the impaired carrying amount at 1 January 2018 has been recognised through opening retained earnings for the Group.
- Hedge accounting: 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 have continued 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 has not materially changed the amounts recognised in relation to existing hedging arrangements. However, from 1 January 2018 a separate Cost of hedging reserve has been used in the statement of financial position to recognise currency basis spreads separately from financial instruments, to ensure both the hedged item and the hedging instrument are measured on the same basis. The financial impact on initial adoption at 1 January 2018 was to reclassify a pre-tax amount of €17.6 million and an associated tax charge of €3.0 million from Hedging reserves to the Cost of hedging reserve with no overall effect on net assets or net income. The balance of the Cost of hedging reserve at 31 December 2018 was €3.2 million.

For the year ended 31 December 2018

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
New standards		
IFRS 16 Leases (issued on 13 January 2016)	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
IFRS 17 Insurance Contracts (issued on 18 May 2017)	1 January 2021	Endorsement outstanding
Amended standards		
Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)	1 January 2019	1 January 2019
Amendments to IAS 28: Long term Interests in Associates and Joint Ventures (issued on 12 October 2017)	1 January 2019	Endorsement outstanding
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	Endorsement outstanding
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	1 January 2019	Endorsement outstanding
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	Endorsement outstanding
Amendment to IFRS 3 Business Combinations (issued on 22 October 2018)	1 January 2020	Endorsement outstanding
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	1 January 2020	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 below :

IFRS 16 Leases

IFRS 16 is mandatorily effective for the Group from 1 January 2019. 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 balance sheet are available for leases with terms of 12 months or less or where the underlying asset is of low value.

On the transition date of 1 January 2019 the Group will apply this standard based on the modified retrospective method with the cumulative effect of initially applying this standard recognised as an adjustment to the opening balance of retained earnings. The Group shall not restate comparative information. No additional arrangements have been identified which fall within the definition of a lease under IFRS 16. On the transition date the Group will elect to use two practical expedients, to apply a single discount rate to the leases with reasonably similar characteristics in terms of remaining lease term and class of underlying asset and to grandfather the Group's lease assessments under IFRIC 4. On 1 January 2019 the Group will recognise a lease liability for leases previously classified as an operating lease applying IAS 17. This lease liability will be measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate at the date of initial application. The Group has elected to recognise the corresponding right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group has completed its impact assessment on the new standard. The most significant impact on the Group financial statements is 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. The estimated impact is the recognition of approximately €20–30 million of right-of-use assets and corresponding lease liabilities in the statement of financial position as at 1 January 2019. On the date of initial adoption there will be no impact on retained earnings and it is expected that thereafter the financial impact on the income statement will not be material.

For the year ended 31 December 2018

2. Significant accounting policies continued

Basis of consolidation

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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.

  Urenco has two key CGUs, its European operations and its US operations. Management has assessed that each of these CGUs are comprised of the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For 2018 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 2018 there has been no observable change to the forecast market SWU price curve. Therefore, management has concluded that there are no new impairment or impairment reversal indicators for the €2,178.9 million carrying value of the US assets as at 31 December 2018 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 in future. 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, finished goods and SWU assets. 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 and SWU assets are given in notes 19 and 20.

For the year ended 31 December 2018

2. Significant accounting policies continued

- **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 and on the value of the net assets in foreign currencies that can be put in a net investment hedge relationship. Details about hedging activities are given in note 26.
- **Classification of commodity contracts**
  Commodity contracts measured at marked to market fair value are agreements to buy or sell uranium or conversion services which are in the scope of IFRS 9. 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 25.
- **Deferred tax asset valuations**
  Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that suitable taxable income will be available against which the deductible temporary differences can be utilised. Significant management judgements are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details of deferred tax assets and the estimations are given in note 10.
- **Timing of SWU revenue recognition**
  SWU revenue is recognised at a point in time, not over a period of time. Judgment is required in reaching this conclusion, including an assessment as to whether Urenco is enhancing any specific customer's asset as described in IFRS 15. Management has assessed that enrichment activity does not meet the definition of enhancing a customer's asset and that therefore control of SWU passes to the customer on delivery.

Key sources of estimation uncertainty

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

- **Enrichment cash generating unit carrying values of impairment of reversal indicators**
  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 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.

  As mentioned before in this note the impairment valuation model has not been updated because no indicators for impairment or reversal of impairment have been identified. Therefore no sensitivity analysis has been performed on the key assumptions.
- **Tails provisions and decommissioning provisions**
  Provisions for tails disposal and for decommissioning of plant and machinery is made on a discounted basis to meet long term liabilities. The discounting is unwound annually to recognise progression towards the full escalated cost estimate for eventual safe disposal or decommissioning. The final amounts of these provisions are uncertain but are evaluated based upon the planned operational activity and final capital investment costs involved in successfully achieving safe disposal or decommissioning as well as third party pricing assumption 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.

For the year ended 31 December 2018

2. Significant accounting policies continued

The provision for tails is calculated as a rate applicable to the quantity of tails held at the statement of financial position date. Consequently, a movement in the rate or quantity of tails held would result in a movement in the provision, excluding any changes due to translation of non-euro denominated provisions to the reporting currency of euros. Decommissioning costs are also escalated and discounted based upon current operational expectations. These include all costs associated with returning the site to 'greenfield' or 'brownfield' status. Adjustments to the decommissioning provisions associated with property, plant and equipment result in adjustments to the value of the related asset. Where the related asset is fully written down to residual value and the provision has decreased, a gain or loss 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% (2017: 2%) per annum and discounted at a rate of 4% (2017: 4%), to take account of the time value of money. The fundamental assumptions underlying these provisions are reviewed on an annual basis, along with detailed triennial reviews. The last triennial review was carried out in 2018 and the next one is planned for 2021. Details of the provisions are given in note 27.

- **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 are provided in note 26.

Revenue recognition

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

Revenue is recognised when the Group transfers control of a product or service to a customer. Revenue is measured 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 a contract liability and revenue is recognised on provision of the service or transfer of legal title to the goods.

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

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 point in time control of the service transfers to the customer, which is at the point the underlying SWU is transferred to the customer. This is the earlier of allocation of the enrichment activity (SWU) to the customer's book account (either held at a third party or with Urenco) or physical delivery by Urenco of the SWU component of EUP.

The overall contract price is determined based on the contractual terms agreed with the customer, combined with management's forecast of future customer deliveries and inflation assumptions. This overall transaction price is allocated to the discrete performance obligations based on an assessment of the standalone selling price for each performance obligation. The standalone selling price is determined based on observable inputs including previous contract prices, and management's ongoing assessments.

Revenue from sales of SWU is recorded at the time when control of the underlying SWU passes to the customer. Revenue from SWU contracts is recorded at a point in time and therefore there are no contract balances relating to partially completed performance obligations. Where contracts are modified, an assessment is made on a contract-by-contract basis as to whether the effective price of any additional quantities is equal to the standalone selling price for those quantities. If additional quantities are assessed to be at the standalone selling price, then the additional quantities are treated as a new contract with the revenues under the existing deliveries being recognised in accordance with the pre-modified contract. If the additional quantities are assessed to be at a price which is not the standalone selling price, then this is treated as a contract modification to be applied prospectively, resulting in an allocation of revenues to deliveries that does not necessarily accord with the amounts invoiced or cash received.

For the year ended 31 December 2018

2. Significant accounting policies continued

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

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 the Group has transferred control of goods to the buyer. The transfer of control occurs at the earlier of the point of delivery and the point where the goods are made available for the customer to collect.

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 notes 3 and 4.

Interest Income

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

Uranium commodity contracts

Derivative instruments, which include contracts to buy or sell uranium commodities that do not meet the own use exemption from IFRS 9, are initially recognised at fair value on the statement of financial position when the Group becomes party to the contractual provisions of the instrument and are subsequently 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 include forward market prices and contractual prices for the underlying instrument, time to expiry and the relevant credit, counterparty and performance risks.

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

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

Work performed by the entity and capitalised

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

Leasing and hire purchase commitments

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.

For the year ended 31 December 2018

2. Significant accounting policies continued

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 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.

For the year ended 31 December 2018

2. Significant accounting policies continued

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

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

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

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

Taxation

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

Current tax

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

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

Deferred tax

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

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

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.

For the year ended 31 December 2018

2. Significant accounting policies continued

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.

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.

For the year ended 31 December 2018

2. Significant accounting policies continued

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 Limited to not have to make future royalty cash payments associated with certain plant and equipment at the Capenhurst site. The consideration for this waiver payment will be settled by contracted storage services to be provided in future years by Urenco Nuclear Stewardship Limited. Initial recognition was measured at valuation based on estimated cash flow savings for the royalty payments. Amortisation on this waiver payment takes place on a straight-line basis over the estimated useful life.

Impairment of property, plant and equipment and intangible assets

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

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

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

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

Inventories

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

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

SWU assets

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

For the year ended 31 December 2018

2. Significant accounting policies continued

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 comprise cash at bank and in hand and on demand deposits, together with short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

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 amortised cost, less any Expected Credit Losses.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into, either at amortised cost or at fair value through profit and loss.

Borrowing costs

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

Interest bearing loans and borrowings

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

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

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

Trade payables

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

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.

For the year ended 31 December 2018

2. Significant accounting policies continued

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

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

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

The 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.

Cost of hedging reserve

The cost of hedging reserve is a separate component of equity used to record changes in the fair value of the currency basis spread as included in the fair value of financial instruments that are in a hedge relationship and the changes in the fair value of the forward points of forward foreign exchange contracts that are hedging future revenue. From 1 January 2018, it is a requirement under the newly adopted accounting standard IFRS 9 to disclose the cost of hedging reserve as a separate component of equity.

Provisions

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

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

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

For the year ended 31 December 2018

2. Significant accounting policies continued

The Group's other provisions are for restructuring costs, refeeding of low assay feed and a bad debt provision.

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

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

3. Revenue

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

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Sales of goods and services	**1,952.2**	1,877.9
Net fair value gain on commodity contracts	**5.5**	49.0
Total revenue	**1,957.7**	1,926.9

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 €44.9 million (2017: net loss €82.1 million) (see note 26). The Group is a party to various commodity contracts to sell or buy uranium, which are within the scope of IFRS 9, 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.

All revenues relating to sales of goods and services recognised during the period arose from contracts with customers.

The amount of revenue recognised during the year that was previously recorded as a contract liability was €1.6 million (2017: €1.6 million).

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at the end of the period was €11.9 billion (2017: €12.7 billion). The Group expects to recognise this as revenue during the period through to the mid 2030s, with revenues weighted more towards the earlier years.

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, 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 2018

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 2018	Enrichment business €m	ETC €m	Other [i] €m	Consolidated €m
Revenue				
External sales	1,905.0	-	52.7	1,957.7
Total external revenue	1,905.0	-	52.7	1,957.7
Result				
Income/(loss) from operating activities	825.3	3.6	(2.4)	826.5
Finance income	14.4	-	54.3	68.7
Finance costs	(54.6)	-	(120.1)	(174.7)
Income/(loss) before tax	785.1	3.6	(68.2)	720.5
Income tax	(199.4)	-	(9.8)	(209.2)
Net income/(loss) for the year	585.7	3.6	(78.0)	511.3
Other information				
Total depreciation and amortisation	331.5	-	(2.3)	329.2
Add depreciation recognised in decreased inventories	45.8	-	-	45.8
Add depreciation expenses within net costs of nuclear provisions	1.7	-	-	1.7
Depreciation and amortisation for EBITDA calculation	379.0	-	(2.3)	376.7
Income/(loss) from operating activities	825.3	3.6	(2.4)	826.5
Depreciation and amortisation	379.0	-	(2.3)	376.7
Joint venture result	-	(3.6)	0.8	(2.8)
EBITDA[ii]	1,204.3	-	(3.9)	1,200.4
Capital additions:				
Property, plant and equipment	295.4	-	3.4	298.8
Intangible assets	0.3	-	-	0.3
Segment assets	5,755.2	17.6	802.8	6,575.6
Segment liabilities	2,852.1	-	1,603.7	4,455.8

[i] Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.

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

For the year ended 31 December 2018

4. Segment information continued

Year ended 31 December 2017	Enrichment business €m	ETC €m	Other [i] €m	Consolidated €m
Revenue				
External sales	1,870.4	-	56.5	1,926.9
Total external revenue	1,870.4	-	56.5	1,926.9
Result				
Income/(loss) from operating activities[iii]	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[iii]	828.6	8.8	(105.7)	731.7
Income tax[iii]	(231.7)	-	14.9	(216.8)
Net income/(loss) for the year[iii]	596.9	8.8	(90.8)	514.9
Other information				
Total depreciation and amortisation[iii]	347.6	-	(4.3)	343.3
Add depreciation recognised in decreased inventories	34.0	-	-	34.0
Add depreciation expenses within net costs of nuclear provisions	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)
EBITDA[ii]	1,260.8	-	(11.3)	1,249.5
Capital additions:				
Property, plant and equipment	383.4	-	2.5	385.9
Intangible assets	0.2	-	-	0.2
Segment assets	6,011.4	6.3	380.1	6,397.8
Segment liabilities	2,940.3	-	1,633.2	4,573.5

(i) Other comprises the corporate Head Office, Urenco Nuclear Stewardship Limited and Group accounting consolidation adjustments.

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

(iii) 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

As at 31 December 2017 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 following 13 years thereafter.

The 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.

For the year ended 31 December 2018

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 the location of sale 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 2018	**UK €m**	**Rest of Europe €m**	**US €m**	**Rest of the world* €m**	**Consolidated €m**
Total external revenue	**85.0**	**533.9**	**1,145.7**	**193.1**	**1,957.7**
Location of non-current assets					
Property, plant and equipment	**1,815.7**	**984.9**	**2,161.3**	**-**	**4,961.9**
Investment property	**4.6**	**1.5**	**-**	**-**	**6.1**
Intangible assets	**7.7**	**9.3**	**17.6**	**-**	**34.6**

* predominantly Asia

Year ended 31 December 2017	UK €m	Rest of Europe €m	US €m	Rest of the world* €m	Consolidated €m
Total external revenue	76.5	710.0	942.7	197.7	1,926.9
Location of non-current assets					
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

5. Income from operating activities

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

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Net costs of nuclear provisions	**174.1**	120.5
Depreciation of property, plant and equipment (note 13)	**321.1**	336.8
Depreciation of investment property (note 14)	**0.4**	0.4
Amortisation of intangible assets (note 15)	**7.7**	6.1
Depreciation and amortisation	**329.2**	343.3
Employee costs (note 7)	**160.3**	149.7
Operating costs	**272.1**	253.4
Administrative and other costs	**31.1**	36.3
Minimum lease payments under operating leases recognised as an expense for the year (note 30)	**2.8**	3.3
Research and development costs	**7.7**	20.4
Operating foreign exchange gains (i)	**(2.4)**	(6.5)
Operating foreign exchange losses (i)	**0.4**	10.4
Other expenses	**311.7**	317.3

(i) 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 2018

5. Income from operating activities continued

Auditor's remuneration

An analysis of auditor's remuneration is provided below:

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Audit of Company	**0.3**	0.3
Audit of subsidiaries	**0.6**	0.6
Total audit fees	**0.9**	0.9
Non-audit services	**0.1**	0.2
Total fees	**1.0**	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 auditors for non-audit services, the reason why the auditor was used and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 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 judgement by management including whether the item is truly exceptional and non-recurring. Items that are exceptional due to their nature and incidence should only be reported as exceptional per the Group's exceptional item policy when they exceed an absolute amount of at least €25.0 million on a pre-tax basis.

In 2018 there were no exceptional items (2017: nil).

In 2018 an amount of €2.3 million (2017: €4.7 million) has been released from the restructuring provision. This has been recognised as a gain within Restructuring charges. 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 2018

7. Employee costs

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

	Year ended 31/12/18 Number	Year ended 31/12/17 Number
Technical	**1,095**	1,154
Commercial	**38**	38
Administration	**351**	352
	1,484	1,544

Their aggregate remuneration comprised:

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Wages and salaries	**140.5**	145.2
Work performed by the Group and capitalised	**(16.5)**	(14.7)
Social security costs	**15.3**	14.5
Pension costs	**21.0**	4.7
	160.3	149.7

Directors' emoluments (see page 40):

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Emoluments	**3.1**	3.4
Amounts receivable under long term incentive scheme	**2.3**	0.6
Company contributions paid to a defined contribution pension scheme	**-**	-
	Number	Number
Members of defined contribution schemes	**2**	1

In respect of the highest paid Director:

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Emoluments including pension	**3.5**	1.7
Accrued pension at the end of the year	**-**	-

8. Finance income

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Interest on bank and other deposits	**2.0**	0.4
Interest rate/cross currency interest rate swaps	**52.3**	70.9
Gains from non-designated derivatives	**9.0**	16.2
Amortisation of gains on financial instruments	**0.5**	-
Foreign exchange gains on financing activities	**4.9**	20.3
	68.7	107.8

For the year ended 31 December 2018

9. Finance costs

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Interest on bank borrowings and other loans	**51.4**	97.6
Interest rate/cross currency interest rate swaps	**78.2**	101.4
Unwinding of discount on provisions	**58.9**	55.5
Net interest expense on defined benefit pension schemes	**2.2**	3.3
Surety bond	**3.0**	3.6
Charge to the income statement from non-designated derivatives	**2.6**	10.7
Expected credit losses	**(0.1)**	-
Foreign exchange losses on financing activities	**35.0**	30.6
Less: capitalised interest expense	**(56.5)**	(54.8)
	174.7	247.9

10. Income tax

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

Consolidated income statement	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Current tax		
UK corporation tax	**23.6**	-
Foreign income tax	**122.3**	127.6
Adjustments in respect of prior periods[i]	**1.6**	(52.4)
Total current tax expense	**147.5**	75.2
Deferred tax (see Deferred income tax analysis below)		
Origination and reversal of temporary differences	**66.0**	90.6
Adjustments in respect of prior periods[i]	**(0.8)**	39.9
Write-off of expired tax losses	**-**	7.4
Movement in unrecognised deferred tax[ii]	**-**	(81.4)
Impact of change in tax rate for deferred tax	**(3.5)**	85.1
Total deferred tax expense	**61.7**	141.6
Income tax expense reported in the consolidated income statement	**209.2**	216.8

[i] 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. No further significant agreements have been achieved during 2018 and therefore the prior year adjustments in respect of disputed Tails Management Facility capital expenditure to both current tax and deferred tax was nil (2017: €48.0 million income) and nil (2017: €37.2 million expense) respectively. The tax treatment of a significant portion of capital expenditure remains in dispute and was escalated to a Tax Tribunal which was heard in December 2018; no judgement is expected until later in 2019. No tax benefit will be recognised for this disputed expenditure until the outcome of the litigation is certain.

[ii] There has been no movement in the underlying value of the unrecognised deferred tax assets during 2018 (2017: €81.4 million income). The movement in 2017 was predominantly a direct result of the change in economic life of centrifuges and associated equipment.

For the year ended 31 December 2018

10. Income tax continued

Income tax related to items charged or credited directly to other comprehensive income	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Current tax		
Arising on financial instruments reported in equity	**(26.6)**	11.7
Total current tax (income)/expense	**(26.6)**	11.7
Deferred tax		
Arising on financial instruments reported in equity	**(16.0)**	42.5
Arising on financial instruments reported in cost of hedging reserve	**(2.7)**	-
Arising on actuarial gains on defined benefit pension schemes	**8.9**	5.1
Total deferred tax (income)/expense	**(9.8)**	47.6
Income tax income reported in the consolidated statement of comprehensive (income)/expense	**(36.4)**	59.3

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

	Year ended 31/12/18 €m	Year ended 31/12/18 %	Year ended 31/12/17 €m	Year ended 31/12/17 %
Income before tax	**720.5**		731.7	
Weighted at the average UK statutory income tax rate of 19.00% (2017: 19.25%)	**136.9**	**19.0**	140.8	19.2
Adjustments in respect of income tax of previous years	**0.8**	**0.1**	(12.5)	(1.7)
Tax effect of non-deductible/non-taxable items	**43.5**	**6.0**	12.4	1.7
Movement in unrecognised deferred tax	**-**	**-**	(81.4)	(11.1)
Effect of rate changes on deferred tax	**(3.5)**	**(0.5)**	85.1	11.6
Effect of different foreign tax rates	**31.5**	**4.4**	72.4	9.9
Income tax expense/(income) reported in consolidated income statement	**209.2**	**29.0**	216.8	29.6

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, is 25.66% (2017: 38.84%). The Group's US recognised deferred tax assets and liabilities are valued using a rate of 25.66% (2017: 25.66%).

A reduction in the UK mainstream corporation tax rate from 20.00% to 19.00% became effective on 1 April 2017. A further reduction to 17.00%, 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 17.00% tax rate (2017: 17.00%). Consequently, the average annual UK corporation tax rate for the year ended 31 December 2018 is 19.00% (2017: 19.25%).

During 2018, reductions in the Netherlands mainstream corporation tax rate from 25.00% to 22.55% (effective from 1 January 2020) and to 20.50% (effective from 1 January 2021) were enacted. Consequently, the Group's Dutch deferred tax assets and liabilities have been predominantly valued using a 20.50% tax rate (2017: 25.00%). The 2018 annual Dutch corporation tax rate however remained at 25.00% (2017: 25.00%).

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10. Income tax continued

Deferred income tax

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

	Consolidated statement of financial position		Consolidated income statement	
	31/12/18 €m	31/12/17 €m	**Year ended 31/12/18 €m**	Year ended 31/12/17 €m
Deferred tax (liabilities)/assets				
Relating to fair value movements on financial instruments	**7.3**	(3.1)	**(0.5)**	20.8
Relating to fixed assets[i]	**(173.9)**	(166.6)	**(19.5)**	(76.5)
Relating to other temporary differences	**3.8**	4.5	**(0.2)**	17.5
Relating to prior years	**-**	-	**2.6**	(42.0)
Relating to provisions	**48.0**	45.7	**9.7**	35.0
Relating to retirement benefits	**3.2**	12.0	**-**	17.7
Relating to tax losses	**13.9**	12.8	**(1.0)**	0.8
Effect of rate changes on deferred tax	**-**	-	**3.5**	-
Total deferred tax liabilities	**(97.7)**	(94.7)		
Deferred tax assets				
Relating to fair value movements on financial instruments	**1.4**	(7.2)	**(0.2)**	(17.9)
Relating to fixed assets[i]	**(195.6)**	(159.6)	**(17.0)**	(8.5)
Relating to other temporary differences	**6.8**	1.7	**4.4**	(2.1)
Relating to prior year	**-**	-	**(1.8)**	2.1
Relating to provisions	**111.6**	98.8	**10.2**	(6.9)
Relating to retirement benefits	**5.2**	6.2	**(0.9)**	(20.4)
Relating to start-up costs	**32.4**	36.4	**(5.4)**	(10.9)
Relating to tax losses	**298.2**	321.2	**(45.6)**	(46.6)
Effect of rate changes on deferred tax	**-**	-	**-**	(85.1)
Valuation allowance	**(93.9)**	(90.3)	**-**	81.4
Total deferred tax assets	**166.1**	207.2		
Deferred tax expense/(income)			**(61.7)**	(141.6)

[i] Fixed assets consists of (a) property, plant and equipment, (b) investment property, and (c) intangible assets.

The recognition of the deferred tax assets set out above requires management to use judgements in determining the likely timing and level of future suitable taxable profits. In the case of the Group's US enrichment operations, net deferred tax assets of €102.1 million (2017: €153.5 million), relating predominately to unused tax losses and start-up costs, have been recognised based on the expectations of future taxable profits with the Urenco business plan. At 31 December 2018, a 10% increase in future taxable profits in the plan period would lead to an increase of €13.0 million (2017: €12.5 million) in the amount of the net US deferred tax assets recognised, whilst a 10% decrease in future taxable profits would lead to a decrease of €13.0 million (2017: €12.5 million) in the amount of US net assets recognised. At 31 December 2018, as shown in the above table, a valuation allowance totalling €93.9 million (2017: €90.3 million) was provided against gross deferred tax assets.

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

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

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11. Dividends paid and proposed

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 178.57 cents per share (2016: 178.57 cents per share)	**300.0**	300.0
	300.0	300.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2018 of 178.57 cents per share (2017: 178.57 cents per share)	**300.0**	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 per share

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

The calculation of the basic earnings per share is based on the following data:

	Year ended 31/12/18	Year ended 31/12/17
In millions of euros		
Earnings for the purposes of basic earnings per share being net income attributable to equity holders of the parent	**511.3**	514.9
In millions of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**168.0**	168.0
In euros		
Basic earnings per share	**3.0**	3.1

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

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

For the year ended 31 December 2018

13. Property, plant and equipment

2018	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 2018	2,022.7	6,428.8	160.4	20.2	1,417.0	10,049.1
Additions	90.7	70.2	3.1	0.2	134.6	298.8
Transfers (see notes14 and 15)	104.7	163.1	10.2	0.2	(274.6)	3.6
Disposals	-	-	(0.1)	(0.1)	-	(0.2)
Written off	-	-	-	-	(0.4)	(0.4)
Exchange adjustments	46.5	70.5	1.2	0.1	35.1	153.4
Cost as at 31 December 2018	2,264.6	6,732.6	174.8	20.6	1,311.7	10,504.3
Depreciation as at 1 January 2018	768.9	4,188.0	122.3	17.8	51.6	5,148.6
Charge for the year	53.3	250.3	16.4	1.1	-	321.1
Disposals	-	-	(0.1)	(0.1)	-	(0.2)
Exchange adjustments	23.1	46.1	1.2	-	2.5	72.9
Depreciation as at 31 December 2018	845.3	4,484.4	139.8	18.8	54.1	5,542.4
Carrying amount as at 1 January 2018	1,253.8	2,240.8	38.1	2.4	1,365.4	4,900.5
Carrying amount as at 31 December 2018	1,419.3	2,248.2	35.0	1.8	1,257.6	4,961.9

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 2018 relate to a transfer from assets under construction to other items of property, plant and equipment and reclassification to property, plant and equipment from investment property and other software assets with a net book value of €3.6 million.

At 31 December 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to €30.7 million (2017: €46.1 million) principally in relation to cascades, equipment and buildings.

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

	2018 €m	2017 €m
Cost at 31 December	403.4	343.0
Impairment	(6.4)	(6.1)
Depreciation at 31 December	(231.4)	(211.1)
Carrying amount at 31 December	165.6	125.8

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

	2018 €m	2017 €m
Cost at 31 December	485.6	422.5
Impairment	(25.7)	(24.5)
Depreciation at 31 December	(78.2)	(66.1)
Carrying amount at 31 December	381.7	331.9

The borrowing costs capitalisation rate of assets under construction was 5.17% (2017: 5.08%).

For the year ended 31 December 2018

13. Property, plant and equipment continued

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

14. Investment property

2018	**Total €m**
Cost as at 1 January 2018	**8.7**
Transfers (see note 13)	**(0.4)**
Exchange adjustments	**-**
Cost as at 31 December 2018	**8.3**
Depreciation as at 1 January 2018	**1.9**
Charge for the year	**0.4**
Exchange adjustments	**(0.1)**
Depreciation as at 31 December 2018	**2.2**
Carrying amount as at 1 January 2018	**6.8**
Carrying amount as at 31 December 2018	**6.1**

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 2018 as investment properties 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 2018 under this method was €6.1 million (31 December 2017: €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 €0.3 million (2017: €1.0 million). Associated direct operating expenses amounted to €0.3 million (2017: €0.3 million). Rental income is recognised within revenue.

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14. Investment property continued

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

15. Intangible assets

2018	**Licence costs €m**	**Other software assets €m**	**Waiver payments €m**	**Total €m**
Cost as at 1 January 2018	**66.1**	**96.3**	**6.4**	**168.8**
Additions	**-**	**0.3**	**-**	**0.3**
Transfers (see note 13)	**-**	**(3.2)**	**-**	**(3.2)**
Exchange adjustments	**1.5**	**1.1**	**(0.1)**	**2.5**
Cost as at 31 December 2018	**67.6**	**94.5**	**6.3**	**168.4**
Amortisation as at 1 January 2018	**37.6**	**82.4**	**4.4**	**124.4**
Charge for the year	**3.0**	**3.9**	**0.8**	**7.7**
Exchange adjustments	**0.8**	**1.2**	**(0.3)**	**1.7**
Amortisation as at 31 December 2018	**41.4**	**87.5**	**4.9**	**133.8**
Carrying amount as at 1 January 2018	**28.5**	**13.9**	**2.0**	**44.4**
Carrying amount as at 31 December 2018	**26.2**	**7.0**	**1.4**	**34.6**

The licence costs mainly relate to the costs of obtaining an operating licence in the USA. This licence was granted to Louisiana Energy Services, LLC in 2006 and ends in 2040, 30 years after the start of operations. The costs are amortised on a straight-line basis over the remaining licence period from the date of the commencement of production in the USA. The USA enrichment plant commenced commercial operations in June 2010 having received the necessary approvals from the USA Nuclear Regulatory Commission.

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

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

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

	2018 €m	2017 €m
Cost at 31 December	**2.7**	1.8
Depreciation at 31 December	**(1.1)**	(1.1)
Carrying amount at 31 December	**1.6**	0.7

The borrowing costs capitalisation rate of items included in intangible assets was 5.17% (2017: 5.08%).

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15. Intangible assets continued

2017	Licence costs €m	Other software assets €m	Waiver payments €m	Total €m
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

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 21.7% by Urenco Limited and 28.3% by Urenco Deutschland GmbH. The Group accounts for its interest in ETC using the equity accounting method (see note 2).

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

	2018 €m	2017 €m
Share of the joint venture statement of financial position		
Non-current assets	**19.9**	18.1
Current assets	**73.9**	71.8
Share of gross assets	**93.8**	89.9
Non-current liabilities	**(53.2)**	(50.4)
Current liabilities	**(23.0)**	(33.2)
Share of gross liabilities	**(76.2)**	(83.6)
Group's share of net assets	**17.6**	6.3

	For the year to 31/12/18 €m	For the year to 31/12/17 €m
Share of joint venture results		
Total revenue	**66.7**	74.3
Group's share of profit for the year	**3.6**	8.8
Reversal of previously unrecognised Group's share of loss	**-**	(0.3)
Consolidation adjustments	**(0.8)**	(0.9)
Share of results of joint venture	**2.8**	7.6

For the year ended 31 December 2018

16. Investments continued

	2018 €m	2017 €m
Share of (net liabilities)/net assets of joint venture		
As at 1 January	**6.3**	-
Group's share of profit for the year	**3.6**	8.8
Reversal of previously unrecognised Group's share of loss	**-**	(0.3)
Group's share of other comprehensive income	**7.7**	1.6
Reversal of previously unrecognised Group's share of other comprehensive income	**-**	(3.8)
As at 31 December	**17.6**	6.3

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

Other Investments

	€m
Cost as at 1 January 2018	**1.2**
Additions	**0.1**
Cost as at 31 December 2018	**1.3**
Carrying value as at 1 January 2018	**1.2**
Carrying value as at 31 December 2018	**1.3**

The Group invested in a 9.9% share in Twente Technology Fund (TTF). TTF is an innovative venture capital fund. The fund invests in promising young and starting high tech corporations in the Twente area in the Netherlands. In 2018 Urenco has invested €0.1 million in the fund which is held at cost.

	€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

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

	31/12/18 €m	31/12/17 €m
Restricted cash	**4.3**	7.6

Restricted cash primarily represents two items:

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

For the year ended 31 December 2018

19. Inventories

	31/12/18 €m	31/12/17 Restated €m
Raw materials	**82.7**	110.2
Work-in-progress	**49.4**	62.4
Finished goods	**2.9**	1.9
Finished goods held at fair value	**-**	39.0
	135.0	213.5

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 the lower of cost and net realisable value, except for finished goods held at fair value.

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

20. SWU assets

	31/12/18 €m	31/12/17 Restated €m
SWU assets	**241.9**	332.4

SWU assets are the costs incurred to date in enriching UF_6 to fulfil enrichment contracts with customers.

21. Trade and other receivables (current)

	31/12/18 €m	31/12/17 €m
Trade receivables	**166.3**	177.9
Trade receivables due from related parties (see note 33)	**0.2**	0.3
Other receivables	**30.5**	35.2
Prepayments	**21.8**	20.9
	218.8	234.3

The trade and other receivables disclosed above are all classified as loans and receivables and are therefore measured at amortised cost less a loss allowance for expected credit losses.

The average contractual credit period taken on sales of goods and services is 31 days (2017: 29 days). Trade receivables can carry interest in accordance with contract conditions. Trade receivables are stated at their invoiced value as payments are usually received within the contract terms. The average age of these trade receivables is 20 days (2017: 16 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 113.

At the year end two of the trade receivables totalling €0.1m were past their due date.

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

Trade receivables are stated net of a provision for Expected credit losses of €0.5 million, wholly relating to receivables arising from revenue contracts.

22. Cash and cash equivalents

	31/12/18 €m	31/12/17 €m
Cash and cash equivalents	**531.2**	59.1

Cash at bank earns or pays interest at floating rates based on the banks' current account rates. Cash and cash equivalents comprise cash at bank and in hand and on demand deposits, together with short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

For the year ended 31 December 2018

23. Share capital and reserves

	31/12/18 €m	31/12/17 €m
Authorised:		
240 million ordinary shares of £1 each		
'A' ordinary	**113.0**	113.0
'B' ordinary	**113.0**	113.0
'C' ordinary	**113.0**	113.0
	339.0	339.0
Issued and fully paid:		
168 million ordinary shares of £1 each		
'A' ordinary	**79.1**	79.1
'B' ordinary	**79.1**	79.1
'C' ordinary	**79.1**	79.1
	237.3	237.3

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

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

Additional paid in capital

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

Hedging reserve

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

Cost of hedging reserve

The cost of hedging reserve is used from 1 January 2018 following adoption of IFRS 9 to recognise currency basis spreads separately from financial instruments, to ensure both the hedged item and the hedging instrument are measured on the same basis.

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. Contract liabilities

Contract liabilities relate to the Group's obligations to transfer enrichment or storage services to a customer for which the Group has received consideration from the customer prior to transferring control of the underlying good or service.

	2018 €m	2017 €m
As at 1 January	**29.8**	40.1
Movement during the year	**83.2**	(8.9)
Exchange difference	**(0.8)**	(1.4)
As at 31 December	**112.2**	29.8
Included in current liabilities	**62.1**	1.6
Included in non-current liabilities	**50.1**	28.2
	112.2	29.8

The movement during the year was mainly due to customer payments made during 2018 in advance of deliveries which will be made during 2019 and 2020. The remaining balance at year end substantially relates to Contract liabilities for contracted storage services to be provided by Urenco Nuclear Stewardship Limited in future years for which the consideration was received in advance.

For the year ended 31 December 2018

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 €962.2 million (2017 restated: €600.1 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.

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

	External Credit Rating			Internal Credit Rating	
Credit Rating	**Number of Customers**	**% of value**	**Rating Agency**	**Number of Customers**	**% of value**
AAA	1	10	S&P		
A-	7	35	S&P		
BBB-				3	22
BB+				1	2
BB				1	16
B+				2	11
B				2	4
	8	45		9	55

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 2018

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 keep a proportion of its borrowings at fixed rates of interest. To manage this the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designated to hedge the underlying debt obligations. At 31 December 2018, after taking into account the effect of interest rate swaps, 100% of the Group's borrowings are at a fixed rate of interest (2017: 92%).

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 projected cash positions).

If market interest rates had been 100 basis points higher/(lower) at 31 December 2018, interest income would have been €1.6 million higher and €6.0 million lower (31 December 2017: €1.5 million higher/€ 0.8 million 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 69% (2017: 57%) of its revenues being denominated in US dollars, whilst currently only approximately 22% (2017: 24%) of its costs are US dollar based.

The Group also has transactional currency exposures as a result of approximately 37% (2017: 45%) 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 IFRS 9. Exchange rate fluctuations of the currencies on which these transactions are based affect the hedging reserve in shareholders' equity and the fair value of these hedging transactions. Any ineffectiveness or ineffective hedges affect the income statement. The potential sources of hedge ineffectiveness are considered to be the credit risk and cost of hedging such as currency basis and forward points.

The Group has removed all material sources of hedge ineffectiveness from its designated hedge relationships.

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25. Financial risk management objectives and policies continued

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

	Change in £ / US$ rate	Effect on income/(loss) before tax €m	Effect on equity €m	Change in € / US$ rate	Effect on income/(loss) before tax €m	Effect on equity €m
2018	**+10%**	**(2.1)**	**50.5**	**+10%**	**(0.8)**	**112.9**
	-10%	**2.5**	**(61.7)**	**-10%**	**1.0**	**(137.9)**
2017	+10%	29.0	62.5	+10%	-	97.2
	-10%	(35.5)	(76.4)	-10%	-	(118.8)

Liquidity risk

The Group plans its funding operations and monitors the risk of a shortage of funds on a monthly basis, using a forward planning model that considers the maturity of existing borrowings, projected capital expenditure and projected cash flows from operations.

The Group has €750 million (2017: €935 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 2018, nil % (2017: 13%) 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:

2018	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
Interest bearing loans and borrowings	**18.4**	**30.1**	**1,385.9**	**756.2**	**2,190.6**
Trade and other payables	**255.4**	**-**	**41.4**	**-**	**296.8**
Interest rate/cross currency swaps – net payment/(receipt)	**(3.2)**	**(14.4)**	**(5.1)**	**(80.9)**	**(103.6)**
Foreign exchange contracts – net payment/(receipt)	**1.1**	**0.6**	**(26.9)**	**2.4**	**(22.8)**
Other financial liabilities	**-**	**42.9**	**-**	**-**	**42.9**
	271.7	**59.2**	**1,395.3**	**677.7**	**2,403.9**

2017	Less than 3 months €m	3-12 months €m	1-5 years €m	>5 years €m	Total €m
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
	726.1	30.1	1,412.9	964.4	3,133.5

For the year ended 31 December 2018

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 as set out in the Group finance report. The Group targets a long term ratio of less than 60% for Net Debt to Total Assets, which the Group defines as Interest bearing loans and borrowings (current and non-current) less Cash and cash equivalents and Short term deposits divided by Total Assets.

	2018 €m	2017 €m
Net debt (see page 99)	**1,370.9**	2,104.7
Total assets	**6,575.6**	6,397.8
Net debt to total assets	**20.8%**	32.9%

	2018 €m	2017 €m
EBITDA	**1,200.4**	1,249.5
Less:		
Net interest on bank borrowings and other loans	**(80.4)**	(134.7)
Unwinding of discount on provisions	**(58.9)**	(55.5)
Current tax expenses	**(147.5)**	(75.2)
Plus:		
Operating lease depreciation	**3.1**	3.6
Pension normalisation	**(5.2)**	(2.8)
Funds from operations (FFO)	**911.5**	984.9
Interest bearing loans and borrowings	**1,902.1**	2,163.8
Cash and short term bank deposits	**(531.2)**	(59.1)
Operating lease adjustment	**48.6**	48.6
Pensions deficit	**46.0**	97.3
Deferred tax on pensions deficit	**(8.4)**	(18.2)
Tails and decommissioning provisions	**1,613.6**	1,366.5
Depreciation within tails provisions	**(317.3)**	(283.1)
Deferred tax on provisions	**(159.6)**	(144.5)
Deferred tax on depreciation within tails provisions	**65.6**	62.0
Total adjusted debt (TAD)	**2,659.4**	3,233.3
FFO/TAD	**34.3%**	30.5%

For the year ended 31 December 2018

26. Other financial assets and financial liabilities

Interest bearing loans and borrowings

At 31 December	Effective interest rate %	Maturity	2018 €m	2017 €m
Current				
€100 million European Investment Bank financing facility	4.439%	Mar 18	-	100.0
€360m Bilateral facilities	USLibor/Euribor + margin	Nov 18	-	175.0
			-	275.0
Non-current				
€750 million Eurobond	2.50%	Feb 21	**748.6**	747.9
€500 million Eurobond	2.25%	Aug 22	**497.4**	496.7
€500 million Eurobond	2.375%	Dec 24	**496.9**	496.4
Yen 20 billion Loan Agreement	6.24%	Apr 38	**159.2**	147.8
			1,902.1	1,888.8
			1,902.1	2,163.8

As at 31 December 2018, after taking into account the effect of interest rate swaps, 100% (2017: 92%) of the Group's borrowings are at a fixed rate of interest.

Amounts recognised in the income statement are interest expense of €51.4 million (2017: €97.6 million) and interest income of €2.0 million (2017: €0.4 million).

During 2017 the Group signed four new bilateral facilities of €90 million each with four banks. These expired during the year and therefore the drawings as at 31 December 2018 were €nil (2017: €175 million). There were no drawings under the €750 million revolving credit facility at the end of the year (2017: none), which was extended to June 2023.

On 17 January 2019 the Group announced that it had agreed to repurchase and cancel €215.6 million of the February 2021 Eurobonds for a price of 104.6% at an amount of €225.5 million. The transaction was completed on 22 January 2019 for a total amount of €230.5 million, which included €5.0 million of accrued interest of these Eurobonds. A nominal amount of €534.4 million will remain outstanding.

For the year ended 31 December 2018

26. Other financial assets and financial liabilities continued

Hedging activities and derivatives

Revenue related hedges

The Group maintains a rolling portfolio of forward foreign exchange contracts ('FFECs') designated as cash flow hedges against forecast revenues receipted in foreign currencies. This is in order to hedge contracts denominated in euros and US dollars to the underlying European enrichment entities' functional currencies, which are split between sterling and euro.

As at 31 December 2018, the net liability of the FFECs was €54.0 million (31 December 2017: liability of €24.2 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 designated from hedge relationships and, therefore, their gains and losses are recognised in the income statement. Also, a small number of FFECs were not formally designated in a hedge and are revalued through the income statement.

During the year, €44.9 million of hedging losses (2017: losses of €82.1 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 ('CCIRSs') to hedge its US dollar, euro and yen debt instruments into sterling as they are held by Urenco Limited, a sterling functional currency entity. The Group's portfolio of CCIRS 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 2018, the Group's portfolio of CCIRSs was held as an asset of €56.4 million (31 December 2017: asset of €101.8 million). The movement in the year of €45.4m is largely due to the early settlement in the year of certain CCIRSs that were in an asset position, and partially due to the weakening of euro against the US dollar.

Included in loans at 31 December 2018 were borrowings of €650.0 million (31 December 2017: €700.0 million), which have been designated as hedges of the net investment in the Group's European sites. Also, included in loans at 31 December 2018 were $nil (31 December 2017: $90.0 million) of borrowings in US dollars which have been designated as a net investment hedge. 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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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 2018 €m	**Fair value 2018 €m**	Book value 2017 €m	Fair value 2017 €m
Financial assets				
Loans and receivables				
Trade and other receivables	**218.8**	**218.8**	234.3	234.3
Derivative financial assets at fair value through profit or loss				
Forward foreign exchange contracts – hedged	**19.7**	**19.7**	92.8	92.8
Forward foreign exchange contracts – non-hedged	**-**	**-**	3.1	3.1
Cross currency interest rate swaps	**169.6**	**169.6**	193.9	193.9
Commodity contracts at fair value	**22.9**	**22.9**	16.9	16.9
Cash and cash equivalents	**531.2**	**531.2**	59.1	59.1
Total	**962.2**	**962.2**	600.1	600.1
Financial liabilities				
Financial liabilities measured at amortised cost				
Floating rate borrowings	**-**	**-**	175.0	175.0
Fixed rate borrowings	**1,902.1**	**1,962.3**	1,988.8	2,118.2
Trade and other payables	**296.8**	**296.8**	436.6	436.6
Derivative financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts – hedged	**73.7**	**73.7**	71.7	71.7
Forward foreign exchange contracts – non-hedged	**-**	**-**	-	-
Cross currency interest rate swaps	**113.2**	**113.2**	92.1	92.1
Commodity contracts at fair value	**5.0**	**5.0**	8.9	8.9
Total	**2,390.8**	**2,451.0**	2,773.1	2,902.5

Market values have been used to determine the fair value of the Group's listed Eurobond based on the published price and of derivative financial instruments, based on valuations calculated using Bloomberg forward foreign exchange and discount rates. The fair values of all other items have been calculated by discounting the future cash flows at prevailing interest rates.

The recognised financial instruments are not subject to an enforceable master netting arrangement or similar agreement. Hence the financial assets and financial liabilities reported in the table above are disclosed on a gross basis rather than being offset.

Fair value disclosures

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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.

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26. Other financial assets and financial liabilities continued

As at 31 December 2018, the Group's financial instruments, were measured at fair value using Level 2 hierarchy inputs:

	2018 €m	2017 €m
Financial assets at fair value		
Forward foreign exchange contracts – hedged	**19.7**	92.8
Forward foreign exchange contracts – non hedged	**-**	3.1
Cross currency interest rate swaps	**169.6**	193.9
Commodity contracts at fair value	**22.9**	16.9
Total assets measured at fair value	**212.2**	306.7
Financial liabilities at fair value		
Forward foreign exchange contracts – hedged	**(73.7)**	(71.7)
Forward foreign exchange contracts – non hedged	**-**	-
Cross currency interest rate swaps	**(113.2)**	(92.1)
Commodity contracts at fair value	**(5.0)**	(8.9)
Total liabilities measured at fair value	**(191.9)**	(172.7)
Net FFEC (liability)/asset	**(54.0)**	24.2
Net CCIRS asset	**56.4**	101.8
Net commodity assets at fair value	**17.9**	8.0
Total net asset	**20.3**	134.0

Total liabilities from financing activities

As at 31 December 2018, the Group held the following liabilities from financing activities, measured at book value:

	2017	Cash flows	Non-cash changes			2018
			Foreign exchange movement	Fair value changes	Transfers	
	€m	€m	€m	€m	€m	**€m**
Non-current borrowings	1,888.8	-	(2.0)	15.3	-	**1,902.1**
Current borrowings	275.0	(277.6)	1.1	1.5	-	**-**
Net liabilities/(assets) held to hedge borrowings	(101.8)	26.1	(0.2)	19.5	-	**(56.4)**
Total liabilities from financing activities	2,062.0	(251.5)	(1.1)	36.3	-	**1,845.7**

Net Debt

The Group had a total net debt of €1,370.9 million as at 31 December 2018 (31 December 2017: €2,104.7 million).

Debt is split between US dollar denominated debt of €nil (31 December 2017: €75.0 million), euro denominated debt of €1,742.9 million (31 December 2017: €1,941.0 million) and yen denominated debt of €159.2 million (31 December 2017: €147.8 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 €1,034.2 million (31 December 2017: €1,272.8 million) and euro denominated debt of €867.9 million (31 December 2017: €891.0 million).

The value of net debt has moved from €2,104.7 million to €1,370.9 million principally due to cash generated operationally during the year.

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

	2018 €m	2017 €m
Non-current interest bearing loans and borrowings	**1,902.1**	1,888.8
Current interest bearing loans and borrowings	**-**	275.0
Less: Short term deposits	**-**	-
Less: Cash and cash equivalents	**(531.2)**	(59.1)
Net debt	**1,370.9**	2,104.7

For the year ended 31 December 2018

26. Other financial assets and financial liabilities continued

Classification of assets and liabilities

2018	Cash and receivables €m	Derivatives €m	Non-financial assets €m	Total €m
Assets				
Property, plant and equipment	-	-	4,961.9	4,961.9
Investment property	-	-	6.1	6.1
Intangible assets	-	-	34.6	34.6
Investments	-	-	18.9	18.9
Financial assets	4.3	-	-	4.3
Derivative financial instruments	-	212.2	-	212.2
Deferred tax assets	-	-	166.1	166.1
Trade and other receivables	197.0	-	21.8	218.8
Income tax receivable	-	-	44.6	44.6
SWU assets	-	-	241.9	241.9
Inventories	-	-	135.0	135.0
Cash and cash equivalents	531.2	-	-	531.2
Total	732.5	212.2	5,630.9	6,575.6

2018	Loans and payables €m	Derivatives €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	296.8	-	-	-	296.8
Contract liabilities	-	-	112.2	-	112.2
Interest bearing loans and borrowings	1,902.1	-	-	-	1,902.1
Derivative financial instruments	-	191.9	-	-	191.9
Deferred tax liabilities	-	-	-	97.7	97.7
Provisions	-	-	-	1,776.5	1,776.5
Retirement benefit obligations	-	-	-	46.0	46.0
Income tax payable	-	-	-	32.6	32.6
Total	2,198.9	191.9	112.2	1,952.8	4,455.8

For the year ended 31 December 2018

26. Other financial assets and financial liabilities continued

Classification of assets and liabilities continued

2017	Cash and receivables €m	Derivatives used for hedging €m	Non-financial assets €m	Total €m
Assets				
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	-	-	213.5	213.5
SWU assets	-	-	332.4	332.4
Cash and cash equivalents	59.1	-	-	59.1
Total	280.1	306.7	5,811.0	6,397.8

2017	Loans and payables €m	Derivatives €m	Other financial liabilities €m	Non-financial liabilities €m	Total €m
Liabilities					
Trade and other payables	436.6	-	-	-	436.6
Contract liabilities	-	-	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
Total	2,600.4	172.7	29.8	1,770.6	4,573.5

For the year ended 31 December 2018

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 2018 €m	**Fair value liability 2018 €m**	Fair value asset 2017 €m	Fair value liability 2017 €m
Forward foreign exchanges				
Cash flow hedges				
Within 1 year	**5.9**	**(32.0)**	18.9	(45.1)
1 to 2 years	**5.7**	**(22.3)**	24.3	(17.7)
2 to 3 years	**5.2**	**(6.3)**	22.0	(7.4)
3 to 4 years	**1.1**	**(6.2)**	18.6	(1.5)
More than 4 years	**0.1**	**(6.9)**	9.0	-
	18.0	**(73.7)**	92.8	(71.7)
Net investment hedges				
Within 1 year	**0.1**	**-**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**-**	**-**	-	-
3 to 4 years	**-**	**-**	-	-
More than 4 years	**-**	**-**	-	-
	0.1	**-**	-	-
Fair value hedges				
Within 1 year	**1.6**	**-**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**-**	**-**	-	-
3 to 4 years	**-**	**-**	-	-
More than 4 years	**-**	**-**	-	-
	1.6	**-**	-	-
Not designated and charged to income				
Within 1 year	**-**	**-**	3.1	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**-**	**-**	-	-
3 to 4 years	**-**	**-**	-	-
	-	**-**	3.1	-
Cross currency interest rate swaps				
Cash flow hedges				
Within 1 year	**-**	**-**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**113.6**	**-**	-	-
3 to 4 years	**56.0**	**-**	126.1	-
More than 4 years	**-**	**-**	59.2	-
	169.6	**-**	185.3	-
Net investment hedges				
Within 1 year		**-**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**-**	**(71.1)**	-	-
3 to 4 years	**-**	**(40.8)**	8.6	(50.4)
More than 4 years	**-**	**-**	-	(29.6)
	-	**(111.9)**	8.6	(80.0)

For the year ended 31 December 2018

26. Other financial assets and financial liabilities continued

	Fair value asset 2018 €m	**Fair value liability 2018 €m**	Fair value asset 2017 €m	Fair value liability 2017 €m
Designated in part as cash flow hedges and in part as net investment hedges				
Within 1 year	**-**	**-**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**-**	**-**	-	-
3 to 4 years	**-**	**-**	-	-
More than 4 years	**-**	**(1.3)**	-	(12.1)
	-	**(1.3)**	-	(12.1)
Commodity contracts not designated and charged to income				
Within 1 year	**6.7**	**(1.8)**	-	(7.5)
1 to 2 years	**1.4**	**(0.5)**	-	-
2 to 3 years	**9.6**	**(1.9)**	1.5	(0.3)
3 to 4 years	**1.3**	**(0.4)**	2.8	(0.3)
More than 4 years	**3.9**	**(0.4)**	12.6	(0.8)
	22.9	**(5.0)**	16.9	(8.9)
Total	**212.2**	**(191.9)**	306.7	(172.7)
Of which – non-current	**197.9**	**(158.1)**	284.7	(120.1)
Of which – current	**14.3**	**(33.8)**	22.0	(52.6)

A total of €4.1 million (2017: Nil) was included within hedge reserves relating to hedges of financial instruments that settled during the year.

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26. Other financial assets and financial liabilities continued

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

	Average exchange rate 2018	**Nominal amount 2018 FC m**	Average exchange rate 2018	Nominal amount 2018 FC m
Forward foreign exchange contracts		**Buy/Sell**		Buy/Sell
Cash flow hedges				
USD/EUR		**USD**		USD
Within 1 year	**1.17**	**(382.5)**	1.21	(350.0)
1 to 2 years	**1.21**	**(404.0)**	1.17	(372.5)
2 to 3 years	**1.23**	**(206.7)**	1.20	(319.0)
3 to 4 years	**1.31**	**(120.0)**	1.21	(150.0)
More than 4 years	**1.33**	**(130.0)**	1.30	(135.0)
USD/GBP		**USD**		USD
Within 1 year	**1.52**	**(205.0)**	1.60	(221.0)
1 to 2 years	**1.41**	**(234.0)**	1.52	(205.0)
2 to 3 years	**1.35**	**(150.0)**	1.42	(204.0)
3 to 4 years	**1.36**	**(95.0)**	1.35	(150.0)
More than 4 years	**1.40**	**(55.0)**	1.37	(143.0)
EUR/GBP		**EUR**		EUR
Within 1 year	**0.90**	**(114.0)**	0.87	(152.0)
1 to 2 years	**0.90**	**(30.0)**	0.90	(114.0)
2 to 3 years	**0.93**	**(30.0)**	0.90	(30.0)
3 to 4 years	**0.95**	**(20.0)**	0.93	(30.0)
More than 4 years	**0.95**	**(69.0)**	0.95	(25.0)
Net investment hedges				
USD/GBP		**USD**		USD
Within 1 year	**1.28**	**(227.6)**	-	-
Net investment hedges				
EUR/GBP		**EUR**		EUR
Within 1 year	**0.89**	**200.0**	-	-
Cross currency interest rate swaps				
Cash flow hedges				
EUR/GBP		**EUR**		EUR
Within 1 year	**-**	**-**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**0.75**	**625.0**	-	-
3 to 4 years	**0.71**	**250.0**	0.75	750.0
More than 4 years	**-**	**-**	0.71	300.0
Net investment hedges				
USD/GBP		**USD**		USD
Within 1 year	**-**	**-**	-	-
1 to 2 years	**-**	**-**	-	-
2 to 3 years	**1.47**	**(687.1)**	-	-
3 to 4 years	**1.56**	**(276.5)**	1.48	(795.6)
More than 4 years	**-**	**-**	1.56	(331.8)
Designated in part as cash flow hedges and in part as net investment hedges				
JPY/USD		**JPY**		JPY
Within 1 year	**102.30**	**20,000.0**	102.3	20,000.0

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27. Provisions

	Tails €m	Decommissioning of plant and machinery €m	Other €m	Total €m
At 1 January 2018	**882.0**	**484.5**	**148.1**	**1,514.6**
Additional provision in the year	**144.7**	**125.8**	**146.9**	**417.4**
Unwinding of discount	**37.2**	**19.4**	**2.3**	**58.9**
Utilisation of provision	**(34.5)**	**(8.9)**	**(133.6)**	**(177.0)**
Release of provision	**(29.2)**	**(8.8)**	**(2.6)**	**(40.6)**
Transfers	**-**	**-**	**-**	**-**
Exchange difference	**1.5**	**(0.1)**	**1.8**	**3.2**
At 31 December 2018	**1,001.7**	**611.9**	**162.9**	**1,776.5**
Included in current liabilities				**7.5**
Included in non-current liabilities				**1,769.0**
				1,776.5

	Tails disposal €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[(i)(ii)]	(110.6)	(9.3)	(143.5)	(263.4)
Release of provision[(i)(ii)]	(86.5)	(3.6)	(4.8)	(94.9)
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

(i) The utilisation of the provision for tails disposal in 2017 has been restated from €111.8 million to €110.6 million due to a classification error with the release of tails provision, which has been restated from €85.3 million to €86.5 million, with no impact on net income or equity.

(ii) The utilisation of the provision for decommissioning of plant and machinery in 2017 has been restated from €9.0 million to €9.3 million due to a classification error with the release of the decommissioning provision, which has been restated from €3.9 million to €3.6 million, with no impact on net income or equity.

The Net costs of nuclear provisions of €174.1 million (2017: €120.5 million) recognised in the consolidated income statement are set out below:

	Tails disposal €m	Decommissioning of plant and machinery €m	Other Re-enrichment low assay feed €m	Total €m
Additional provision in the year	**144.7**	**65.9**	**119.4**	**330.0**
Release of provision	**(29.2)**	**(8.8)**	**-**	**(38.0)**
Utilisation of provision	**-**	**-**	**(117.9)**	**(117.9)**
Charged to income statement 2018	**115.5**	**57.1**	**1.5**	**174.1**

	Tails disposal €m	Decommissioning of plant and machinery €m	Other Re-enrichment low assay feed €m	Total €m
Additional provision in the year	199.2	18.4	117.4	335.0
Release of provision	(86.5)	(3.6)	-	(90.1)
Utilisation of provision	-	-	(124.4)	(124.4)
Charged to income statement 2017	112.7	14.8	(7.0)	120.5

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27. Provisions continued

Provision for tails 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 and include the depreciation of capital cost of the facility to perform these tasks.

The final amount of the provision is currently uncertain (as detailed in note 2 within the critical accounting judgements and key sources of estimation uncertainty) but is evaluated based upon the planned operational activity involved in successfully achieving safe disposal in accordance with regulatory requirements. The planned costs are based on historic experience, operational assumptions, internal cost forecasts and third party contract prices for the relevant parts of the disposal cycle. A key area of uncertainty remains the unit cost of deconversion in Europe which will remain uncertain until such time that the TMF project has been completed and the deconversion plant has been commissioned. A 10% increase in the forecast TMF deconversion price would increase tails provisions by €45.7 million and a 10% decrease in the forecast TMF deconversion price would decrease tails provisions by €46.9 million. The availability and cost of a repository suitable for the final disposal of depleted U_3O_8 is a key judgement and the level of uncertainty varies widely across the four countries in which Urenco operates. These costs are escalated where appropriate based on current expectations of inflation and discounted to provide a present value cost per unit, or tails rate, which is applied to the quantity of tails held at the statement of financial position date. Further description of the estimates and assumptions applied are given in note 2.

Management has considered the applicable inflation rate of 2% per annum (2017: 2% per annum) and the risk free discount rate of 4% per annum (2017: 4% per annum) and concluded they are unchanged from those applied at year end 2017. The real discount rate is 1.96% (2017: 1.96%).

During the year the tails provision increased by €144.7 million (2017: €199.2 million) due to tails generated in that period and an increase in the applied tails rate. This addition to the tails provision has been recognised as a cost in the income statement under net costs of nuclear provision movements. Expenditure incurred during the year for the safe deconversion, storage and disposal of tails of €34.5 million (2017: €110.6 million) have been utilised against the provision. A provision release of €29.2 million (2017: €86.5 million) was recorded reflecting the impact of a review of various key underlying assumptions, an optimisation of operations and the impact of the reduction in higher assay tails, associated with enrichment service contracts.

It is expected that €426.1 million of the tails provision will be used within the next 10 years, €391.4 million of the provision will be used within the next 10 to 30 years and €184.2 million will be used within the next 30 to 100 years.

The tails provisions held at 31 December 2018 comprised €684.4 million (2017: €598.9 million) of discounted future cash flows and €317.3 million (2017: €283.1 million) of discounted future depreciation of assets currently at cost held for the purpose of meeting tails liabilities.

The provision for tails disposal is dependent on certain assumptions and estimates, such as timing of disposal and the applicable discount rate. A 10% reduction of the discount rate (or a 20% increase in the inflation rate) would lead to an increase of the provision by €80.0 million, whilst a 10% increase in the discount rate (or a 20% decrease in the inflation rate) would lead to a decrease of the provision by €64.5 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. A key area of uncertainty remains the cost for disposal of waste streams arising from the decommissioning process. A 10% increase/decrease in either the volume or cost of waste to be disposed of would increase/decrease decommissioning provisions by €15.6 million. These costs are escalated based on current expectations of inflation and discounted to provide a present value cost based on the expected useful life of the asset in use and timing of subsequent decommissioning activity. Further description of the estimates and assumptions applied are given in note 2.

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27. Provisions continued

Management has considered the applicable inflation rate of 2% per annum (2017: 2% per annum) and the risk free discount rate of 4% per annum (2017: 4% per annum) and concluded they are unchanged from those applied at year end 2017. The real discount rate is 1.96% (2017: 1.96%).

During the year the decommissioning provision increased by €125.8 million (2017: €50.2 million) due to the installation of additional plant and machinery of €0.3 million (2017: €0.9 million), additional container purchases of €2.5 million (2017: €8.8 million) and €123.0 million due to revised assumptions surrounding the decommissioning of plant and machinery (2017: €40.5 million). Of the €123.0 million (2017: €40.5 million) resulting from revised assumptions, €65.9 million (2017: €18.4 million) has been expensed to the Income Statement and €57.1 million (2017: €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 (or a 20% increase in the inflation rate) would lead to an increase of the provision by €39.9 million, whilst a 10% increase in the discount rate (or a 20% decrease in the inflation rate) would lead to a decrease of the provision by €44.1 million.

Other provisions

These comprise provisions relating to the future re-enrichment of low assay feed, restructuring provisions and other personnel provisions, and a specific bad debt provision. 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 €119.4 million due to the creation of low assay feed and reduced by €117.9 million due to expenditure incurred on re-enrichment of low assay feed. Both the increase and reduction are reported within net nuclear provision movements.

The other provisions include an amount of €8.2 million (2017: €19.1 million) for restructuring costs, mainly relating to expected severance payments to be made, see also note 6. During the year €8.5 million of the restructuring provisions was utilised for severance payments and an amount of €2.3 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 €4.1 million will be paid within one year and the remainder of €4.1 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.

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28. Retirement benefit obligations

The Group operates pension schemes in the UK, Germany, the Netherlands and the USA. The Group has defined benefit schemes in the UK, Germany and the Netherlands and defined contribution schemes in the UK and the USA. The defined benefit schemes comprise both funded and unfunded schemes. No other post-retirement benefits are currently provided by the Group. ETC forms part of Urenco's defined benefit pension schemes. Assets and liabilities are allocated on a notional basis by employee to enable correct accounting across the subsidiaries.

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 2018 and subsequently rolled forward to 31 December 2018. Following the triennial valuation of the UK schemes in April 2018, a revised deficit repair plan was agreed with the UK trustees. The plan includes deficit repair payments of £6.6 million annually for five years, until 2022. Urenco closed the UK defined benefit section for further accrual from 5 April 2017 for most Group employees following consultations with employees and their representatives and the pension scheme Trustees. The financial impact of the changes to the UK defined benefit scheme in 2017 was a gain of €15.6 million, which was 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:	2018 %	2017 %
Discount rate	**1.8-2.9**	1.6-2.6
Expected rate of salary increases	**2.3-4.4**	2.3-4.4
Future pension increases	**1.1-3.4**	1.4-3.4

In addition to the key financial assumptions shown above, the Group reviews the demographic and mortality assumptions. Mortality assumptions reflect best practice in the countries in which the Group operates defined benefit schemes (the Netherlands, UK and Germany) and have regard to the latest available published tables, adjusted where appropriate, to reflect the experience of the Group and an extrapolation of past longevity improvements into the future. The tables used and key assumptions are as follows:

	Netherlands		UK		Germany	
Mortality assumptions:	**2018 years**	2017 years	**2018 years**	2017 years	**2018 years**	2017 years
Life expectancy at age 60 for a male currently aged 60	**26.4**	26.5	**29.1**	28.4	**24.6**	23.9
Life expectancy at age 60 for a female currently aged 60	**28.3**	28.7	**30.4**	31.2	**28.5**	28.4
Life expectancy at age 60 for a male currently aged 40	**28.8**	28.9	**31.1**	30.7	**27.6**	26.6
Life expectancy at age 60 for a female currently aged 40	**30.6**	31.2	**32.4**	33.3	**30.8**	31.0

Mortality tables:	Netherlands	UK	Germany
2018	**AG Prognosetafel 2018 with WTW fund specific mortality experience 2016**	**S2PA YOB tables with appropriate age weightings using CMI 2017 projections 1.75% minimum improvements p.a.**	**Heubeck table 2018 G**
2017	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.

For the year ended 31 December 2018

28. Retirement benefit obligations continued

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 2018 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 2018	**28.5**
	Effect of decrease in discount rate by -0.25% at 31 December 2018	**(19.7)**
Inflation rate	Effect of increase in inflation rate by +0.25% at 31 December 2018	**(18.1)**
	Effect of decrease in inflation rate by -0.25% at 31 December 2018	**16.7**

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

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Current service cost	**(8.0)**	(8.5)
Pension gain due to closure UK defined benefit pension scheme	**-**	15.6
Administrative expense paid from scheme assets	**(0.5)**	(0.5)
Net interest expense on defined benefit pension scheme	**(2.2)**	(3.3)
Past service cost	**(5.5)**	(2.9)
	(16.2)	(0.4)

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 €7.3 million (2017: €8.4 million).

The actual return on scheme assets was a loss of €6.6 million (2017: gain of €49.2 million).

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

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Actuarial gains	**51.1**	26.0
Exchange difference	**0.1**	3.9
	51.2	29.9

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			2018 €m			2017 €m
	Total	**Funded schemes**	**Unfunded schemes**	Total	Funded schemes	Unfunded schemes
At 1 January	**(740.1)**	**(711.8)**	**(28.3)**	(752.7)	(725.1)	(27.6)
Current service cost	**(8.0)**	**(7.3)**	**(0.7)**	(8.5)	(7.8)	(0.7)
Past service cost	**(5.5)**	**(5.5)**	**-**	(2.9)	(2.9)	-
Interest cost	**(17.1)**	**(16.7)**	**(0.4)**	(17.4)	(16.9)	(0.5)
Actuarial gains/(losses)	**72.6**	**72.0**	**0.6**	(9.1)	(8.6)	(0.5)
Benefits paid to members	**23.1**	**22.1**	**1.0**	23.1	22.1	1.0
Contributions by members	**(1.0)**	**(1.0)**	**-**	(1.0)	(1.0)	-
UK pension curtailments	**-**	**-**	**-**	9.3	9.3	-
Settlements	**-**	**-**	**-**	-	-	-
Transfers	**-**	**-**	**-**	-	-	-
Foreign exchange	**4.0**	**4.0**	**-**	19.1	19.1	-
At 31 December	**(672.0)**	**(644.2)**	**(27.8)**	(740.1)	(711.8)	(28.3)

For the year ended 31 December 2018

28. Retirement benefit obligations continued

Movements in the fair value of plan assets	2018 €m	2017 €m
At 1 January	**642.8**	609.9
Interest income	**14.9**	14.1
Actuarial (losses)/gains	**(21.5)**	35.1
Contributions by employer	**15.5**	14.1
Contributions by members	**1.0**	1.1
Benefits paid to members	**(22.1)**	(22.1)
UK pension curtailments	**-**	6.3
Administrative expenses paid from scheme assets	**(0.5)**	(0.5)
Foreign exchange	**(4.1)**	(15.2)
At 31 December	**626.0**	642.8

	2018 €m	2017 €m
Present value of defined benefit obligation	**(672.0)**	(740.1)
Fair value of plan assets	**626.0**	642.8
Recognised (liability) at 31 December	**(46.0)**	(97.3)

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

	Fair value of assets	
	2018 €m	2017 €m
Equity instruments	**245.8**	293.3
Debt instruments	**368.9**	283.2
Other assets	**11.3**	66.3
	626.0	642.8

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 amount of contributions expected to be paid to the schemes during the current financial year (2019) is €13.8 million.

For the year ended 31 December 2018

29. Trade and other payables

Current

	31/12/18 €m	31/12/17 €m
Trade payables	**55.6**	60.5
Other payables	**36.7**	107.1
Accruals	**109.5**	208.5
Amounts due to joint venture	**53.6**	60.5
	255.4	436.6

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 27 days (2017: 25 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

	31/12/18 €m	31/12/17 €m
Other payables	**41.4**	-

Non-current other payables comprised SWU inventory borrowed from third parties for the purpose of optimising Urenco's production flexibility. The SWU borrowings as at 31 December 2018 are expected to be returned in 2020.

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 93 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018 €m	2017 €m
Within one year	**2.6**	3.0
In the second to fifth years inclusive	**6.4**	7.4
After five years	**80.3**	82.2
	89.3	92.6

	2018 €m	2017 €m
Minimum lease payments under operating leases recognised as an expense for the year	**2.8**	3.3

The Group does act as a lessor for the rent of investment property, see note 14 for details.

For the year ended 31 December 2018

31. Contingent liabilities

There are no material contingent liabilities as at 31 December 2018 (2017: nil).

32. Events after the statement of financial position date

In January 2019 we announced a tender offer which resulted in a repurchase of €215.6 million of our €750.0 million bond due in February 2021, which is reported under non-current liabilities as at 31 December 2018. The total amount paid in January 2019 to the bond holders was €230.5 million, which included accrued interest of €5.0 million and at the purchase price of 104.6%, a premium of €9.9 million.

As of 14 March 2019, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2018 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 31/12/18 €m	Year ended 31/12/17 €m	**Year ended 31/12/18 €m**	Year ended 31/12/17 €m	**31/12/18 €m**	31/12/17 €m	**31/12/18 €m**	31/12/17 €m
BEIS	**52.7**	56.1	**1.8**	0.8	**4.6**	6.9	**-**	-
E.ON	**-**	58.8	**-**	-	**-**	7.6	**-**	-
RWE	**-**	9.9	**15.7**	18.5	**-**	-	**1.3**	-
ETC[i]	**-**	-	**80.6**	91.5	**0.2**	-	**53.6**	60.2

[i] These amounts are 100% of the sales/purchases and amounts due to Enrichment Technology Company Limited.

For the year ended 31 December 2018

33. Related party transactions continued

The Department for Business, Energy & Industrial Strategy (BEIS), E.ON SE (E.ON) and RWE AG (RWE) are all related parties of the Group because of their indirect shareholdings in Urenco Limited. The amounts reported under BEIS include transactions with the NDA. Enrichment Technology Company Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of assets, goods and services from them were made under the Group's normal trading terms.

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

The Enrichment Technology Company Limited pension scheme is administered as part of the Urenco pension scheme. Included in Urenco's share of results of Joint Venture and Investments is 50% of the Enrichment Technology Company Limited Income Statement charges and liabilities arising from retirement benefit obligations. Included in the amounts recognised in the share of results of joint venture in respect of the defined benefit schemes is a charge of €2.6 million relating to the Joint Venture (2017: €0.3 million). Included in the share of net assets of the Joint Venture as a recognised liability is €20.1 million relating to the Joint Venture (2017: €27.9 million).

During the year, Group companies contributed €21.0 million (2017: €20.3 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 31/12/18 €m	Year ended 31/12/17 €m
Short term employee benefits	**3.1**	3.4
Post employment defined contribution scheme benefits	**-**	-
	3.1	3.4

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for their services as a Director, as detailed in the Remuneration report on page 40.

Registered number
01022786

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For the year ended 31 December 2018

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Directors' Responsibilities Statement

In respect of the Parent Company financial statements

Statement of Directors’ responsibilities in respect of the accounts

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

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

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

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

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

By order of the Board.

Sarah Newby
Company Secretary
14 March 2019

Financial statements

Company Statement of Financial Position

As at 31 December 2018

	Notes	**2018 €m**	2017 €m
Non-current assets			
Property, plant and equipment	5	**7.1**	3.8
Intangible assets	6	**5.0**	8.1
Investments in subsidiaries and associate	7	**294.9**	2,540.4
Amounts due from Group undertakings	8	**3,373.6**	-
Deferred tax asset	3	**3.5**	0.9
Derivative financial instruments	12	**224.1**	294.4
		3,908.2	2,847.6
Current assets			
Amounts due from Group undertakings	8	**287.2**	1,265.8
Trade and other receivables	8	**179.4**	151.8
Derivative financial instruments	12	**39.6**	67.1
Cash and cash equivalents		**526.3**	56.0
		1,032.5	1,540.7
Total assets		**4,940.7**	4,388.3
Current liabilities			
Interest bearing loans and borrowings	9	**-**	(275.0)
Amounts due to Group undertakings	10	**(1,375.9)**	(1,026.7)
Trade and other payables	11	**(135.6)**	(93.2)
Derivative financial instruments	12	**(37.9)**	(64.0)
		(1,549.4)	(1,458.9)
Non-current liabilities			
Interest bearing loans and borrowings	9	**(159.2)**	(147.8)
Amounts due to Group undertakings	10	**(1,798.2)**	(1,272.6)
Derivative financial instruments	12	**(167.0)**	(192.8)
Other payables		**(4.3)**	(2.5)
Retirement benefit obligations	13	**(0.2)**	(10.2)
		(2,128.9)	(1,625.9)
Total liabilities		**(3,678.3)**	(3,084.8)
Net assets		**1,262.4**	1,303.5
Equity			
Share capital	14	**237.3**	237.3
Retained earnings	15	**1,011.5**	1,064.0
Hedging reserve	15	**13.6**	2.2
Total equity		**1,262.4**	1,303.5

Registered Number 01022786

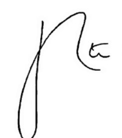
The net income for the financial year of the Parent Company amounts to €451.3 million (2017: €425.9 million).

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2019.

They were signed on its behalf by:

Dr Thomas Haeberle
Chief Executive Officer

Ralf ter Haar
Chief Financial Officer



Company Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital €m	**Retained earnings €m**	**Hedging reserve €m**	**Attributable to the owners of the Company €m**
As at 31 December 2017	**237.3**	**1,064.0**	**2.2**	**1,303.5**
Transition adjustments on adoption of IFRS 9	**-**	**(2.0)**	**-**	**(2.0)**
As at 1 January 2018	**237.3**	**1,062.0**	**2.2**	**1,301.5**
Income for the period	**-**	**451.3**	**-**	**451.3**
Other comprehensive income (note 15)	**-**	**(201.8)**	**11.4**	**(190.4)**
Total comprehensive income	**-**	**249.5**	**11.4**	**260.9**
Equity dividends paid (note 4)	**-**	**(300.0)**	**-**	**(300.0)**
As at 31 December 2018	**237.3**	**1,011.5**	**13.6**	**1,262.4**

	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 (note 4)	-	(300.0)	-	(300.0)
As at 31 December 2017	237.3	1,064.0	2.2	1,303.5

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Notes to the Company Financial Statements

For the year ended 31 December 2018

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'. Urenco Limited is the ultimate parent of the Group.

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.

Adoption of new and revised accounting standards

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

The accounting policies adopted in the preparation of the Company's annual financial statements for the year ended 31 December 2018 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except as follows:

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. The impact of their adoption on the disclosures or on the amounts reported in these financial statements is assessed below.

International Accounting Standards (IFRS/IAS)	IASB Effective Date – periods commencing on or after	EU-endorsed effective Date – periods commencing on or after
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	1 January 2018	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	1 January 2018	1 January 2018
IFRS 9 Financial Instruments (issued on 24 July 2014)	1 January 2018	1 January 2018
IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015)	1 January 2018	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	1 January 2018	1 January 2018
Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016)	1 January 2018	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	1 January 2018	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)	1 January 2018	1 January 2018

For the year ended 31 December 2018

1. Significant accounting policies continued

Assessment of impact

The Directors have reviewed the changes to accounting standards as listed in the table above and have assessed that with the exception of the adoption of IFRS 9, these changes have not had any impact on the financial statements of the Company.

IFRS 9 Financial Instruments

The Company has applied IFRS 9 from 1 January 2018 and has elected not to restate 2017 comparatives on initial application of IFRS 9. Any resulting changes from initial adoption have been made on 1 January 2018 by adjusting the opening balance at 1 January 2018 of the impacted items, with the net cumulative impact recognised in retained earnings. 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 Company undertook 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 Company following the adoption of IFRS 9 were 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 classification and measurement basis for its existing financial assets and liabilities is unchanged under IFRS 9 at amortised cost.
- Impairment: The introduction of an 'expected credit loss model' for the assessment of impairment for financial assets held at amortised cost has had an immaterial impact on the Company's statement of financial position and 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 adoption was to recognise a net impairment loss of €2.0 million on the Company's financial assets (principally loans receivable) with an equivalent adjustment to the opening balance of retained earnings.

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 2018 was £0.89 to €1 (2017: £0.87 to €1) and the year-end rate was £0.90 to €1 (2017: £0.89 to €1).

For the year ended 31 December 2018

1. Significant accounting policies continued

Property, plant, equipment and depreciation

Property, plant and equipment are included at cost less depreciation. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Freehold buildings	12–40 years
Plant and machinery	2–20 years
Office fixtures and fittings	12 years
Computer equipment	3–5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible fixed assets

Software and development costs associated with the Group's implementation of its ERP system (SAP 6.0) have been capitalised within computer equipment. Depreciation of these capitalised project costs takes place on a straight-line basis, based on a useful economic life of five years, with no residual value.

Investments

Investments in subsidiary undertakings are held at cost, 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 12.

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 2018

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. Management has assessed that there are no further critical accounting judgements requiring disclosure in the financial statements.

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 13.

2. Employee benefits expense

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

	2018 Number	2017 Number
Technical	**32**	39
Administration	**105**	109
	137	148

Their aggregate remuneration comprised:

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Wages and salaries	**22.2**	25.2
Social security costs	**2.2**	2.3
Pension costs	**1.2**	0.4
	25.6	27.9

For the year ended 31 December 2018

2. Employee benefits expense continued

Directors' emoluments (see see page 40):

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Emoluments	3.1	3.4
Amounts receivable under long term incentive scheme	2.3	0.6
	Number	Number
Members of defined contribution schemes	2	1

In respect of the highest paid Director:

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Emoluments including pension	3.5	1.7
Accrued pension at the end of the year	-	-

3. Taxation

Deferred tax

Deferred tax balances recognised at 31 December are as follows:	2018 €m	2017 €m
Relating to property, plant and equipment and intangible assets	(0.3)	(0.3)
Relating to tax losses	1.7	-
Relating to short term temporary differences	1.1	3.8
Relating to fair value movements on financial instruments	0.8	(4.6)
Retirement benefit obligations	0.2	2.0
Total deferred tax asset	3.5	0.9

The deferred tax credit recognised in the income statement was €5.8 million (2017: tax credit €1.7m).

4. Dividends paid and proposed

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2017 of 178.57 cents per share (2016: 178.57 cents per share)	300.0	300.0
	300.0	300.0
Proposed for approval at the Annual General Meeting		
Proposed final dividend for the year ended 31 December 2018 of 178.57 cents per share (2017: 178.57 cents per share)	300.0	300.0

The 2018 final dividend of €300 million is subject to approval by shareholders at the Annual General Meeting on 14th March 2019 and has not been included as a liability in these financial statements.

For the year ended 31 December 2018

5. Property, plant and equipment

	Fixtures and fittings €m
Cost as at 1 January 2018	8.3
Additions	4.4
Exchange adjustments	(0.2)
Cost as at 31 December 2018	12.5
Depreciation as at 1 January 2018	4.5
Charge for the year	0.8
Exchange adjustments	0.1
Depreciation as at 31 December 2018	5.4
Net book value as at 1 January 2018	3.8
Net book value as at 31 December 2018	7.1

All property, plant and equipment are carried at historical cost less accumulated depreciation. The category of fixtures and fittings comprises office fixtures and fittings and computer equipment.

6. Intangible assets

	Software assets €m
Cost as at 1 January 2018	14.9
Exchange adjustments	(0.1)
Cost as at 31 December 2018	14.8
Amortisation as at 1 January 2018	6.8
Charge for the year	3.1
Exchange adjustments	(0.1)
Amortisation as at 31 December 2018	9.8
Net book value as at 1 January 2018	8.1
Net book value as at 31 December 2018	5.0

7. Investments in subsidiaries and associate

	Shares in subsidiary and associated undertakings €m
Cost as at 1 January 2018	3,291.1
Disposal of Urenco USA Inc.	(2,763.3)
Cost as at 31 December 2018	527.8
Impairment as at 1 January 2018	(750.7)
Disposal of Urenco USA Inc.	517.8
Impairment as at 31 December 2018	(232.9)
Carrying amount as at 1 January 2018	2,540.4
Carrying amount as at 31 December 2018	294.9

During the year, the Company disposed of 100% of its investment in Urenco USA Inc. to its wholly owned subsidiary company Urenco USA Holdings Limited as part of a Group restructuring. The Company disposed of the investment for consideration in the form of an intercompany receivable from Urenco USA Holdings Limited with a value equal to the net book value, resulting in neither gain nor loss on disposal.

For the year ended 31 December 2018

7. Investments in subsidiaries and associate continued

Details of the Company's subsidiaries and associate at 31 December 2018 are as follows: :

	Nature of business	Registered office	Note	Proportion of ownership interest and voting power held %
Name of subsidiary				
Urenco Enrichment Company Limited	Holding / central services	(1)		100
Urenco UK Limited	Enrichment services	(2)	(i)	100
Urenco ChemPlants Limited	Deconversion	(2)		100
Urenco Deutschland GmbH	Enrichment services	(3)	(i)	100
Urenco Nederland B.V.	Enrichment services	(4)	(i)	100
Urenco Deelnemingen B.V.	Holding	(4)	(i)	100
Urenco Finance NV	Financing	(4)		100
Urenco USA Holdings Limited	Holding	(1)		100
Urenco USA Inc.	Holding	(5)	(i)	100
Urenco Inc.	Sales/marketing	(6)	(i)	100
Urenco Finance UK Limited	Dormant	(1)	(i)	100
Urenco Finance US LLC	Dormant	(7)	(i)	100
Louisiana Energy Services, LLC	Enrichment services	(7)	(i)	100
Urenco Nuclear Stewardship Limited	Uranium handling services	(2)		100
Urenco USA Energy Services LLC	Dormant	(5)	(i)	100
U-Battery Limited	Holding	(1)		100
U-Battery Developments Limited	New technology	(1)	(i)	100
U-Battery Canada Limited	Dormant	(9)	(i)	100
Urenco UK Pension Trustee Company Limited	Dormant	(2)	(i)	100
Urenco Logistics GmbH	Dormant	(3)	(i)	100
National Enrichment Facility Series 2004 LLC	Financing	(7)	(i)	100
Name of associate				
Enrichment Technology Company Limited	Manufacturing	(8)	(ii)	50

Address of registered office of subsidiary or associated companies:-

(1) Urenco Court, Sefton Park, Bells Hill, Stoke Poges, Buckinghamshire, SL2 4JS, England
(2) Capenhurst Works, Capenhurst, Chester, Cheshire, CH1 6ER, England
(3) Rontgenstrasse 4, 48599 Gronau, Germany
(4) Drienemansweg 1, 7601 PZ Almelo, the Netherlands
(5) 275 Highway 176, Eunice, New Mexico, 88231, USA
(6) 1560 Wilson Boulevard, Suite 300, Arlington, Virginia, 22209-2463, USA
(7) 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA
(8) Unit 6, South Capenhurst Technology Park, Capenhurst, Chester, CH1 6EH, England
(9) 250 Howe Street, Suite 1400, Vancouver, British Columbia, V6C 3S7

Detail of direct and indirect holdings:-

[i] Denotes companies/partnership whose shares are indirectly held by Urenco Limited.
[ii] 21.7% is held directly by Urenco Limited, with the remaining 28.3% held by Urenco Deutschland GmbH.

For the year ended 31 December 2018

8. Trade and other receivables

	31/12/18 €m	31/12/17 €m
Amounts due from Group undertakings (<12 months)	287.2	1,265.8
Amounts due from Group undertakings (>12 months)	3,373.6	-
Other receivables	1.8	1.0
Corporation tax receivable	112.1	145.1
Prepayments and accrued income	65.5	5.7
	3,840.2	1,417.6

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 0.72% (2017: 0.59%). The intercompany receivables are not secured on the Company's assets and are payable on demand. A non-current receivable from Group undertakings of €2.2 billion was recognised in respect of the Group restructuring described in note 7.

Prepayments and accrued income includes interest accrued on intercompany receivables of €nil (2017: €nil).

9. Interest bearing loans and borrowings

		31/12/18 €m	31/12/17 €m
Bank and other loans repayable:			
Current:			
€360 million Bilateral facility	Floating	-	175.0
€100 million European Investment Bank financing facility	4.439%	-	100.0
Total current		-	275.0
Greater than 5 years:			
Yen 20 billion Loan Agreement	6.24%	159.2	147.8
Total non-current		159.2	147.8

During the year, the Company repaid the remaining outstanding balances on the €360 million and €100 million facilities.

10. Amounts due to Group undertakings

	31/12/18 €m	31/12/17 €m
Current liabilities	1,375.9	1,026.7
Non-current liabilities	1,798.2	1,272.6
	3,174.1	2,299.3

Intercompany current accounts included in amounts due to Group undertakings are subject to interest. The average annual rate prevailing in the year was 0.72% (2017: 0.59%). The intercompany payable is not secured on the Company's assets and is payable on demand.

11. Trade and other payables

	31/12/18 €m	31/12/17 €m
Accruals	35.3	38.1
Trade payables	4.3	2.2
Amounts due to related parties	46.2	52.5
Contract liabilities	49.4	-
Other taxes and social security costs	0.4	0.4
	135.6	93.2

Accruals includes interest accrued on intercompany payables of €22.0 million (2017: €22.0 million).

For the year ended 31 December 2018

12. Derivative financial instruments

Categories of financial instruments at fair value

	Amounts due within one year		Amounts due after more than one year	
	31/12/18 €m	31/12/17 €m	**31/12/18 €m**	31/12/17 €m
Financial assets at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	**32.0**	45.1	**42.5**	26.6
Interest rate/cross currency contracts	**-**	-	**169.4**	193.9
Forward foreign exchange contracts	**7.6**	22.0	**12.2**	73.9
Total assets measured at fair value	**39.6**	67.1	**224.1**	294.4
Financial liabilities at fair value through profit and loss				
Intercompany balances – embedded forward foreign exchange contracts	**(5.9)**	(18.9)	**(12.2)**	(74.1)
Interest rate/cross currency contracts	**-**	-	**(113.1)**	(92.1)
Forward foreign exchange contracts	**(32.0)**	(45.1)	**(41.7)**	(26.6)
Total liabilities measured at fair value	**(37.9)**	(64.0)	**(167.0)**	(192.8)

The Company is subject to currency exposures arising from transactions made by other members of the Urenco Group, in US dollar and euro. The functional currency of the Company is sterling.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts on behalf of the Group. The Company hedges the net cash flows of its European business, by selling US dollar customer revenues, buying forward sterling required to meet the costs of the UK operations and selling the remaining US dollars to buy euros. The Company reduces the impact of changes in foreign exchange rates by using a progressive rolling programme of buying and selling currencies over a period of up to 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 IAS19R disclosures has been based on the most recent actuarial valuation and updated by the actuaries during 2018 to take account of the requirements of IAS19R in order to assess the liabilities of the scheme at 31 December 2018. Scheme assets are stated at their market values at the reporting dates.

Main assumptions:

Key financial assumptions	**2018**	2017
Discount rate	**2.9%**	2.6%
Salary increases	**4.4%**	4.4%
Pension increases	**3.4%**	3.4%
Price inflation	**3.4%**	3.4%

Mortality assumptions	**2018**	2017
Life expectancy at age 60 for a male currently aged 60	**29.1**	28.4
Life expectancy at age 60 for a female currently aged 60	**30.4**	31.2
Life expectancy at age 60 for a male currently aged 40	**31.1**	30.7
Life expectancy at age 60 for a female currently aged 40	**32.4**	33.3

For the year ended 31 December 2018

13. Retirement benefit obligations continued

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

	Market value 2018 €m	Market value 2017 €m
Equities	**23.7**	28.6
Bonds	**31.0**	29.1
Total market value of scheme assets	**54.7**	57.7
Present value of scheme liabilities	**(54.9)**	(67.9)
Pension liability	**(0.2)**	(10.2)

Movement in present value of benefit obligation	2018 €m	2017 €m
At 1 January	**(67.9)**	(64.4)
Current service costs	**-**	(0.1)
Past service costs	**-**	-
Interest cost	**(1.7)**	(1.7)
Actuarial gains/(losses)	**12.4**	(0.4)
Benefits paid to members	**1.7**	1.1
Contribution by members	**-**	0.1
Curtailments	**-**	(5.2)
Exchange difference	**0.6**	2.7
At 31 December	**(54.9)**	(67.9)

Movements in the fair value of plan assets	2018 €m	2017 €m
At 1 January	**57.7**	48.8
Interest income	**1.5**	1.3
Actuarial (losses)/gains	**(2.7)**	3.8
Contribution by employer	**0.4**	0.9
Contribution by members	**-**	-
Benefits paid to members	**(1.7)**	(1.1)
Curtailments	**-**	6.3
Exchange difference	**(0.5)**	(2.3)
At 31 December	**54.7**	57.7

Components of pension cost	2018 €m	2017 €m
Current service cost	**-**	(0.1)
Pension gain due to closure of defined benefit scheme	**-**	1.2
Interest on pension scheme liabilities	**(1.7)**	(1.7)
Interest on scheme assets	**1.5**	1.3
Total pension cost recognised in income statement	**(0.2)**	0.7
Actuarial gains	**9.7**	3.4
Total pension movement recognised in the Statement of Comprehensive Income	**9.7**	3.4

	2018 €m	2017 €m
Present value of defined benefit obligation	**(54.9)**	(67.9)
Fair value of plan assets	**54.7**	57.7
Recognised liability at 31 December	**(0.2)**	(10.2)

For the year ended 31 December 2018

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 2018 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 2018 €m
Discount rate	
Effect of increase in discount rate by +0.25% at 31 December 2018	**2.5**
Effect of decrease in discount rate by -0.25% at 31 December 2018	**(2.7)**
Inflation rate	
Effect of increase in inflation rate by +0.25% at 31 December 2018	**(2.5)**
Effect of decrease in inflation rate by -0.25% at 31 December 2018	**2.3**

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 2019 are expected to be €0.4 million (2018 actual contributions: €0.4m) reflecting that the scheme was closed to further accruals from 5 April 2017.

A triennial valuation for the pension scheme was completed as at 5 April 2018 and has been updated to 31 December 2018 by a qualified actuary. Urenco closed the UK defined benefit section for further accrual from April 2017 having conducted consultations with employees and their representatives and the pension scheme Trustees. 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 €0.8 million (2017: €1.2 million) has been fully expensed against profits in the current year.

14. Called up share capital

	31/12/18 €m	31/12/17 €m
Authorised		
Ordinary share capital, 240 million ordinary shares of £1 each:		
‘A’ Ordinary Shares	**113.0**	113.0
‘B’ Ordinary Shares	**113.0**	113.0
‘C’ Ordinary Shares	**113.0**	113.0
	339.0	339.0
Issued		
Allotted, called up and fully paid, 168 million ordinary shares of £1 each:		
‘A’ ordinary shares	**79.1**	79.1
‘B’ ordinary shares	**79.1**	79.1
‘C’ ordinary shares	**79.1**	79.1
	237.3	237.3

The ‘A’, ‘B’ and ‘C’ ordinary shares have identical rights.

For the year ended 31 December 2018

15. Retained earnings

	€m
At 1 January 2017	841.0
Net profit for the year 2017	425.9
Dividends paid	(300.0)
Actuarial gains on retirement benefit obligation	3.4
Deferred tax on actuarial gains	(0.6)
Foreign exchange translation differences	94.3
At 31 December 2017	**1,064.0**
Transition adjustments on adoption of IFRS 9	**(2.0)**
At 1 January 2018	**1,062.0**
Net profit for the year 2018	**451.3**
Dividends paid	**(300.0)**
Actuarial gains on retirement benefit obligation	**9.7**
Deferred tax on actuarial gains	**(1.8)**
Foreign exchange translation differences	**(209.7)**
At 31 December 2018	**1,011.5**

The €11.4 million gain in the Hedging reserve (2017: €2.5 million loss) relates to fair value movements recognised on debt instruments that are designated in a hedge relationship.

As at 31 December 2018, the Company had distributable reserves available of €956.3 million (2017: €820.3 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:

	31/12/18 €m	31/12/17 €m
Within 1 year	**0.9**	0.9
In the 2nd to 5th years inclusive	**1.8**	1.8
After 5 years	**-**	-
	2.7	2.7

For the year ended 31 December 2018

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 31/12/18 €m	Year ended 31/12/17 €m
ETC[i]	**0.8**	1.0

[i] These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

	Amounts owed to related parties	
	Year ended 31/12/18 €m	Year ended 31/12/17 €m
ETC[i]	**46.2**	52.5

[i] These amounts are 100% of the sales/purchases and amounts due from/to the Enrichment Technology Company Limited.

The Company has taken advantage of the exemption in FRS 101 not to disclose transactions between wholly owned subsidiaries of the Group.

Enrichment Technology Company Limited is a related party due to the Group's 50% shareholding in the joint venture. Sales of goods and services to related parties and purchases of assets, goods and services from them were made under the Group's normal trading terms.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Amounts owed by related parties are stated at amortised cost less provision for expected credit losses.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Remuneration report on page 40.

	Year ended 31/12/18 €m	Year ended 31/12/17 €m
Short term employee benefits	**3.1**	3.4
Post employment benefits	**-**	-
	3.1	3.4

Directors' transactions

No Director has ever had a loan from the Company or any other transaction with the Company other than remuneration for their services as a Director, as detailed in the Remuneration report on page 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 €505 million (2017 restated: €376 million). The Directors do not expect any liability to arise under these guarantees.

19. Events after the reporting period

As of 14 March 2019, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the 2018 financial statements.

Glossary

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 net costs of nuclear provisions.

Enrichment Group

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

ETC

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

Euratom

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

EUP

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

Feed

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

FFO/TAD

FFO/TAD is the ratio of funds from operations (FFO) to total adjusted debt (TAD). FFO is defined as EBITDA adjusted for interest costs, current tax expenses and 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 costs of nuclear provisions

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

Net debt

Loans and borrowings (current and non-current) plus obligations under 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 that holds 50% of the shares in ETC.

Order book

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

Other operating and administrative expenses

Expenses comprising Changes to inventories, Raw materials and consumables, Employee costs, Restructuring charges and Other expenses, but excluding the Net costs of nuclear provisions and any associated elements of depreciation.

Glossary continued

Parent Company
Urenco Limited.

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

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

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

Tails Management Facility (TMF)
The facility constructed and operated by Urenco ChemPlants Limited that will manage the deconversion of tails to stable uranium oxide (U_3O_8). Currently 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:

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